

REPORT

FIRST QUARTER 2006



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Main figures¹

Operating revenues for the first quarter amounted to USD 12.9 million (USD 0.0 million).

Operating profit was USD –6.0 million (USD –1.5 million).

A provision has been made for costs related to share based incentive plans amounted to USD 1.2 million (USD 0.4 million). The activity level has increased during the quarter as a consequence of project related activities and operations preparations. Compared to the corresponding period in 2005, the number of employees has increased from 22 to 84.

Net profit was USD –4.3 million (USD –1.0 million).

As of March 31, 2006, total assets amounted to USD 558.6 million (USD 148.3 million), of which USD 182.6 million was capitalized as construction-in-progress.

Cash and cash equivalents amounted to USD 342.5 million (USD 119.9 million).

Business segments

The Group is organized in two business areas: Floating Production and Equipment and Systems.

The Floating Production segment has not yet generated revenues due the fact that its activities have been related to the design, engineering and construction of the SSPs. This includes the SSP Piranema, which has been contracted to Petrobras, and the SSP “Chestnut” which has been contracted to Venture Production, both under multi-year charter contracts. It is expected that revenues will be generated as from fourth quarter 2006, when the SSP Piranema is expected to commence its charter contract with Petrobras.

The Equipment and Systems segment consists of the activities of Kanfa AS, which includes

the sale of equipment and systems related to the design and engineering of process plants. Kanfa’s primary business activity is related to the provision of services and equipment to the processing plants of the SSPs that are under construction. In addition, Kanfa is also serving clients outside of the Sevan Group. As of March 31, this is the only revenue generating business segment in the Group.

As a result of the formation of Sevan Drilling AS, the Group will expand its activities into the drilling segment. Until the Sevan Deepsea Driller has been completed in 1H 2009, the activities in this business area will be related to the design, engineering and construction of the drilling unit and no revenues are expected to be generated until completion of the unit.

Business activities

Construction projects The SSP Piranema was floated off at Yantai Raffles Shipyard and secured onto the dry tow vessel Kang Sheng Kou, and is currently en route to the Keppel Verolme Shipyard in Rotterdam where the outfitting and assembly of the process plant will take place. The launching and the preparations for the voyage to Rotterdam lasted longer than expected and has caused a rescheduling of the remaining activities. In accordance with this, offshore installation of the unit in Brazil is estimated in 4th quarter 2006, compared to 3rd quarter, as previously reported. All process modules have arrived in Rotterdam according to schedule. The modules are currently being pre-assembled and prepared for lifting and installation onboard the SSP.

The production of blocks for the SSP “Chestnut” has commenced. Delivery of the unit from the shipyard is planned for Q1-2007 and offshore installation at the Chestnut Field for Venture Production is expected mid-2007.

The steel for the SSP no. 3 has been ordered and the steel cutting has begun. The SSP no. 3 has an identical hull to the first two SSP 300s and will be equipped as an FPSO, based on the future client’s requirements. This unit is currently available for contracting. Delivery from the shipyard is planned for Q2-2007 and offshore installation is projected to be in 4th quarter 2007.

¹ Figures in brackets refer to the corresponding period previous year

Option Agreement for SSP no. 4 Sevan Marine, on behalf of a wholly owned subsidiary, signed an option agreement in March with an international oil company, whereby the oil company has the exclusive right to contract and charter the fourth SSP 300 from Sevan upon delivery from the Yantai Raffles Shipyard. The option is valid until June 30, 2006. It is expected that the SSP no. 4 will be installed at a designated field in the North Sea in 2009. The minimum fixed contract period shall be 10 years. If the option is exercised, the contract value is estimated at USD 540 million.

Sevan Drilling The Company has secured rights to enter into contracts with yards and equipment suppliers for the construction and outfitting of the first SSP drilling unit. A 100% owned subsidiary, Sevan Drilling, will be the owner of the drilling unit. It is intended that an application for a listing of Sevan Drilling on the Oslo Stock Exchange will be filed by June 30, 2006, with the subsequent listing expected to take place in 3rd quarter 2006. The estimated all-in delivery cost of the SSP drilling unit is USD 430 million with expected delivery in the first half of 2009.

KMZ FPSO The delivery of the processing modules by Kanfa AS to the KMZ FPSO for Bergesen Worldwide Offshore is proceeding according to plan and will be completed mid-2006. The KMZ unit will be the world's largest FPSO with a process capacity of 200,000 bbl/day. Kanfa's scope includes the separation and gas treatment modules, the amine module (gas neutralisation) and the flare system. The FPSO will operate at the Pemex operated KMZ field offshore Mexico.

Senior Secured Bond Loan 2006/2011 In January, the Company carried out a bond issue of USD 50 million, with a fixed interest rate of 9.75%. The bond loan has a term of 5 years and will mature on January 31, 2011, with a call option in March, 2008 at 103%. The loan is listed at the Oslo Stock Exchange with ticker 'Sevan02'. The loan is primarily intended to finance in part the construction and outfitting of the SSP "Chestnut". The loan documentation is posted on the Company's web site www.sevanmarine.com.

Share issues A private placement and a subsequent offering were completed in March. In the private placement, 43.1 million shares were subscribed at NOK 36 per share. Gross proceeds from the private placement amounted to NOK 1,550.0 million. In the subsequent offering, 7.9 million shares were subscribed at NOK 36 per share. Gross proceeds from the subsequent offering amounted to NOK 283.8 million. The share issues are intended to finance in part the construction of the first drilling unit.

Accounting policies

The Group prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) and these financial statements have been prepared in accordance with the International Accounting Standard (IAS) 34 for Interim Financial Reporting.

For accounting policies applied in the interim reporting, reference is made to the Annual Financial Statements for 2005.

Change of functional currency The Company and relevant subsidiaries changed its functional currency from NOK to USD effective January 1, 2006. The change was based on an evaluation of the economic environment in which each company operate and the predominance of USD in expected future cash flows.

The opening balances for the year have been restated prospectively in USD in accordance with IAS 21. Prior year statements have been translated for comparative purposes.

Outlook

The floating production market remains very strong. Several field development projects are coming to the market, in particular small and medium-sized fields. The Company is discussing project opportunities with potential clients. For Sevan Drilling, the strong drilling market provides several opportunities.

Tananger, April 26, 2006
The board of directors
Sevan Marine ASA

Income statement			
<i>Unaudited figures in USD million</i>	Q1 06	Q4 05	Q1 05
Operating revenues	12,9	16,5	0,0
Operating expenses	-17,9	-19,4	-1,4
Forex related to operating	-0,9	0,1	-0,1
EBITDA	-5,9	-2,8	-1,5
Depreciation/amortization	-0,1	-0,6	0,0
Operating profit	-6,0	-3,4	-1,5
Income from associated companies	0,3	0,5	0,1
Financial income/(cost)	0,0	0,0	0,1
Net financial items	0,3	0,5	0,2
Profit before tax	-5,7	-2,9	-1,3
Tax	1,4	0,3	0,3
Net profit	-4,3	-2,6	-1,0

Balance sheet			
<i>Unaudited figures in USD million</i>	31.03.06	31.12.05	31.03.05
Construction in progress	182,6	144,8	21,6
Other fixed assets	3,7	0,7	0,3
Intangible assets	8,6	8,3	0,1
Investments in associates	0,8	0,5	2,3
Deferred income tax assets	7,6	3,7	2,8
Other non-current assets	1,8	0,1	0,0
Total non-current assets	205,1	158,1	27,1
Trade and other receivables	11,0	25,8	1,3
Cash and cash equivalents	342,5	72,1	119,9
Total current assets	353,5	97,9	121,2
Total assets	558,6	256,0	148,3
Share capital	4,3	2,7	2,2
Other equity	364,2	98,7	41,5
Total shareholders' equity	368,5	101,4	43,7
Minority Interest	6,4	7,2	0,0
Total equity	374,9	108,6	43,7
Borrowings	155,9	104,1	102,4
Retirement benefit obligations	0,7	0,7	0,0
Other long-term liabilities/provisions	0,2	0,4	0,0
Total long-term debt	156,8	105,2	102,4
Current liabilities	26,9	42,2	2,2
Total current liabilities	26,9	42,2	2,2
Total liabilities	183,7	147,4	104,6
Total shareholders' equity and liab.	558,6	256,0	148,3

Cash flow			
<i>Unaudited figures in USD million</i>	Q1 06	Q4 05	Q1 05
Cash flows from operations	-3,5	3,6	-2,0
Cash flows from investments	-42,4	-72,9	-8,3
Cash flows from financing	316,3	20,8	119,4
Net cash flow	270,4	-48,5	109,1
Cash balance at beginning of period	72,1	120,6	10,8
Cash balance at end of period	342,5	72,1	119,9

Key figures			
<i>Unaudited figures</i>	Q1 06	Q4 05	Q1 05
Earnings per share (USD)	-0,04	-0,03	-0,01
Earnings per share fully diluted (USD)	-0,04	-0,03	-0,01
Cash flow per share (USD)	-0,04	0,04	-0,03
Cash flow per share fully diluted (USD)	-0,04	0,04	-0,03
Operating margin	-47 %	-21 %	N/A
Equity ratio	66 %	40 %	29 %
Return on equity	-7 %	-9 %	-11 %
Return on capital employed	-18 %	-12 %	-11 %
No. of outstanding shares ('000)	143 964	92 672	72 778
No. of shares fully diluted ('000)	149 240	97 752	76 682
Average no. of outstanding shares ('000)	96 098	92 672	69 841
Share price (NOK)	44,30	30,60	16,60
Market capitalization (KNOK)	6 377 586	2 835 763	1 208 115
Number of employees	84	70	22

Notes

- 1 Net profit / average no. of outst. shares
- 2 Net profit / average no. of shares fully diluted
- 3 Cash flow from ops. / avg. no. of outst. shares
- 4 Cash flow from ops. / avg. no. of shares fully diluted
- 5 (Operating profit / operating revenues) x 100
- 6 (Total shareholders' equity / total assets) x 100
- 7 (Net profit / avg. equity) x 100, annualized
- 8 (Operating profit + interest income) / (avg. total assets - avg. interest free debt),
- 9 Latest quoted shareprice or share issue price x no. of outstanding shares

The 10 largest shareholders as at April 25, 2006

Shareholder	No of shares	% share
Goldman Sachs Intern Equity Nontreaty Cus	26 187 923	18,19 %
Morgan Stanley & Co.	12 060 393	8,38 %
Bank of New York Br Bny Gcm Client Acc.	7 647 500	5,31 %
Morgan Stanley & Co. Client Equity Account	6 674 050	4,64 %
JP Morgan Chase Bank S/A Escrow Account	6 266 203	4,35 %
Arne Smedal	3 605 687	2,50 %
Supernova AS	2 943 444	2,04 %
Hallingen AS	2 871 296	1,99 %
Aasen AS	2 804 036	1,95 %
MP Pensjon	2 555 263	1,77 %
Total	73 615 795	51,14 %
No. of outstanding shares	143 963 576	
Foreign ownership	69,2 %	



Statement of changes in equity	Share capital	Share premium	Other reserves	Retained Earnings	Minority interest	Total equity
Equity as of December 31, 2005 (KNOK)	18 535	722 485	2 739	-57 439	48 662	734 982
Equity as of December 31, 2005 (KUSD)	2 738	106 739	405	-8 486	7 189	108 585
Proceeds from shares issued	1 565	278 474				280 039
Share issue cost		-12 863				-12 863
Tax effect of share issue costs				3 580		3 580
ITM options				495		495
Net profit for the period				-3 595	-773	-4 368
Effect of CF hedge			-434			-434
Currency translation difference			-102			-102
Equity as of March 31, 2006 (KUSD)	4 303	372 350	-132	-8 006	6 416	374 932

Statement of changes in equity	Share capital	Share premium	Other reserves	Retained Earnings	Minority interest	Total equity
Equity as of December 31, 2004 (KNOK)	13 234	201 059	-1 704	-29 731	0	182 858
Equity as of December 31, 2004 (KUSD)	1 955	29 704	-252	-4 392	0	27 015
Proceeds from shares issued	195	16 337				16 533
Share issue cost		-705				-705
Tax effect of share issue costs				189		189
ITM options				88		88
Net profit for the period				-959		-959
Effect of CF hedge			246			246
Currency translation difference			1 291			1 291
Equity as of March 31, 2005 (KUSD)	2 150	45 336	1 285	-5 075	0	43 697

SEGMENTS										
	Floating Production		Equipment & Systems		Corporate cost		Eliminations		Total	
	Q1 06	Q1 05	Q1 06	Q1 05	Q1 06	Q1 05	Q1 06	Q1 05	Q1 06	Q1 05
External revenues	0,0	0,0	12,9	0,0	0,0	0,0	0,0	0,0	12,9	0,0
Internal revenues	0,0	0,0	18,9	0,0	0,0	0,0	-18,9	0,0	0,0	0,0
Total revenue	0,0	0,0	31,8	0,0	0,0	0,0	-18,9	0,0	12,9	0,0
Operating expenses	-1,5	-0,1	-31,7	0,0	-3,6	-1,3	18,9	0,0	-17,9	-1,4
Forex related to operating	-3,4	0,0	-0,2	0,0	2,7	-0,1	0,0	0,0	-0,9	-0,1
EBITDA	-4,9	-0,1	-0,1	0,0	-0,9	-1,4	0,0	0,0	-5,9	-1,5
Depreciation	0,0	0,0	0,0	0,0	-0,1	0,0	0,0	0,0	-0,1	0,0
Operating profit	-4,9	-0,1	-0,1	0,0	-1,0	-1,4	0,0	0,0	-6,0	-1,5
Income from associated companies	0,0	0,0	0,3	0,0	0,0	0,1	0,0	0,0	0,3	0,1
Financial income/(cost)	0,0	0,0	0,0	0,0	0,0	0,1	0,0	0,0	0,0	0,1
Net financial items	0,0	0,0	0,3	0,0	0,0	0,2	0,0	0,0	0,3	0,2
Profit before tax	-4,9	-0,1	0,2	0,0	-1,0	-1,2	0,0	0,0	-5,7	-1,3
Tax	1,4	0,0	-0,2	0,0	0,2	0,3	0,0	0,0	1,4	0,3
Net profit	-3,5	-0,1	0,1	0,0	-0,8	-0,9	-0,1	0,0	-4,3	-1,0
Segment assets	205,6	23,2	20,3	0,0	407,5	137,6	-75,6	-14,7	557,8	146,1
Investment in associates (equity method)	0,0	0,0	0,8	0,0	0,0	2,2	0,0	0,0	0,8	2,2
Total assets	205,6	23,2	21,1	0,0	407,5	139,8	-75,6	-14,7	558,6	148,3
Segment liabilities	230,4	110,2	19,2	0,0	9,7	9,1	-75,6	-14,7	183,7	104,6
Total liabilities	230,4	110,2	19,2	0,0	9,7	9,1	-75,6	-14,7	183,7	104,6
Capital expenditure	38,8	7,5	0,0	0,0	2,3	0,1	-0,1	0,0	41,0	7,6
Non-cash expenses other than depreciation	0,0	0,0	0,0	0,0	0,5	0,1	0,0	0,0	0,5	0,1