

REPORT

SECOND QUARTER 2006



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Main figures¹

Operating revenues for the second quarter amounted to USD 7.7 million (USD 0.7 million). The depreciating dollar contributed to a large foreign exchange gain, resulting in an operating profit of USD 0.8 million (USD -1.7 million). Net profit was USD 9.1 million (USD -1.4 million).

As of June 30, 2006, total assets amounted to USD 584.7 million (USD 211.0 million), of which USD 271.5 million was capitalized as construction-in-progress. Cash and cash equivalents amounted to USD 257.2 million (USD 114.7 million).

Business segments

The Group is organized in three business areas: Floating Production; Equipment and Systems; Drilling.

Floating Production 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 Hummingbird* (Ex. Chestnut), which has been contracted to Venture Production, both under multi-year charter contracts. It is expected that revenues will be generated from December 2006/first quarter 2007, when the *SSP Piranema* commences its charter contract with Petrobras.

Equipment and Systems consists of the activities of Kanfa AS. Kanfa's primary business activity is related to the provision of services and equipment to the processing plants of the SSPs. In addition, Kanfa is also serving clients outside of the Sevan Group. As of June 30, this is the only revenue generating business area within the Group.

The delivery of the processing modules by Kanfa AS to the KMZ FPSO for Bergesen Worldwide Offshore has taken place in accordance to the agreed schedule. The KMZ unit, to be installed offshore Mexico, will be the world's largest FPSO with a processing

capacity of 200,000 bbl/day. Kanfa's scope included the separation and gas treatment modules, the amine module (gas neutralisation) and the flare system.

The activities within **Drilling** are related to the design, engineering and construction of the first SSP Drilling Unit which is expected to be completed in the first quarter of 2009. No revenues are expected to be generated from this business area until completion of the unit.

Willy Tørhaug and Dag Eggan have been engaged to head up the drilling activities, as VP Operations and VP HQSE. Both have extensive experience from the drilling industry.

Business activities

Construction projects On the *SSP Piranema*, system testing has commenced at the Keppel Verolme Shipyard in Rotterdam. Mobilization to Brazil is expected to commence in November 2006. Offshore installation at the Piranema field in Brazil is estimated to take place in December 2006.

The *SSP Piranema* cost is estimated to be USD 45m above the initial budget, due to a general price increase on supply factors like labour, material, equipment and consumables from 2004-2006; a transfer of two months scope of work from China to Europe, due to a force majeure situation; and an increase in construction financing costs.

The additional project cost is expected to be financed via bank credit lines.

A dayrate adjustment formula has been agreed with Petrobras and the project's Return on Investment (ROI) remains unchanged despite the higher cost.

The production and assembly of the blocks for the *SSP Hummingbird* are progressing according to plan. Sailaway from the Yantai Raffles Shipyard is expected in February 2007 and offshore installation at the Chestnut Field, UK is expected in August 2007.

The pre-fabrication of the blocks for the *SSP #3* are progressing as planned and block erection has commenced. The steel cutting ceremony for *SSP #4*, will take place on August 26, 2006. The

¹ Figures in brackets refer to the corresponding period previous year

SSP #3 and 4 are based on an SSP 300 design and will be equipped as FPSOs, based on the future client's requirements.

All orders for long-lead items for the *SSP Drilling Unit* have been placed and major sub-contract activities have commenced. The construction activities are currently expected to start within schedule.

Securing additional construction capacity Sevan Pte Ltd, a subsidiary of Sevan Marine ASA, has signed a long-term agreement with Hantong, whereby Sevan on an exclusive basis will lease dedicated parts of the shipyard facilities until December 31, 2012. Under the agreement, Sevan has secured rights to build up to nine SSPs, which may be of various sizes and types, in addition to the SSP Drilling Unit and SSP #4.

Option Agreement for SSP #4 Sevan Marine, on behalf of a wholly owned subsidiary, has agreed to extend an option agreement, whereby an international oil company has an exclusive right to contract and charter the SSP #4 from Sevan. The option must be exercised within December 31, 2006. The minimum fixed contract period is 10 years. If exercised within September 30, the estimated contract value is USD 540 million and if exercised thereafter, the contract value is USD 576 million. The parties have made significant progress with respect to determining the topside specification and certain field specific requirements. The SSP is expected to be installed at a designated field in the UK North Sea during 2009.

Listing of Sevan Drilling Sevan Marine ASA has been considering to spin-off the Sevan Drilling business with a view to preparing for the drilling operations to become a separately listed company. In this process, a potential uncertainty as to the application of certain capital requirements in the Norwegian Company Act has been identified. In order to safeguard against any subsequent exposure that a spin-off of the drilling business could be treated as a taxable transaction, the listing will not take place in 2006. The said potential uncertainty will be eliminated next year, at which time it is the board's intention to carry out the spin-off. This time frame is within the

12 month period announced in connection with the Sevan Drilling private placement in March 2006.

Bank financing agreements During the 2nd quarter, Sevan Marine ASA, on behalf of one of its subsidiaries, has signed a mandate with GE and DVB to arrange construction financing and a term loan, both up to USD 65 million, for the SSP Hummingbird. Sevan has also mandated GE to arrange construction financing and a term loan, both up to USD 100 million, to part-finance the SSP 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 operates 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, August 23, 2006
The board of directors
Sevan Marine ASA

Income statement				
<i>Unaudited figures in USD million</i>	Q2 06	H1 06	Q2 05	H1 05
Operating revenues	7,7	20,6	0,7	0,7
Operating expenses	-10,8	-28,7	-2,4	-3,8
Foreign exchange related to operating	4,0	5,1	0,0	0,0
EBITDA	0,9	-3,0	-1,7	-3,1
Depreciation	-0,2	-0,3	0,0	0,0
Operating profit	0,8	-3,2	-1,7	-3,1
Income from associated companies	0,0	0,3	-0,1	0,0
Financial income/(cost)	0,3	0,3	0,0	0,0
Foreign exchange related to financing	9,1	7,1	0,0	0,0
Net financial items	9,4	7,7	-0,1	0,0
Profit before tax	10,2	4,5	-1,8	-3,1
Tax	-1,1	0,3	0,4	0,7
Net profit	9,1	4,8	-1,4	-2,4

Balance sheet		
<i>Unaudited figures in USD million</i>	30.06.06	31.12.05
Construction in progress	271,5	144,8
Other fixed assets	5,8	0,7
Intangible assets	10,5	8,3
Investments in associates	0,8	0,5
Deferred income tax assets	8,5	3,7
Other non-current assets	5,9	0,1
Total non-current assets	303,0	158,1
Trade and other receivables	24,5	25,8
Cash and cash equivalents	257,2	72,1
Total current assets	281,7	97,9
Total assets	584,7	256,0
Share capital	4,3	2,7
Other equity	375,4	98,7
Total shareholders' equity	379,7	101,4
Minority Interest	5,4	7,2
Total equity	385,1	108,6
Borrowings	161,7	104,1
Retirement benefit obligations	0,5	0,7
Other long-term liabilities/provisions	0,3	0,4
Total long-term debt	162,5	105,2
Current liabilities	37,1	42,2
Total current liabilities	37,1	42,2
Total liabilities	199,6	147,4
Total shareholders' equity and liab.	584,7	256,0

Cash flow

Cash flow		
<i>Unaudited figures in USD million</i>	H1 06	H1 05
Cash flows from operations	-9,9	2,7
Cash flows from investments	-134,7	-50,7
Cash flows from financing	329,7	144,5
Net cash flow	185,1	96,5
Cash balance at beginning of period	72,1	10,8
Cash balance at end of period	257,2	107,3

Key figures

<i>Unaudited figures</i>	Note	Q2 06	Q1 06	H1 06	H1 05
Earnings per share (USD)	1	0,06	-0,04	0,04	-0,03
Earnings per share fully diluted (USD)	2	0,06	-0,04	0,04	-0,03
Cash flow per share (USD)	3	-0,04	-0,04	-0,08	0,04
Cash flow per share fully diluted (USD)	4	-0,04	-0,04	-0,08	0,04
Operating margin	5	10 %	-31 %	-16 %	-443 %
Equity ratio	6	65 %	66 %	65 %	32 %
Return on equity	7	10 %	-7 %	8 %	-4 %
Return on capital employed	8	3 %	-18 %	-10 %	-13 %
No. of outstanding shares ('000)		144 195	143 964	144 195	80 099
No. of shares fully diluted ('000)		149 790	149 240	149 790	84 852
Average no. of outstanding shares ('000)		144 079	96 098	118 434	73 134
Average no. of shares fully diluted ('000)		149 419	104 666	123 598	77 569
Share price (NOK)		37,90	44,30	37,90	18,00
Market capitalization (KNOK)	9	5 464 986	6 377 586	5 464 986	1 441 782
Number of employees		127	84	127	52

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), annualized

9 Latest quoted shareprice or share issue price x no. of outstanding shares



The 10 largest shareholders as at August 21, 2006

Shareholder	No of shares	% share
Goldman Sachs Intern Equity Nontreaty Cus	25 203 219	17,48 %
Bank of New York Br Bny Gcm Client Acc.	15 103 200	10,47 %
Morgan Stanley & Co. Client Equity Account	13 137 508	9,11 %
Credit Suisse Securi (Europe) Ltd./Firms	8 031 874	5,57 %
Arne Smedal	3 605 687	2,50 %
Supernova AS	2 943 444	2,04 %
UBS AG, London Branc Equities/Corporate A	2 911 900	2,02 %
Hallingen AS	2 871 296	1,99 %
Aasen AS	2 804 036	1,94 %
MP Pensjon	2 555 263	1,77 %

Total 79 167 427 54,90 %

No. of outstanding shares 144 194 904
 Foreign ownership 69,7 %

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	1 573	278 705				280 278
Share issue cost		-12 909				-12 909
Tax effect of share issue costs				3 593		3 593
ITM options				1 136		1 136
Net profit for the period				6 586	-1 767	4 819
Effect of CF hedge			-434			-434
Currency translation difference			10			10
Equity as of June 30, 2006 (KUSD)	4 311	372 535	-20	2 829	5 422	385 078

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	412	32 036	10 408			42 856
Share issue cost		-1 498				-1 498
Tax effect of share issue costs				419		419
ITM options				279		279
Net profit for the period				-2 285		-2 285
Effect of CF hedge			-66			-66
Currency translation difference			504			504
Equity as of June 30, 2005 (KUSD)	2 367	60 242	10 595	-5 979	0	67 224

SEGMENTS												
	Floating Production		Equipment & Systems		Corporate cost		Drilling		Eliminations		Total	
	H1 06	H1 05	H1 06	H1 05	H1 06	H1 05	H1 06	H1 05	H1 06	H1 05	H1 06	H1 05
External revenues	0,0	0,0	20,6	0,7	0,0	0,0	0,0	0,0	0,0	0,0	20,6	0,7
Internal revenues	0,0	0,0	25,7	2,1	0,0	0,0	0,0	0,0	-25,7	-2,1	0,0	0,0
Total revenue	0,0	0,0	46,3	2,8	0,0	0,0	0,0	0,0	-25,7	-2,1	20,6	0,7
Operating expenses	-1,9	-0,2	-45,8	-2,8	-6,5	-2,9	0,0	0,0	25,6	2,0	-28,7	-3,8
Foreign exchange related to operating	4,8	0,0	-0,3	0,0	0,6	0,0	0,0	0,0	0,0	0,0	5,1	0,0
EBITDA	2,9	-0,2	0,2	0,0	-5,9	-2,9	0,0	0,0	-0,2	-0,1	-3,0	-3,1
Depreciation	0,0	0,0	0,0	0,0	-0,3	0,0	0,0	0,0	0,0	0,0	-0,3	0,0
Operating profit	2,9	-0,2	0,2	0,0	-6,2	-2,9	0,0	0,0	-0,2	-0,1	-3,2	-3,1
Income from associated companies	0,0	0,0	0,3	0,2	0,0	0,0	0,0	0,0	0,0	-0,2	0,3	0,0
Financial income/(cost)	0,0	0,0	-0,1	0,0	0,4	0,0	0,0	0,0	0,0	0,0	0,3	0,0
Foreign exchange related to financing	-10,9	0,0	0,0	0,0	17,8	0,0	0,2	0,0	0,0	0,0	7,1	0,0
Net financial items	-10,9	0,0	0,2	0,2	18,2	0,0	0,2	0,0	0,0	-0,2	7,7	0,0
Profit before tax	-8,0	-0,2	0,4	0,2	12,1	-2,9	0,2	0,0	-0,2	-0,3	4,5	-3,1
Tax *	-1,2	0,1	-0,3	0,0	1,8	0,6	0,0	0,0	0,0	0,0	0,3	0,7
Net profit	-9,2	-0,1	0,1	0,2	13,9	-2,3	0,2	0,0	-0,2	-0,3	4,8	-2,4
Segment assets	263,8	49,0	25,4	48,4	428,0	160,6	27,3	0,0	-160,6	-47,1	583,9	210,9
Investment in associates (equity method)	0,0	0,0	0,8	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,8	0,1
Total assets	263,8	49,0	26,2	48,5	428,0	160,6	27,3	0,0	-160,6	-47,1	584,7	211,0
Segment liabilities	295,3	135,9	23,2	45,7	13,3	9,3	26,7	0,0	-158,9	-47,1	199,6	143,8
Total liabilities	295,3	135,9	23,2	45,7	13,3	9,3	26,7	0,0	-158,9	-47,1	199,6	143,8
Capital expenditure	105,7	31,0	1,0	0,0	1,2	0,3	26,8	0,0	0,0	9,4	134,7	40,7
Non-cash expenses other than depreciation	0,0	0,0	0,0	0,0	1,4	0,3	0,0	0,0	0,0	0,0	1,4	0,3

*The effective tax rate differs from the nominal tax rate because the gains and losses related to translation to USD functionality are non-taxable items.