

REPORT

FOURTH QUARTER 2006



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Main figures¹

Operating revenues for the fourth quarter amounted to USD 0.5 million (USD 16.5 million). Operating profit was USD - 17.6 million (USD -3.4 million), and net profit was USD - 17.5 million (USD -2.5 million). The increase in cost compared to previous year is due to pre-operational cost for *SSP Piranema* that has been expensed in accordance with IFRS and a general increase in activity in the Group. The decrease in operating revenues is due to Kanfa working on Sevan projects rather than external projects during the quarter.

As of December 31, 2006, total assets amounted to USD 858.3 million (USD 256.0 million), of which USD 472.9 million (USD 144.8 million) was capitalized as construction-in-progress. Cash and cash equivalents amounted to USD 309.2 million (USD 72.1 million).

The Sevan Group order backlog as of February 6, 2007, was USD 2.3 billion and USD 3.6 billion including options.

Business segments

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

Floating Production has not yet generated revenues since the activities to date have been related to the design, engineering and construction of the Sevan platforms. This includes the *SSP Piranema*, which has been contracted to Petrobras, and *Sevan Hummingbird* and *Sevan #4*, both of which have been contracted to Venture Production Plc under multi-year charter contracts, and *Sevan #3* which have been contracted to Oilexco North Sea Ltd under a letter of intent. Revenues are anticipated to be generated from second quarter 2007, when the *SSP Piranema* is expected to commence 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 Sevan Platforms. In addition, Kanfa is also serving clients outside of the Sevan Group.

In December, Kanfa received an order from Allan Pte Ltd to supply the process modules for FPSO Knock Allan, operated by Fred Olsen Production under a contract with Canadian Natural Resources Ltd, for the Olowi field, offshore Gabon in West Africa. The project includes the overall hydrocarbon system responsibility, including delivery of an oil separation module, a gas compression module, a TEG module, a flare system and several smaller packages. The deliveries are expected to be completed during first quarter 2008, at a total contract value of approximately USD 66 million.

Kanfa will supply the processing plants for *Sevan #3* and *#4*, and is currently bidding on complete topsides for several international FPSO projects.

The activities within **Drilling** are mainly related to the design, engineering and construction of the first *Sevan Driller* which is expected to be completed in first quarter 2009 and has been contracted to Petrobras on a 6-year contract.

Business activities

Construction projects The *SSP Piranema*, started its journey to Brazil on January 29, 2007. The transit speed and the motion behaviour have been in accordance with model tests and analyses. The expected transit time is 35 days. In the port of Aratu, Salvador, Brazil the unit will undertake customs clearance and acceptance testing. The unit will be temporarily moored, awaiting tow-out to the Piranema Field in the state of Sergipe.

Petrobras has previously notified Sevan that it will not be ready to start production of the Piranema Field as scheduled due to a temporary delay of the issuance of environmental licence by the Brazilian Environment and Natural Resources Institute (IBAMA). Following customs clearance and preliminary acceptance testing, the *SSP Piranema* will be put on a standby rate in accordance with the contract.

¹ Figures in brackets refer to the corresponding period previous year

The cost of the unit is approximately USD 245 million excluding finance cost, and USD 265 million including finance cost (USD 45 million more than previously reported). The Company estimates the direct and indirect cost effects of the transfer of work from China to Europe to be in the region of USD 50-60 million. The prolonged stay in Rotterdam (from November 2006 to January 2007) has been used to extended commissioning and testing activities, as well as enhancement of various systems, in order to improve operating efficiency and lifetime of unit. The unit has been built according to high standards – with a high gas treatment capacity and full redundancy in all systems. The cost advantage has been retained as competing units are estimated at 40-50% higher cost.

The construction activities for the *Sevan Hummingbird* continue to progress according to plan. Preparations for load-out and drytow are ongoing. Sailaway from the Yantai Raffles Shipyard to Keppel Verolme is expected in February 2007, subject to drytow vessel arriving mid-February. Offshore installation at the Chestnut Field, UK North Sea is expected in August 2007.

The pre-fabrication and erection of blocks for the *Sevan #3* is ongoing and progressing as scheduled. The hull is expected to be completed in second quarter 2007.

The steel cutting for *Sevan #4* commenced in August. The fabrication of blocks is ongoing and proceeding according to plan. The keel-laying milestone was achieved in February 2007. The hull is expected to be completed in fourth quarter 2007, and offshore installation is anticipated in third quarter 2009 at the Pilot Field, UK North Sea, under a contract with Venture Production Plc.

All orders for long-lead items for the *Sevan Driller* have been placed and major sub-contract activities have commenced. The engineering activities are well underway and construction is expected to begin in first quarter 2007 and offshore installation in the US Gulf, is anticipated in first quarter 2009 when the contract with Petrobras commences.

Contract awarded for *Sevan #4* Venture Production Plc has awarded Sevan a contract for the provision of a second FPSO for its North Sea operations, thereby exercising the option agreement previously entered into. Field installation is expected during third quarter of 2009. The contract will have a duration of 5 or 10 years to be determined at Venture's discretion before December 31, 2007. The contract value for the five year-contract is approximately USD 365 million, while the contract value for the 10 year-contract is approximately USD 602 million.

LOI entered into for *Sevan #3* The Canadian oil company Oilexco North Sea Ltd has entered into a letter of intent with Sevan for the use of the *Sevan #3* production unit, currently under construction at the Yantai Raffles Shipyard. The unit is intended to be installed on the Shelly field in the central UK North Sea during 2008. The fixed term of the contract is 5 years, with extension options for an additional 5 years. The contract value for the fixed term is estimated at USD 370 million.

Repurchase of minority interest Sevan has agreed to take over Etesco's 25% ownership share of the *SSP Piranema*. Following this transaction, Sevan owns 100% of the shares in Sevan Production AS, the owner of the unit. Sevan Production AS is subsequently a part of the Norwegian tax relief group.

Financing activities

Senior Secured Bond Loan 2006/2012 In November, Sevan Drilling AS, a wholly-owned subsidiary of Sevan Marine ASA, carried out a bond issue of NOK 1 billion, with an interest rate of Nibor +5%. The bond has a term of 6 years with a call option. The proceeds from the issue will be used to part-finance the construction of the *Sevan Driller*.

Senior Secured Bond Loan 2006/2011 In December, Sevan carried out a bond issue of USD 140 million, with a fixed interest rate of 9,25%. The bond has a term of 5 years, with call options. The proceeds from the issue were used to buy back the '*Sevan02*' bond issue and to further part-finance the construction of the *Sevan Hummingbird*, which is currently under



construction and has been contracted for Venture Production's North Sea operations.

Repurchase of Senior Secured Bond Loan 2006/2011 In December, the Company repurchased in full the listed 'Sevan02' bond that was issued at USD 50 million in January 2006. The bond was repurchased at 103%.

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

Following the letter of intent for the *Sevan # 3*, all Sevan units under construction have now been contracted. Sevan expects the strong market to continue with high demand in our focus areas, which are the technologically challenging segments of the offshore market.

Tananger, February 6, 2007
The board of directors
Sevan Marine ASA

Condensed consolidated income statement				
<i>Unaudited figures in USD million</i>	Q4 06	31.12.06	Q4 05	31.12.05
Operating revenues	0,5	21,9	16,5	22,4
Operating expenses	-18,9	-53,2	-19,3	-29,7
Forex related to operating	1,1	7,3	0,0	0,0
EBITDA	-17,3	-24,0	-2,8	-7,3
Depreciation	-0,3	-0,8	-0,6	-0,7
Operating profit	-17,6	-24,8	-3,4	-8,0
Income from associated companies	0,1	0,5	0,5	0,5
Financial income/(cost)	-1,7	1,7	0,1	0,1
Forex related to financing	1,3	2,1	0,0	0,0
Net financial items	-0,3	4,3	0,6	0,6
Profit before tax	-17,9	-20,5	-2,8	-7,4
Tax	0,5	0,5	0,3	1,2
Net profit	-17,5	-20,0	-2,5	-6,2

Condensed consolidated balance sheet		
<i>Unaudited figures in USD million</i>	31.12.06	31.12.05
Construction in progress	472,9	144,8
Other fixed assets	40,1	0,7
Intangible assets	10,7	8,3
Investments in associates	1,0	0,5
Deferred income tax assets	8,2	3,7
Other non-current assets	5,4	0,1
Total non-current assets	538,3	158,1
Trade and other receivables	10,8	25,8
Cash and cash equivalents	309,2	72,1
Total current assets	320,0	97,9
Total assets	858,3	256,0
Share capital	4,3	2,7
Other equity	349,8	98,7
Total shareholders' equity	354,1	101,4
Minority Interest	7,8	7,2
Total equity	361,9	108,6
Borrowings	406,1	104,1
Retirement benefit obligations	0,7	0,7
Other long-term liabilities/provisions	0,3	0,4
Total long-term debt	407,1	105,2
Current liabilities	89,3	42,2
Total current liabilities	89,3	42,2
Total liabilities	496,4	147,4
Total shareholders' equity and liab.	858,3	256,0

Condensed consolidated cash flow statement		
<i>Unaudited figures in USD million</i>	31.12.06	31.12.05
Cash flows from operations	33,4	3,0
Cash flows from investments	-379,1	-136,8
Cash flows from financing	582,8	195,1
Net cash flow	237,1	61,3
Cash balance at beginning of period	72,1	10,8
Cash balance at end of period	309,2	72,1

Key figures						
<i>Unaudited figures</i>	Note	Q4 06	Q4 05	31.12.06	31.12.05	
Earnings per share (USD)	1	-0,12	-0,03	-0,15	-0,08	
Earnings per share fully diluted (USD)	2	-0,12	-0,03	-0,14	-0,08	
Cash flow per share (USD)	3	0,27	0,06	0,25	0,06	
Cash flow per share fully diluted (USD)	4	0,26	0,06	0,24	0,06	
Operating margin	5	-3282 %	-21 %	-113 %	-35 %	
Equity ratio	6	41 %	38 %	41 %	38 %	
Return on equity	7	-19 %	-10 %	-8 %	-9 %	
Return on capital employed	8	-12 %	-12 %	-5 %	-14 %	
No. of outstanding shares ('000)		144 671	92 672	144 671	92 672	
No. of shares fully diluted ('000)		150 412	97 752	150 412	97 752	
Average no. of outstanding shares ('000)		144 386	92 672	133 299	79 451	
Average no. of shares fully diluted ('000)		150 310	97 752	138 756	70 879	
Share price (NOK)		34,00	30,60	34,00	30,60	
Market capitalization (KNOK)	9	4 918 804	2 835 763	4 918 804	2 835 763	
Number of employees		174	70	174	70	
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 February 5, 2007

Shareholder	No of shares	% share
Goldman Sachs Intern Equity Nontreaty Cus	36 305 641	25,10 %
Morgan Stanley & Co. Client Equity Account	14 990 562	10,40 %
Credit Suisse Securi (Europe) Ltd./Firms	7 983 750	5,52 %
Bank of New York	4 061 117	2,81 %
Arne Smedal	3 605 687	2,49 %
UBS AG, London Branc Equities/Corporate A	3 168 970	2,19 %
Supernova AS	2 943 444	2,03 %
Hallingen AS	2 871 296	1,98 %
Aasen AS	2 804 036	1,94 %
MP Pensjon	2 555 263	1,77 %
Total	81 289 766	56,23 %
No. of outstanding shares	144 670 708	
Foreign ownership	71,60 %	



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	1 587	279 339			8 000	288 926
Transfer from share premium to other equity		-506 258	506 258			0
Minority interest repurchased			-751	-14	-7 189	-7 954
Share issue cost		-12 922				-12 922
Tax effect of share issue costs				3 596		3 596
Time value of options				2 245		2 245
Net profit for the period				-19 757	-190	-19 947
Effect of CF hedge			-434			-434
Currency translation difference			-195			-195
Equity as of December 31, 2006 (KUSD)	4 326	-133 102	505 282	-22 416	7 810	361 900

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	783	80 118			7 202	88 104
Transfer from share premium to other equity						0
Minority interest repurchased						0
Share issue cost		-3 084				-3 084
Tax effect of share issue costs				863		863
Time value of options				1 002		1 002
Net profit for the period				-5 958	-13	-5 971
Effect of CF hedge			681			681
Currency translation difference			-24			-24
Equity as of December 31, 2005 (KUSD)	2 738	106 739	405	-8 486	7 189	108 585

SEGMENTS												
Q4/06 & Q4/05	Floating Production		Equipment & Systems		Corporate cost		Drilling		Eliminations		Total	
	Q4-06	Q4-05	Q4-06	Q4-05	Q4-06	Q4-05	Q4-06	Q4-05	Q4-06	Q4-05	Q4-06	Q4-05
External revenues	0,0	0,0	0,3	16,5	0,2	0,0	0,0	0,0	0,0	0,0	0,5	16,5
Internal revenues	0,0	0,0	3,2	15,4	4,8	0,0	0,0	0,0	-8,0	-15,4	0,0	0,0
Total revenue	0,0	0,0	3,5	31,9	5,0	0,0	0,0	0,0	-8,0	-15,4	0,5	16,5
Operating expenses	-15,3	0,0	-4,6	-32,1	-1,6	-2,6	-0,8	0,0	3,3	15,4	-18,9	-19,3
Forex related to operating	-3,8	0,0	0,0	0,0	5,4	0,0	-0,5	0,0	0,0	0,0	1,1	0,0
EBITDA	-19,1	0,0	-1,1	-0,2	8,9	-2,6	-1,3	0,0	-4,7	0,0	-17,3	-2,8
Depreciation	0,0	0,0	-0,1	-1,8	-0,2	-0,1	0,0	0,0	0,0	1,3	-0,3	-0,6
Operating profit	-19,1	0,0	-1,2	-2,0	8,7	-2,7	-1,3	0,0	-4,7	1,3	-17,6	-3,4
Income from associates	0,0	0,0	0,0	0,1	0,0	0,4	0,0	0,0	0,0	0,0	0,0	0,5
Financial income/(cost)	0,9	0,0	-0,1	0,0	-6,6	1,9	1,6	0,0	2,6	-1,8	-1,7	0,1
Forex related to financing	-6,7	0,0	0,0	0,0	6,6	0,0	1,5	0,0	0,0	0,0	1,3	0,0
Net financial items	-5,9	0,0	0,0	0,1	-0,1	2,3	3,1	0,0	2,6	-1,8	-0,3	0,6
Profit before tax	-25,0	0,0	-1,2	-1,9	8,6	-0,4	1,8	0,0	-2,1	-0,5	-17,9	-2,8
Tax *	1,9	0,0	0,6	0,5	-0,7	-0,2	0,0	0,0	-1,3	0,0	0,5	0,3
Net profit	-23,1	0,0	-0,7	-1,4	8,0	-0,6	1,8	0,0	-3,5	-0,5	-17,5	-2,5
Segment assets	485,0	192,2	20,4	34,2	631,6	191,1	207,9	0,0	-487,6	-162,0	857,3	255,5
Invv.m. in assoc. (equity method)	0,0	0,0	1,0	0,5	0,0	0,0	0,0	0,0	0,0	0,0	1,0	0,5
Total assets	485,0	192,2	21,3	34,7	631,6	191,1	207,9	0,0	-487,6	-162,0	858,3	256,0
Segment liabilities	505,4	260,0	9,3	32,7	369,8	15,6	56,7	0,0	-444,8	-160,9	496,4	147,4
Total liabilities	505,4	260,0	9,3	32,7	369,8	15,6	56,7	0,0	-444,8	-160,9	496,4	147,4
Capital expenditure	110,5	81,1	0,4	9,7	2,0	-11,1	68,1	0,0	-1,9	-0,7	179,0	79,0
Non-cash exp. other than depr.	0,0	0,0	0,9	0,0	-0,3	0,4	0,0	0,0	0,0	0,0	0,6	0,4

*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.

SEGMENTS												
31.12.06 & 31.12.05	Floating Production		Equipment & Systems		Corporate cost		Drilling		Eliminations		Total	
	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05
External revenues	0,0	0,0	21,7	22,4	0,2	0,0	0,0	0,0	0,0	0,0	21,9	22,4
Internal revenues	0,0	0,0	51,4	33,2	4,8	0,0	0,0	0,0	-56,2	-33,2	0,0	0,0
Total revenue	0,0	0,0	73,1	55,6	5,0	0,0	0,0	0,0	-56,2	-33,2	21,9	22,4
Operating expenses	-18,3	-0,3	-73,6	-54,7	-11,0	-7,3	-1,5	0,0	51,2	32,6	-53,2	-29,7
Forex related to operating	2,7	0,0	-0,3	0,0	5,3	0,0	-0,5	0,0	0,0	0,0	7,3	0,0
EBITDA	-15,6	-0,3	-0,8	0,9	-0,7	-7,3	-2,0	0,0	-5,0	-0,6	-24,0	-7,3
Depreciation	0,0	0,0	-0,1	-1,8	-0,6	-0,2	0,0	0,0	0,0	1,3	-0,8	-0,7
Operating profit	-15,6	-0,3	-0,9	-0,9	-1,3	-7,5	-2,0	0,0	-5,0	0,7	-24,8	-8,0
Income from associates	0,0	0,0	0,5	0,1	0,0	0,4	0,0	0,0	0,0	0,0	0,5	0,5
Financial income/(cost)	0,1	0,0	-0,3	0,1	2,6	1,8	1,6	0,0	-2,3	-1,8	1,7	0,1
Forex related to financing	-8,9	0,0	0,0	0,0	9,5	0,0	1,6	0,0	0,0	0,0	2,1	0,0
Net financial items	-8,8	0,0	0,2	0,2	12,1	2,2	3,2	0,0	-2,3	-1,8	4,3	0,6
Profit before tax	-24,4	-0,3	-0,7	-0,7	10,8	-5,3	1,2	0,0	-7,3	-1,1	-20,5	-7,4
Tax *	2,2	0,1	0,0	0,2	-1,8	0,9	0,0	0,0	0,0	0,0	0,5	1,2
Net profit	-22,2	-0,2	-0,7	-0,5	9,0	-4,4	1,2	0,0	-7,3	-1,1	-20,0	-6,2
Segment assets	485,0	192,2	20,4	34,2	631,6	191,1	207,9	0,0	-487,6	-162,0	857,3	255,5
Invv.m. in assoc. (equity method)	0,0	0,0	1,0	0,5	0,0	0,0	0,0	0,0	0,0	0,0	1,0	0,5
Total assets	485,0	192,2	21,3	34,7	631,6	191,1	207,9	0,0	-487,6	-162,0	858,3	256,0
Segment liabilities	505,4	260,0	9,3	32,7	369,8	15,6	56,7	0,0	-444,8	-160,9	496,4	147,4
Total liabilities	505,4	260,0	9,3	32,7	369,8	15,6	56,7	0,0	-444,8	-160,9	496,4	147,4
Capital expenditure	263,6	131,8	0,9	9,7	3,5	0,9	110,0	0,0	-7,2	-2,4	370,7	140,0
Non-cash exp. other than depr.	0,0	0,0	0,9	0,0	1,4	1,0	0,0	0,0	0,0	0,0	2,3	1,0

*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.