

REPORT

FIRST QUARTER 2007



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Main figures¹

Operating revenues for the first quarter amounted to USD 10.3 million (USD 12.9 million). Operating profit was USD - 22.1 million (USD - 4.0 million), and net profit was USD - 16.6 million (USD - 4.3 million). The increase in cost compared to previous year is mainly due to pre-operational cost for *Sevan Piranema* that has been expensed and a general increase in activity in the Group. A provision for costs related to share based incentive plans amounted to USD 1.8 million (USD 1.2 million).

As of March 31, 2007, total assets amounted to USD 973.8 million (USD 558.6 million), of which USD 604.7 million (USD 182.6 million) was capitalized as *Sevan capital assets*. Cash and cash equivalents amounted to USD 259.7 million (USD 342.5 million).

The current order backlog for the Group is USD 2.3 billion and USD 3.6 billion including options.

Business segments

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

Floating Production has just started generating revenues following *Sevan Piranema* going on standby rate in March.

The activities within the Floating Production area are related to the design, engineering, construction, and operation of the Sevan platforms. This includes *Sevan Piranema*, which has been contracted to Petrobras, and *Sevan Hummingbird* and *Sevan 300 #4*, both of which have been contracted to Venture Production Plc under multi-year charter contracts, *Sevan 300 #3* which has been contracted to Oilexco North Sea Ltd under a letter of intent, and *Sevan 300 #5* and *Sevan 650 FPSO* for which the yard contracts were recently secured.

Equipment and Systems consists of the activities of Kanfa AS. Kanfa's primary business activities are 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.

Kanfa will supply the processing plants for *Sevan Hummingbird*, *Sevan 300 #3* and *Sevan 300 #4*, and is currently also working on the Knock Allan project for Fred. Olsen.

During first quarter, Kanfa Aragon AS was established, providing environmentally sound solutions and systems for recovery, conditioning, conversion, and transport of natural gas and oil vapors for FPSOs. Kanfa Aragon (50% owned by Kanfa), will be serving clients outside of the Sevan Group as well as working in close cooperation with Kanfa on ongoing 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 the first quarter of 2009 and has been contracted to Petrobras on a 6-year contract.

The activities within **Corporate** are related to general administration and marketing activities.

Business activities

Construction projects Following completion of the acceptance testing in March, Petrobras confirmed acceptance of *Sevan Piranema*. The unit is currently temporarily moored, awaiting tow-out to the Piranema field in the state of Sergipe and is on standby rate in accordance with the contract.

The construction activities for *Sevan Hummingbird* continue to progress according to plan. The platform has been transported from the Yantai Raffles Shipyard to the Keppel Verolme Shipyard in Rotterdam, where the installation of the process plant has commenced. Offshore installation at the Chestnut Field, UK North Sea is expected later this year.

The pre-fabrication and erection of blocks for *Sevan 300 #3* is ongoing and progressing as

¹ Figures in brackets refer to the corresponding period previous year

scheduled. The hull is expected to be completed in July/August 2007.

The fabrication of blocks for *Sevan 300 #4* is ongoing and proceeding according to plan. The hull is expected to be completed during the fourth quarter of 2007, and offshore installation is anticipated during the third quarter of 2009 on the Pilot Field, UK North Sea, under a contract with Venture Production Plc.

All orders for long-lead items for *Sevan Driller* have been placed and construction is proceeding according to plan.

Expansion of construction program and securing of yard capacity In March, Sevan placed an order for an additional Sevan 300 FPSO hull (*Sevan 300 #5*) from Hantong Shipyard in China. Sevan also announced its intention to increase the scope of work on the *Sevan 300 #4* (currently under construction at Hantong Shipyard), to also include the living quarter and central shaft. Furthermore, Sevan has agreed with Hantong shipyard that the Sevan 650 that has previously been ordered will be built as an FPSO hull (*Sevan 650 FPSO*).

Concurrently, the Company entered into an EPCI contract with China's COSCO for the *Sevan Driller*, which has been contracted to Petrobras. Under a separate agreement with COSCO, Sevan also secured options for the construction of two additional hulls.

Financing activities

Bank Financing for Sevan Driller In February, Sevan Drilling AS, a wholly-owned subsidiary of Sevan Marine ASA, signed a mandate with two leading financial institutions to arrange construction financing and a six year term loan with a 7.5 year profile of up to USD 250 million (pre-delivery) and USD 400 million (post delivery). The bank facility is intended to complete the financing of the *Sevan Driller*

Share issue In March, the Company completed a directed share issue of 14.6 million shares at a subscription price of NOK 50.75 per share. Gross proceeds amounted to NOK 741.0 million (USD 121 million equivalent). The share issue was intended to part finance the Group's construction program.

Bond issue In April, the Company completed a bond issue of USD 270 million. The net proceeds from the issue will be used to refinance the existing debt facilities (a NOK 670 million bond and a USD 20 million bank facility) related to *Sevan Piranema*, as well as for general corporate purposes.

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 for Interim Financial Reporting (IAS 34). For accounting policies applied in the interim reporting, reference is made to the Annual Financial Statements for 2006.

Revenue recognition Charter revenues are recognized in line with the underlying contracts. Mobilization revenue and expenses are recognized using the straight-line method over the full fixed term period of the underlying contract.

Outlook

The fundamentals in the offshore industry remain strong, and Sevan expects the high demand to continue in our focused areas, which are the technologically challenging segments of the offshore market.

Tananger, April 25, 2007
The board of directors
Sevan Marine ASA

Condensed consolidated income statement

<i>Unaudited figures in USD million</i>	Q1 07	Q1 06	31.12.06
Operating revenues	10,3	12,9	21,9
Operating expenses	-30,8	-17,9	-53,2
Foreign exchange gain/(loss) related to operation	-0,5	1,1	7,3
EBITDA	-21,0	-3,9	-24,0
Depreciation	-1,1	-0,1	-0,8
Operating profit	-22,1	-4,0	-24,8
Income from associated companies	0,1	0,3	0,5
Financial income/(cost)	-2,6	0,0	1,7
Foreign exchange gain/(loss) related to financing	3,8	-2,1	2,1
Net financial items	1,3	-1,8	4,3
Profit before tax	-20,8	-5,7	-20,5
Tax	4,1	1,4	5,1
Net profit	-16,6	-4,3	-15,4

Condensed consolidated balance sheet

<i>Unaudited figures in USD million</i>	31.03.07	31.03.06	31.12.06
Sevan capital assets	604,7	182,6	472,9
Other fixed assets	42,0	3,7	40,1
Intangible assets	11,3	8,6	10,7
Investments in associates	1,1	0,8	1,0
Deferred income tax assets	23,8	7,6	12,2
Other non-current assets	9,6	1,8	5,4
Total non-current assets	692,6	205,1	542,3
Trade and other receivables	21,5	11,0	10,8
Cash and cash equivalents	259,7	342,5	309,2
Total current assets	281,2	353,5	320,0
Total assets	973,8	558,6	862,3
Share capital	4,9	4,3	4,3
Other equity	456,3	364,2	353,8
Total shareholders' equity	461,2	368,5	358,1
Minority Interest	8,1	6,4	7,8
Total equity	469,3	374,9	365,9
Borrowings	423,7	155,9	406,1
Retirement benefit obligations	0,7	0,7	0,7
Other long-term liabilities/provisions	0,4	0,2	0,3
Total long-term debt	424,7	156,8	407,1
Current liabilities	79,8	26,9	89,3
Total current liabilities	79,8	26,9	89,3
Total liabilities	504,6	183,7	496,4
Total equity and liabilities	973,8	558,6	862,3

Condensed consolidated cash flow statement		
<i>Unaudited figures in USD million</i>	31.03.07	31.03.06
Cash flows from operations	-48,0	-3,5
Cash flows from investments	-137,9	-42,4
Cash flows from financing	136,4	316,3
Net cash flow	-49,4	270,4
Cash balance at beginning of period	309,2	72,1
Cash balance at end of period	259,7	342,5

Key figures				
<i>Unaudited figures</i>	Note	Q1 07	Q1 06	31.12.06
Earnings per share (USD)	1	-0,11	-0,04	-0,12
Earnings per share fully diluted (USD)	2	-0,11	-0,04	-0,11
Cash flow per share (USD)	3	-0,33	-0,04	0,22
Cash flow per share fully diluted (USD)	4	-0,32	-0,04	0,21
Operating margin	5	-214 %	-31 %	-113 %
Equity ratio	6	47 %	66 %	42 %
Return on equity	7	-16 %	-7 %	-6 %
Return on capital employed	8	-11 %	-4 %	-5 %
No. of outstanding shares (million)		160,8	144,0	144,7
No. of shares fully diluted (million)		165,1	149,2	150,4
Average no. of outstanding shares (million)		147,3	96,1	133,3
Average no. of shares fully diluted (million)		152,2	104,7	138,8
Share price (NOK)		53,50	44,30	34,00
Market capitalization (NOK, million)	9	8 602	6 378	4 919
Number of employees		191	84	174
Notes				
1 Net profit / average no. of outstanding shares				
2 Net profit / average no. of shares fully diluted				
3 Cash flow from ops. / avg. no. of outstanding shares				
4 Cash flow from operations / 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 share price or share issue price x no. of outstanding shares				

The 10 largest shareholders as at April 24, 2007

Shareholder	No of shares	% share
Goldman Sachs Intern Equity Nontreaty Cus	28 817 022	17,92 %
Morgan Stanley & Co. Client Equity Account	17 022 824	10,59 %
Bank of New York, Br Bny Gcm Client	13 056 348	8,12 %
Credit Suisse Securi (Europe) Ltd./Firms	6 060 332	3,77 %
Morgan Stanley & Co.	3 907 540	2,43 %
Arne Smedal	3 648 703	2,27 %
UBS AG, London Branc Equities/Corporate A	3 130 620	1,95 %
Supernova AS	2 943 444	1,83 %
Hallingen AS	2 871 296	1,79 %
Aasen AS	2 804 036	1,74 %
Total	84 262 165	52,41 %
No. of outstanding shares	160 785 765	
Foreign ownership	73,32 %	

Statement of changes in equity	Share capital	Share premium	Other reserves	Retained Earnings	Other unrestricted equity	Minority interest	Total equity
Equity as of December 31, 2006	4,3	10,2	-0,2	-18,4	362,3	7,8	365,9
Proceeds from shares issued	0,5	121,7					122,2
Transfer from share premium to other equity							0,0
Minority interest repurchased							0,0
Minority interest through acquisition						0,4	0,4
Share issue cost		-4,5					-4,5
Tax effect of share issue costs				1,3			1,3
Value of options				0,6			0,6
Net profit for the period				-16,5		-0,1	-16,6
Effect of CF hedge							0,0
Currency translation difference			0,1				0,1
Equity as of March 31, 2007 (KUSD)	4,9	127,3	-0,1	-33,1	362,3	8,1	469,3

Statement of changes in equity	Share capital	Share premium	Other reserves	Retained Earnings	Other unrestricted equity	Minority interest	Total equity
Equity as of December 31, 2005	2,7	106,7	0,4	-8,5	0,0	7,2	108,6
Proceeds from shares issued	1,6	278,5					280,0
Transfer from share premium to other equity							0,0
Minority interest repurchased							0,0
Minority interest through acquisition							0,0
Share issue cost		-12,9					-12,9
Tax effect of share issue costs				3,6			3,6
Value of options				0,5			0,5
Net profit for the period				-3,6		-0,8	-4,4
Effect of CF hedge			-0,4				-0,4
Currency translation difference			-0,1				-0,1
Equity as of March 31, 2006	4,3	372,4	-0,1	-8,0	0,0	6,4	374,9

SEGMENTS												
Quarterly data	Floating Production		Equipment & Systems		Corporate cost		Drilling		Eliminations		Total	
	Q1 07	Q1 06	Q1 07	Q1 06	Q1 07	Q1 06	Q1 07	Q1 06	Q1 07	Q1 06	Q1 07	Q1 06
External revenues	1,0	0,0	9,1	12,9	0,3	0,0	0,0	0,0	0,0	0,0	10,3	12,9
Internal revenues	0,0	0,0	12,0	18,9	-0,1	0,0	0,0	0,0	-11,9	-18,9	0,0	0,0
Total revenue	1,0	0,0	21,1	31,8	0,2	0,0	0,0	0,0	-11,9	-18,9	10,3	12,9
Operating expenses	-15,5	-1,5	-20,2	-31,7	-4,5	-3,6	-0,8	0,0	10,2	18,9	-30,8	-17,9
Foreign exchange gain/(loss), operation	-0,1	-1,4	0,0	-0,2	-0,3	2,7	-0,1	0,0	0,0	0,0	-0,5	1,1
EBITDA	-14,7	-2,9	0,9	-0,1	-4,6	-0,9	-0,9	0,0	-1,8	0,0	-21,0	-3,9
Depreciation	-0,6	0,0	0,0	0,0	-0,3	-0,1	-0,1	0,0	0,0	0,0	-1,1	-0,1
Operating profit	-15,3	-2,9	0,9	-0,1	-4,9	-1,0	-1,0	0,0	-1,8	0,0	-22,1	-4,0
Income from associates	0,0	0,0	0,1	0,3	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,3
Financial income/(cost)	-0,7	0,0	0,0	0,0	-1,0	0,0	0,1	0,0	-1,0	0,0	-2,6	0,0
Foreign exchange gain/(loss), financing	8,8	-2,0	0,1	0,0	-5,9	0,0	0,9	0,0	0,0	0,0	3,8	-2,1
Net financial items	8,1	-2,0	0,2	0,3	-7,0	0,0	1,0	0,0	-1,0	0,0	1,3	-1,7
Profit before tax	-7,1	-4,9	1,0	0,2	-11,9	-1,0	0,0	0,0	-2,7	-0,1	-20,8	-5,7
Tax *	1,2	1,4	-0,2	-0,1	3,1	0,2	0,0	0,0	0,0	0,0	4,1	1,4
Net profit	-5,9	-3,5	0,8	0,1	-8,8	-0,8	0,0	0,0	-2,7	-0,1	-16,6	-4,3
Segment assets	595,9	205,6	16,6	20,3	1 525,8	407,5	282,5	0,0	-1 448,0	-75,6	972,7	557,8
Inv.m. in assoc. (equity method)	0,0	0,0	1,1	0,8	0,0	0,0	0,0	0,0	0,0	0,0	1,1	0,8
Total assets	595,9	205,6	17,7	21,1	1 525,8	407,5	282,5	0,0	-1 448,0	-75,6	973,8	558,6
Segment liabilities	481,8	230,4	4,5	19,2	540,6	9,7	131,3	0,0	-653,7	-75,6	504,6	183,7
Total liabilities	481,8	230,4	4,5	19,2	540,6	9,7	131,3	0,0	-653,7	-75,6	504,6	183,7
Capital expenditure	87,9	38,8	0,0	0,0	0,2	2,3	48,7	0,0	-2,2	-0,1	134,6	41,0
Non-cash exp. other than depr.	0,0	0,0	0,2	0,0	0,3	0,5	0,0	0,0	0,0	0,0	0,6	0,5

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