

REPORT

SECOND QUARTER 2007



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Main figures¹

Operating revenues for the second quarter amounted to USD 16.3 million (USD 7.7 million). Operating profit was USD - 29.5 million (USD 0.7 million), and net profit was USD - 37.9 million (USD 9.1 million).

The increase in operational cost compared to previous year is mainly due to pre-operational cost for *Sevan Piranema* and a general increase in activity in the Group. A provision for costs related to share based incentive plans amounted to USD 1.3 million (USD 0.1 million).

The increase in financing cost compared to previous year is mainly due to an increase in borrowings required by the increased number of construction projects in progress. Following the refinancing that took place during the quarter, the call premium and the unamortized fees at call date were expensed with USD 6.7 million. The strengthening of NOK relative to USD, contributed to a foreign exchange loss as the group's borrowings are partly nominated in NOK.

As of June 30, 2007, total assets amounted to USD 1,097.4 million (USD 584.7 million), of which USD 756.0 million (USD 271.5 million) was capitalized as Sevan capital assets. Cash and cash equivalents amounted to USD 215.9 million (USD 257.2 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 segments: Floating Production; Equipment and Systems; Drilling and Corporate.

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 has been on standby rate since March, and *Sevan*

Hummingbird and *Sevan 300 #4*, both of which have been contracted to Venture Production Plc under multi-year charter contracts, *Sevan Voyageur* (Ex. *Sevan 300 #3*) which has been contracted to Oilexco North Sea Ltd, and *Sevan 300 #5* and *Sevan 650 FPSO #1* which are available for clients.

Equipment and Systems consists of the activities of Kanfa AS, Kanfa-Tec AS, Kanfa Aragon AS and Mator AS.

The primary business activities of the segment are related to the provision of services and equipment to the processing plants of the Sevan platforms. In addition, the segment companies are also serving clients outside of the Sevan Group.

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

In July, Kanfa, through Kanfa-Tec AS, was awarded contracts from Dresser Rand AS for the delivery of three Waste Heat Recovery Units offshore Norway and Russia. The total value of the contracts is approximately USD 11 million, and all three units will be delivered in 2008.

During the second quarter, the group acquired 100% of the shares in Mator AS. Mator AS provides services to the oil and gas industry world wide within the areas of primary separation, gas handling, and water treatment for increased production efficiency and improved equipment regularity. As a part of the Sevan group, Mator will continue to offer its services to the offshore industry, as well as serving Sevan's ongoing and future projects and operations.

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.

¹ Figures in brackets refer to the corresponding period previous year

Business activities

Construction projects The *Sevan Piranema* has been moored on the Piranema field in the state of Sergipe in 1,000m water depth and is currently on standby rate in accordance with the contract. Offloading testing of all the systems and procedures related to the offloading operation has been successfully executed and approved in partnership with Petrobras. Petrobras has notified Sevan that due to normal operational delays in completion operations, the revised schedule for the first oil is estimated at mid September.

The *Sevan Hummingbird* is in the final hook-up and commissioning stage at the Keppel Verolme Shipyard in Rotterdam. Offshore installation at the Chestnut Field, UK North Sea is expected to take place during the fourth quarter of 2007, under a contract with Venture Production Plc.

The construction of the hull of the *Sevan Voyageur* is near its completion at the Yantai Raffles Shipyard (YRS) in China. The fabrication of process modules is well underway. Towout from YRS yard to the topside installation yard is expected to commence during the fourth quarter of 2007. Offshore installation on the Shelley field, UK North Sea is expected in the third quarter of 2008, under a contract with Oilexco North Sea Ltd.

The fabrication of the hull of the *Sevan 300 #4* at the Hantong shipyard in China is proceeding according to plan. The shipyard's scope has been expanded to also include the accommodation unit and centre shaft. Offshore installation is anticipated during the third quarter of 2009 at the Pilot Field, UK North Sea, under a contract with Venture Production Plc.

The engineering and construction activities for the hulls of the FPSOs *Sevan 300 #5* and *Sevan 650 #1* are ongoing at the Hantong shipyard. The hulls are available for use in projects currently discussed with clients.

The construction of the hull of the deepwater drilling unit *Sevan Driller* is proceeding

according to plan at COSCO's shipyard in Nantong, China. The fabrication of the drilling package and owner furnished equipment is on schedule. The hook-up and commissioning activities will take place at the COSCO yard and delivery of the unit is scheduled to the first quarter of 2009. The *Sevan Driller* will be employed under a 6-year contract with Petrobras America Inc. in the US Gulf of Mexico.

Definitive agreement signed for *Sevan Voyageur* In April, Oilexco North Sea Ltd, a wholly owned subsidiary of Oilexco Incorporated, entered into a definitive agreement with Sevan Production UK Ltd, a wholly owned subsidiary of Sevan Marine ASA, for the use of the *Sevan Voyageur*. The agreement replaced a letter of intent previously entered into between the parties. The *Sevan Voyageur* is a Sevan 300 FPSO.

Financing activities

Bond issue In April, the Company carried out a bond issue of USD 270 million, with an interest rate of Libor +3%. The bond has a term of 6 years with two embedded call options. The net proceeds from the issue was used to refinance the existing debt facilities (a NOK 670 million bond and a USD 20 million bank facility) related to *Sevan Piranema*.

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.

Accounting treatment of the Mator acquisition On June 20, 2007, the group



acquired 100% of the shares in Mator AS for a consideration in cash and Sevan shares.

The acquisition value, in excess of recognized book values, was allocated to intangible assets.

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, August 22, 2007

The board of directors

Sevan Marine ASA

Condensed consolidated income statement					
<i>Unaudited figures in USD million</i>	Q2 07	Q2 06	30.06.07	30.06.06	2006
Operating revenues	16,3	7,7	26,6	20,6	21,9
Operating expenses	-40,6	-10,8	-71,4	-28,7	-53,2
Foreign exchange gain/(loss) related to operation	-1,2	4,0	-1,7	5,1	7,3
EBITDA	-25,5	0,9	-46,5	-3,0	-24,0
Depreciation	-4,0	-0,2	-5,0	-0,3	-0,8
Operating profit	-29,5	0,7	-51,5	-3,2	-24,8
Income from associated companies	0,2	0,0	0,3	0,3	0,5
Financial income/(cost)	-14,7	0,3	-17,3	0,3	1,7
Foreign exchange gain/(loss) related to financing	-9,2	9,1	-5,4	7,1	2,1
Net financial items	-23,7	9,4	-22,4	7,7	4,3
Profit before tax	-53,2	10,2	-73,9	4,5	-20,5
Tax	15,3	-1,1	19,4	0,3	5,1
Net profit	-37,9	9,1	-54,5	4,8	-15,4

Condensed consolidated balance sheet

<i>Unaudited figures in USD million</i>	30.06.07	30.06.06	31.12.06
Sevan capital assets	756,0	271,5	472,9
Other fixed assets	43,1	5,8	40,1
Intangible assets	13,4	10,5	10,7
Investments in associates	1,3	0,9	1,0
Deferred income tax assets	32,5	8,5	12,2
Other non-current assets	9,2	5,9	5,4
Total non-current assets	855,5	303,0	542,3
Trade and other receivables	26,1	24,5	10,8
Cash and cash equivalents	215,9	257,2	309,2
Total current assets	242,0	281,7	320,0
Total assets	1 097,4	584,7	862,3
Share capital	4,9	4,3	4,3
Other equity	422,0	375,4	353,8
Total shareholders' equity	426,9	379,7	358,1
Minority Interest	7,4	5,4	7,8
Total equity	434,3	385,1	365,9
Borrowings	567,4	161,7	406,1
Retirement benefit obligations	0,6	0,5	0,7
Other long-term liabilities/provisions	0,5	0,3	0,3
Total long-term debt	568,4	162,5	407,1
Current liabilities	94,7	37,1	89,3
Total current liabilities	94,7	37,1	89,3
Total liabilities	663,1	199,6	496,4
Total equity and liabilities	1 097,4	584,7	862,3

Condensed consolidated cash flow statement

<i>Unaudited figures in USD million</i>	30.06.07	30.06.06
Cash flows from operations	-88,7	-9,9
Cash flows from investments	-288,6	-134,7
Cash flows from financing	284,0	329,7
Net cash flow	-93,3	185,1
Cash balance at beginning of period	309,2	72,1
Cash balance at end of period	215,9	257,2

Key figures						
<i>Unaudited figures</i>	Note	Q2 07	Q2 06	30.06.07	30.06.06	2006
Earnings per share (USD)	1	-0,24	0,06	-0,35	0,04	-0,12
Earnings per share fully diluted (USD)	2	-0,23	0,06	-0,34	0,04	-0,11
Cash flow per share (USD)	3	-0,55	-0,04	-0,58	-0,08	0,22
Cash flow per share fully diluted (USD)	4	-0,53	-0,04	-0,55	-0,08	0,21
Operating margin	5	-181 %	10 %	-194 %	-16 %	-113 %
Equity ratio	6	39 %	65 %	39 %	65 %	42 %
Return on equity	7	-34 %	10 %	-55 %	4 %	-6 %
Return on capital employed	8	-19 %	1 %	-31 %	-2 %	-5 %
No. of outstanding shares (million)		161,0	144,2	161,0	144,2	144,7
No. of shares fully diluted (million)		169,0	149,8	169,0	149,8	150,4
Average no. of outstanding shares (million)		160,9	144,1	154,1	118,4	133,3
Average no. of shares fully diluted (million)		168,2	149,4	161,0	123,6	138,8
Share price (NOK)		62,00	37,90	62,00	37,90	34,00
Market capitalization (NOK, million)	9	9 983	5 465	9 983	5 465	4 919
Number of employees		206	127	206	127	174
Notes						
1 Net profit / average no. of outstanding shares						
2 Net profit / average no. of shares fully diluted						
3 Cash flow from operations / 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 August 20, 2007

Shareholder	No of shares	% share
Goldman Sachs Intern Equity Nontreaty Cus	28,885,172	17.93%
Morgan Stanley & Co. Client Equity Account	18,634,400	11.57%
Bank of New York, Br Bny Gcm Client	13,570,000	8.42%
Credit Suisse Securi (Europe) Ltd./Firms	6,769,924	4.20%
Morgan Stanley & Co.	3,648,703	2.26%
Arne Smedal	3,008,663	1.87%
UBS AG, London Branc Equities/Corporate A	2,989,208	1.86%
Supernova AS	2,943,444	1.83%
Hallingen AS	2,871,296	1.78%
Aasen AS	2,804,036	1.74%
Total	86,124,846	53.56%
No. of outstanding shares	161,115,987	
Foreign ownership	72.00%	

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	122,6					123,1
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				1,1			1,1
Net profit for the period				-53,7		-0,8	-54,5
Effect of CF hedge							0,0
Currency translation difference			1,5				1,5
Equity as of June 30, 2007	4,9	128,2	1,2	-69,7	362,3	7,4	434,2

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	278,7					280,3
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				1,1			1,1
Net profit for the period				6,6		-1,8	4,8
Effect of CF hedge			-0,4				-0,4
Currency translation difference			0,0				0,0
Equity as of June 30, 2006	4,3	372,6	0,0	2,8	0,0	5,4	385,1

SEGMENTS												
Quarterly data	Floating Production		Equipment & Systems		Corporate cost		Drilling		Eliminations		Total	
	Q2 07	Q2 06	Q2 07	Q2 06	Q2 07	Q2 06	Q2 07	Q2 06	Q2 07	Q2 06	Q2 07	Q2 06
External revenues	4,4	0,0	11,9	7,7	0,0	0,0	0,0	0,0	0,0	0,0	16,3	7,7
Internal revenues	0,0	0,0	12,6	6,8	0,0	0,0	0,0	0,0	-12,6	-6,8	0,0	0,0
Total revenue	4,4	0,0	24,5	14,5	0,0	0,0	0,0	0,0	-12,6	-6,8	16,3	7,7
Operating expenses	-22,8	-0,4	-22,9	-14,1	-4,8	-3,0	-0,9	0,0	10,8	6,7	-40,6	-10,8
Foreign exch. gain/(loss), operation	-0,8	6,2	0,0	-0,1	-0,3	-2,1	-0,1	0,0	0,0	0,0	-1,2	4,0
EBITDA	-19,3	5,8	1,5	0,3	-5,0	-5,1	-1,0	0,0	-1,7	-0,1	-25,5	1,0
Depreciation	-3,4	0,0	0,1	0,0	-0,4	-0,2	-0,1	0,0	0,0	0,0	-4,0	-0,2
Operating profit	-22,7	5,8	1,6	0,3	-5,4	-5,2	-1,1	0,0	-1,7	-0,1	-29,5	0,8
Income from associates	0,0	0,0	0,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,2	0,0
Financial income/(cost)	-8,2	0,0	-0,1	-0,1	-7,0	0,4	0,6	0,0	-0,1	0,0	-14,7	0,3
Foreign exch. gain/(loss), financing	-5,0	-8,9	0,0	0,0	-4,2	17,8	-0,1	0,2	0,0	0,0	-9,2	9,2
Net financial items	-13,2	-8,9	0,1	-0,1	-11,2	18,2	0,5	0,2	-0,1	0,0	-23,7	9,4
Profit before tax	-35,9	-3,1	1,7	0,2	-16,6	13,0	-0,6	0,2	-1,8	-0,1	-53,2	10,2
Tax *	14,2	-2,6	-0,4	-0,2	1,5	1,6	0,0	0,0	0,0	0,0	15,3	-1,2
Net profit	-21,7	-5,7	1,3	0,0	-15,2	14,7	-0,6	0,2	-1,8	-0,1	-37,9	9,1
Segment assets	707,0	263,8	36,1	25,4	1 645,4	428,0	282,8	27,3	-1 575,1	-160,6	1 096,1	583,9
Inv.m. in assoc. (equity method)	0,0	0,0	1,3	0,8	0,0	0,0	0,0	0,0	0,0	0,0	1,3	0,8
Total assets	707,0	263,8	37,4	26,2	1 645,4	428,0	282,8	27,3	-1 575,1	-160,6	1 097,4	584,7
Segment liabilities	626,8	295,3	21,9	23,2	609,6	13,3	132,3	26,7	-727,4	-158,9	663,1	199,6
Total liabilities	626,8	295,3	21,9	23,2	609,6	13,3	132,3	26,7	-727,4	-158,9	663,1	199,6
Capital expenditure	109,4	66,9	2,1	1,0	0,9	-1,1	48,3	26,8	-1,8	0,1	159,0	93,7
Non-cash exp. other than depr.	0,0	0,0	0,1	0,0	0,4	0,9	0,0	0,0	0,0	0,0	0,5	0,9

*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.

SEGMENTS												
YTD data	Floating Production		Equipment & Systems		Corporate cost		Drilling		Eliminations		Total	
	30.06.07	30.06.06	30.06.07	30.06.06	30.06.07	30.06.06	30.06.07	30.06.06	30.06.07	30.06.06	30.06.07	30.06.06
External revenues	5,3	0,0	21,0	20,6	0,3	0,0	0,0	0,0	0,0	0,0	26,6	20,6
Internal revenues	0,0	0,0	24,6	25,7	-0,1	0,0	0,0	0,0	-24,5	-25,7	0,0	0,0
Total revenue	5,3	0,0	45,6	46,3	0,2	0,0	0,0	0,0	-24,5	-25,7	26,6	20,6
Operating expenses	-38,4	-1,9	-43,1	-45,8	-9,3	-6,5	-1,7	0,0	21,0	25,6	-71,4	-28,7
Foreign exch. gain/(loss), operation	-0,9	4,8	-0,1	-0,3	-0,6	0,6	-0,2	0,0	0,0	0,0	-1,7	5,1
EBITDA	-33,9	2,9	2,4	0,2	-9,6	-5,9	-1,9	0,0	-3,5	-0,1	-46,5	-3,0
Depreciation	-4,0	0,0	0,0	0,0	-0,7	-0,3	-0,2	0,0	0,0	0,0	-5,0	-0,3
Operating profit	-38,0	2,9	2,5	0,2	-10,4	-6,2	-2,1	0,0	-3,5	-0,1	-51,5	-3,2
Income from associates	0,0	0,0	0,3	0,3	0,0	0,0	0,0	0,0	0,0	0,0	0,3	0,3
Financial income/(cost)	-8,9	0,0	-0,1	-0,1	-8,1	0,4	0,7	0,0	-1,0	0,0	-17,3	0,3
Foreign exch. gain/(loss), financing	3,9	-10,9	0,1	0,0	-10,1	17,8	0,7	0,2	0,0	0,0	-5,4	7,1
Net financial items	-5,1	-10,9	0,3	0,2	-18,2	18,2	1,5	0,2	-1,0	0,0	-22,4	7,7
Profit before tax	-43,0	-8,0	2,8	0,4	-28,5	12,1	-0,7	0,2	-4,5	-0,2	-73,9	4,5
Tax *	15,4	-1,2	-0,6	-0,3	4,6	1,8	0,0	0,0	0,0	0,0	19,4	0,3
Net profit	-27,6	-9,2	2,1	0,1	-23,9	13,9	-0,7	0,2	-4,5	-0,2	-54,5	4,8
Segment assets	707,0	263,8	36,1	25,4	1 645,4	428,0	282,8	27,3	-1 575,1	-160,6	1 096,1	583,9
Inv.m. in assoc. (equity method)	0,0	0,0	1,3	0,8	0,0	0,0	0,0	0,0	0,0	0,0	1,3	0,8
Total assets	707,0	263,8	37,4	26,2	1 645,4	428,0	282,8	27,3	-1 575,1	-160,6	1 097,4	584,7
Segment liabilities	626,8	295,3	21,9	23,2	609,6	13,3	132,3	26,7	-727,4	-158,9	663,1	199,6
Total liabilities	626,8	295,3	21,9	23,2	609,6	13,3	132,3	26,7	-727,4	-158,9	663,1	199,6
Capital expenditure	197,3	105,7	2,1	1,0	1,1	1,2	97,0	26,8	-4,0	0,0	293,6	134,7
Non-cash exp. other than depr.	0,0	0,0	0,3	0,0	0,8	1,4	0,0	0,0	0,0	0,0	1,1	1,4

*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.