

INTERIM FINANCIAL REPORT

THIRD QUARTER OF 2008



FPSO Sevan Hummingbird at the Chestnut field, central UK North Sea

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Main figures, third quarter 2008¹

Operating revenues for the third quarter amounted to USD 24.3 million (USD 24.0 million). Operating profit was USD – 15.7 million (USD - 23.1 million), and net profit was USD 9.0 million (USD - 42.3 million).

Operating revenues for the quarter were marginally higher than previous year. The reduction in revenue from the Equipment- and Systems segment was compensated by higher revenue from Floating Production as *FPSO Sevan Piranema* was on full day rate compared to standby rate in the equivalent quarter previous year. In addition, revenues in the Corporate segment were higher than previous year, mainly due to income from the Goliat FEED.

Operating expenses for the quarter were lower than previous year as the increase in cost related to the Goliat FEED and pre-operational cost for the *Sevan Driller I* was outweighed by the reduction in cost from the Equipment- and Systems segment naturally following the reduction in activity compared to equivalent quarter previous year.

The improvement in financial items compared to previous year was mostly due to unrealized currency gains related to NOK-nominated bonds in the third quarter current year compared to currency losses in the equivalent period previous year.

As of September 30, 2008, total assets amounted to USD 1,955.1 million (USD 1,280.1 million), of which USD 1,538.9 million (USD 882.1 million) was capitalized as Sevan capital assets. Cash and cash equivalents amounted to USD 160.3 million (USD 258.8 million).

The current order backlog for the Group was USD 3.9 billion and USD 5.2 billion including options.

¹ Figures in brackets refer to the corresponding period previous year

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 *FPSO Sevan Piranema*, which has been operating for Petrobras since October 2007; *FPSO Sevan Hummingbird* which has been operating for Venture Production Plc since September 2008, *FPSO Sevan 300 no. 4* which is the second unit to be contracted to Venture Production Plc; *FPSO Sevan Voyageur* which has been contracted to Oilexco North Sea Ltd, and *FPSO Sevan 300 no.5* and *FPSO Sevan 650 no. 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 Kanfa group are related to the provision of services and equipment to the processing plants of the Sevan platforms. In addition, the Kanfa group also serves external clients, most recently noted with the Letter of Intent (LOI) that was awarded to Kanfa Aragon by Samsung in July for the supply of a liquefied natural gas production topside to the world's first Floating Liquefied Natural Gas (FLNG) Production Vessel.

The activities within **Drilling** are mainly related to the design, engineering and construction of the Sevan drilling units. This includes *Sevan Driller I* and *Sevan Driller III* (Ex. *Sevan Brazil*), both of which have been contracted to Petrobras on respective 6-year contracts, and *Sevan Driller II* which has been contracted to India's Oil and Natural Gas Corporation LTD (ONGC) on a 3-year contract.

The activities within **Corporate** are related to general administration and marketing activities, including studies made for clients.

Business activities

Operations Since *FPSO Sevan Piranema* commenced oil production on the Piranema field, off the coast of Aracaju in Brazil on October 11, 2007, she has produced more than 2.8 million barrels of oil by the end of the third quarter of 2008. Technical uptime for the third quarter remained high at 99.9% with revenue utilization at 94.9%. Based on Sevan's unique and patented technology, *FPSO Sevan Piranema* is operating under an 11+11 year charter contract with Petrobras S.A. in ultra deep water ranging from 1,000 to 1,600m.

On September 20, the *FPSO Sevan Hummingbird* commenced oil production on Venture's Chestnut field in the central UK North Sea. The unit was formally accepted and on full rate from September 28, following completion of the first 100,000 bbls of oil production. The first offloading was successfully completed in October, and technical uptime for the first month of operation was as high as 99.9%. The unit is working under a 2.5 + 2 year contract with Venture Production Plc and is the first cylindrical FPSO to be operating in the North Sea.

Contract awards, Drilling In August, Sevan signed a firm drilling contract for the new build drilling unit awarded by Petrobras SA in June. The unit, *Sevan Driller III* (Ex. *Sevan Brazil*), is intended for operations off the coast of Brazil, in water depths down to 2,400m and is the second Sevan drilling unit contracted by Petrobras. The 6-year drilling contract has a value of approximately USD 975 million, including a bonus arrangement and mobilization fee, and was one of two contracts awarded to Sevan in June. The second contract was a firm order from Indian ONGC for a 3-year drilling contract with a value of approximately USD 569 million.

Contract award, FLNG In July, Kanfa Aragon signed an LOI with Samsung Heavy Industries in Korea for the development of a liquefied natural gas production topside to the world's first Floating Liquefied Natural Gas (FLNG) Production Vessel. The FLNG topside will be based on Kanfa Aragon's liquefaction technology. Kanfa Aragon's scope of work

includes the design and engineering of the liquefaction plant as well as procurement of major equipment items. The contract value is estimated at approximately USD 200 million. The vessel will be owned and operated by FLEX LNG and will be ready for operation late 2011.

Construction projects The *FPSO Sevan Voyageur* is in the final stage of commissioning at the Keppel Verolme shipyard in Rotterdam with sail-away from the yard scheduled for fourth quarter. The unit will be operating on the Shelley field in the central UK North Sea, under a 5+5 year contract with Oilexco North Sea Ltd.

The fabrication of the hull of the *FPSO Sevan 300 no. 4* is proceeding according to plan at the Hantong shipyard in China. All construction work up to the main deck has been finalized and the accommodation unit and process deck is in progress. Offshore installation is anticipated during 2010.

The engineering activities for the hull for *FPSO Sevan 650 no. 1*, and steel cutting and construction activities for *FPSO Sevan 300 no. 5* are ongoing at the Hantong shipyard. Both hulls are candidates for use in projects currently discussed with potential clients.

The construction of the hull of the deepwater drilling unit *Sevan Driller I* is proceeding at COSCO's shipyard in Nantong, China, where hook-up and commissioning activities also will take place. The drill floor and lower derrick have been installed according to plan and the mechanical completion of the unit has commenced. The *Sevan Driller I* will be employed under a 6-year contract with Petrobras who has requested that the unit is to be installed offshore Brazil for its first drilling program, instead of US Gulf of Mexico, as initially agreed. The preliminary drilling schedule forecasts exploratory wells to be drilled in the Santos basin pre-salt cluster in which the Tupi field is located. The drilling unit will be equipped for operations in 2,400m water depth, with agreed start up time in mid-2009. Petrobras will cover the incremental costs related to the change of location and specifications.

Financing activities

Syndication of senior debt project finance facility for *FPSO Sevan Voyageur* completed. A fully underwritten loan agreement for a USD 300 million senior debt project finance facility for the *FPSO Sevan Voyageur* was signed in May 2008 between Sevan Marine's affiliate Sevan 300 Pte Ltd and mandated lead arrangers GE Energy Financial Services and GE Transportation Finance. Norway's export credit agency, Norwegian Guarantee Institute for Export Credits (GIEK), partially guaranteed the facility, whereas Eksportfinans ASA funded GIEK's portion.

GE Capital Markets have now completed the syndication to include ING Bank N.V, Natixis and Fortis Bank N.V, in addition to GE Energy Financial Services, GE Transportation Finance and GIEK/Eksportfinans ASA.

Mandate for bank financing for *Sevan Driller II* and *Sevan Driller III* signed. Sevan Drilling ASA, a wholly-owned subsidiary of Sevan Marine ASA, has signed a mandate letter with two leading financial institutions to arrange construction financing of up to USD 1 billion (or 70% of construction cost) that converts into a six-year amortizing term loan following delivery of two deepwater drilling units.

The debt facility is intended to part-finance the construction of two deepwater drilling units (*Sevan Driller II* and *Sevan Driller III*) that have been contracted to ONGC and Petrobras on charter contracts.

Outlook

Given the difficulties in the global credit markets, we are pleased to announce that the mandate letter with two leading financial institutions have been signed, marking an important step towards securing full financing of *Sevan Driller II* and *Sevan Driller III*.

Sevan currently has activities in major offshore regions such as Brazil, North Sea and India with major oil companies as counterparties for the majority of the order back-log of USD 5.2 billion (USD 3.9 billion excluding options). The Company has a unique and strong technology base with cost efficient solutions, a dedicated workforce and is well positioned to take advantage of future market opportunities.

Arendal, October 28, 2008
The Board of Directors
Sevan Marine ASA

Interim financial statements

Condensed consolidated income statement					
<i>Unaudited figures in USD million</i>	Q3 08	Q3 07	30.09.08	30.09.07	2007
Operating revenues	24,3	24,0	69,4	50,6	82,2
Operating expenses	-37,5	-39,9	-104,0	-111,3	-170,2
Foreign exchange gain/(loss) related to operation	2,6	-3,2	-2,3	-4,9	-5,4
EBITDA	-10,6	-19,1	-36,9	-65,6	-93,4
Depreciation, amortization and impairment	-5,1	-4,0	-14,9	-9,1	-13,2
Operating profit	-15,7	-23,1	-51,8	-74,7	-106,6
Income from associated companies	0,1	0,4	1,0	0,7	1,0
Financial income/(cost)	-7,7	-15,0	-17,7	-32,3	-26,6
Foreign exchange gain/(loss) related to financing	35,6	-12,6	19,2	-18,0	-18,4
Net financial items	28,0	-27,3	2,6	-49,7	-44,0
Profit before tax	12,3	-50,4	-49,2	-124,3	-150,5
Income tax expense	-3,3	8,1	16,7	27,5	35,6
Net profit	9,0	-42,3	-32,5	-96,8	-115,0

Condensed consolidated balance sheet			
<i>Unaudited figures in USD million</i>	30.09.08	30.09.07	31.12.07
Sevan Capital Assets	1 538,9	882,1	1 079,2
Other fixed assets	43,2	43,7	36,1
Intangible assets	16,2	14,6	15,0
Investments in associates	1,7	1,4	1,8
Deferred income tax assets	75,8	41,0	55,3
Other non-current assets	71,2	12,4	67,7
Total non-current assets	1 747,0	995,3	1 255,2
Inventories	10,1	7,2	6,3
Trade and other receivables	37,7	18,9	29,7
Cash and cash equivalents	160,3	258,8	222,8
Total current assets	208,1	284,9	258,8
Total assets	1 955,1	1 280,1	1 514,0
Share capital	6,2	4,9	5,5
Other equity	758,9	384,0	559,7
Total shareholders' equity	765,0	388,8	565,2
Minority Interest	49,4	7,2	6,5
Total equity	814,4	396,1	571,7
Borrowings	960,5	738,5	789,6
Retirement benefit obligations	0,3	0,5	0,7
Other long-term liabilities/provisions	8,3	3,7	8,6
Total long-term debt	969,1	742,7	799,0
Current liabilities	171,6	141,4	143,2
Total current liabilities	171,6	141,4	143,2
Total liabilities	1 140,7	884,1	942,2
Total equity and liabilities	1 955,1	1 280,1	1 514,0

Condensed consolidated cash flow statement		
<i>Unaudited figures in USD million</i>	30.09.08	30.09.07
Cash flows from operations	-25,5	-92,9
Cash flows from investments	-482,8	-416,6
Cash flows from financing	445,8	459,1
Net cash flow	-62,5	-50,5
Cash balance at beginning of period	222,8	309,2
Cash balance at end of period	160,3	258,8

Statement of changes in equity	Share capital	Share premium	Other reserves	Other unrestricted equity	Minority interest	Total equity
Equity as of December 31, 2007	5,5	332,0	2,8	225,0	6,5	571,7
Proceeds from shares issued	0,7	236,8			45,6	283,0
Transfer from share premium to other equity						0,0
Minority interest repurchased						0,0
Minority interest through acquisition						0,0
Share issue cost		-8,7				-8,7
Tax effect of share issue costs		2,4				2,4
Value of options				2,5		2,5
Net profit for the period				-30,0	-2,5	-32,5
Effect of CF hedge						0,0
Currency translation difference			-3,8			-3,8
Equity as of September 30, 2008	6,2	562,4	-1,0	197,4	49,4	814,4

Statement of changes in equity	Share capital	Share premium	Other reserves	Other unrestricted equity	Minority interest	Total equity
Equity as of December 31, 2006	4,3	10,2	-0,2	343,8	7,8	365,9
Proceeds from shares issued	0,5	123,2				123,8
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				2,1		2,1
Net profit for the period				-95,8	-1,0	-96,8
Effect of CF hedge						0,0
Currency translation difference			4,0			4,0
Equity as of September 30, 2007	4,9	128,8	3,8	251,4	7,2	396,1

Key figures						
<i>Unaudited figures</i>	Note	Q3 08	Q3 07	30.09.08	30.09.07	2007
Earnings per share (USD)	1	0,05	-0,27	-0,18	-0,63	-0,72
Earnings per share fully diluted (USD)	2	0,05	-0,25	-0,17	-0,60	-0,69
Equity ratio	3	39 %	30 %	39 %	30 %	37 %
No. of outstanding shares (million)		196,1	161,3	196,1	161,0	177,4
No. of shares fully diluted (million)		196,4	169,1	196,4	169,0	184,9
Average no. of outstanding shares (million)		196,0	154,3	184,5	154,3	160,7
Average no. of shares fully diluted (million)		199,6	169,0	190,5	160,8	167,0
Share price (NOK)		23,50	56,25	23,50	56,25	82,00
Market capitalization (NOK, million)	4	4 609	9 073	4 609	9 057	14 549
Number of employees		292	223	292	223	242
Notes						
1 Net profit / average no. of outstanding shares						
2 Net profit / average no. of shares fully diluted						
3 (Total shareholders' equity / total assets) x 100						
4 Latest quoted share price of the reporting period x no. of outstanding shares						

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – General accounting principles

Sevan Marine ASA (the ‘Company’) and its subsidiaries (together with the Company, the ‘Group’) are engaged in development, construction, ownership, and chartering of floating production units and drilling units, which are based on the proprietary technology of the Company. The Group is also developing other application types for its cylindrical Sevan hull, including floating LNG production and power plants with CO₂ capture.

Sevan Marine ASA is a public limited company, incorporated and domiciled in Norway. The condensed consolidated interim financial statements consist of the Group and the Group’s interests in associated companies.

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). As the interim financial statements do not include the full information and disclosures as required in the annual financial statements, it should be read in connection with the Group’s Annual Report 2007.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group’s Annual Financial Statements for the year ended December 31, 2007, unless explicitly stated.

Note 2 – Property, plant and equipment

The Group's main non-current assets are classified as *Sevan Capital Assets* in the balance sheet. The table below summarizes the changes to these assets for 2007 and for the interim period of January 1, to September 30, 2008.

PROPERTY, PLANT AND EQUIPMENT			
<i>Figures in USD million</i>	Construction in Progress (CIP)	FPSO	Sevan Capital Assets
Year ended December 31, 2007:			
Book value January 1,	472,9	0,0	472,9
Assets reclassified from "CIP" to "FPSO"	-265,3	265,3	0,0
Additions	595,6	21,4	617,0
Depreciation charge	0,0	-10,7	-10,7
Book value December 31,	803,2	276,0	1 079,2
At December 31, 2007:			
Cost	803,2	286,7	1 089,9
Accumulated depreciation	0,0	-10,7	-10,7
Book value December 31,	803,2	276,0	1 079,2
Quarter ended September 30, 2008:			
Book value January 1,	803,2	276,0	1 079,2
Assets reclassified from "CIP" to "FPSO"	-357,8	357,8	0,0
Additions	456,0	14,7	470,7
Depreciation charge	0,0	-11,0	-11,0
Book value September 30,	901,4	637,5	1 538,9
At September 30, 2008:			
Cost	901,4	659,2	1 560,6
Accumulated depreciation	0,0	-21,7	-21,7
Book value September 30,	901,4	637,5	1 538,9
Additions on 'FPSO' in 2008 mainly consist of improvements made to the gas equipment onboard the <i>FPSO Sevan Piranema</i> .			

Note 3 – Related party transactions

The Group does not have any transactions and inter-company balances regarded as material for the interim condensed consolidated financial statements for the reporting period. Further reference to related party transactions is made in note 28 in the Annual Report 2007.

Note 4 – Segment information

SEGMENTS												
Quarterly data	Floating Production *)		Equipment & Systems		Corporate cost *)		Drilling *)		Eliminations		Total	
	Q3 08	Q3 07	Q3 08	Q3 07	Q3 08	Q3 07	Q3 08	Q3 07	Q3 08	Q3 07	Q3 08	Q3 07
External revenues	9,4	4,4	9,9	19,3	5,0	0,3	0,0	0,0	0,0	0,0	24,3	24,0
Internal revenues	0,2	0,0	1,1	11,3	8,2	0,0	0,0	0,0	-9,5	-11,3	0,0	0,0
Total revenue	9,6	4,4	11,0	30,6	13,2	0,3	0,0	0,0	-9,5	-11,3	24,3	24,0
Operating expenses	-15,0	-15,3	-10,6	-28,4	-16,1	-6,3	-4,0	-1,3	8,2	11,4	-37,5	-39,9
Foreign exch. gain/(loss), operation	0,0	-1,7	0,1	-0,3	1,0	-0,9	1,5	-0,3	0,0	0,0	2,6	-3,2
EBITDA	-5,4	-12,6	0,5	1,9	-1,9	-6,9	-2,5	-1,6	-1,3	0,1	-10,6	-19,1
Depreciation, amortization and impairment	-4,3	-3,5	0,0	0,0	-0,7	-0,4	-0,1	-0,1	0,0	0,0	-5,1	-4,0
Operating profit	-9,7	-16,1	0,5	1,9	-2,6	-7,3	-2,6	-1,7	-1,3	0,1	-15,7	-23,1
Income from associates											0,1	0,4
Financial income/(cost)											-7,7	-15,0
Foreign exch. gain/(loss), financing											35,6	-12,6
Net financial items											28,0	-27,3
Profit before tax											12,3	-50,4
Income tax expense											-3,3	8,1
Net profit											9,0	-42,3
Segment assets	1 250,8	989,3	44,5	68,6	1 516,5	1 094,8	526,2	314,6	-1 384,6	-1 188,5	1 953,4	1 278,7
Inv.m. in assoc. (equity method)	0,0	0,0	1,7	1,4	0,0	0,0	0,0	0,0	0,0	0,0	1,7	1,4
Total assets**	1 250,8	989,3	46,2	70,0	1 516,5	1 094,8	526,2	314,6	-1 384,6	-1 188,5	1 955,1	1 280,1
Segment liabilities	723,7	768,1	18,0	49,0	605,6	599,8	420,4	191,9	-627,0	-724,6	1 140,7	884,1
Total liabilities**	723,7	768,1	18,0	49,0	605,6	599,8	420,4	191,9	-627,0	-724,6	1 140,7	884,1
Capital expenditure	73,9	106,4	0,0	1,0	0,5	0,8	105,1	23,8	5,1	-0,4	184,6	131,6
Non-cash exp. other than depr.	0,1	0,1	0,0	0,3	0,5	0,6	0,0	0,0	0,0	0,0	0,6	1,1

* From the third quarter of 2008, any holding company in direct relation to an asset-owning FPSO- or Drilling-entity has been reclassified from the Corporate segment to the FPSO- or Drilling-segment respectively. Comparative figures have been reclassified accordingly.

** For assets and liabilities are intra-segment balances eliminated within the segment, whilst inter-segment balances are eliminated in the elimination section.

SEGMENTS												
YTD data	Floating Production *)		Equipment & Systems		Corporate cost *)		Drilling *)		Eliminations		Total	
	30.09.08	30.09.07	30.09.08	30.09.07	30.09.08	30.09.07	30.09.08	30.09.07	30.09.08	30.09.07	30.09.08	30.09.07
External revenues	28,5	9,7	29,5	40,2	11,4	0,7	0,0	0,0	0,0	0,0	69,4	50,6
Internal revenues	0,3	0,0	13,4	35,9	24,1	-0,1	0,0	0,0	-37,8	-35,8	0,0	0,0
Total revenue	28,8	9,7	42,9	76,1	35,5	0,6	0,0	0,0	-37,8	-35,8	69,4	50,6
Operating expenses	-48,0	-53,7	-32,7	-71,5	-46,7	-15,5	-10,9	-3,0	34,3	32,4	-104,0	-111,3
Foreign exch. gain/(loss), operation	-3,0	-2,6	0,5	-0,3	-0,6	-1,4	0,8	-0,6	0,0	0,0	-2,3	-4,9
EBITDA	-22,2	-46,6	10,7	4,3	-11,8	-16,3	-10,1	-3,6	-3,5	-3,4	-36,9	-65,6
Depreciation, amortization and impairment	-12,4	-7,5	-0,2	-0,1	-1,9	-1,1	-0,4	-0,4	0,0	0,0	-14,9	-9,1
Operating profit	-34,6	-54,1	10,5	4,2	-13,7	-17,4	-10,5	-4,0	-3,5	-3,4	-51,8	-74,7
Income from associates											1,0	0,7
Financial income/(cost)											-17,7	-32,3
Foreign exch. gain/(loss), financing											19,2	-18,0
Net financial items											2,6	-49,7
Profit before tax											-49,2	-124,3
Income tax expense											16,7	27,5
Net profit											-32,5	-96,8
Segment assets	1 250,8	989,3	44,5	68,6	1 516,5	1 094,8	526,2	314,6	-1 384,6	-1 188,5	1 953,4	1 278,7
Inv.m. in assoc. (equity method)	0,0	0,0	1,7	1,4	0,0	0,0	0,0	0,0	0,0	0,0	1,7	1,4
Total assets**	1 250,8	989,3	46,2	70,0	1 516,5	1 094,8	526,2	314,6	-1 384,6	-1 188,5	1 955,1	1 280,1
Segment liabilities	723,7	768,1	18,0	49,0	605,6	599,8	420,4	191,9	-627,0	-724,6	1 140,7	884,1
Total liabilities**	723,7	768,1	18,0	49,0	605,6	599,8	420,4	191,9	-627,0	-724,6	1 140,7	884,1
Capital expenditure	211,6	303,7	1,6	3,1	3,2	1,9	221,2	120,8	45,2	-4,4	482,8	425,1
Non-cash exp. other than depr.	0,2	0,1	0,0	0,6	2,2	1,4	0,0	0,0	0,0	0,0	2,4	2,1

* From the third quarter of 2008, any holding company in direct relation to an asset-owning FPSO- or Drilling-entity has been reclassified from the Corporate segment to the FPSO- or Drilling-segment respectively. Comparative figures have been reclassified accordingly.

** For assets and liabilities are intra-segment balances eliminated within the segment, whilst inter-segment balances are eliminated in the elimination section.

Note 5 – Shareholder structure

The 10 largest shareholders as at October 27, 2008

Shareholder	No. of shares	% share
Goldman Sachs Int.-Security Client Segr.	24 468 640	12,48 %
Goldman Sachs&Co-Security Client Segr.	22 649 174	11,55 %
Bear Stearns Security A/C	20 534 079	10,47 %
Morgan Stanley & Co. Client Equity	5 957 441	3,04 %
Clearstream Banking	4 598 182	2,34 %
Smedal, Arne	3 698 703	1,89 %
Supernova AS	2 893 444	1,48 %
Hallingen AS	2 821 296	1,44 %
Aasen AS	2 804 036	1,43 %
JP Morgan Chase Bank	2 764 700	1,41 %
Total, 10 largest	93 189 695	47,51 %

No. of outstanding shares	196 128 448
Foreign ownership	66,37 %