SEVAN MARINE ASA

INTERIM FINANCIAL REPORT
FIRST QUARTER 2011

INTERIM FINANCIAL REPORT - FIRST QUARTER 2011 FOR SEVAN MARINE ASA ('Sevan Marine' or 'the Company')

Main figures, first quarter 2011 (previous quarter figures in brackets)

Operating revenue for the quarter amounted to USD 51.1 million (USD 53.5 million). EBITDAFX was USD 20.4 million (USD 27.6 million). Operating profit was USD 3.8 million (USD 13.0 million), and net loss was USD 53.3 million (net loss of USD 63.3 million).

Operating revenue was USD 2.4 million lower than the previous quarter mainly as a result of a non-recurring compensation received from the Oilexco administration in previous quarter. This effect was partly offset by higher revenue from rebillable expenses from *FPSO Sevan Voyageur* and *FPSO Sevan Hummingbird* and higher revenue from the *Topside and Process Technology* segment.

Operating expense was USD 4.7 million higher than the previous quarter mainly due to higher rebillable operating expense on *FPSO Sevan Voyageur* and *FPSO Sevan Hummingbird* as well as higher operating expense in the *Topside and Process Technology* segment, all of which are also reflected in the revenues above.

A net foreign exchange loss relating to financing of USD 21.4 million (gain of USD 0.7 million) was mainly a result of unrealized disagio on NOK-nominated bonds following a strengthening in NOK compared to USD of 5.8% during the quarter.

Financial expense through profit and loss decreased by USD 25.4 million to USD 22.0 million (USD 47.4 million) mainly due to non-recurring expenses relating to refinancing activities in previous quarter.

Net loss on continued business was USD 39.7 million (loss of USD 45.4 million) for the quarter. Net pro forma loss as described in Note 7 reflects the net loss as if the drilling business was a third party to the Sevan Marine Group and amounted to USD 33.6 million for the quarter.

Net loss on discontinued business as described in Note 6, reflects the net loss from the drilling business to be de-consolidated following the initial public offering executed on May 3, 2011, and amounted to USD 13.6 million (USD 17.9 million) for the quarter.

As of March 31, 2011, total assets amounted to USD 2,723.7 million (USD 2,587.4 million), of which USD 1,169.7 million (USD 2,145.6 million) was capitalized as 'Sevan Capital Assets'. Assets of disposal group, which reflect the total assets in the drilling business, amounted to USD 1,298.1 million. Cash and cash equivalents amounted to USD 29.2 million (USD 116.1 million).

As of March 31, 2011, Sevan Marine has undrawn USD 52.1 million on a bank facility to part finance the upgrade of *FPSO Sevan Voyageur* which is not reflected on the balance sheet as per March 31, 2011. As at the date of this report, USD 10.0 million remains undrawn under the financing facility. In addition, the discontinued operation has undrawn USD 342.9 million on a bank facility to fund the construction of *Sevan Brasil* which is not reflected on the balance sheet as per March 31, 2011.

Business segments

Floating Production Technical Uptime on *FPSO Sevan Piranema* was 97% for the quarter. Commercial Uptime was 88% for the quarter due to continuing problems with the gas cooling and booster compressor system. Measures to improve the commercial performance will be effectuated following assessment of the well stream composition expected to take place during the year.

Technical Uptime on *FPSO Sevan Hummingbird* was 99% for the quarter. Commercial Uptime for the quarter was 105% due to bonus achieved for high production levels. In March, the fixed term of the charter contract with Centrica Energy Upstream was extended from September 28, 2011, until March 28, 2012.

The upgrade work on *FPSO Sevan Voyageur* is ongoing at the Nymo yard in Arendal. The upgrade comprises modification of existing process facilities to handle more gas, installation of two gas compression trains for gas export and gas lift and an increase in the water injection system. In the second quarter the expected reported total project cost for the upgrade has increased from USD 90 million to USD 135 million including contingencies and start-up costs. The cost increase is mainly due to additional steel and engineering requirements. The Board has initiated corrective measures to secure the project execution going forward. The delivery from the yard is scheduled for end of the fourth quarter of 2011. First oil is scheduled for the first quarter of 2012, under a contract for E.ON Ruhrgas UK E&P for the Huntington field in the UK North Sea. Final verification of the new baseline is still in progress in co-operation with the client. Estimated contract value is USD 535 million for the fixed term of five years. The contract has extension options.

The activities relating to project management and engineering of the *Sevan 1000 Goliat FPSO* continued during the quarter.

The hull for *FPSO Sevan 300 no. 4 and 5* has been relocated to Cosco's Nantong Shipyard. The intention is to complete the construction of the units at Cosco upon securing contracts with clients.

Sevan continues to work on several studies involving potential FPSO projects.

Drilling Technical Uptime on *Sevan Driller* was 90% for the quarter. Commercial Uptime was 91%.

In April, an initial public offering ('IPO') of Sevan Drilling ASA ('Sevan Drilling') was completed at an issue price of NOK 8.00 per share. Sevan Marine did not sell any of its holding consisting of 96,000,000 shares in Sevan Drilling which represents 28.5% of the share capital. Sevan Marine's holding in Sevan Drilling is subject to a 12 month lock-up period.

Following the IPO and the resulting de-consolidation of the drilling business from the Company's consolidated financial statements, an accounting loss has been estimated to approximately USD 211.3 million based on the pro forma balance sheet as of March 31, 2011, and the issue price in the IPO. The write down is of non-cash nature and will be reflected in the Q2 2011 financial results.

In relation to the third drilling contract, ONGC called on the bank guarantee in March and has received USD 15.9 million under the guarantee. However, the disputes between ONGC and the Company will be determined in the arbitration proceedings where the Company is claiming that ONGC is not entitled to the monies under the bank guarantee on the grounds that ONGC has suffered no loss and/or that any loss suffered by ONGC does not amount to the sum of the bank guarantee. The Company is claiming for a refund of the monies paid to ONGC under the bank guarantee. The USD 15.9 million previously classified as restricted cash has been classified to current receivable following the transfer to ONGC. No provision has been made for potential losses in relation to the arbitration. However, the Company has accrued USD 1.0 million for expected future expenses in relation to the arbitration.

Topside and Process Technology consists of the activities of the Kanfa group. The Kanfa group is currently working mostly on projects within the Sevan Marine Group and on the FLNG project with Samsung/Flex LNG. Tender activities continue to increase within the segment.

New CEO

Carl Lieungh started as new CEO of the Company at the end of April 2011. Mr. Lieungh comes from the position as CEO for Norse Cutting & Abandonment AS (NCA) and has more than 25 years of experience from the oil and gas industry including management and development of enterprises, project management, marketing and international business development. Mr. Lieungh has held key positions within these areas as Senior Vice President for Business Development of the Oil, Gas and Marine

Solutions Division in Siemens AG, President for Kvaerner Process System Group of companies and Managing Director of Hitec Framnes AS and the Board is convinced that Mr. Lieungh's industrial experience will be valuable to Sevan Marine.

Financing activities

In May, Sevan Marine received an offer from DnB NOR Markets for a fully underwritten rights issue of approximately USD 275 million, subject to due diligence, satisfactory shareholder support and other customary conditions. On May 26, 2011, Sevan Marine announced that the proposed rights issue received support from several existing shareholders. However, in light of the significant drop in the share price following the announcement on Friday May 20, 2011, the Board of Directors, in consultation with DnB NOR Markets, concluded that it was not possible to proceed with the contemplated rights issue.

A temporary breach of an equity covenant as further described in Note 9, occurred on March 25, 2011. A waiver for the technical breach was granted after balance sheet date on March 31, 2011. The accounting regulations require that amounts which formally could be held to be mandatory repayable at balance sheet date be classified as current irrespective of whether such repayment was required by the lenders or the basis therefore has subsequently been eliminated. Due to cross default clauses, all interest-bearing debt was therefore classified as current as per March 31, 2011.

As of May 31, 2011, Sevan Marine does not have a satisfactory liquidity position. Technically, the Company remains in compliance for the time being with the minimum liquidity requirement under the bank financing agreement for *FPSO Sevan Voyageur*. The same financing agreement requires that budgeted and approved cost overruns be covered by equity. In respect of the USD 45 million cost overrun relating to *FPSO Sevan Voyageur*, shortly to be reflected in the revised project budget, Sevan Marine does not currently have sufficient funds to fulfill this requirement, the satisfaction of which will depend on a successful restructuring (reference is made to Note 9). The Company presently has no assurance that such restructuring will be successful.

Going concern and outlook

The Company's working capital is insufficient to support its present requirements and there is an immediate need to solve the Company's financial situation. The Company, together with its advisors, is in the process of seeking a debt restructuring, potentially in combination with a share issue as well as a reduction of overhead cost to secure the Company's financial position.

A robust financial structure coupled with the Company's FPSO assets and technology should form the basis for creating shareholder value and securing stakeholders going forward. However, the Company is dependent on a successful restructuring in order to meet its commitments. The Company is in constructive dialogue with its stakeholders, but at the date of this report, no firm resolution has been reached.

The Board confirms that the Q1 2011 financial statements have been prepared based on a going concern assumption. The basis for this assumption is the Company's strategic plan and a successful outcome of the restructuring plans described above.

The outcome of the restructuring is however, at the date of this report, still uncertain and may impact the assumptions applied in the preparation of the Q1 2011 financial statements. In addition to the going concern assumption this particularly relates to the following items:

<u>Sevan Capital Assets</u>
In addition to the uncertainties relating to the carrying value of *FPSO Sevan Piranema* as further outlined in Note 2, uncertainties also exist in relation to *FPSO Sevan Voyageur* as further outlined in Note 9. In a situation where E.ON elects to exercise its option to purchase the unit, the purchase price (which is the higher of (i) the market value of the FPSO, and (ii) amounts outstanding under the loans secured in the FPSO), could,

particularly in a distressed situation, be lower than the carrying value which would result in an accounting loss.

Deferred Tax Assets

In a situation where the outcome of the restructuring process results in a remission of debt, unused tax losses will be reduced with the implication of a write-down of the capitalized deferred tax assets. The write-down would in such situation amount to 28% of the amount of debt remitted. Furthermore, the expected future utilization of the deferred tax position, is largely based on profitable contributions from *FPSO Sevan Voyageur*. A situation where E.ON elects to exercise its option to purchase the unit would therefore result in a significant write-down of the deferred tax assets.

Sevan Marine has engaged ABG Sundal Collier, DnB NOR Markets, Pareto Securities and SEB Enskilda to address a financial and strategic restructuring of Sevan Marine.

Arendal, June 12, 2011

The Board of Directors
Sevan Marine ASA

Interim financial statements

Condensed Consolidated Income Statement				
Unaudited figures in USD million	**Q1 11**	**Q4 10***	**Q1 10***	**2010***
Operating income	51,1	53,5	49,7	215,3
Operating expense	-30,7	-26,0	-40,7	-143,5
EBITDAFX	**20,4**	**27,6**	**9,0**	**71,8**
Foreign exchange gain/(loss) relating to operation	-2,4	-0,1	0,0	-1,1
EBITDA	**18,0**	**27,5**	**9,0**	**70,7**
Depreciation, amortization and impairment	-14,2	-14,4	-14,3	-62,4
Operating profit/(loss)	**3,8**	**13,0**	**-5,3**	**8,3**
Income from associated companies	0,0	-0,1	0,1	0,0
Financial income/(expense)	-22,0	-47,4	-14,0	-96,0
Foreign exchange gain/(loss) relating to financing	-21,4	0,7	3,9	-1,8
Net financial items	**-43,4**	**-46,8**	**-10,0**	**-97,9**
Profit/(loss) before tax	**-39,6**	**-33,8**	**-15,2**	**-89,6**
Tax income/(expense)	-0,1	-11,6	5,7	11,7
Net profit/(loss) continued business	**-39,7**	**-45,4**	**-9,4**	**-77,9**
Net profit/(loss) discontinued business	**-13,6**	**-17,9**	**-12,8**	**-74,5**

* *In accordance with IFRS 5, comparable amounts for previous periods are restated as if the drilling business was regarded as a discontinued business also for previous periods.*

Statement of Comprehensive Income				
Unaudited figures in USD million	**Q1 11**	**Q4 10**	**Q1 10**	**2010**
Net profit/(loss)	-53,3	-63,3	-22,2	-152,4
Foreign currency transaltion	1,4	0,2	-0,1	0,8
Total comprehensive income	**-51,9**	**-63,1**	**-22,3**	**-151,6**

Condensed Consolidated Balance Sheet			
Unaudited figures in USD million	**31.03.11**	**31.03.10**	**31.12.10**
Sevan Capital Assets	1 169,7	1 977,8	2 145,6
Other fixed assets	31,5	42,1	38,7
Intangible assets	13,7	14,3	13,6
Investments in associates	1,3	1,2	1,1
Deferred income tax assets	102,1	114,1	124,1
Other non-current assets	14,1	54,5	76,1
Total non-current assets	**1 332,4**	**2 204,1**	**2 399,3**
Inventories	6,7	22,4	14,5
Trade and other receivables	57,3	51,8	57,5
Cash and cash equivalents	29,2	72,0	116,1
Total current assets	**93,2**	**146,1**	**188,1**
Assets of disposal Group**	1 298,1	0,0	0,0
Total assets	**2 723,7**	**2 350,2**	**2 587,4**
Share capital	16,6	16,6	16,6
Other equity	740,6	935,8	791,5
Total shareholders' equity	**757,2**	**952,4**	**808,1**
Minority interest	0,6	37,8	0,7
Total equity	**757,8**	**990,2**	**808,8**
Interest-bearing debt*	0,0	86,5	1 245,6
Retirement benefit obligations	1,9	1,3	1,9
Other non-current liabilities/provisions	0,8	2,5	1,8
Total non-current liabilities	**2,7**	**90,3**	**1 249,4**
Interest-bearing debt*	949,7	1 091,6	188,0
Current liabilities	92,7	178,0	341,2
Total current liabilities	**1 042,4**	**1 269,6**	**529,2**
Total liabilities	**1 045,1**	**1 359,9**	**1 778,6**
Liabilities of disposal Group**	920,8	0,0	0,0
Total equity and liabilities	**2 723,7**	**2 350,2**	**2 587,4**

* *A temporary breach of an equity covenant as further described in Note 9, occurred on March 25, 2011. A waiver for the technical breach was granted after balance sheet date on March 31, 2011. The accounting regulations require that amounts which formally could be held to be mandatory repayable at balance sheet date be classified as current irrespective of whether such repayment was required by the lenders or the basis therefore has subsequently been eliminated. Due to cross default clauses, all interest-bearing debt was therefore classified as current as per March 31, 2011. Reference is also made to Note 9 for status on covenants.*

** *IFRS 5 requires that operations constituting a major part of the business to be classified as discontinued when the assets are held for sale. Consolidated assets and liabilities of the drilling business are therefore presented separately in the preliminary balance sheet as per March 31, 2011, as 'assets of disposal group' and 'liabilities of disposal group', respectively. Reference is made to Note 8 for the pro forma balance sheet as per March 31, 2011.*

Condensed Consolidated Cash Flow Statement			
Unaudited figures in USD million	**31.03.11**	**31.03.10**	**31.12.10**
Cash flows from operation activities			
Cash from operations	54,9	-17,3	49,9
Interest paid	-26,5	-5,5	-72,1
Taxes paid	0,0	0,0	-4,3
Net cash generated from operating activities	**28,4**	**-22,8**	**-26,4**
Cash flows from investment activities			
Purchases of property, plant and equipment (PPE)	-229,4	-68,1	-175,6
Purchase of minority interest	0,0	0,0	-39,0
Purchases of intangible assets	-0,5	-0,1	-0,7
Net cash flow from investment activities	**-229,9**	**-68,2**	**-215,3**
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares	0,0	0,0	0,0
Net proceeds from interest-bearing debt	639,1	0,0	606,6
Repayment of interest bearing debt	-309,4	0,0	-414,6
Purchase/sale of own bond loan	0,0	0,0	2,9
Net cash flow from financing activities	**329,7**	**0,0**	**194,9**
Net cash flow for the period	**128,2**	**-91,0**	**-46,9**
Cash balance at beginning of period	116,1	163,0	163,0
Cash balance at end of period*	**244,3**	**72,0**	**116,1**

* *The cash balance of USD 244.3 million as of March 31, 2011, consists of USD 215.1 million in the drilling business (classified as 'Assets of disposal Group') and USD 29.2 million in the Sevan Marine Group as post the IPO.*

Condensed Consolidated Statement of Changes in Equity

Unaudited figures in USD million	Share Capital	Share Premium	Retained Earnings	Minority Interest	Total Equity
Equity as of December 31, 2010	**16,6**	**954,1**	**-162,7**	**0,7**	**808,8**
Value of share options			0,8		0,8
Total comprehensive income for the period			-51,7	-0,1	-51,9
Equity as of March 31, 2011	**16,6**	**954,1**	**-213,6**	**0,6**	**757,8**
Equity as of December 31, 2009	**16,6**	**954,1**	**3,8**	**38,0**	**1 012,5**
Value of share options			0,2		0,2
Total comprehensive income for the period			-22,2	-0,1	-22,3
Equity as of March 31, 2010	**16,6**	**954,1**	**-18,2**	**37,8**	**990,2**

Key Figures

Unaudited figures in USD million	Note	Q1 11	Q4 10	Q1 10	2010
Basic earnings per share (USD)					
From continuing operations	1	-0,08	-0,09	-0,02	-0,15
From discontinued operations		-0,03	-0,03	-0,02	-0,14
Diluted earnings per share (USD)					
From continuing operations	2	-0,08	-0,13	-0,04	-0,30
From discontinued operations		-0,03	-0,03	-0,02	-0,14
Equity ratio *	3	27,8 %	31,0 %	41,0 %	31,0 %
No. of outstanding shares (million)		526,1	526,1	526,1	526,1
No. of shares fully diluted (million)		526,1	526,1	526,1	526,1
Average no. of outstanding shares (million)		526,1	526,1	526,1	526,1
Average no. of shares fully diluted (million)		526,1	526,1	526,1	526,1
Share price (NOK)		6,06	6,50	9,30	6,50
Market capitalization (NOK, million)	4	3 188	3 420	4 892	3 420
Number of employees		502	506	431	506

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

* *'Assets of disposal group' includes USD 192.0 million retained on a restricted escrow account for settling of the call of the NOK 1,000 million bond loan on May 11, 2011. As per the date of this report, relevant lenders have granted a waiver relating to the impact of the 30 banking days call period in relation to calculating the book equity ratio. Following the de-consolidation of the drilling business, the book equity ratio has been estimated to approximately 34%. Reference is also made to Note 9 for status on covenants.*

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 which is 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, drilling rigs 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 Annual Financial Statements for 2010.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Annual Financial Statements for the year ended December 31, 2010, except for:

IFRS 5 – held for sale/discontinued operation
Disposal groups are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

Note 2 – Property, plant and equipment

The Group's main group of non-current assets relate to those classified as "Sevan Capital Assets" on the balance sheet. The table below summarizes changes to the balance sheet values of such assets for the full year of 2010 and as per March 31, 2011.

Property, Plant and Equipment					
Unaudited figures in USD million	**Construction in Progress (CIP)**	**Unit in Operation (UIO)**	**Sevan Capital Assets**	**Drilling Rigs**	**Total Capital Assets**
Year ended December 31, 2010:					
Book value January 1,	**140,4**	**1 010,2**	**1 150,6**	**753,8**	**1 904,4**
Assets reclassified from "CIP" to "UIO"	0,0	0,0	0,0	0,0	0,0
Additions	26,8	29,6	56,4	278,0	334,4
Depreciation charge	0,0	-51,3	-51,3	-34,0	-85,3
Write-down	0,0	0,0	0,0	-7,8	-7,8
Book value December 31,	**167,2**	**988,4**	**1 155,6**	**990,0**	**2 145,6**
At December 31, 2010:					
Cost	171,8	1 124,0	1 295,8	1 033,4	2 329,2
Accumulated depreciation and write-down	-4,6	-135,6	-140,2	-43,4	-183,6
Book value December 31,	**167,2**	**988,4**	**1 155,6**	**990,0**	**2 145,6**
	Construction in Progress (CIP)	**Unit in Operation (UIO)**	**Sevan Capital Assets**	**Drilling Rigs**	**Total Capital Assets**
Period ended March 31, 2011:					
Book value January 1,	**167,2**	**988,4**	**1 155,6**	**990,0**	**2 145,6**
Assets reclassified from "CIP" to "UIO"	0,0	0,0	0,0	0,0	0,0
Additions	0,5	26,3	26,8	18,0	44,8
Depreciation charge	0,0	-12,7	-12,7	-9,0	-21,7
Write-down	0,0	0,0	0,0	0,0	0,0
Book value March 31,	**167,7**	**1 002,0**	**1 169,7**	**999,0**	**2 168,7**
At March 31, 2011:					
Cost	172,3	1 150,3	1 322,6	1 051,4	2 374,0
Accumulated depreciation and write-down	-4,6	-148,2	-152,8	-52,4	-205,2
Book value March 31,	**167,7**	**1 002,0**	**1 169,7**	**999,0**	**2 168,7**

Impairment assessment as of March 31, 2011

In relation to an impairment assessment on "Sevan Capital Assets", no write-down was made in the quarter. However, the *FPSO Sevan Piranema*'s carrying value is close to its estimated recoverable value, and is thus sensitive to changes in the main assumptions applied in the impairment test model. Set out in the table below is the effect on *FPSO Sevan Piranema*'s recoverable amount if any of the main assumptions was to adversely change by 10%:

Unaudited figures in USD million	
Main assumptions	**Effect on recoverable amount by 10% adverse change**
WACC	-28
Estimated future commercial uptime	-55
Estimated future OPEX level	-18

Note 3 – Related party transactions

The Group does not have any transactions and balances relating to related party transactions 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 2010.

Note 4 – Segment information

Segments												
Quarterly data	**Floating Production**		**Topside and Process Technology**		**Corporate**		**Drilling (discontinued operation)**		**Adjustments and eliminations**		**Total**	
	Q1 11	Q1 10	Q1 11	Q1 10	Q1 11	Q1 10	Q1 11	Q1 10	Q1 11	Q1 10	Q1 11	Q1 10
External revenue	45.8	46.6	2.9	1.8	2.1	1.4	34.0	0.0	-33.7	0.0	51.1	49.7
Internal revenue	0.0	0.0	0.4	0.4	6.1	5.4	0.0	0.0	-6.5	-5.8	0.0	0.0
Total revenue	45.8	46.6	3.3	2.2	8.2	6.8	34.0	0.0	-40.2	-5.8	51.1	49.7
Operating expense	-16.7	-29.6	-3.9	-2.7	-16.3	-13.1	-18.2	-4.4	24.3	9.1	-30.7	-40.7
EBITDAFX	29.1	17.0	-0.6	-0.5	-8.1	-6.3	15.8	-4.4	-15.9	3.3	20.4	9.0
Foreign exch. gain/(loss), operation	-0.7	-0.3	0.0	-0.1	-1.6	0.4	-1.8	1.4	1.7	-1.4	-2.4	0.0
EBITDA	28.4	16.7	-0.6	-0.6	-9.7	-5.9	14.0	-3.0	-14.2	1.9	18.0	9.0
Depreciation, amortization and impairment	-13.1	-13.1	0.0	0.0	-0.6	-0.7	-8.7	-7.8	8.2	7.3	-14.2	-14.3
Operating profit/(loss)	15.3	3.6	-0.6	-0.6	-10.3	-6.6	5.4	-10.8	-6.1	9.2	3.8	-5.3
Income from associates											0.0	0.1
Financial income/(expense)											-22.0	-14.0
Foreign exch. gain/(loss), financing											-21.4	3.9
Net financial items											-43.4	-10.0
Profit/(loss) before tax											-39.6	-15.2
Tax income/(expense)											-0.1	5.7
Net profit/(loss)											-39.7	-9.4
Segment assets	1,650.8	1,490.3	30.6	26.6	2,111.7	2,087.7	1,298.1	941.2	-2,368.8	-2,196.8	2,722.4	2,349.0
Inv.m. in assoc. (equity method)	0.0	0.0	1.3	1.2	0.0	0.0	0.0	0.0	0.0	0.0	1.3	1.2
Total assets*	1,650.8	1,490.3	31.9	27.8	2,111.7	2,087.7	1,298.1	941.2	-2,368.8	-2,196.8	2,723.7	2,350.2
Segment liabilities	857.7	740.9	7.6	5.0	894.3	634.7	920.8	805.7	-714.5	-826.3	1,965.9	1,360.0
Total liabilities*	857.7	740.9	7.6	5.0	894.3	634.7	920.8	805.7	-714.5	-826.3	1,965.9	1,360.0
Capital expenditure	27.0	2.2	0.0	0.0	0.6	0.6	19.0	87.2	-1.0	-0.8	45.5	89.2
Non-cash exp. other than depr.	0.0	0.0	0.0	0.0	0.8	0.2	0.0	0.0	0.0	0.0	0.8	0.2

* 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 shareholder accounts as at June 11, 2011		
Shareholder accounts	**No. of shares**	**%-share**
BANK OF NEW YORK MELLON S/A BNYM	34,682,438	6.59
UMOE SHIPPING AND ENERGY	31,250,000	5.94
SKAGEN VEKST	14,542,795	2.76
FIDELITY FUNDS-EUROPEAN AGGRESSIVE	10,159,579	1.93
DEUTSCHE BANK AG LONDON	8,861,127	1.68
JPMORGAN CHASE BANK	8,275,634	1.57
JPMORGAN CHASE BANK	8,007,702	1.52
BANK OF AMERICA MERRILL LYNCH	7,217,999	1.37
GOLDMAN SACHS INT. EQUITY	7,152,123	1.36
UBS AG, LONDON BRANCH	6,139,080	1.17
Total, 10 largest shareholder accounts	**136,288,477**	**25.91**
Total no. of shares	526,069,982	
Foreign ownership	204,810,433	38.93

Note 6 – Discontinued operation – specification

On March 25, 2011, the Board announced its decision to submit an application for a listing of Sevan Drilling as an independent company on the Oslo Stock Exchange. Following the execution of the IPO on May 3, 2011, the Company's holding in Sevan Drilling was reduced to 28.5%.

Sevan Drilling is an international offshore drilling contractor specializing in the ultra-deep water segment and is a separate reporting segment in the Sevan Marine Group. Consequently, assets and liabilities owned by Sevan Drilling are presented as a discontinued operation in the balance sheet as of March 31, 2011. Sevan Drilling will be deconsolidated from Sevan Marine's consolidated financial statements from and including Q2 2011.

The net profit/(loss) from the drilling business for respective reporting periods was as follows:

Discontinued operation - Profit and loss statement				
Unaudited figures in USD million	**Q1 11**	**Q4 10**	**Q1 10**	**2010**
Operating income	34.0	21.0	0.0	40.6
Operating expense	-18.2	-18.2	-4.4	-44.5
EBITDAFX	**15.8**	**2.7**	**-4.4**	**-3.9**
Foreign exchange gain/(loss) relating to operation	-1.8	0.9	1.4	-0.4
EBITDA	**14.0**	**3.6**	**-3.0**	**-4.3**
Depreciation, amortization and impairment	-9.2	-15.6	-7.8	-40.0
Operating profit/(loss)	**4.8**	**-12.0**	**-10.8**	**-44.3**
Income from associated companies	0.0	0.0	0.0	0.0
Financial income/(expense)	-14.3	-11.7	-7.0	-36.3
Foreign exchange gain/(loss) relating to financing	-7.1	0.5	4.9	1.7
Net financial items	**-21.4**	**-11.2**	**-2.1**	**-34.7**
Profit/(loss) before tax	**-16.6**	**-23.2**	**-12.8**	**-79.0**
Tax income/(expense)	3.0	5.3	0.0	4.5
Net profit/(loss) discontinued business	**-13.6**	**-17.9**	**-12.8**	**-74.5**

Financial expense in the quarter includes a USD 7.1 million call premium on the Sevan Driller NOK 1,000 million bond, as a call notice for early repayment was sent on March 25, 2011. The call was effectuated on May 11, 2011.

The major classes of assets and liabilities in the drilling business as of March 31, 2011, were as follows:

Discontinued operation - Assets and liabilities of Sevan Drilling business			
Unaudited figures in USD million	**31.03.11**	**31.03.10**	**31.12.10**
Assets			
Sevan Capital Assets	999.0	0.0	0.0
Other fixed assets	6.0	0.0	0.0
Intangible assets	0.1	0.0	0.0
Deferred income tax assets	26.0	0.0	0.0
Other non-current assets	22.7	0.0	0.0
Total non-current assets	**1,053.8**	**0.0**	**0.0**
Inventories	9.4	0.0	0.0
Trade and other receivables	19.8	0.0	0.0
Cash and cash equivalents	215.1	0.0	0.0
Total current assets	**244.3**	**0.0**	**0.0**
Total assets classified as disposal group	**1,298.1**	**0.0**	**0.0**
Liabilities			
Other non-current liabilities/provisions*	4.6	0.0	0.0
Total non-current liabilities	**4.6**	**0.0**	**0.0**
Interest-bearing debt *	833.0	0.0	0.0
Current liabilities	83.2	0.0	0.0
Total current liabilities	**916.2**	**0.0**	**0.0**
Total liabilities classified as disposal group	**920.8**	**0.0**	**0.0**

* *A temporary breach of an equity covenant as further described in Note 9, occurred on March 25, 2011. A waiver for the technical breach was granted after balance sheet date on March 31, 2011. The accounting regulations require that amounts which formally could be held to be mandatory repayable at balance sheet date be classified as current irrespective of whether such repayment was required by the lenders or the basis therefore has subsequently been eliminated. Due to cross default clauses, all interest-bearing debt was therefore classified as current as per March 31, 2011. Reference is also made to Note 9 for status on covenants.*

Note 7 – Pro forma income statement Q1 2011

The table below set out the link between the Q1 2011 income statement and the pro forma income statement for Q1 2011.

The pro forma adjustments relate to sales and financial charges from the Sevan Marine Group to the drilling business which previously were eliminated, but in the pro forma statement are treated as transactions to third party.

Condensed Consolidated Pro forma Income Statement			
Unaudited figures in USD million	Q1 11	Pro forma adjustments	Q1 11 Pro forma
Operating income	51,1	2,1	53,2
Operating expense	-30,7		-30,7
EBITDAFX	**20,4**	**2,1**	**22,5**
Foreign exchange gain/(loss) relating to operation	-2,4		-2,4
EBITDA	**18,0**	**2,1**	**20,1**
Depreciation, amortization and impairment	-14,2		-14,2
Operating profit/(loss)	**3,8**	**2,1**	**5,9**
Income from associated companies	0,0		0,0
Financial income/(expense)	-22,0	4,0	-18,0
Foreign exchange gain/(loss) relating to financing	-21,4		-21,4
Net financial items	**-43,4**	**4,0**	**-39,3**
Profit/(loss) before tax	**-39,6**	**6,1**	**-33,5**
Tax income/(expense)	-0,1		-0,1
Net profit/(loss) continued business	**-39,7**		**-33,6**
Net profit/(loss) discontinued business	**-13,6**	**-13,6**	**0,0**

Note 8 – Pro forma balance sheet as of March 31, 2011

The table below set out the link between the balance sheet statement as of March 31, 2011, and the pro forma balance sheet statement as of March 31, 2011.

The pro forma adjustments reflect the de-consolidation of the drilling business resulting from the IPO of Sevan Drilling executed on May 3, 2011. The net loss relating to the de-consolidation was estimated to approximately USD 211.3 million based on the carrying value of assets and liabilities of the drilling business as of March 31, 2011, and first time recognition of Sevan Drilling as an associate. The recognized value of the associate investment of USD 146.5 million was based on market value of the SEVDR shares at the first day of trading on Oslo Axess. In addition, a net receivable of USD 19.5 million which was previously eliminated in the consolidated financial statements was recognized in the pro forma balance sheet.

Condensed Consolidated Pro forma Balance Sheet			
Unaudited figures in USD million			
	31.03.11	Pro forma adjustments	31.03.11 pro forma
Sevan Capital Assets	1,169.7		1,169.7
Other fixed assets	31.5		31.5
Intangible assets	13.7		13.7
Investments in associates	1.3	146.5	147.8
Deferred income tax assets	102.1		102.1
Other non-current assets	14.1		14.1
Total non-current assets	**1,332.4**	**146.5**	**1,478.9**
Inventories	6.7		6.7
Trade and other receivables	57.3	19.5	76.8
Cash and cash equivalents	29.2		29.2
Total current assets	**93.2**	**19.5**	**112.7**
Assets of disposal Group	1,298.1	-1,298.1	0.0
Total assets	**2,723.7**	**-1,132.1**	**1,591.6**
Share capital	16.6		16.6
Other equity	740.6	-211.3	529.3
Total shareholders' equity	**757.2**	**-211.3**	**545.9**
Minority interest	0.6		0.6
Total equity	**757.8**	**-211.3**	**546.5**
Interest-bearing debt *	0.0		0.0
Retirement benefit obligations	1.9		1.9
Other non-current liabilities/provisions	0.8		0.8
Total non-current liabilities	**2.7**	**0.0**	**2.7**
Interest-bearing debt *	949.7		949.7
Current liabilities	92.7		92.7
Total current liabilities	**1,042.4**	**0.0**	**1,042.4**
Total liabilities	**1,045.1**	**0.0**	**1,045.1**
Liabilities of disposal Group	920.8	-920.8	0.0
Total equity and liabilities	**2,723.7**	**-1,132.1**	**1,591.6**

* *A temporary breach of an equity covenant as further described in Note 9, occurred on March 25, 2011. A waiver for the technical breach was granted after balance sheet date on March 31, 2011. The accounting regulations require that amounts which formally could be held to be mandatory repayable at balance sheet date be classified as current irrespective of whether such repayment was required by the lenders or the basis therefore has subsequently been eliminated. Due to cross default clauses, all interest-bearing debt was therefore classified as current as per March 31, 2011. Reference is also made to Note 9 for status on covenants.*

Note 9 – Events after balance sheet date

IPO of Sevan Drilling

In April, an IPO of the Company's drilling business was completed at an issue price of NOK 8.00 per share. Sevan Marine did not sell any of its holding in the offering and retained an ownership share in Sevan Drilling of 96,000,000 shares which represents 28.5% of the share capital. Sevan Marine's holding in Sevan Drilling is subject to a customary 12 month lock-up period.

Following the IPO and the resulting de-consolidation of the drilling business from the Company's consolidated financial statements, an accounting loss has been estimated to approximately USD 211.3 million based on the pro forma balance sheet as of March 31, 2011, and the issue price in the IPO. The write down is of non-cash nature and will be reflected in the Q2 2011 financial results. Following the de-consolidation of Sevan Drilling, the book equity ratio increased to approximately 34% after the write down described above and based on the pro forma balance as per March 31, 2011.

Covenant status

On March 25, 2011, prior to the de-consolidation of the drilling business, Sevan Drilling Pte Ltd (a company within the Sevan Drilling Group) made a drawing under a USD 480 million bank facility, part of which was applied towards prepayment of a NOK 1,000 million bond loan. For technical reasons, the relevant portion of the proceeds from the bank loan was deposited on an escrow account pledged in favor of Norsk Tillitsmann. The effect of these arrangements was that, pending actual redemption of the bond loan, there were, formally, two loans outstanding, even if the relevant proceeds from the bank loan had been allocated and deposited for prepayment of the bond loan upon expiry of the applicable notice period. The accounting effect of the above was that the book equity ratio requirement as stipulated under certain of the Company's financing agreement was temporarily not complied with (i.e. in the period from March 25 until May 10, 2011, as long as both the bank loan and the bond loan remained outstanding). Due to cross default clauses, the temporary breach also impacted the classification of the interest bearing debt in the discontinued operation as described in Note 6. By the date of this report, the Company has received all relevant waivers from its lenders in relation to this technical breach of its covenants.

The Company's working capital is, at the date of this report, insufficient to support its present requirements. As of May 31, 2011, Sevan Marine was not in breach of a applicable minimum liquidity requirement under the bank financing agreement for *FPSO Sevan Voyageur*. The same financing agreement requires that budgeted and approved cost overruns be covered by equity. In respect of the USD 45 million cost overrun relating to *FPSO Sevan Voyageur* as announced on May 20, 2011, shortly to be reflected in the revised project budget, Sevan Marine does not currently have sufficient funds to fulfill this requirement, the satisfaction of which will depend on a successful restructuring. The Company presently has no assurance that such restructuring will be successful.

As approved by relevant bondholders in June 2010, and as part of the security arrangements pertaining to *FPSO Sevan Voyageur*, E.ON has been granted certain step-in rights in relevant contracts with selected third part vendors and suppliers, as well as an option to purchase the unit in certain circumstances. The latter right is exercisable upon the occurrence of certain trigger events (material contract breaches, such as insolvency events, breach of minimum USD 25 million liquidity covenant which remains un-remedied and enforcement of security rights by third parties). Subject as aforesaid and to further, detailed conditions, E.ON may purchase *FPSO Sevan Voyageur* against payment of a purchase price based on the higher of the market value of *FPSO Sevan Voyageur* and amounts outstanding under the USD 230 million bank loan and the NOK 870 million bond loan relating to *FPSO Sevan Voyageur*. A trigger event may have occurred or may occur in the near future, and the company is in dialogue with E.ON, who at the date of this report has reserved its rights, but given no indication that it intends to exercise the purchase option.

Sale of shares in KANFA-TEC

On June 1, 2011, the Company's wholly owned subsidiary, KANFA AS, transferred its ownership share of 49.995% in KANFA-TEC AS to Halvorsen AS for a consideration of NOK 34 million which generates an accounting gain of approximately USD 5 million. Halvorsen AS recently also acquired the majority of the shares of KANFA-TEC AS from the employees in KANFA-TEC AS.