

REPORT

THIRD QUARTER 2005



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Main figures¹

Operating revenues for the third quarter amounted to NOK 33,9 million (NOK 0,0 million).

Operating profit was NOK – 9,2 million (NOK – 4,9 million). A provision for cost related to the share based incentive plans amounted to NOK 4,5 million (NOK 0,4 million) and is included in the operating expense (NOK 9,9 millions YTD). The increase in provision is due to the increase in the Company's share price during the quarter. Excluding the effect of Kanfa's operating costs and the cost of the share based incentive plans, the operating expense was at the same level as previous quarter.

Net financial items amounted to NOK – 0,2 million (NOK 0,4).

Net profit was NOK – 7,9 million (NOK – 3,8 million).

As of September 30, 2005, total assets amounted to NOK 1,739.4 million, of which NOK 516,8 million was capitalized construction-in-progress on the SSP Piranema and the SSP 300 for Chestnut. The increase in total assets compared to year-end 2004 is mostly due to an increase in construction-in-progress and the acquisition of Kanfa in June. Cash and cash equivalents amounted to NOK 789,0 million.

1) Compared to third quarter 2004 – IFRS

Business activities

Construction project. The construction of the SSP Piranema for Petrobras progresses according to plan and within budget at the Yantai Raffles Shipyard in China. Offshore installation is expected mid-2006. 100% of the steel for the main hull has been cut and the blocks are ready for assembly. A yard supervision team from the Company and representatives from DNV are following the construction.

The steel for the SSP 300 for Chestnut has been ordered and construction will commence in Q4. The delivery from the yard is Q1-2007 and offshore installation is expected mid-2007.

Definitive agreements signed with Venture and Bergesen. In August, Venture Production (North Sea Developments) Limited and Sevan Marine ASA signed a contract for the use of Sevan's floating production unit SSP 300 FPSO on the Chestnut field in the central UK North Sea, in a water depth of about 120 m, confirming a letter of intent signed in June this year.

The fixed term of the charter contract is 30 months, with option for an additional 24 months.

In July, Kanfa AS and Bergesen Worldwide signed a contract for the supply of process modules to the PEMEX operated KMZ field in Mexico, scheduled to be delivered in 2006 and subject to final agreement between Bergesen Worldwide and PEMEX. This subject has now been lifted. The scope of supply includes a separation module, a gas compression module, a gas fuel module and a flare system.

Sevan orders third SSP and secures options to order four additional SSPs. Sevan Marine has signed an agreement with Yantai Raffles Shipyard for the construction of one SSP 300, the third unit ordered from the Chinese shipyard, confirming a letter of intent previously entered into between the parties. The SSP 300 will be equipped as an FPSO and is scheduled to be delivered in the 2nd quarter 2007. The topside processing plant will be designed to meet the client's requirements. The unit is currently uncommitted.

Under a separate agreement with the shipyard, Sevan Marine has secured options to order four additional SSPs with delivery times beyond the third unit.

Share issue and secondary placement. A directed share issue was completed in September 2005. In total 8,38 million new shares were subscribed, representing approx. 10% of existing outstanding shares. The subscription price was

NOK 30.75 per share. Gross proceeds from the share issue amounted to NOK 257,7 million. The majority of the share issue was placed with larger institutional and long-term investors. In the secondary placement 1,325,000 shares were placed at NOK 30.75 per share.

In total for the directed share issue and secondary placement, the Company received subscriptions for approximately 42,3 million shares, or NOK 1,3 billion.

Accounting policies

The Company will prepare financial statements in accordance with International Financial Reporting Standards (IFRS) for the year ending December 31, 2005. As the third quarter of 2005 constitutes part of the period that will be covered by the Company's first IFRS financial statements, the financial data have been prepared in accordance with IAS 34 Interim Financial Reporting. The quarterly report is also subject to IFRS 1 First-time Adoption of IFRS, as well as applicable IFRS standards and interpretations as of September 2005. Comparable amounts presented in this report have also been restated in accordance with such standards and interpretations. Changes to standards and interpretations may be issued during the period until presentation of the Company's first IFRS financial statements. Such changes may imply changes to the information given in this third quarter report.

For accounting policies in general we refer to the Annual Report 2004. The differences identified between accounting principles generally accepted in Norway (NGAAP) and IFRS accounting policies have been described in Note 23 to the Annual Report 2004.

Compared to the 2004 financial statements, taxes have been restated and the tax effects of costs related to the share issues have been booked to equity in accordance with IAS 12.

The accounting treatment of future depreciation of the SSPs will be described in the Q4 report.

Accounting treatment of Kanfa

For the third quarter Kanfa recorded revenues of NOK 135,5 million (NOK 25,3 million), operational costs of NOK 128,2 million (NOK 24,6 million), and profit before tax of NOK 7,7 million (NOK 0,9 million). NOK 33,9 million of the revenues, and NOK 3,8 million of the operating profit was a result of external activity. The remaining activity was related to internal sales to Sevan Production AS, and has been eliminated in the consolidated accounts. The contribution margin earned by Kanfa AS on these revenues has been eliminated against the intangible asset (acquired engineering capacity).

For the accounting treatment of the Kanfa acquisition and the accounting treatment of borrowings, we refer to the Q2-2005 report.

Outlook

The floating production market remains strong. Several field development projects are coming to the market, in particular small and medium-sized fields. The Company is discussing project opportunities with potential clients.

Tananger, October 19, 2005
The board of directors
Sevan Marine ASA

Income statement

Unaudited figures in NOK million

	Q3 05	Q2 05	Q3 04	30.09.2005	30.09.2004	2004
Operating revenues 1)	33,9	4,5	0,0	38,4	1,0	1,0
Operating expenses 2)	42,6	15,1	4,8	66,5	13,9	19,4
EBITDA	-8,7	-10,6	-4,8	-28,1	-12,9	-18,4
Depreciation	-0,4	-0,3	-0,1	-0,9	-0,2	-0,4
Operating profit	-9,2	-10,8	-4,9	-29,0	-13,1	-18,8
Income from associated companies	0,0	-0,6	0,0	0,0	0,0	0,0
Interest income	0,1	0,0	0,4	0,5	1,0	1,3
Interest expenses	-0,3	0,0	0,0	-0,7	-0,1	-0,2
Net financial items	-0,2	-0,6	0,4	-0,2	0,9	1,1
Profit before tax	-9,4	-11,4	-4,5	-29,2	-12,2	-17,7
Tax	1,5	2,4	0,7	5,8	2,3	3,9
Net profit	-7,9	-9,0	-3,8	-23,4	-9,9	-13,8
1) Related to Kanfa-activity	33,9	4,5	0,0	38,4	0,0	0,0
2) Related to Kanfa-activity	30,1	4,5	0,0	34,6	0,0	0,0
Net operational effect of cons. Kanfa-activity	3,8	0,0	0,0	3,8	0,0	0,0

Balance sheet

Unaudited figures in NOK million

	30.09.05	30.06.05	30.09.04	31.12.04
Acquired engineering capacity	25,9	29,1	0,0	0,0
Goodwill	30,1	31,4	0,0	0,0
Deferred tax assets	27,9	22,1	8,8	14,7
Construction in progress	516,8	296,1	58,0	95,5
Investments in associated companies	0,8	0,4	0,0	15,0
Other fixed assets	4,4	3,5	1,7	2,2
Total long-term assets	605,9	382,6	68,5	127,4
Current receivables	344,5	307,7	8,0	6,8
Cash and cash equivalents	789,0	702,6	82,0	65,3
Total current assets	1 133,5	1 010,3	90,0	72,1
Total assets	1 739,4	1 393,0	158,5	199,5
Share capital	18,4	16,0	12,4	13,2
Share premium reserve	677,3	367,3	141,2	171,3
Other equity	4,0	68,3	-0,1	-1,7
Total shareholders' equity	699,7	451,6	153,5	182,8
Minority Interest	48,3	0,0	0,0	0,0
Pension obligations	0,1	0,2	0,5	0,3
Bond loan	651,9	650,0	0,0	0,0
Total long-term debt	652,0	650,2	0,5	0,3
Current liabilities	339,4	291,2	4,5	16,4
Total current liabilities	339,4	291,2	4,5	16,4
Total shareholders' equity and liab.	1 739,4	1 393,0	158,5	199,5

Cash flow

<i>Unaudited figures in NOK million</i>	Q3 05	Q2 05	Q3 04	30.09.2005	30.09.2004	2004
Cash flows from operations	-21,5	30,4	-31,1	-3,8	-12,3	-3,9
Cash flows from investments	-133,9	-276,7	-13,1	-479,1	-59,3	-112,4
Cash flows from financing	241,8	190,0	0,3	1 187,4	151,1	181,0
Net cash flow	86,4	-56,3	-43,9	704,5	79,5	64,7
Cash balance at beginning of period	702,6	758,9	125,9	84,5	2,5	2,5
Cash balance at end of period	789,0	702,6	82,0	789,0	82,0	67,2

Key figures

<i>Unaudited figures</i>	Note	Q3 05	Q2 05	Q3 04	30.09.2005	30.09.2004	2004
Earnings per share (NOK)		-0,09	-0,12	-0,06	-0,30	-0,20	-0,26
Earnings per share fully diluted (NOK)		-0,09	-0,12	-0,06	-0,30	-0,20	-0,26
Cash flow per share (NOK)		-0,25	0,41	-0,50	-0,05	-0,25	-0,07
Cash flow per share fully diluted (NOK)		-0,25	0,41	-0,50	-0,05	-0,25	-0,07
Operating margin		-	-	-	-	-	-
Equity ratio		40 %	32 %	97 %	40 %	97 %	97 %
Return on equity		-	-	-	-	-	-
Return on capital employed		-	-	-	-	-	-
No. of outstanding shares ('000)		92 227	80 099	62 051	92 227	62 051	66 169
No. of shares fully diluted ('000)		92 227	80 099	62 051	92 227	62 051	66 169
Average no. of outstanding shares ('000)		86 163	74 970	62 051	79 198	49 507	52 789
Share price (NOK)		30,30	18,00	5,25	30,30	5,25	9,20
Market capitalisation (MNOK)		2 794 465	1 441 781	325 768	2 794 465	325 768	608 755
Number of employees		58	52	17	58	17	17

Notes

1 Net profit / average no. of outst. shares

2 Net profit / average no. of shares fully diluted

3 Cash flow from ops. / average no. of outst. shares

4 Cash flow from ops. / average no. of shares fully diluted

5 (Operating profit / operating revenues) x 100

6 (Total shareholders' equity / total assets) x 100

7 (Net profit / average shareh. equity) x 100, annualised

8 (Operating profit + interest income) /

(average total assets - average interest free debt),
annualised

9 Latest quoted shareprice or share issue price

x no. of outstanding shares

The 10 largest shareholders as at October 17, 2005

Shareholder	No of shares	% share
Morgan Stanley & Co. S/A Custom Seg.	9 557 264	10,36 %
Goldman Sachs Intern Equity Nontreaty Cus	6 332 317	6,87 %
Arne Smedal	3 605 687	3,91 %
Supernova AS	2 866 444	3,11 %
Hallingen AS	2 794 296	3,03 %
Aasen AS	2 764 036	3,00 %
MP Pensjon	2 555 263	2,77 %
Deutsche Bank AG Lon Prime	2 195 674	2,38 %
Enskilda Securities Egenhandelskonto	1 911 410	2,07 %
Bank of New York BR S/A Equity Tri Party	1 815 000	1,97 %
Total	36 397 391	39,47 %
No. of outstanding shares	92 226 585	
Foreign ownership	55,4 %	

Statement of changes in equity
Share capital Share premium Other reserves Total equity

Equity under NGAAP as of 31 December 2004	13 234	171 102	188	184 524
Effect of cash flow hedge as of 31 December 2004 (IFRS presentation)			-1 666	-1 666
Reversal of accumulated currency translation differences (IFRS 1)		225	-225	0
Equity under IFRS as of 31 December 2004	13 234	171 327	-1 703	182 858
Proceeds from shares issued	5 211	520 422	48 750	574 384
Tax effect of costs related to share issue		5 818		5 818
Value of employee services (employee share option scheme)		3 524		3 524
Net profit for the period		-23 373	1 556	-21 817
Unrealised loss on hedging instruments as of 31 December 2004 capitalised on construction in progress			1 666	1 666
Unrealised loss on hedging instruments as of 30 September 2005			2 574	2 574
Currency translation difference			-936	-936
Minority Interest			-48 328	-48 328
Equity as of 30 September 2005	18 445	677 718	3 578	699 742