SEVAN marine

REPORT

FOURTH QUARTER 2005

REPORT FOURTH QUARTER 2005

Main figures[1]

Operating revenues for the fourth quarter amounted to NOK 109.4 million (NOK 0.0 million).

Operating profit was NOK – 22.9 million (NOK – 5.1 million). Adjusted for non-recurring items and costs related to share based incentive plans as described below, the quarterly sales, general and administrative expenses (SG&A) amounted to NOK 13.0 million. The activity level increased during the quarter, caused by project related activities and operations preparations, resulting in an increase in the no. of employees from 58 to 70.

As for non-recurring items, a provision for future pension liabilities of NOK 3.0 million based on actuary estimates and pertaining to the full-year 2005, was made in the fourth quarter. Furthermore, a one-off amortisation related to the cost price of the shares in Kanfa AS amounted to NOK 3.3 million and one-off costs related to legal fees and office move amounted to NOK 1.7 million.

A provision for costs related to share based incentive plans amounted to NOK 1.9 million (NOK 0.4 million). The corresponding year-to-date figure was NOK 11.8 million (NOK 1.6 million).

Net financial items amounted to NOK 3.9 million (NOK 0.3 million).

Net profit was NOK – 17.2 million (NOK – 3.7 million).

As of December 31, 2005, total assets amounted to NOK 1,848.5 million (NOK 199.5 million), of which NOK 980.3 million was capitalized construction-in-progress on the SSPs. The increase in total assets compared to year-end 2004 was mostly due to an increase in construction-in-progress and the acquisition of Kanfa. Cash and cash equivalents amounted to NOK 488.7 million (NOK 65.3 million).

[1] Compared to fourth quarter 2004- IFRS

Business activities

Construction projects The construction of the SSP Piranema for Petrobras progresses according to plan and within budget at the Yantai Raffles Shipyard in China. The platform is expected to leave the Chinese shipyard in the beginning of March, heading for the Keppel Verolme Shipyard in Rotterdam where the outfitting and assembly of the process plant will take place. The process modules are in transit or have arrived in Rotterdam according to schedule. The modules will be pre-assembled and prepared for lifting and installation onboard the SSP. Offshore installation in Brazil is estimated in August 2006.

The steel for the SSP "Chestnut" has been ordered and the steel cutting and welding has started. The delivery from the yard is Q1-2007 and offshore installation at the Chestnut Field for Venture Production is expected mid-2007.

The steel for the SSP no. 3 has been ordered and the steel cutting has started. The SSP 300 has a hull identical to the two first SSPs and will be equipped as an FPSO, based on the client's requirements. The unit is currently uncommitted. Delivery from the shipyard is Q2-2007 and offshore installation is expected towards the end of 2007.

KMZ FPSO The delivery by Kanfa AS of the processing modules to the KMZ FPSO for Bergesen Worldwide Offshore is proceeding according to plan and will be delivered mid-2006. The FPSO will be the world's largest with a process plant capacity of 200,000 bbl/day. Kanfa's scope includes the separation and gas treatment modules, the amine module (gas neutralisation) and the flair system. The FPSO will operate at the Pemex operated KMZ field offshore Mexico.

Alliance agreement with Venture Production
In December 2005, Sevan Marine and Venture Production announced an alliance agreement under which the parties will utilize Sevan

Marine's SSP floating production solution in the UK sector of the North Sea. The agreement follows a contract signed in August 2005 between the parties, for the provision of an SSP300 to the Chestnut Field.

Under the alliance agreement, Venture has the option to re-use the SSP "Chestnut" on a follow-on field development project after Chestnut has ceased production. The extension will be at a pre-determined day rate and Venture will take a 20% equity stake in the Chestnut SSP. Furthermore, Venture and Sevan will jointly co-operate on a non-exclusive basis to pursue additional oil field development opportunities in the UK sector of the North Sea.

Senior Secured Bond Loan 2006/2011 In January 2006, the Company carried out a bond issue of USD 50 million, with a fixed interest rate of 9.75% p.a. The bond loan has a term of 5 years and will mature on January 31, 2011. The Company has a call option on March 31, 2008 at 103%. An application will be made for a listing of the loan at Oslo Stock Exchange. The loan is primarily intended to part-finance the construction and outfitting of the SSP "Chestnut". The loan documentation is posted on the Company's web site www.sevanmarine.com.

Accounting policies

The Company will prepare financial statements in accordance with International Financial Reporting Standards (IFRS) for the year ending December 31, 2005. Since Q4 2005 constitutes part of the period which will be covered by the Company's first IFRS financial statements, the financial information has 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 December 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 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, in accordance with IAS 16, be based on a separate evaluation of the useful lives of each significant component. Based on a preliminary evaluation, the average depreciation period for SSP Piranema will be 20-25 years.

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

Kanfa[2]

Accounting treatment The cost price allocation of Kanfa has been reallocated based on a valuation of Kanfa's contracts at the time of the acquisition. The cost price in excess of the net book value of Kanfa's assets, NOK 65.0 million, has been reclassified as intangible asset (NOK 12.4 million) and goodwill (NOK 52.6 million).

In the fourth quarter, NOK 3.3 million of the intangible asset has been amortized over the P&L, while NOK 9.1 million has been allocated to construction-in-progress of the SSP Piranema.

Results For the fourth quarter, Kanfa recorded total revenues of NOK 218.7 million (NOK 9.4 million), operating costs of NOK 218.7 and profit before tax of NOK 2.0 million (NOK -1.2 million), excluding the amortization of intangible assets of NOK 3.3 million. NOK 109.4 of the revenues and NOK 109.3 of the operating cost were related to internal sales to Sevan and have been eliminated in the consolidated accounts.

Year-to-date (last six months, since the date of Kanfa acquisition), Kanfa's total revenues were NOK 372.3 million, operating cost was NOK 364.4 million and profit before tax amounted to NOK 10.2 million excluding the amortization cost. NOK 224.6 of the revenues and NOK 220.4 of the operating cost were related to internal sales to Sevan and have been eliminated in the consolidated accounts.

Kanfa's revenues and profit before tax for the full year 2005, including internal sales to Sevan, amounted to NOK 607.5 million and NOK 16.2 million, respectively.

Outlook

The floating production market remains very 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, February 8, 2006
The board of directors
Sevan Marine ASA

Income statement

Unaudited figures in NOK million		Q4 05	Q3 05	Q4 04	31.12.2005	31.12.2004
Operating revenues	1)	109,4	33,9	0,0	147,8	1,0
Operating expenses	2)	128,5	42,6	4,9	195,0	19,4
EBITDA		**-19,1**	**-8,7**	**-4,9**	**-47,2**	**-18,4**
Depreciation		-3,8	-0,5	-0,2	-4,7	-0,4
Operating profit		**-22,9**	**-9,2**	**-5,1**	**-51,9**	**-18,8**
Income from associated companies		3,1	0,0	0,0	3,1	0,0
Interest income		2,2	0,1	0,4	2,7	1,4
Interest expenses		-1,4	-0,3	-0,1	-2,1	-0,3
Net financial items		**3,9**	**-0,2**	**0,3**	**3,7**	**1,1**
Profit before tax		**-19,0**	**-9,4**	**-4,8**	**-48,2**	**-17,7**
Tax		1,8	1,5	1,1	7,6	3,9
Net profit		**-17,2**	**-7,9**	**-3,7**	**-40,6**	**-13,8**
1) Related to Kanfa third party revenue		*109,3*	*33,9*	*0,0*	*147,7*	*0,0*
2) Related to Kanfa third party cost of sales		*109,3*	*30,1*	*0,0*	*143,9*	*0,0*
Net EBITDA of consolidated Kanfa		*0,0*	*3,8*	*0,0*	*3,8*	*0,0*

Balance sheet

Unaudited figures in NOK million	31.12.2005	30.09.2005	31.12.2004	30.09.2004
Acquired engineering capacity	0,0	25,9	0,0	0,0
Goodwill	52,6	30,1	0,0	0,0
Deferred tax assets	23,2	27,9	14,7	8,8
Construction in progress	980,3	516,8	95,5	58,0
Investments in associated companies	3,1	0,8	15,0	0,0
Other fixed assets	7,8	4,4	2,2	1,7
Total long-term assets	**1 066,9**	**605,9**	**127,4**	**68,5**
Current receivables	292,9	344,5	6,8	8,0
Cash and cash equivalents	488,7	789,0	65,3	82,0
Total current assets	**781,6**	**1 133,5**	**72,1**	**90,0**
Total assets	**1 848,5**	**1 739,4**	**199,5**	**158,5**
Share capital	18,5	18,4	13,2	12,4
Share premium reserve	664,8	677,3	171,3	141,2
Other equity	4,0	4,0	-1,7	-0,1
Total shareholders' equity	**687,3**	**699,7**	**182,8**	**153,5**
Minority Interest	**48,7**	**48,3**	**0,0**	**0,0**
Pension obligations	4,4	0,1	0,3	0,5
Warranties	1,2	1,2	0,0	
Long term loan	766,5	651,9	0,0	0,0
Total long-term debt	**772,1**	**653,2**	**0,3**	**0,5**
Current liabilities	340,4	338,2	16,4	4,5
Total current liabilities	**340,4**	**338,2**	**16,4**	**4,5**
Total shareholders' equity and liab.	**1 848,5**	**1 739,4**	**199,5**	**158,5**

Cash flow

Unaudited figures in NOK million	Q4 05	Q3 05	Q4 04	31.12.2005	31.12.2004
Cash flows from operations	-4,8	-21,5	8,2	-8,6	-3,9
Cash flows from investments	-466,1	-133,9	-54,8	-926,0	-114,3
Cash flows from financing	170,6	241,8	29,9	1 358,0	181,0
Net cash flow	**-300,3**	**86,4**	**-16,7**	**423,4**	**62,8**
Cash balance at beginning of period	789,0	702,6	82,0	65,3	2,5
Cash balance at end of period	**488,7**	**789,0**	**65,3**	**488,7**	**65,3**

Key figures

Unaudited figures	Note	Q4 05	Q3 05	Q4 04	31.12.2005	31.12.2004
Earnings per share (NOK)	1	-0,19	-0,10	-0,06	-0,51	-0,26
Earnings per share fully diluted (NOK)	2	-0,19	-0,10	-0,06	-0,51	-0,26
Cash flow per share (NOK)	3	-0,05	-0,26	0,13	-0,11	-0,07
Cash flow per share fully diluted (NOK)	4	-0,05	-0,26	0,13	-0,11	-0,07
Operating margin	5	-21 %	-27 %	-	-35 %	-
Equity ratio	6	37 %	40 %	97 %	37 %	97 %
Return on equity	7	-10 %	-5 %	-	-9 %	-
Return on capital employed	8	-11 %	-6 %	-	-13 %	-
No. of outstanding shares ('000)		92 672	92 227	66 169	92 672	66 169
No. of shares fully diluted ('000)		97 752	97 698	70 022	97 752	70 022
Average no. of outstanding shares ('000)		92 672	81 990	62 857	79 451	52 789
Share price (NOK)		30,60	30,30	9,20	30,60	9,20
Market capitalization (MNOK)	9	2 835 763	2 794 465	608 754	2 835 763	608 754
Number of employees		70	58	17	70	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, annualized
8 (Operating profit + interest income) /
(average total assets - average interest free debt),
annualized
9 Latest quoted shareprice or share issue price
x no. of outstanding shares

The 10 largest shareholders as at February 06, 2005

Shareholder	No of shares	% share
Morgan Stanley & Co. Client Equity Account	10 043 934	10,80 %
Goldman Sachs Intern Equity Nontreaty Cus	8 592 331	9,24 %
Bank of New York BR S/A Equity Tri Party	6 484 500	6,97 %
Arne Smedal	3 605 687	3,88 %
Supernova AS	2 906 444	3,12 %
Hallingen AS	2 834 296	3,05 %
Aasen AS	2 804 036	3,01 %
MP Pensjon	2 555 263	2,75 %
Deutsche Bank AG LON Prime Brokerage	2 096 524	2,25 %
Skandinaviska Enskilda(Publ) Oslofilialen	1 500 000	1,61 %
Total	43 423 015	46,68 %
No. of outstanding shares	93 025 438	
Foreign ownership	58,6 %	

Statement of changes in equity	Share capital	Share premium	Other reserves	Total equity
Equity under NGAAP as of December 31, 2004	13 234	171 102	188	184 524
Effect of cash flow hedge as of December 31, 2004 (IFRS presentation)			-1 666	-1 666
Reversal of accumulated currency translation differences (IFRS 1)		225	-225	0
Equity under IFRS as of December 31, 2004	13 234	171 327	-1 703	182 858
Proceeds from shares issued	5 301	521 437	48 735	575 473
Tax effect of costs related to share issue		5 847		5 847
Value of employee services (employee share option scheme)		6 779		6 779
Net profit for the period		-40 497		-40 497
Unrealised loss on hedging instruments as of December 31, 2004 capitalised on construction in progress			1 666	1 666
Unrealised loss on hedging instruments as of December 31, 2005			4 084	4 084
Currency translation difference			-252	-252
Minority Interest			-48 750	-48 750
Equity as of December 31, 2005	18 535	664 894	3 780	687 209