

SONGA OFFSHORE ASA - REPORT FOR THE SECOND QUARTER 2006

Songa Offshore ASA consolidated after tax loss for the second quarter 2006 was USD 7.8 million. Accumulated loss for the first six months of 2006 was USD 16.6 million.

Operating expense for the second quarter was USD 4.9 million. Accumulated for the first six months of 2006 the operating expense was USD 11.2 million.

Financial expense for the period was USD 4.8 million. The low cost is due to the reduction of USD 3.9 million regarding a non-cash item related to the change in estimated value in an option issued in connection with a lease agreement for a blow out preventer entered into during October 2005. The change in estimate arises due to a reduction in the share price from NOK 57.5 as per 31 March to NOK 47 as per 30 June. Accumulated the financial expense was USD 13.4 million. USD 0.7 million was charged as an expense when the Company refinanced the long term debt in connection with the purchase of the rig Songa Dee during the period.

Capitalized refurbishment costs for the second quarter was USD 52.7 million. Accumulated for the first six months 2006 the capitalized refurbishments costs was USD 74.3 million.

Earnings per share (EPS) for the period were USD -0.10. Accumulated EPS for the first six months 2006 were USD -0.25.

Financing and share capital issues

During the second quarter a total of 6,860,504 shares were issued following conversion of freely tradable warrants. The conversion price is USD 1.50. As at 30 June 2006 a total of 6,977,540 freely tradable warrants were remaining in the market. The warrant program expires in May 2008.

As at 30 June 2006 total outstanding shares in the company was 77,854,113 shares. Average number of shares in the second quarter was 75,504,808 shares, and for the first six months of 2006 67,092,519.

The company has also issued options to management for 2,500,000 shares plus conversion rights related to the blow-out preventer mentioned above. The latter is, based on a NOK/USD exchange rate of 6.31, estimated to involve 2,758,371 shares. Based on the above, the estimated fully diluted amount as per June 30 was 90,090,024 shares.

As of 30 June 2006 Songa Offshore's interest bearing debt was USD 469.6 million. Unused bank loan facilities totaled USD 20.0 million. Bank deposits and cash at 30 June 2006 was USD 11.3 million.

Main events in the second quarter

Songa Offshore was awarded a contract with Chevron Australia Pty Ltd for the semi-submersible Songa Mercur. The contract is for a firm period of 270 days with options of 90 days, plus two options of six months each - at market rate. Contract commences in Q4 2006. Expected revenue is approximately USD 81 million for the 270 days period, excluding mobilization/demobilization revenues and contract preparation fees.

The Company acquired 50% of Songa Management AS (SM), at a price of NOK 75,000 from Songa Drilling AS and became sole owner of SM. Simultaneously with the purchase, SM has entered into an agreement with Songa Drilling AS to provide management services until the jack-up rigs owned by Songa Drilling AS are finished upgraded. One expects this work to be finalized in Q4 2006.

The rig Stena Dee, tbn Songa Dee, was delivered in early May.

The Company was awarded a contract extension from Noble Energy for the drill ship Songa Saturn. The contract extension for an additional three wells carries a dayrate of USD 416,666.

The rigs

On 21 June the Company released a status report on the three rigs we are upgrading. At the time one indicated total upgrading requirements at approximately USD 170 million. As of today's date this estimate is increased to USD 174 million.

Songa Venus is currently under contract preparation in Singapore after having been operationally upgraded in Galveston. The estimated time of departure ("ETD") from Singapore is still late September. In early July the rig passed the milestone Australian Safety Case approval. The updated total capital expenditure is approximately USD 35 million, which is USD 8 million less than the previous estimate.

Songa Mercur is currently under tow to Singapore, and is expected to arrive in September. Based on the efforts and experiences with Songa Venus, the rig has already started the approval process with the Australian National Offshore Petroleum Authority, NOPSA, as well as planning and preparation of required upgrades and equipment installations for a full Safety Case and contractual compliance. The estimated total capital expenditure for this rig is increased USD 3 million to USD 28 million. ETD from Singapore is estimated to be mid November.

Songa Saturn is currently undergoing upgrading at Tuzla, Turkey. This project is the most complicated project, with higher specifications including increasing water depth capacity from 2,500 ft to 3,300 ft, and rebuilding to create greater deckload capacity and stability. The projected capital expenditure is increased USD 10 million to USD 111 million. The vessel's ETD is mid November.

The recruiting of key personnel for all three rigs has progressed according to plan and all rigs are close to fully staffed to commence the jobs they are scheduled for. Songa Venus and Songa Mercur will both operate on the Western Australian continental shelf. A branch office is established in Perth and most of the people needed have already been recruited for this office too.

Market conditions and outlook

The demand for drilling rigs continues to be strong in all segments. The mid water segment, which is the category all of the Company's rigs belongs to, has shown the strongest improvement in rates during the last six months. With the continued high crude oil prices both demand for exploration and development drilling offshore is expected to stay strong in the foreseeable future.

The three rigs under conversion are getting close to being finalized. All rigs have already entered into their first contracts with prime operators, and contracts have already been extended, or discussions are currently being conducted for doing so, which we believe documents the confidence these customers have to our project management.

The Board is pleased to announce that it has accepted a fully underwritten offer to extend the current bank facility from USD 290 million to USD 400 million. Based on current

projections this should be sufficient to fund the Company's needs until the rigs start generating strong cash flow late this year.

Oslo, 18 July, 2006
Board of Directors
Songa Offshore ASA

Questions should be directed to:

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FINANCIAL STATEMENT

Basis for preparation

The consolidated interim financial statements of Songa Offshore Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. The interim financial statements are prepared in accordance with IAS 34.

Accounting policies

The consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as at year end 2005. The enclosed consolidated interim financial statements should be read together with the 2005 annual financial statements, which include a full description of the Group's accounting policies.

Revenue and expense recognition

The majority of our revenues are derived from contracts including day rate based compensation for drilling operations, fixed price mobilization fees and investment contributions.

Revenues from day rate based compensation for drilling operations are recognized in the period during which the services are rendered and at the rates established in the contracts. Mobilization fees and investment contributions are recognized over the estimated duration of the drilling contract. Incremental cost of mobilization is deferred and recognized over the estimated duration of the drilling contracts. To the extent that cost exceeds revenue to be recognized, it is expensed as incurred. Investments are depreciated over the estimated useful lives of the asset. Demobilization fees and expenses are recognized over the demobilization period.

Consolidation

In 2005, Songa Offshore ASA acquired a "blow-out preventer" (BOP) for use on the rig Songa Mercur. In order to finance the BOP, Songa entered into a sale-leaseback transaction with a Special Purpose Entity (SPE). The chairman of Songa Offshore ASA has increased his owner share in the SPE and based on the guidelines in SIC 12 the entity is consolidated.

Songa Offshore Group

Consolidated income statement

for the period

APR - JUN

JAN - JUN

(IFRS - non audited figures)

Amounts in USD '000 (earnings per share in USD)	2006	2006
Revenue	1,360	3,961
Other operating costs	-4,894	-11,228
Depreciation	-2,464	-2,464
Finance costs	-4,753	-13,364
Loss before tax	-10,751	-23,095
Tax income*	2,991	6,447
Loss for the period	-7,760	-16,648
Net earnings per share (USD):		
Basic	-0.10	-0.25

* Estimated tax for quarterly results is 28%

Songa Offshore Group

Consolidated balance sheet at

(IFRS - non audited figures)

	30 Jun	31 Dec
Amounts in USD '000	2006	2005
ASSETS		
Deferred tax	10 961	4 384
Rigs and fixtures	564 670	222 462
Investments	47 150	34 056
Other long term assets	3 809	-
Total non-current assets	626 590	260 902
Accounts receivable	1 239	1 039
Prepayments	2 650	417
Other receivables	2 654	962
Cash and cash equivalents	11 338	2 220
Total current assets	17 881	4 638
Total assets	644 471	265 540
EQUITY AND LIABILITIES		
Equity		
Share capital	12 141	9 006
Share premium	145 592	76 232
Paid in, not registered share capital	-	276
Other equity	(25 878)	(24 946)
Total equity	131 855	60 568
Bank loan	225 304	45 902
Bond loan	184 811	108 142
Other long term debt	7 913	11 106
Total non-current liabilities	418 028	165 150
Accounts payable	7 058	5 303
Accrued interest expense	10 513	3 675
Accrued operating expense	7 879	-
Bank loan	51 600	19 840
Prepaid revenues	11 750	-
Other short term liabilities	5 788	11 004
Total current liabilities	94 588	39 822
Total liabilities	512 616	204 972
Total Equity and Liabilities	644 471	265 540

Songa Offshore ASA

Statement of changes in equity

(IFRS - non audited figures)

Amounts in USD '000

	Share capital	Share premium reserve	Paid in, not registered capital	Other equity	Total equity
Equity at 31.12.05	9,254	75,984	276	-24,946	60,568
Issue of share capital	956	52,825			53,781
Conversion of warrants not registered at 12/31 2005	28	248	-276		0
Conversion of warrants Jan - Jun	1,903	16,535	0		18,438
Employee option plan				2,622	2,622
Change in fair value of financial investment				13,094	13,094
Profit (loss) for the period				-16,648	-16,648
Equity as at 30.06.2006	12,141	145,592	0	-25,878	131,855

Songa Offshore Group

Consolidated statement of cash flows at

(IFRS - non audited figures)

	30 June
Amounts in USD '000	2006
Operating profit (loss) before tax	(23 095)
Cash flows from operating activities	
Adjustment for:	
Change in receivables	(7 934)
Change in payables	10 425
Depreciation	2 463
Decrease in fair value of BOP option	(3 590)
Net cash flow from operating activities	(21 731)
Cash flows from investing activities	
Purchase of property, plant and equipment	(356 943)
Net cash flow used in investing activities	(356 943)
Cash flows from financing activities	
Proceeds from issue of share capital	72 220
Proceeds from issue of bonds and new bank loan raised	315 572
Net cash flow from financing activities	387 792
Net increase/(decrease) in cash and cash equivalents	9 118
Cash and cash equivalents at beginning of period	2 220
Cash and cash equivalents at end of period	11 338