

SONGA OFFSHORE ASA - REPORT FOR THE THIRD QUARTER 2006

Songa Offshore ASA consolidated after tax loss for the third quarter 2006 was USD 7.8 million. Accumulated loss for the first nine months of 2006 was USD 24.4 million.

Operating expenses for the third quarter was USD 6.7 million. Accumulated for the first nine months of 2006 the operating expenses were USD 17.9 million.

Financial expenses for the period were USD 4.6 million. Accumulated the financial expenses were USD 17.9 million.

Capitalized recommissioning costs for the third quarter was USD 44.0 million. Accumulated for the first nine months 2006 the capitalized recommissioning costs were USD 105.3 million.

Earnings per share (EPS) for the period were USD -0.10. Accumulated EPS for the first nine months 2006 were USD -0.34.

Financing and share capital issues

During the third quarter a total of 374,556 shares were issued following conversion of freely tradable warrants. The conversion price is USD 1.50. As at 30 September 2006 a total of 6,602,984 freely tradable warrants were remaining in the market. The warrant program expires in May 2008.

The Company has also issued options to management for 2,500,000 shares plus conversion rights related to the financing of a blow-out preventer. The latter is, based on a NOK/USD exchange rate of 6.50, estimated to involve 2,841,429 shares.

At the annual general meeting on June 7, 2006, the Board of Directors was authorized to issue options to subscribe shares in the Company to employees and members of the Board. Of the options to subscribe for 4,500,000 shares, a total of 2,500,000 were reserved for the exclusive allocation to members of the Board. The Board at its meeting September 20 allocated options to subscribe for 1,500,000 shares in the Company.

Based on the above, the estimated fully diluted amount as per September 30 was 91,573,082 shares.

As at 30 September 2006 total outstanding shares in the Company was 78,228,669 shares. Average number of shares in the third quarter was 78,076,013 shares, and for the first nine months of 2006 72,447,046.

In July the Company agreed with its banks Nordea Bank and DVB to expand the limit for its main bankfacility from USD 290 million to USD 400 million loan with the same banks as lenders. At the same time a successful syndication was carried out.

As of 30 September 2006 Songa Offshore's interest bearing debt was USD 525 million. Unused bank facilities totaled USD 60 million. Bank deposits and cash at 30 September 2006 was USD 8.1 million.

Main events in the third quarter

Songa Offshore has been awarded a contract from Hess Corporation for the drill ship Songa Saturn. This contract is for one well offshore Libya in the fourth quarter of 2007. The contract will commence after the Songa Saturn completes a contract with Noble Energy in Equatorial Guinea. The revenue totals approximately USD 17 million on the basis of 20 days mobilization and 30 days drilling. The Songa Saturn is available for additional work in the Mediterranean at the completion of the Hess Corporation contact.

The Songa Venus has been farmed out for an estimated 100 days by the contractor Inpex. Implicit rate is USD 350,000 per day, which gives an indication of the market rates developing on the Australian continental shelf.

The Company has been awarded a contract extension from Chevron Australia Pty Ltd for the semi submersible, Songa Mercur. This extension to the original contract is for 90 days. With this addition, the contract for the rig is now one year firm. There remain two options of six months each - at market rate. The expected revenue for the 90 day extension totals USD 27 million.

The current CEO Mr. Bob Scott retires at year-end 2006, Mr Asbjorn Vavik (50) will take over as CEO. At the same time Mr. Trond Christensen (45) will take on the position as COO. Mr. Scott has been offered a position on the Board of Directors, subject to him being elected at an extraordinary general meeting. Mr. Scott has accepted this offer.

Songa Offshore will shortly move from being an organization focused on refurbishing rigs to operating and marketing the same. Given that the rigs are to be operated in Australia, South East Asia and Africa in the near future, the Board has decided to move most of the functions at the Houston office to Singapore. An office has also been established in Perth, Western Australia to support operations of Songa Venus and Songa Mercur.

The rigs

On 6 October the Company released a status report on the three rigs we are converting and upgrading. At the time one indicated total upgrading requirements at approximately USD 181 million. As of today's date this estimate is unchanged at USD 181 million.

Songa Venus departed from Keppel shipyard on October 16. Currently the rig is on anchorage conducting ballasting and an incline test. Estimated time of departure and start of tow is October 20. The estimated total capital expenditure is USD 34 million.

Songa Mercur has arrived in Singapore, where it has started an upgrading program. The estimated total capital expenditure is about USD 31 million. Due to the delays experienced with the tow, and a slightly more extensive upgrading, ETD from Singapore is mid December.

Songa Saturn is currently undergoing upgrading at Tuzla, Turkey. This project is the most complicated project. The estimated total capital expenditure is about USD 116 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 fully staffed or close to be fully staffed to commence the jobs they are scheduled for.

Songa Dee is currently on a bareboat contract until late 2008 to the previous owner, Stena.

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 this year. The most apparent change lately has been the increase in the forward curve for contracts for the period 2009-2012. With the continued high crude oil prices both demand for exploration and development drilling offshore is expected to stay very strong.

The three rigs the Company has had under conversion are finalized or getting close to being finalized. All rigs have already entered into their first contracts with major 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 wishes to increase the contract coverage further, and aims to land one or two longer contracts within the next six months.

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

Questions should be directed to:

Tom E. Jebsen, CFO +47 2301 1431 / +47 90 747 997

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

JUL - SEP

JAN - SEP

(IFRS - non audited figures)

Amounts in USD '000 (earnings per share in USD)	2006	2006
Revenue	4,338	8,299
Other operating costs	-6,721	-17,949
Depreciation	-3,822	-6,286
Finance costs	-4,628	-17,992
Loss before tax	-10,833	-33,928
Tax income*	3,053	9,500
Loss for the period	-7,780	-24,428
Net earnings per share (USD):		
Basic	-0.10	-0.34
Dilutive	-0.10	-0.34

* Estimated tax for quarterly results is 28%

Songa Offshore Group

Consolidated balance sheet at

(IFRS - non audited figures)

	30 Sep
Amounts in USD '000	2006
ASSETS	
Deferred tax	14 014
Rigs and fixtures	643 581
Investments	50 150
Other long term assets	-
Total non-current assets	707 744
Accounts receivable	2 827
Prepayments	1 082
Other receivables	3 515
Cash and cash equivalents	8 127
Total current assets	15 551
Total assets	723 295
EQUITY AND LIABILITIES	
Equity	
Share capital	12 201
Share premium	146 094
Paid in, not registered share capital	-
Other equity	(21 402)
Total equity	136 893
Bank loan	342 445
Bond loan	181 725
Other long term debt	5 724
Total non-current liabilities	529 894
Accounts payable	10 287
Accrued interest expense	4 879
Bank loan	
Prepaid revenues	20 290
Other short term liabilities	21 053
Total current liabilities	56 508
Total liabilities	586 402
Total Equity and Liabilities	723 295

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 - Sep	1,963	17,036	0		18,999
Option plans				12,152	12,152
Change in fair value of financial investment				16,094	16,094
Translation adjustments				-195	-195
Exchange differences on foreign subsidiaries				-78	-78
Profit (loss) for the period				-24,428	-24,428
Equity as at 30.09.2006	12,201	146,093	0	-21,402	136,892

Songa Offshore Group

Consolidated statement of cash flows at (IFRS - non audited figures)

	30 Sept
Amounts in USD '000	2006
Operating profit (loss) before tax	(33 928)
Cash flows from operating activities	
Adjustment for:	
Exchange loss	1 463
Depreciation	6 206
Cost of option plans	11 687
Interest expense	15 500
Interest paid	(21 325)
Change in receivables	(5 006)
Change in payables	22 063
Prepaid revenue	20 290
Net cash flow from operating activities	16 950
Cash flows from investing activities	
Purchase of property, plant and equipment	(427 325)
Net cash flow used in investing activities	(427 325)
Cash flows from financing activities	
Proceeds from issue of share capital	73 056
Proceeds from issue of bonds and new bank loan raised	343 226
Net cash flow from financing activities	416 282
Net increase/(decrease) in cash and cash equivalents	5 907
Cash and cash equivalents at beginning of period	2 220
Cash and cash equivalents at end of period	8 127