



SONGA OFFSHORE ASA - REPORT FOR THE FIRST QUARTER 2007

Songa Offshore ASA consolidated after tax loss for the first quarter 2007 was USD 5.0 million.

Revenue for the first quarter was USD 40.7 million.

Operating expenses for the first quarter were USD 18.5 million. This includes a reversal of costs related to the fair value of the option to buy the BOP on Songa Mercur.

EBITDA for the first quarter was USD 22.2 million.

Net financial expenses for the first quarter were USD 17.5 million.

Earnings per share (EPS) for the first quarter was USD -0.06. Diluted earnings per share (DEPS) for the first quarter was USD -0.06.

Financing and share capital issues

In 2005 the Company issued options to management for 2,454,165 shares "the 2005 options programme". Employees in Songa Offshore ASA have in January 2007 exercised options under the 2005 options programme to buy shares in Songa Offshore ASA. In total, warrants for 2,454,165 shares have been exercised at a strike price of NOK 30 per share.

During the first quarter a total of 260,300 shares were issued following conversion of freely tradable warrants. The conversion price is USD 1.50. As at 31 March 2007 a total of 6,161,017 freely tradable warrants were remaining in the market. The warrant program expires in June 2008.

At the annual general meeting on June 7, 2006, the Board of Directors was authorised 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 20 September 2006 allocated options to subscribe for 1,500,000 shares in the Company, with strike price NOK 53.41. Options to board members vest immediately. The Board has during the first quarter issued options to acquire 500,000 shares in Songa Offshore ASA to Mr. Robert J. Scott. Mr. Scott was elected as board member of Songa Offshore at the Company's EGM in December 2006, and until end of 2006 he was the Company's CEO. The options have a strike price of NOK 53.41. The options are immediately vested, but have to be declared before end January 2008.

The Board at its meeting 18 October 2006 allocated options to employees to subscribe for 1,805,000 shares in the Company, with strike price NOK 54.25. The employee options granted in 2006 will be vested over a period of time up until 31 December 2007, and thereafter exercisable within the following month. Since the allocation 18 October 2006 certain employees have resigned so the outstanding amount has been reduced to 1,564,166.

The Board has in May allocated 194,000 options to newly recruited employees. The strike price for the options to the employees has, in accordance with the authorisation given by the AGM, been set at the closing price for the Company's shares on the Oslo Stock Exchange on May 8. This price is determined to be NOK 57.00 per share.

In connection with the lease agreement for a Blow Out Preventer ("BOP") Songa Offshore ASA has agreed that the owners of the investment company for the BOP up until 1 July 2007 have an option to sell their ownership in the investment company to Songa Offshore ASA against a consideration amounting to USD 15.3 million and payable in shares in Songa Offshore ASA at a share price of NOK 35 per share. With a NOK/USD exchange rate of 6.0130, the agreement is estimated to involve 2,628,540 shares. If the investors opt for Songa shares, the Company has the option to pay same consideration in cash.

Based on the above, the estimated fully diluted amount as per 9 May was 97,172,524 shares.

As at 31 March 2007 total outstanding shares in the Company was 84,624,801. Weighted average number of shares in the first quarter was 84,071,867 shares, and adjusted weighted average number of shares, as defined in IFRS, for the first quarter was 90,491,597.

As of 31 March 2007 Songa Offshore's interest bearing debt was USD 813.1 million stated at amortised cost, at face value the interest bearing debt amounted to USD 817.6. There were no unused bank facilities at the quarter end. Bank deposits and cash at 31 March 2007 was USD 33.0 million.

The Company entered into a Total Return Swap (TRS) agreement with Carnegie Investment Bank AB Norway on 4 January 2007. The agreement provided for cash settlement and with 2,129,165 shares in Songa Offshore ASA as underlying security. The initial reference price under the swap is NOK 59.50 per share and the swap agreement expires on 29 June 2007. Songa Offshore ASA will pay Carnegie Investment Bank AB Norway a sum equal to the latter's funding cost plus a margin. Songa Offshore ASA secures all the upside and downside on the price development of the underlying securities.

In connection with the acquisition of the Deepsea Trym in January 2007, the Company has relied on short term financing in the form of an unsecured 6 month commercial paper in the amount of USD 40 million, issued in December 2006 with a coupon of 8 3/8%, in addition to a bridge loan from a group of four banks in the amount of USD 210 million, which was fully drawn down during the first quarter.

In order to secure proper financing until the new loan agreement is in place the company has entered into a 3 months commercial paper in the amount of USD 25 million, issued 20 March 2007 with a coupon of 8 1/4%.

A group of four banks have recently approved a new USD 650 million banking facility, which will refinance the two current banking facilities and commercial paper programs currently in place. Further it is the Company's intention to pay the investors in the BOP discussed above in cash raised from the new bank facility. The bank facility will have a less steep installment profile which improves the Company's cash flow going forward. Further, the Company is still considering alternatives for a new bond.

Main events in the first quarter

The Company has completed the purchase of the midwater semi submersible Deepsea Trym for USD 238.5 million from Odfjell Rig Limited. The transaction was completed in mid January 2007 and Odfjell Drilling will continue to operate the rig for Hydro under a bareboat agreement for the remainder of the Hydro contract, which runs to March 2009 if all options are declared.

INPEX Browse, Ltd and Eni Australia Limited have declared the first of two six month options on Songa Venus. This extends the fixed contract period until April 2008. Implicit day rate for the new period is USD 225,000 per day.

The rigs

Songa Venus has been operating offshore Western Australia since mid November. The rig achieved a 95% operational effectiveness in November and December, but this fell to an average rate of 85,7% in the first quarter due to certain operation problems which we consider to be typical start up problems.

Songa Saturn left the Tuzla Shipyard on December 30 2006, and had a planned stopover in Algeciras, Spain where equipment was tested. Due mainly to software problems on certain equipment the planned one week stay in Algeciras evolved into a four week stay. The rig was accepted by Noble Energy on February 6 2007, and after mobilisation to Equatorial Guinea started operations on 27 February 2007. The rig achieved a 79% operational effectiveness in March.

Songa Mercur is still undergoing remedial work on cranes in parallel with commissioning and acceptance testing at anchorage outside Singapore, estimated time of departure to Australia has been postponed to 20 May.

The Company has started the process of establishing a Norwegian and UK organisation and expects to have a number of people in place by the end of 2007.

The marketing of the Deepsea Trym will start in the next few months, and the new organisation put in place in Norway and UK will also be involved in monitoring the SPS of Deepsea Trym which is to be carried through by the sellers and bareboat charterers the Odfjell group in June.

Market conditions and outlook

The demand for drilling rigs is still strong in all segments. A tight market for crude oil confirms that crude producers are having a hard time meeting their production targets. As smaller fields are developed and older fields extended, a higher drilling intensity should be expected, typically measured by lower figures on number of barrels extracted per well. Crude projections generally assume that offshore production's share of the total world production will increase in the coming years.

The rigs Songa Venus and Songa Saturn have performed in line or better than what was anticipated in the start up phase. With Songa Mercur out within short, and Deepsea Trym through the SPS during the summer, the Company will increase its marketing efforts. The board believes we will land new contracts for one or more of the rigs within the next few months.

The Company's prime focus for 2007 can be summed up in four points: first is to achieve proper operations for the three rigs we operate as this is the only way to build reputation and the best way to market the rigs. Second the goal is to land new contracts for Songa Saturn and Deepsea Trym before end of the year. Third is to build up a Norwegian base in Stavanger to start building the organisation required to operate Songa Dee and Deepsea Trym in the North Sea from 2009 and onwards. Fourth is to complete the liability side of the Company's balance sheet, which is expected to be completed by end June. Along with these items human resources and cost control will constantly be focused on.

The Company's Ordinary General Meeting has been moved from 6 June to Monday 21 May at 05:00 P.M. The Notice of Ordinary General Meeting with related documents in Norwegian and English versions can be found on the Company's homepage: www.songaoffshore.no.

Oslo, 14 May, 2007
Board of Directors
Songa Offshore ASA

Questions should be directed to:

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

FINANCIAL STATEMENT

1 General information

Songa Offshore ASA ("the Company") and its subsidiaries (together, "the Group") are engaged in the business of owning and operating offshore drilling rigs and other vessels to be used in the exploration and production of crude oil. The Group operates four semi-submersible rigs and one drill ship. With a highly experienced management team, the Company's vision is to provide a flexible and reliable drilling service to its customers.

The Group is headquartered in Oslo, Norway, and the rig operations are run from Singapore, Perth - Australia, Houston - USA and Malabo – Equatorial Guinea.

Per 31 March 2007 the Group had operations in the North Sea, offshore West Africa and offshore Western Australia. The Company has been listed on Oslo Stock Exchange since 26 January 2006. Ticker: "SONG".

Songa Offshore ASA is a public limited company, incorporated in Norway, the address of the registered headquarters is: Haakon VII's gate 1, 0161 Oslo, Norway. Enterprise no. 874 761 362

2 Basis for preparation

This condensed interim financial information for the year ended 31 March 2007 has 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 "Interim financial reporting". The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006, as described in the annual financial statements for the year ended 31 December 2006.

Songa Offshore Group

Consolidated income statement

for the period

(IFRS - non audited figures)

Amounts in USD '000	Note	Q1 2007	Q1 2006
Revenue		40,673	2,601
Employee benefits expense		(10,701)	(2,101)
Other operating expenses		(7,773)	(4,233)
Depreciation		(11,713)	-
Finance income		1,056	16
Finance costs		(18,535)	(6,860)
Profit/(loss) before tax		(6,993)	(10,577)
Tax income/(expense)*		1,958	2,962
Profit/(loss) for the period		(5,035)	(7,615)
Net earnings per share (USD):			
Basic		-0.06	-0.12
Dilutive		-0.06	-0.12

* 28% of profit/loss before tax

Songa Offshore Group

Consolidated balance sheet at

(IFRS - non audited figures)

<i>(USD '000)</i>	Note	31/03/07	31/12/06
ASSETS			
Non-current assets			
Rigs, machinery and equipment		977,559	712,332
Deferred tax assets		13,601	12,388
Total non-current assets		991,160	724,720
Current assets			
Trade and other receivables		16,426	20,824
Prepayments		4,337	2,654
Incurred revenue		14,947	-
Other assets		2,851	26,743
Cash and cash equivalents		32,997	90,621
Total current assets		71,558	140,842
TOTAL ASSETS		1,062,718	865,562

Songa Offshore Group

Consolidated balance sheet at

(IFRS - non audited figures)

<i>(USD '000)</i>	Note	31/03/07	31/12/06
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital		13,219	12,791
Share premium		39,049	27,469
Reserves		15,717	14,838
Other equity		98,337	106,500
Total equity		166,322	161,598
Non-current liabilities			
Bank loan		169,347	211,389
Bond loans		141,048	167,889
Other liabilities		7,297	6,024
Total non-current liabilities		317,692	385,302
Current liabilities			
Bank loans		376,052	190,000
Other external financing		127,536	56,142
Trade and other payables		17,253	6,714
Derivative financial instruments		9,202	13,919
Deferred revenues		30,648	26,056
Interest payable		5,238	15,352
Other liabilities		12,775	10,479
Total current liabilities		578,704	318,662
Total liabilities		896,396	703,964
TOTAL EQUITY AND LIABILITIES		1,062,718	865,562

Songa Offshore Group

Statement of changes in equity

(IFRS - non audited figures)

Note	Share capital	Share premium	Paid in, not registered share capital	Equity-settled employee benefits reserve	Other equity	Total equity
Balance as at 1 January 2006	9,254	75,984	276	-	(24,946)	60,568
Loss for the period					(7,615)	(7,615)
Total recognised expense	-	-	-	-	(7,615)	(7,615)
Issue of share capital	984	53,073	(276)	-	-	53,781
Conversion of warrants Jan - Mar	816	7,331	-	-	-	8,147
Change in fair value of financial investment	-	-	-	-	10,094	10,094
Recognition of share-based payments	-	-	-	2,101	-	2,101
Balance as at 31 March 2006	11,054	136,388	-	2,101	(22,467)	127,076
Balance as at 1 January 2007	12,791	27,469	-	14,838	106,500	161,598
Other adjustments	-	-	-	-	(896)	(896)
Translation adjustments	-	-	-	-	(2,233)	(2,233)
Net expenses recognised directly in equity	-	-	-	-	(3,129)	(3,129)
Loss for the period					(5,035)	(5,035)
Total recognised expense for the year	-	-	-	-	(8,164)	(5,035)
Issue of share capital	387	11,229	-	-	-	11,616
Conversion of warrants Jan - Mar	41	351	-	-	-	393
Recognition of share-based payments	-	-	-	879	-	879
Balance as at 31 March 2007	13,219	39,049	-	15,717	98,336	166,322

Songa Offshore Group

Consolidated statement of cash flows

(IFRS - non audited figures)

	1Q	1Q
Amounts in USD '000	2007	2006
Operating profit (loss) before tax	(6,994)	(10,577)
Cash flows from operating activities		
Adjustment for:		
Depreciation	11,713	
Cost of option plans	879	
Finance costs	18,535	
Increase/(decrease) in fair value of BOP option	(4,717)	3,938
Change in receivables	11,660	(27,926)
Change in payables	425	1,785
Change in other liabilities	4,039	
Prepaid revenue	4,592	
Interest paid	(21,432)	
Net cash flow from operating activities	18,700	(32,780)
Cash flows from investing activities		
Purchase of property, plant and equipment	(276,747)	(26,055)
Proceeds from disposal of property, plant and equipment	-	-
Proceeds from sale of available-for-sale investment	-	-
Acquisition of available-for-sale investment	-	-
Net cash flow used in investing activities	(276,747)	(26,055)
Cash flows from financing activities		
Debt issue costs	-	
Proceeds from issue of share capital	12,009	62,204
Proceeds from issue of bonds and new bank loan raised	188,414	20,967
Net cash flow from financing activities	200,423	83,171
Net increase/(decrease) in cash and cash equivalents	(57,624)	24,336
Cash and cash equivalents at beginning of period	90,621	2,220
Cash and cash equivalents at end of period	32,997	26,556