



SONGA OFFSHORE ASA - REPORT FOR THE SECOND QUARTER 2007

Songa Offshore ASA consolidated profit after tax for the second quarter 2007 was USD 7.8 million. Accumulated the after tax profit was USD 2.8 million.

Revenue for the second quarter was USD 67.1 million. Accumulated the revenue was USD 107,8 million.

Operating expenses for the second quarter were USD 31.3 million. Accumulated the operating expenses were USD 49.8 million.

EBITDA for the second quarter was USD 35.8 million. Accumulated the EBITDA was USD 58.0 million.

Net financial expenses for the second quarter were USD -20.9 million. Included in this figure is USD 2.2 million of expended fees related to loans that were refinanced during the quarter. Accumulated the net financial expenses were USD -38.3 million.

Earnings per share (EPS) for the second quarter were USD 0.09. Diluted earnings per share (DEPS) for the second quarter were USD 0.09. Accumulated EPS was 0.03 and accumulated DEPS 0.03.

Main events in the second quarter

As previously announced Santos and the Company have entered into a new contract for Songa Mercur. This contract has replaced the previous shared contract between Chevron, Santos and the Company. In the new contract, the initial firm period is 270 days with an option for a further 90 days at the same rate and thereafter 2 x 6 month options at market rate. Expected revenue is approximately USD 81 million for the 270 day firm period excluding mobilization and demobilization revenues.

Santos is one of the largest offshore contractors in Oceania, with potential work for Songa Offshore beyond the initial contract for Songa Mercur. The contract with Santos commenced when the rig departed from Singapore on 1 July.

Songa Mercur is on contract effective 1 July, having left Singapore. The rig started operations 17 July 2007.

Songa Saturn has secured a contract with a consortium of oil companies led by Nippon Oil Exploration Limited for drilling operations offshore Libya. The contract is for four firm wells plus five option wells. The other oil companies in the consortium are CNPC International Ltd., Japex Libya Limited and Petrobras International Braspetro B.V.

The revenue for the four firm wells is expected to be USD 75 million, and if all five option wells are drilled the revenue expectation is another USD 91 million.

Songa Saturn is currently operating under a 6+2 well contract for Noble in Equatorial Guinea, which is anticipated to last until early 2008. Thereafter the drill ship will have a shorter yard-stay to mount equipment, which will increase the drill ship's water depth capacity to 3,800 ft. Songa Saturn will thereafter move to Libya and drill one well for Hess before commencing on the above mentioned Consortium's contract second quarter 2008.

With this contract Songa Saturn has secured employment to early/mid 2009.

The rigs

Songa Venus has been operating offshore Western Australia since mid November. The rig achieved an 84.2% operational efficiency in the second quarter. Year to date the rate is 87.2%. The lower rate was due to certain operation problems, which we consider to be typical start up problems.

Songa Saturn left the Tuzla Shipyard on 30 December 2006, and had a planned stopover in Algeciras, Spain. Noble Energy accepted the drill ship on 6 February 2007, and after mobilisation to Equatorial Guinea it started operations on 27 February 2007. During the second quarter the drill ship achieved 94.7% operational efficiency, yielding an YTD rate of 94.4%.

Songa Mercur was up until 1 July undergoing remedial work on cranes in parallel with commissioning and acceptance testing at anchorage outside Singapore and has started operations as of 17 July 2007.

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 Company has started the marketing of the Deepsea Trym. An SPS of Deepsea Trym was carried through by the sellers and bareboat charterers, the Odfjell group, in June.

Accounting issues for the second quarter

The investors in BOP 15 Invest exercised their right to convert their shares in the investment company into shares in Songa Offshore ASA in late June. This transaction will be entered into the accounts in Q3 since the shares were not issued until the beginning of July. BOP 15 Invest will then become a fully owned subsidiary of Songa Offshore ASA. Since this entity today is consolidated in accordance with IFRS, the effect on the accounts will be minimal.

The new convertible USD 125 million bond loan was recognized with a liability component of USD 104.2 million and an equity component of USD 20.8 million in the second quarter. The liability component will be amortized so that at the end of the loan period there will be a liability component of USD 125 million recognized as debt. Effectively this means that the loan (initially USD 104.2 million) will be accounted for with a coupon of 10,26%.

Financing and share capital issues

During the second quarter a total of 59,000 shares were issued following conversion of freely tradable warrants. The conversion price is USD 1.50. As at 30 June 2007 a total of 6,102,017 freely tradable warrants were remaining in the market. The warrant program expires in June 2008.

As of 30 June 2007 total outstanding shares in the Company was 84,683,801. Weighted average number of shares in the second quarter was 84,649,570 shares, and adjusted weighted average shares, as defined in IFRS, was 94,070,348.

With the last grant of options for 500,000 shares to Deputy Chairman Einar J. Greve, options for a total of 2,500,000 shares has been allocated to members of the Board. In May the Board allocated options for 194,000 shares to newly recruited employees, giving options for a total of 1,758,166 shares allocated to employees. In late June the investors in BOP 15 Invest exercised their right to convert their interest into shares in Songa Offshore ASA. The shares are issued in the third quarter and equals 2,567,726 shares.

The new USD 125 million convertible bond loan, discussed below, is convertible into common shares in the Company. The total number of shares, if converted, is 9,349,289.

Assuming all warrants and options mentioned above are converted, the Company would on a fully diluted basis have 106,460,999 shares.

Songa Offshore ASA increased on 24 May its Total Return Swap (TRS) with Carnegie Investment Bank AB Norway Branch. The TRS has been increased by 210,000 shares, from 2,129,165 shares to 2,339,165 shares. Songa Offshore extended on 29 June the TRS. The extended agreement provides for cash settlement and with 2,339,165 shares in Songa Offshore ASA as underlying security. The swap agreement expires on 21 December 2007.

As of 30 June 2007 Songa Offshore's interest bearing debt was USD 825.9 million stated at amortised cost, at face value the interest bearing debt amounted to USD 853.5 million. Total unused bank facilities at quarter end were USD 110 million. Bank deposits and cash at 30 June 2007 was USD 50.3 million.

The company has refinanced its external debt during the second quarter with a new bank facility. The new USD 650 million bank facility, of which USD 540 million has been drawn down, is a reducing revolving credit facility with a less steep installment profile, which improves the Company's cash flow going forward. The margin is LIBOR plus a margin of 1.40%/1.25%/1.10% depending on certain covenants.

Further the Company issued a USD 125 million senior unsecured convertible bond in May. The bonds are convertible into common shares in the Company, have an annual coupon of 3.25% and a conversion price of USD 13.37 per bond, representing a conversion premium of 35% to the volume weighted average share price during the marketing period. The bonds are issued at 100% of their principal amount and, unless previously converted or cancelled, will mature on 1 June 2010.

The Company's external debt after the refinancing consists, in addition to the above mentioned bank facility and convertible bond, of a USD 110 million bond loan which matures in September 2010 and a USD 75 million bond which matures in March 2011, the latter callable from March 2009.

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. Projections for crude production generally assume that offshore production's share of the total world production will increase in the coming years.

The rig Songa Venus has performed in line with the Company's expectations and Songa Saturn has performed better than what was anticipated in the start up phase. With Songa Mercur on location, and Deepsea Trym through the SPS, the Company will increase its marketing efforts. The board believes we will land a new contract for Deepsea Trym before the end of the year.

The Company's prime focus for 2007 can be summed up in three points: first is to achieve proper operations on 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 a new contract for 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 on. Along with these items human resources and cost control will always be in focus.

The Board notes a strong cost pressure in the industry both with regard to personell expense levels and suppliers equipment. This is further amplified by the weakening USD against most currencies including AUD, NOK and GBP. However, with all the rigs out operating, good prospects for new contracts and a solid cash flow going forward the Board is optimistic on the future of the Company.

Oslo, 9 August, 2007

Board of Directors
Songa Offshore ASA

Questions should be directed to:

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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 30 June 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 period ended 30 June 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	Q2 2007	Q1 2007	Q2 2006	Jan-Jun 2007	Jan-Jun 2006	Year 2006
Revenue	67,082	40,673	1,360	107,755	3,961	44,597
Employee benefits expense	(19,569)	(10,701)	(1,320)	(30,270)	(3,421)	(23,805)
Other operating expenses	(11,750)	(7,773)	(3,574)	(19,523)	(7,807)	(10,931)
Total operating expenses	(31,319)	(18,474)	(4,894)	(49,793)	(11,228)	(34,736)
EBITDA	35,763	22,199	(3,534)	57,962	(7,267)	9,861
EBITDA %	53 %	55 %	-260 %	54 %	-183 %	22 %
Depreciation	(13,982)	(11,713)	(2,464)	(25,695)	(2,464)	(13,812)
EBIT	21,781	10,486	(5,998)	32,267	(9,731)	(3,951)
EBIT %	32 %	26 %	-441 %	30 %	-246 %	-9 %
Finance income	1,540	1,056	1,377	2,596	1,393	2,713
Finance costs	(22,346)	(18,535)	(2,263)	(40,881)	(9,123)	(27,377)
Profit/(loss) before tax	975	(6,993)	(6,884)	(6,018)	(17,461)	(28,615)
Tax income/(expense)	6,834	1,958	1,928	8,823	4,889	7,874
Profit/(loss) for the period	7,809	(5,035)	(4,956)	2,805	(12,572)	(20,741)
Net earnings per share (USD):						
Basic	0.09	-0.06	-0.07	0.03	-0.19	-0.28
Dilutive	0.09	-0.06	-0.07	0.03	-0.19	-0.28

Songa Offshore Group

Consolidated balance sheet at

(IFRS - non audited figures)

<i>(USD '000)</i>	Note	30/06/07	30/06/06	31/12/06
ASSETS				
Non-current assets				
Rigs, machinery and equipment		977,749	562,903	712,332
Deferred tax assets		20,466	10,961	12,388
Other long term assets		-	50,959	-
Total non-current assets		998,215	624,823	724,720
Current assets				
Trade and other receivables		10,861	1,239	20,824
Prepayments		6,284	2,650	2,654
Incurred revenue		16,501	-	-
Other assets		3,822	2,654	26,743
Cash and cash equivalents		50,270	11,338	90,621
Total current assets		87,738	17,881	140,842
TOTAL ASSETS		1,085,953	642,704	865,562

Songa Offshore Group

Consolidated balance sheet at

(IFRS - non audited figures)

<i>(USD '000)</i>	Note	30/06/07	30/06/06	31/12/06
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital		13,228	12,141	12,791
Share premium		39,128	145,592	27,469
Reserves		16,165		14,838
Other equity		126,743	(22,011)	106,500
Total equity		195,264	135,722	161,598
Non-current liabilities				
Bank loan		422,532	179,456	211,389
Bond loans		238,684	181,625	167,889
Other liabilities		7,396	7,913	6,024
Total non-current liabilities		668,612	368,994	385,302
Current liabilities				
Bank loans		120,000	95,000	190,000
Other external financing		44,685	-	56,142
Trade and other payables		10,679	7,058	6,714
Derivative financial instruments		10,874	7,597	13,919
Deferred revenues		14,365	11,750	26,056
Interest payable		6,999	10,513	15,352
Other liabilities		14,475	6,070	10,479
Total current liabilities		222,077	137,988	318,662
Total liabilities		890,689	506,982	703,964
TOTAL EQUITY AND LIABILITIES		1,085,953	642,704	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					(11,014)	(11,014)
Total recognised expense	-	-	-	-	(11,014)	(11,014)
Issue of share capital	956	52,825	-	-	-	53,781
Conversion of warrants not registered at year end 2005	28	248	(276)	-	-	-
Conversion of warrants Jan - Jun	1,903	16,535	-	-	-	18,438
Change in fair value of financial investment	-	-	-	-	13,094	13,094
Recognition of share-based payments	-	-	-	2,622	-	2,622
Balance as at 30 June 2006	12,141	145,592	-	2,622	(22,866)	137,489
Balance as at 1 January 2007	12,791	27,469	-	14,838	106,500	161,598
Other adjustments	-	-	-	-	(2,167)	(2,167)
Translation adjustments	-	-	-	-	(1,210)	(1,210)
Net expenses recognised directly in equity	-	-	-	-	(3,377)	(3,377)
Profit for the period					2,805	2,805
Total recognised expense for the year	-	-	-	-	(572)	(572)
Issue of share capital	387	11,229	-	-	-	11,616
Conversion of warrants Jan - Jun	50	430	-	-	-	480
Recognition of share-based payments	-	-	-	1,327	-	1,327
Recognition of convertible bond loan	-	-	-	-	20,815	20,815
Balance as at 30 June 2007	13,228	39,128	-	16,165	126,743	195,264

Songa Offshore Group

Consolidated statement of cash flows

(IFRS - non audited figures)

Amounts in USD '000	Q2 2007	Q1 2007	Q2 2006	Jan-Jun 2007	Jan-Jun 2006	Year 2006
Profit (loss) before tax	975	(6,994)	(6,884)	(6,018)	(17,461)	(28,615)
Cash flows from operating activities						
Adjustment for:						
Depreciation	13,982	11,713	2,463	25,695	2,463	13,812
Cost of option plans	448	879	-	1,327	-	14,838
Gain on sale of available for sale investment	-	-	-	-	-	(19,022)
Finance costs	22,346	18,535	-	40,881	-	17,992
Increase/(decrease) in fair value of BOP option	1,672	(4,717)	(7,528)	(3,045)	(3,590)	6,671
Change in receivables	1,093	11,660	19,992	12,753	(7,934)	(47,803)
Change in payables	(4,813)	425	36,381	(4,388)	38,166	10,689
Change in other liabilities	1,437	4,039	-	5,475	-	5,129
Prepaid revenue	(16,283)	4,592	-	(11,691)	-	26,056
Interest and fees paid	(19,825)	(21,432)	-	(41,257)	-	(20,605)
Net cash flow from operating activities	1,032	18,700	44,424	19,732	11,644	(20,858)
Cash flows from investing activities						
Purchase of property, plant and equipment	(14,369)	(276,747)	(330,888)	(291,116)	(356,943)	(503,682)
Proceeds from sale of available-for-sale investment	-	-	-	-	-	53,500
Net cash flow used in investing activities	(14,369)	(276,747)	(330,888)	(291,116)	(356,943)	(450,182)
Cash flows from financing activities						
Proceeds from issue of share capital	87	12,009	10,016	12,096	72,220	107,857
Proceeds from issue of bonds and new bank loan raised	30,523	188,414	261,230	218,937	282,197	451,536
Net cash flow from financing activities	30,610	200,423	271,246	231,033	354,417	559,393
Net increase/(decrease) in cash and cash equivalents	17,273	(57,624)	(15,218)	(40,351)	9,118	88,353
Cash and cash equivalents at beginning of period	32,997	90,621	26,556	90,621	2,220	2,220
Effects of exchange rate changes	-	-	-	-	-	48
Cash and cash equivalents at end of period	50,270	32,997	11,338	50,270	11,338	90,621