SONGA OFFSHORE ASA - REPORT FOR THE FOURTH QUARTER 2007

Songa Offshore ASA consolidated profit after tax for the fourth quarter 2007 was USD 23.4 million. Accumulated the after tax profit was USD 48.2 million.

Revenue for the fourth quarter was USD 109.9 million. Accumulated, the revenue was USD 304.9 million.

Operating expenses for the fourth quarter were USD 43.6 million. Accumulated the operating expenses were USD 129.5 million.

EBITDA for the fourth quarter was USD 66.3 million. Accumulated the EBITDA was USD 175.4 million.

Net financial expenses for the fourth quarter were USD 14.3 million. Accumulated the net financial expenses were USD 58.8 million.

Earnings per share (EPS) for the fourth quarter were USD 0.28. Diluted earnings per share (DEPS) for the fourth quarter were USD 0.24. Accumulated EPS was 0.59 and accumulated DEPS 0.52.

Main events in the fourth quarter

Valborg Lundegaard and Anette Mellbye were elected as new members of the Board in an Extraordinary General Meeting on 21 December 2007. Einar J. Greve and Robert J. Scott have stepped down as Board Members.

Santos has exercised its first and second option on Songa Mercur. The current contract which runs for nine months from 22 July 2007 has been extended by three months through the first declared option and another six months through the second declared option. The first 3 month option period is contractually set at USD 300,000 per day and the second 6 month option period is negotiated to USD 400,000 per day. The contract is now firm until January 2009. After this, there remains one six month option outstanding at market rate.

Noble Energy has exercised its last option on Songa Saturn. The option runs for two wells. Further Noble has farmed out the mentioned two wells to Kosmos Energy. These operations take place offshore Ghana, start-up was in mid-January 2008. The day rate for the option is USD 339,000. After this there are no options outstanding towards Noble Energy.

INPEX has exercised its second 6 month option on Songa Venus. The day rate for this six month extension is contractually set at USD 225,500 per day and estimated completion of the contract is 25 October 2008.

The rigs

Songa Venus has been operating offshore Western Australia since mid November 2006. During the fourth quarter the rig achieved 92.1% operational efficiency, yielding a YTD rate of 85.9%.

Songa Saturn started operations offshore Equatorial Guinea late February 2007. During the fourth quarter the drill ship achieved 97.1% operational efficiency, yielding a YTD rate of 91.7%.

Songa Mercur was up until 1 July undergoing remedial work on cranes in parallel with commissioning and acceptance testing at anchorage outside Singapore. The rig left Singapore 1 July and started operating 17 July 2007. During the fourth quarter the rig achieved 94.5% operational efficiency, yielding a YTD rate of 89.9%.

The Company is satisfied with the process of establishing an organization which will serve the Norwegian and UK sector of the North Sea. Offices and key personnel are in place in Stavanger and continuous recruitment will go on through out 2008.

Accounting issues

Other gain/loss is presented as a separate line item in the profit and loss account. This line includes financial instruments valued at fair value, net foreign exchange gain/loss and allowance for doubtful debt. A detailed description can be found at the end of this document.

Onshore bases, such as Perth and Malabo, are included in General and Administration (G/A) and not Operating Expenses (OPEX) as previously.

Depreciations are down this quarter with USD 5.8 million due to a change in estimates on fixed assets. Evaluation of life time on depreciable assets showed that to high depreciations were charged earlier quarters.

Income tax expense for the period February – December related to operations in Equatorial Guinea (EG) is recognized this quarter with USD 15.3 (6.7 + 8.6) million. It has been omitted for no specific reason and should have been recognized with a portion each quarter.

Financing

In order to secure the short term financing the Company issued a six months commercial paper of NOK 165 million on 17 December 2007. The commercial paper carries a coupon of 9.75%. At the same time the Company entered into a forward agreement selling NOK 165 million and receiving USD. The swap resulted in a USD interest payable of 8.3%. The forward agreement matures at the same date as the commercial paper.

In the beginning of the quarter, the Company came to an agreement with the bondholders of the USD 110 million 9% bond 2005/2010 whereby it purchased the remaining part of the bond at 109% of par value plus accrued unpaid interest. The redemption took place on November 5, and was financed through the existing bank facility. In connection with the redemption of the bond loan the Company also settled its TRS agreement with Nordea with the bond as underlying paper, leaving no unused bank facilities after this transaction. The Company has in the fourth quarter recognized USD 5.6 million in cost regarding the early redemption.

The Company's external debt at year-end was the USD 590 million bank loan (so called reducing revolver), a USD 75 million bond loan which matures in March 2011, and is callable from March 2009, a USD 125 million convertible bond and the NOK 165 million commercial paper.

Share capital issues

Songa Offshore ASA has on several occasions throughout the fourth quarter increased the Total Return Swap (TRS) with Nordea Bank Norge ASA. The TRS with Carnegie Investment Bank AB Norway Branch has stayed unchanged this quarter. The TRS agreements provides for cash settlement and with shares in Songa Offshore ASA as underlying security.

As of 31 December the TRS with Nordea had been increased to 2,264,200 shares. The agreement expires on 10 April 2008. The TRS with Carnegie for 2,774,965 shares was rolled over in December and expires on 20 June 2008.

During the fourth quarter a total of 15,500 shares were issued following conversion of freely tradable warrants, leaving a total of 6,086,517 freely tradable warrants remaining in the market. The conversion price is USD 1.50 and the warrant program expires on 8 June 2008.

Chairman of the Board Arne Blystad and Board Members Gunnar Hvammen and Robert J. Scott have exercised options for a total of 1,500,000 shares. The shares were fully paid in but not issued at year end. There are no remaining options to Board Members. The Board has earlier allocated options to employees for 1,758,166 shares. All options to employees were fully vested at 31 December 2007 and could be exercised in January 2008. Options to employees were settled with cash in January 2008, the average strike price was NOK 72,3478, and USD 2.3 million was expensed in Q4 2008.

As of 31 December 2007 total outstanding shares in the Company was 88,767,027 including 1,500,000 shares paid in but not registered at year end. Weighted average number of shares in the fourth quarter was 87,477,725 shares, and year to date the weighted average number of shares was 85,800,549. Adjusted weighted average number of shares, as defined in IFRS for the fourth quarter, was 102,127,694 and adjusted weighted average number of shares, as defined in IFRS year to date, was 96,557,131.

The USD 125 million convertible bond loan is convertible into common shares in the Company. The total number of shares, if converted, is 9,349,289, i.e. strike at USD 13.37 per share.

Assuming all warrants and options mentioned above are converted, excluding options to employees which were settled in cash, the Company would on a fully diluted basis have 104,202,833 shares.

Market conditions and outlook

The demand for offshore drilling rigs has continued to be strong in all segments. Within the midwater segment, where all of the Company’s rigs operate, there is tight supply and the number of newbuildings to be delivered over the next few years is limited.

The Company is currently marketing Venus and Mercur primarily to the South East Asian markets, and Trym for the North Sea and Mediterranean. While the marketing has taken somewhat longer than anticipated there are a number of good leads, and given the good performance of the rigs, the Board feels confident new contracts will be landed soon.

With well performing assets, and the rigs rolling into contract extensions or new contracts at higher day rate levels, the Company's perceived leverage is declining. The management continues to screen the market for potential assets to acquire; until attractive assets are identified the Board will also consider dividends or share buybacks.

The Company has for some time considered to redomicile, and the Board has decided to redomicile the Company to Cyprus by transforming the Company into a SE-entity. This is believed to be attractive for a number of reasons: Cyprus is attractively located geographically and with a strong marine cluster, the Company will be able to pay quarterly dividends, there are no withholding taxes and will have the protection and the potential stability within the EU. During the coming months the General Assembly will be asked to vote twice for the move. More information will follow within short.

Oslo, 14 February, 2008

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 and Accra – Ghana.

Per 31 December 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 VIIs gate 1, 0161 Oslo, Norway. Enterprise no. 988 124 923

2 Basis for preparation

This condensed interim financial information for the period ended 31 December 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) Restated

Amounts in USD '000	Q4 2007	Q3 2007	Q4 2006	Jan-Dec 2007	Year 2006
Total revenue	109 855	87 250	36 298	304 860	44 597
Rig operating expenses	(33 490)	(25 188)	(10 430)	(94 566)	(22 119)
Reimbursables	(812)	(1 287)	-	(4 905)	-
General and administrative expenses	(9 196)	(7 790)	(6 357)	(28 698)	(12 617)
Other gain and loss	(83)	(4 427)	(6 794)	(1 285)	(8 041)
Total operating expenses	(43 581)	(38 692)	(23 581)	(129 454)	(42 777)
Depreciation and amortization	(11 169)	(17 767)	(7 526)	(54 666)	(13 812)
Finance income	679	5	1 688	2 220	2 713
Finance costs	(14 928)	(13 159)	(1 567)	(61 020)	(19 336)
Profit/(loss) before tax	40 856	17 637	5 312	61 940	(28 615)
Tax income/(expense)	(17 417)	(2 502)	(1 626)	(13 730)	7 874
Profit/(loss) for the period	23 439	15 135	3 686	48 210	(20 741)
Net earnings per share (USD):					
Basic	0,28	0,17	0,05	0,59	-0,28
Dilutive	0,24	0,16	0,05	0,52	-0,28

Songa Offshore Group

Consolidated balance sheet at

(IFRS - non audited figures)

(USD '000)	Note	31/12/07	31/12/06
ASSETS			
Non-current assets			
Rigs, machinery and equipment		981 894	712 332
Deferred tax assets		13 900	12 388
Other long term assets		174	-
Total non-current assets		995 968	724 720
Current assets			
Trade and other receivables		33 943	20 824
Prepayments		4 154	2 654
Incurred revenue		29 199	-
Other assets		7 018	26 743
Cash and cash equivalents		64 207	90 621
Total current assets		138 521	140 842
TOTAL ASSETS		1 134 489	865 562

Songa Offshore Group

Consolidated balance sheet at

(IFRS - non audited figures)

(USD '000)	Note	31/12/07	31/12/06
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital		13 666	12 791
Share premium		62 869	27 469
Paid in not registered share capital		14 754	-
Reserves		13 683	14 838
Other equity		172 266	106 500
Total equity		277 238	161 598
Non-current liabilities			
Deferred tax liability		1 105	-
Bank loan		465 565	211 389
Bond loans		186 453	167 889
Other liabilities		467	6 024
Total non-current liabilities		653 590	385 302
Current liabilities			
Bank loans		120 000	190 000
Other external financing		30 248	56 142
Trade and other payables		34 344	6 714
Derivative financial instruments		3 327	13 919
Deferred revenues		7 815	26 056
Interest payable		-	15 352
Other liabilities		7 927	10 479
Total current liabilities		203 661	318 662
Total liabilities		857 251	703 964
TOTAL EQUITY AND LIABILITIES		1 134 489	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**
	Other adjustments	-	-	-	-	(711)	(711)
	Translation adjustments	-	-	-	-	(210)	(210)
	Net expenses recognised directly in equity	-	-	-	-	(921)	(921)
	Loss for the period					(20 741)	(20 741)
	Total recognised expense for the year	-	-	-	-	(21 662)	(21 662)
	Issue of share capital	1 546	87 315	(276)	-	-	88 585
	Conversion of warrants Jan - Dec	1 991	17 281	-	-	-	19 272
	Recognition of pension plan					(3)	(3)
	Recognition of share-based payments	-	-	-	14 838	-	14 838
	Transfer of funds from share premium to other equity		(153 111)			153 111	-
	Balance as at 31 December 2006	**12 791**	**27 469**	**-**	**14 838**	**106 500**	**161 598**
	Balance as at 1 January 2007	**12 791**	**27 469**	**-**	**14 838**	**106 500**	**161 598**
	Translation adjustments	-	-	-	-	(3 259)	(3 259)
	Net expenses recognised directly in equity	-	-	-	-	(3 259)	(3 259)
	Profit for the period					48 210	48 210
	Total recognised expense for the year	-	-	-	-	44 951	44 951
	Issue of share capital	822	34 950	14 754	-	-	50 525
	Conversion of warrants Jan - Dec	53	450	-	-	-	503
	Recognition of share-based payments	-	-	-	(1 155)	-	(1 155)
	Recognition of convertible bond loan	-	-	-	-	20 815	20 815
	Balance as at 31 December 2007	**13 666**	**62 869**	**14 754**	**13 683**	**172 266**	**277 238**

Songa Offshore Group

Consolidated statement of cash flows

(IFRS - non audited figures)

Amounts in USD '000	Q4 2007	Q3 2007	Q4 2006	Year 2007	Year 2006
Profit (loss) before tax	40 856	17 637	5 313	61 940	(28 615)
Cash flows from operating activities					
Adjustment for:					
Depreciation	11 169	17 767	7 526	54 666	13 812
Cost of option plans	2 392	2 153	3 151	5 872	14 838
Gain on sale of available for sale investment	-	-	(19 022)	-	(19 022)
Finance costs	14 928	13 159	1 567	61 020	19 336
Other gain/loss	83	4 427	6 793	1 285	8 041
Change in receivables	(23 836)	(13 010)	(42 797)	(24 093)	(47 803)
Change in payables	13 173	3 493	(4 314)	12 278	10 689
Change in other liabilities	2 606	(28 681)	4 470	(18 700)	5 129
Prepaid revenue	(10 726)	5 571	3 052	(16 846)	23 342
Taxes paid	(15 269)	-	-	(15 269)	-
Interest and fees paid	(14 781)	(16 989)	(3 547)	(73 027)	(20 605)
Net cash flow from operating	20 595	5 527	(37 808)	49 126	(20 858)
Cash flows from investing activities					
Purchase of property, plant and equipment	(8 457)	(21 385)	(76 357)	(324 230)	(503 682)
Proceeds from sale of available-for-sale investment	-	-	53 500	-	53 500
Net cash flow used in investing	(8 457)	(21 385)	(22 857)	(324 230)	(450 182)
Cash flows from financing activities					
Proceeds from issue of share capital	14 777	24 156	34 801	51 029	107 857
Proceeds from issue of bonds and new bank loan raised	57	(21 333)	108 310	197 661	451 536
Net cash flow from financing	14 834	2 823	143 111	248 690	559 393
	-	-			
Net increase/(decrease) in cash and cash equivalents	26 972	(13 035)	82 446	(26 414)	88 353
Cash and cash equivalents at beginning of period	37 235	50 270	8 127	90 621	2 220
Effects of exchange rate changes	-	-	48	-	48
Cash and cash equivalents at end of period	64 207	37 235	90 621	64 207	90 621

Songa Offshore Group

Consolidated income statement - RESTATED*

for the period

(IFRS non audited figures)

Amounts in USD '000	Q3 2007
Total revenue	87 250
Rig operating expenses	(25 188)
Reimbursables	(1 287)
General and administrative expenses	(7 790)
Other gain and loss	(4 427)
Total operating expenses	(38 692)
Depreciation and amortization	(17 767)
Finance income	5
Finance costs	(13 159)
Profit/(loss) before tax	17 637
Tax income/(expense)	(2 502)
Profit/(loss) for the period	15 135
Net earnings per share (USD):	
Basic	0,17
Dilutive	0,16

*Other gain/loss is a new line item including:

Gain on fair value of financial instruments with shares as underlying security, earlier reported in general and administration. USD 32

Gain/loss on fair value of financial instruments with bond as underlying security , earlier reported as finance cost. USD -2,153

Allowance for doubtful debt , earlier reported as depreciation and amortization. USD -1,553

Net currency gain/loss , earlier reported as financial income and cots. USD -731