



SONGA OFFSHORE ASA - REPORT FOR THE FIRST QUARTER 2008

Songa Offshore ASA consolidated profit after tax for the first quarter 2008 was USD 10.3 million.

Revenue for the first quarter was USD 88.0 million.

Total expenses for the first quarter were USD 48.2 million of which USD 12.0 million was posted under "other gain and loss". The latter figure is split between loss on financial instruments (USD 11.5 million), currency loss (USD 1.1 million) and disposal of assets (USD 1.4 million). On the other side USD 2.0 million of allowance for doubtful debt was reversed.

EBITDA for the first quarter was USD 39.8 million.

Net financial expenses for the first quarter were USD 11.5 million.

Earnings per share (EPS) for the first quarter were USD 0.12. Diluted earnings per share (DEPS) for the first quarter were USD 0.11.

Main events in the first quarter

In February Songa Offshore ASA announced that the Songa Venus was awarded a Letter of Intent from Australian Drilling Associates (ADA) for a drilling contract utilizing the semi-submersible for development and exploration drilling in Australia. ADA will be the main contract holder and manage the drilling operations on behalf of the independent Oil Companies operating under an ADA coordinated consortium on the North Western Shelf and Timor Sea in Australia. The contract is scheduled to commence in direct continuation of Songa Venus current contract with ENI Australia and Inpex Browse Q4 2008, and has a Primary term of 400 days with a Secondary term of another 400 days thereafter. The contract value for the firm part is USD 160 million, the Secondary term is at the same conditions, or at market rate if higher. ADA is currently working on structuring the Primary term of the contract.

The rigs

Songa Venus is operating offshore Western Australia. During the first quarter the rig achieved 96.0% operational efficiency. For April the figure was 96.2%.

Songa Saturn started operations offshore Equatorial Guinea this year and moved on to Ghana in the beginning of the quarter. During the first quarter the drill ship achieved 85.3% operational efficiency. The low operational efficiency was caused by a controlled lowering of the BOP in the month of March. For April the operational efficiency came in at 81.5 %.

Songa Mercur is operating offshore Western Australia. During the first quarter the rig achieved 79.5% operational efficiency. The low efficiency is mainly related to failure with the top drive. The figure for April was 74.9%.

Songa Dee and Songa Trym are currently on bareboat contracts and will be taken over in Q1 2009. The Company is satisfied with the process of establishing an organization which will take care of 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.

Financing

During the quarter the Company has bought back USD 27 million of the USD 75 million bond loan. A loss of USD 2.0 has been recognized in connection with the buy back. On average the company has paid 106.25% of the nominal value of the bond. To finance the repurchase the Company has entered into a Repurchase Agreement (REPO) with Nordea. The REPO is a form of short term financing and rolled forward every 30 days. The Company pays LIBOR plus a margin of 150 basis points.

The Company's external debt at quarter end was the USD 560 million on the bank loan facility (so called reducing revolver), USD 48 million of the USD 75 million bond loan which matures in March 2011, and is callable from March 2009, a USD 125 million convertible bond, the NOK 165 million commercial paper and a REPO of USD 28.8 million.

Share capital issues

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 before year end, these shares were issued in January. There are no remaining options to Board Members or employees.

During the first quarter a total of 1,261,998 shares were issued following conversion of freely tradable warrants, leaving a total of 4,824,519 freely tradable warrants remaining in the market. The conversion price is USD 1.50 and the warrant program expires on 8 June 2008.

The TRS agreements with Carnegie Investment Bank AB Norway Branch and Nordea Bank Norge ASA has stayed unchanged this quarter. The TRS agreements provides for cash settlement and with shares in Songa Offshore ASA as underlying security. The TRS agreement with Carnegie is for 2,774,965 shares and the TRS with Nordea is for 2,264,200 shares. The agreements expire on 20 June 2008 and 15 October 2008 respectively.

As of 31 March 2008 total outstanding shares in the Company was 90,029,025. Weighted average number of shares in the first quarter was 89,316,903 shares. Adjusted weighted average number of shares, as defined in IFRS for the first quarter, was 102,959,537.

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 convertibles mentioned above are converted, 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 are limited.

The Company is currently marketing 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.

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. The first step to redomicile was taken in April with the signing of a merger plan between Songa Offshore ASA and Songa Offshore Cyprus PLC. This plan will be subject to approval by the Annual General Meeting planned to be held on 26 May. Assuming the plan is approved an extraordinary general meeting will be held tentatively in October/November moving the seat to Cyprus and creditor notice period will commence and we expect to be relocated to Limassol in the beginning of 2009.

The relocation 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 the company will have the protection and the stability of the European Union. There will be two subsequent General Meetings where the shareholders will be asked to vote for the move. More information will follow as the process moves forward.

Oslo, 14 May, 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 owns 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 March 2008 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 VIIIs gate 1, 0161 Oslo, Norway. Enterprise no. 988 124 923.

2 Basis for preparation

This condensed interim financial information for the period ended 31 March 2008 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 2007.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in the annual financial statements for the year ended 31 December 2007.

Songa Offshore Group

Consolidated income statement

for the period

(IFRS non audited figures)

Amounts in USD '000	Q1 2008	Q4 2007	Q1 2007	Jan-Dec 2007
Revenues	87,991	109,855	40,673	304,860
Rig operating expenses	(28,144)	(33,490)	(14,251)	(94,566)
Reimbursables	(965)	(812)	(886)	(4,905)
General and administrative expenses	(7,117)	(9,196)	(6,479)	(28,698)
Other gain and loss	(11,980)	(83)	4,532	(1,285)
Depreciation and amortization	(14,822)	(11,169)	(11,725)	(54,666)
Finance income	596	679	387	2,220
Finance costs	(12,116)	(14,928)	(14,625)	(61,020)
Profit/(loss) before tax	13,443	40,856	(2,374)	61,940
Tax income/(expense)	(3,187)	(17,417)	3,189	(13,730)
Profit/(loss) for the year	10,256	23,439	815	48,210
Net earnings per share (USD):				
Basic	0.12	0.28	0.01	0.59
Diluted	0.11	0.24	0.01	0.52

Songa Offshore Group

Consolidated balance sheet at

(IFRS - non audited figures)

<i>(USD '000)</i>	31/03/08	31/12/07
ASSETS		
Non-current assets		
Rigs, machinery and equipment	970,206	981,894
Deferred tax assets	19,537	13,900
Other long term assets	129	174
Total non-current assets	989,872	995,968
Current assets		
Trade and other receivables	19,550	33,943
Prepayments	13,789	4,154
Incurred revenue	25,750	29,199
Other assets	3,778	7,018
Cash and cash equivalents	51,453	64,207
Total current assets	114,320	138,521
TOTAL ASSETS	1,104,192	1,134,489

Songa Offshore Group

Consolidated balance sheet at

(IFRS - non audited figures)

<i>(USD '000)</i>	31/03/08	31/12/07
EQUITY AND LIABILITIES		
Capital and reserves		
Issued capital	14,180	13,666
Share premium	78,986	62,869
Paid in not registered share capital	-	14,754
Reserves	13,683	13,683
Other equity	180,936	172,266
Total equity	287,785	277,238
Non-current liabilities		
Deferred tax liability	1,175	1,105
Bank loan	432,697	465,565
Bond loans	157,207	186,453
Other liabilities	438	467
Total non-current liabilities	591,517	653,590
Current liabilities		
Bank loans	120,000	120,000
Other external financing	61,862	30,248
Trade and other payables	10,366	34,344
Derivative financial instruments	9,541	3,327
Deferred revenues	2,938	7,815
Other liabilities	20,183	7,927
Total current liabilities	224,890	203,661
Total liabilities	816,407	857,251
TOTAL EQUITY AND LIABILITIES	1,104,192	1,134,489

Songa Offshore Group

Consolidated statement of changes in equity for the quarter ended 31 March 2008

(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 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 year					48,210	48,210
Total recognised income and expense for the year	-	-	-	-	44,951	44,951
Issue of share capital	775	33,595		-	-	34,370
Pain in not registered share capital	-	-	14,754	-	-	14,754
Conversion of warrants Jan - Dec	100	1,805	-	-	-	1,905
Recognition of share-based payments	-	-	-	(1,155)	-	(1,155)
Recognition of convertible bond loan	-	-	-	-	20,815	20,815
Balance at 31 December 2007	13,666	62,869	14,754	13,683	172,266	277,238
Translation adjustments					(1,586)	(1,586)
Profit for the period					10,256	10,256
Issue of share capital	276	14,478		-	-	14,754
Pain in not registered share capital	-	-	(14,754)	-	-	(14,754)
Conversion of warrants Jan - Mar	238	1,639	-	-	-	1,877
Balance at 31 March 2008	14,180	78,986	(0)	13,683	180,936	287,785

Songa Offshore Group

Consolidated statement of cash flows

(IFRS - non audited figures)

Amounts in USD '000	Q1 2008	Q1 2007
Cash flows from operating activities:		
Profit/(loss) before tax	13,444	(2,374)
Adjustment for:		
Depreciation	14,882	11,713
Cost of option plans	-	879
Finance costs	12,116	18,535
Other gain/loss	(2,754)	(4,717)
Change in receivables	23,299	11,660
Change in payables	(23,978)	425
Change in other liabilities	5,165	(581)
Prepaid revenue	(4,877)	4,592
Taxes paid	-	-
Interest and fees paid	(16,759)	(21,432)
Net cash generated by operating activities	20,538	18,700
Cash used in investing activities:		
Purchase of property, plant and equipment	(4,960)	(276,747)
Proceeds from sale of property, plant and equipment	290	-
Net cash used in investing activities	(4,670)	(276,747)
Cash generated by financing activities:		
Proceeds from issue of share capital	1,878	12,009
Proceeds from issue of bonds and new bank loan raised	(30,500)	188,414
Net cash generated by financing activities	(28,622)	200,423
Net increase/(decrease) in cash and cash equivalents	(12,754)	(57,624)
Cash and cash equivalents at the beginning of the financial period	64,207	90,621
Cash and cash equivalents at the end of the financial period	51,453	32,997