



REPORT FOR THE THIRD QUARTER 2009

Songa Offshore SE ("Songa") consolidated profit after tax for the third quarter 2009 was USD 105.0 million.

Revenue for the third quarter was USD 228.7 million. This includes mobilization revenue of USD 1.2 million. Deferred mobilization revenue at quarter end is USD 2.2 million.

Total expenses for the third quarter were USD 101.0 million, the figure includes a non operational loss of USD 2.7 million posted under "other gain and loss". The loss is split between loss on flippable swap with USD 2.2 million, USD 0.8 million in currency loss and USD 0.3 in gain on disposal of assets.

EBITDA for the third quarter was USD 127.6 million. This figure is after taking into effect "other gain and loss".

Net financial expenses for the third quarter were USD 12.8 million.

Earnings per share (EPS) for the third quarter were USD 0.77. Diluted earnings per share (DEPS) for the third quarter were USD 0.77.

The company has recorded a tax income of USD 23.5 million in the quarter in relation to the exit from Norway to Cyprus. See "accounting issues" below for further details.

Main events during the third quarter

In the beginning of September the Company signed a new contract with Woodside for a drilling campaign of 1 + 2 wells on the North Western Shelf of Australia for Songa Mercur. The total contract duration is estimated at up to 75 days with possible additional extensions thereafter. The start up of the contract was 30 September and the rate per day is USD 280k. Woodside is currently drilling the first of the two option wells.

Late September another contract for Songa Mercur was concluded with Oilex for drilling in the Joint Petroleum Development Area (JPDA) between Timor Leste and Australia. The contract covers a drilling campaign of 2 wells plus 1 optional well in the JPDA, with a mobilization and de-mobilization element included into the agreement. Total estimated contract duration for drilling operations is 50 days plus an additional 25 days if the optional well is exercised. The day rate for the two contracts is USD 280k per day, reducing to USD 250k applying if the combined Woodside and Oilex contract period exceeds an agreed period of 120 days.

The rigs

Songa Venus has achieved operational efficiency of 97.3%, 99.6% and 95.9% in July, August and September respectively. During the quarter the rig has been working for the ADA consortium offshore North West Australia.

Songa Mercur has achieved operating efficiency of 93.5%, 99.3% and 100% in July, August and September respectively. During the quarter the rig has been working for Santos and Woodside offshore North West Australia.

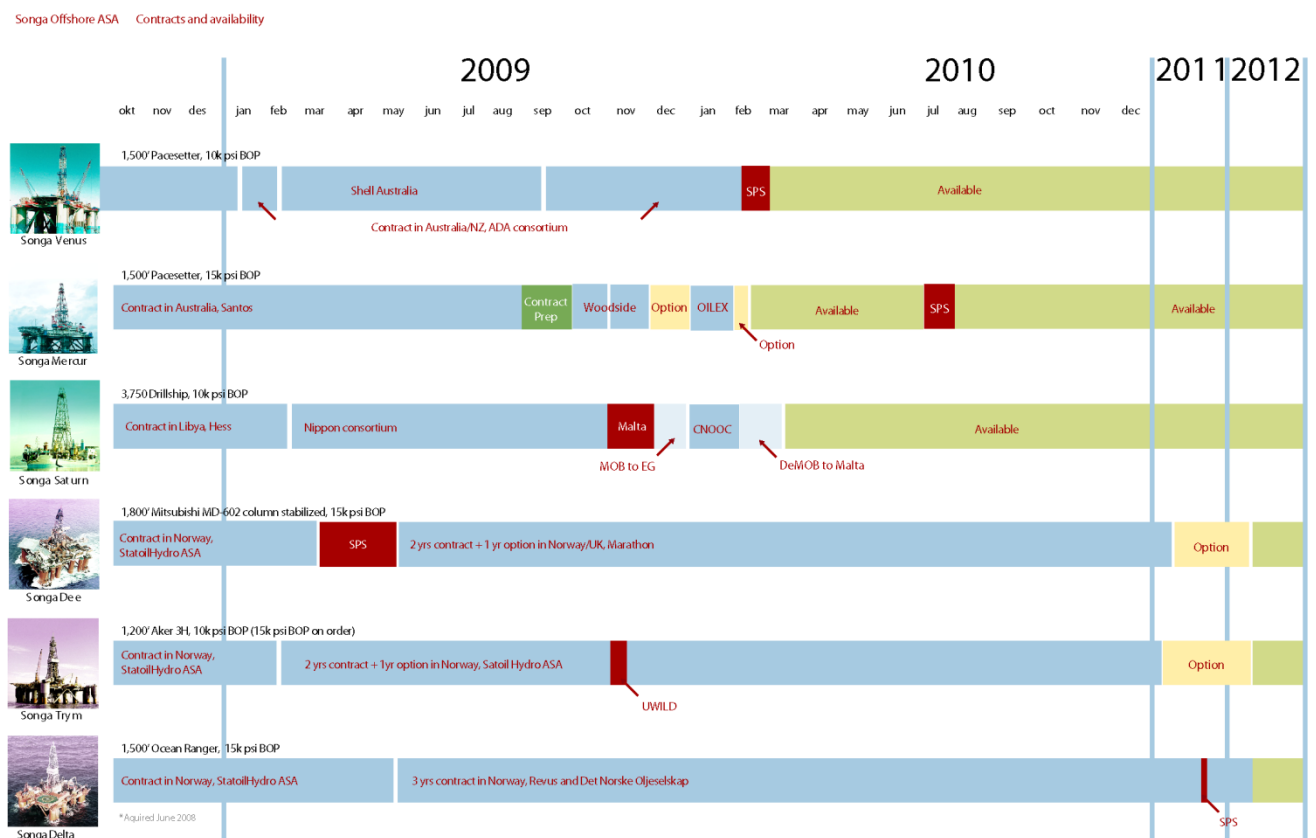
Songa Saturn has achieved operating efficiency of 97.0%, 89.9% and 91.0% in July, August and September respectively. During the quarter the rig has been working for the Nippon led consortium in Libya. The rig is estimated to conclude the Libyan campaign mid November. The rig is then to undertake a yard stay in Malta to upgrade its water depth capacity and go through an intermediate survey (UWILD), before mobilising to Equatorial Guinea for works for CNOOC.

Songa Delta has achieved operating efficiency of 97.9%, 97.7% and 96.5% in July, August and September respectively. The rig has been operating for Wintershall / Det norske oljeselskap on the Grosbeak field and the Fongen field.

Songa Trym has achieved operating efficiency of 97.9%, 95.0% and 96.2% in July, August and September respectively. During the quarter the rig has been operating for StatoilHydro on the Troll Field.

Songa Dee has achieved operating efficiency of 95.5%, 96.6% and 97.4% in July, August and September respectively. During the quarter the rig has been operating for Lundin at the AEGIS Field and Marathon at the Alvhheim Field.

Contract status



Market conditions and outlook

With the decline in the price of crude from USD 140-150 last year to the current level of USD 70-80 per barrel, the tender processes for drilling rigs stopped up. Oil companies had to redo their assessments and assumptions. Since early summer we have seen activity coming back.

On the marketing side, we are focusing on Songa Mercur, Songa Venus and Songa Saturn. All three rigs are anticipated to be available for new employment from late Q1 2010 or early Q2 2010. There are a number of good leads.

With well performing assets the Company's perceived leverage is declining. However given the recent turmoil in the financial markets the board is of the opinion that deleveraging as quickly as possible in the short term should be given priority.

Limassol, 26 January, 2010

Board of Directors
Songa Offshore SE

Questions should be directed to:

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Songa Offshore Group

Condensed consolidated statement of comprehensive income

for the period ended 30 September 2009

(IFRS non audited figures)

Amounts in USD '000	Note	Jan-Sep 2009	Jan-Sep 2008
Continuing operations			
Revenues		586,335	245,546
Operating expenses		(195,468)	(97,382)
Reimbursables		(26,757)	(3,582)
General and administrative expenses		(37,386)	(23,998)
Other gain and loss		547	(29,884)
Depreciation and amortization	4	(64,246)	(47,370)
Finance income		327	1,311
Finance costs		(41,175)	(44,651)
Profit (loss) before tax		222,177	(10)
Income tax (charge)	7	(16,147)	(7,189)
Profit (loss) for the period from continuing operations		206,030	(7,199)
Other comprehensive income		-	-
Total comprehensive income		206,030	(7,199)
Earnings (loss) per share (USD) from continuing operations			
Basic		1.76	-0.06
Diluted		1.56	-0.06

Songa Offshore Group

Condensed consolidated statement of financial position as at 30 September 2009

(IFRS - non audited figures)

<i>(USD '000)</i>	Note	30/09/2009	31/12/08
ASSETS			
Non-current assets			
Rigs, machinery and equipment	4	1,415,233	1,403,197
Deferred tax assets		46,709	14,385
Other long term assets		-	48
Total non-current assets		1,461,942	1,417,630
Current assets			
Trade and other receivables		126,001	44,489
Prepayments		26,363	18,547
Incurring revenue		24,041	11,130
Deferred costs		3,774	2,515
Other assets		2,843	3,660
Cash and cash equivalents		69,809	58,501
Total current assets		252,831	138,842
TOTAL ASSETS		1,714,773	1,556,472

Condensed consolidated statement of financial position as at 30 September 2009

(IFRS - non audited figures)

<i>(USD '000)</i>	Note	30/09/2009	31/12/08
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	6	21,476	16,630
Share premium	6	230,118	120,496
Reserves		15,585	15,585
Other equity		386,669	182,578
Total equity		653,848	335,289
Non-current liabilities			
Bank loan	5	597,529	755,708
Bond loans	5	86,813	139,441
Other long term liabilities		3,685	713
Total non-current liabilities		688,027	895,862
Current liabilities			
Bank loans	5	267,800	220,000
Other external financing		-	46,992
Trade and other payables		24,911	10,394
Tax payable		40,959	2,167
Derivative financial instruments		11,650	26,584
Other liabilities		27,578	19,184
Total current liabilities		372,898	325,321
Total liabilities		1,060,925	1,221,183
TOTAL EQUITY AND LIABILITIES		1,714,773	1,556,472

Songa Offshore Group

Condensed consolidated statement of changes in equity for the period ended 30 September 2009

(IFRS - non audited figures)

Amounts in USD '000

Note	Share capital	Share premium	Paid in, not registered share capital	Equity-settled employee benefits reserve	Recognition of convertible bond loan	Other equity *	Total equity
Balance as at 1 January 2008	13,666	62,869	14,754	13,683	20,815	151,451	277,238
Recognition of share-based payments	-	-	-	1,309	-	-	1,309
Loss for the period from continuing operations	-	-	-	-	-	(7,199)	(7,199)
Issue of share capital	276	14,478	(14,754)	-	-	-	-
Conversion of warrants Jan - Jun	1,171	7,725	-	-	-	-	8,896
Balance as at 30 September 2008	15,113	85,072	-	14,992	20,815	144,252	280,244
Balance as at 1 January 2009	16,630	120,496	-	15,585	20,815	161,763	335,289
Other adjustments to equity	-	-	-	-	-	(7)	(7)
Profit for the period from continuing operations	-	-	-	-	-	206,030	206,030
6 Issue of share capital	4,846	109,622	-	-	-	-	114,468
Derecognition of convertible bond	-	-	-	-	(20,815)	18,882	(1,933)
Balance as at 30 September 2009	21,476	230,118	-	15,585	-	386,668	653,848

* Accumulated retained earnings as of 30 September 2009 are USD 218,643. Accumulated translation adjustments and adjustments recognised directly to equity are USD (3,967). Further USD 153,111 was transferred from share premium to other equity in 2006. Finally USD 18,882 was transferred during the period from the "recognition of convertible bond loan" reserve to other equity as a result of derecognition of the convertible bond.

Songa Offshore Group

Condensed consolidated statement of cash flows for the period

ended 30 September 2009

(IFRS - non audited figures)

Amounts in USD '000	Note	30/09/2009	30/09/2008
Cash flows from operating activities:			
Profit before tax		222,177	(10)
Adjustment for:			
Depreciation	4	64,246	47,370
Cost of option plans		2,408	1,309
Finance costs		41,175	44,651
Other gain/loss		4,356	17,554
Change in receivables		(102,239)	(21,944)
Change in payables		14,517	(24,151)
Change in other liabilities		(2,038)	7,880
Prepaid revenue			(6,577)
Taxes paid		(17,387)	-
Interest and fees paid		(40,650)	(39,358)
Net cash generated by operating activities		186,565	26,724
Cash used in investing activities:			
Purchase of property, plant and equipment		(76,282)	(464,558)
Proceeds from sale of property, plant and equipment and investment contributions		354	290
Net cash used in investing activities		(75,928)	(464,268)
Cash generated by financing activities:			
Proceeds from issue of share capital ¹	6	64,468	8,896
Proceeds from issue of bonds and new bank loan raised	5	21,800	462,876
Repayment of bonds and bank loans ¹		(185,597)	(44,200)
Net cash (used in)/ generated by financing activities		(99,329)	427,572
Net increase/(decrease) in cash and cash equivalents		11,308	(9,972)
Cash and cash equivalents at 1 January		58,501	64,207
Cash and cash equivalents at 30 September		69,809	54,235

¹As described in note 5 the condensed interim consolidated financial statements, part of the Group's "USD 125 million 3.25% convertible bond due 2010" was converted into shares worth USD 50 million. This constitutes a non-cash transaction, and the mentioned amount has been excluded from these two lines.

CONDENSED FINANCIAL STATEMENTS

1 General information

In furtherance of a shareholder-approved plan to redomicile to Cyprus, on 12 December 2008, Songa Offshore ASA was converted into a European public company limited by shares ("Societas Europaea" or "SE") in accordance with Article 2 no. 1 of the European Council Regulation no. 2157/2001 (the "SE Regulation") and Section 5 of the Norwegian Act on European Companies of April 1, 2005 (the "SE Act"). The conversion into an SE was effected through a merger between Songa Offshore ASA and Songa Offshore Cyprus Plc. Effective 11 May 2009, the survivor of the merger, Songa Offshore SE, transferred its registered office to Cyprus in accordance with Article 8 of the SE Regulation and Section 7 of the SE Act (the "redomiciliation").

Songa Offshore SE is a public limited liability company, subject to the laws and regulations of the Cyprus Companies Law, Cap. 113. The address of its registered office is: 8, John Kennedy Street, IRIS House, Off. 740B. The Company's shares have been listed on the Oslo Stock Exchange since 26 January 2006 (Ticker: "SONG").

Songa Offshore SE ("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 hydrocarbons. The Group owns five 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 Limassol, Cyprus, and the rig operations are run from Singapore, Perth – Australia, Limassol – Cyprus, Stavanger – Norway and Tripoli - Libya.

As of 30 September 2009 the Group had operations in the North Sea, offshore West/North Africa and offshore North/Western Australia.

2 Basis for preparation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim financial reporting". These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2008. The Company does not consider that its drilling operations are affected by seasonality factors.

3 Accounting policies

The condensed financial statements have been prepared under the historical cost convention except from the revaluation of certain financial instruments.

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2009.

The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2008, except for the impact of the adoption of the Standards and Interpretations effective for accounting periods

beginning on 1 January 2009 as mentioned below

IAS 1 (revised 2007) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009). The revised Standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported results or financial position of the Group.

4 Rigs, machinery and equipment

USD '000			
	Rigs and drill ship	Fixtures and equipment	Total
Period ended 30 September 2009			
Opening net book amount at 1 January 2009	1,401,615	1,582	1,403,197
Additions	76,194	88	76,282
Book value before depreciations	1,477,809	1,670	1,479,479
Total depreciation charge	(63,993)	(253)	(64,246)
Closing net book amount	1,413,816	1,417	1,415,233
Period ended 30 September 2009			
Cost	1,605,987	2,440	1,608,427
Accumulated depreciation	(192,171)	(1,023)	(193,194)
Net carrying amount	1,413,816	1,417	1,415,233
Estimated lifetime	4-25 years	3-10 year	
Depreciation rates	4%-25%	10%-30%	
Depreciation method	Straight line	Straight line	

5 Borrowings

On 11 June 2009, the Company obtained commitments from more than 75% of its "USD 125 million 3.25% convertible bond due June 2010" bondholders to convert the bond at an amended conversion rate of USD 3.71 per share. The proposed amendments were approved at a bondholders meeting held on 24 June 2009, and the agreement was amended effective 29 June 2009. The bond was subsequently converted into (i) 13,460,000 new shares worth approximately USD 50 million (calculated on the basis of the subscription price in a reference placement) and (ii) a USD 62.5 million principal amount floating rate bond due 29 June 2012 with a coupon of LIBOR + 12% with no conversion rights.

As part of this transaction a gain was recognized as the carrying value of the debt and equity components extinguished was greater than the fair value of consideration (stock and bonds) given to the holders of the original 3.25% bond. The gain recognized during the period as part of "other gain and loss" in the condensed consolidated income statement amounted to USD 6.9 million.

During the period the Company settled in full its other external financing of USD 46,9 million which comprised commercial paper of nominal value NOK 200 million and NOK 128 million respectively.

The outstanding debt as of 30 September 2009 amounted to USD 952.1 million. Excluding the revolving facility (of which there was USD 117.8 million outstanding as of 30 September 2009), indebtedness consists of the following as of 30 September 2009:

- USD 747.9 million amount outstanding under a term facility, which was part of a USD 1,050.0 million bank senior secured credit facility that the Company entered into in August 2008;
- USD 24.8 million amount outstanding under the secured fixed rate bond issued in March 2006, which carries a fixed rate of interest of 9.75%; and
- USD 62.5 million amount outstanding under the three-year floating rate bond issued in June 2009 with a coupon of LIBOR + 12% resulting from the exchange offer described above.

As of 30 September there was USD 69.8 million of cash and cash equivalents and USD 12.2 million in unutilized drawing rights under its revolving credit facility.

6 Share capital

In June 2009 13,460,000 new shares were created as a result of the conversion described in note 5 above

In June 2009 the Company issued through a private placement 18,080,000 new shares. At the same time the Total Return Swap ("TRS") with Nordea, with 2,845,965 underlying shares, has been cancelled in connection with this private placement. The total gross proceeds from the private placement and the cancellation of the TRS were NOK 496 million (USD 77.7 million).

On 30 July 2009 the Company at an extraordinary general meeting of its shareholders resolved to increase its authorized share capital from 123,191,887 to 300,000,000 shares.

As of 30 September 2009 the total number of shares in issue was 136,847,544. The weighted average number of shares and adjusted weighted average number of shares for the period ended 30 September 2009 was 116,773,132 and, 134,719,799 respectively.

7 Taxation

The income tax charge for the period comprises of:

- USD 39.6 million of estimated charges relating to taxes on profits payable in the various jurisdictions that the Group operates and
- USD 23.5 million credit relating to the release of deferred tax assets and liabilities arising primarily from the Company's redomiciliation to Cyprus.

The deferred tax asset of USD 46.7 million relates to tax losses estimated to be utilized in respect of future trading profits in Norway.

See further information in note 8 about taxation and the relocation from Norway to Cyprus.

8 Contingencies and commitments

Exit tax on redomiciliation

The Company's redomiciliation from Norway to Cyprus took effect on 11 May 2009. The redomiciliation was done in accordance to the EU's SE directive and the Company is

consequently not considered liquidated nor are the assets considered realised for neither tax nor accounting purposes.

Under formal Norwegian internal tax regulations, an SE-company which emigrates and ceases to be tax resident in Norway, will be subject to an exit tax of 28%. The exit tax is calculated on gains related to assets, rights and liabilities held/owed by the Company the day preceding the relocation. The capital gain/loss shall according to the formal internal Norwegian tax law be calculated as if the assets etc. were realized for tax purposes at the day before the exit (the capital gain/loss is calculated as fair market value less tax base).

The Company's view is that the formal Norwegian exit tax regulations are in conflict with the EEA Agreement with respect to the principle of freedom of establishment, and consequently that no exit taxation should be levied on the relocation of the Company to Cyprus. The Company has therefore filed a complaint with the EFTA Surveillance Authority (ESA), and may also decide to bring the case before a Norwegian court.

The outcome of the tax dispute with Norwegian authorities is not yet concluded and is therefore not known with certainty; the exit tax liability is consequently considered a contingent liability. It is not yet certain if there will be an outflow of resources and the Company considers based on advice received from its legal advisor that it is more likely than not that such outflow will not occur.

In the event the Company will have to pay the 28% exit tax, the amount payable to Norwegian Tax Authorities is estimated to be approximately USD 147.6 million. This is arrived at after taking into account USD 624.7 million of available tax losses that can be used to set off against any capital gain arising on exit.

As of 30 September 2009, the Company recognized a deferred tax asset of USD 46 million relating to tax losses carried forward. The deferred tax asset has been recognized only to the extent that the Company currently projects it can utilize the losses against taxable income from drilling operations in Norway going forward. In the event the exit tax is levied, this deferred tax asset will have to be written off in its entirety.

In case the exit taxation is levied, the Company anticipates that it will be able to spread the income recognition of the capital gain over several years, recognizing 20% of the gain, using the declining balance method. In this way, and with the utilization of the losses, the Company expects that if it ultimately has to pay the exit tax, this can be spread over a number of years and that it will not enter into a tax paying position before 2011.

Dispute with Hess

In July 2009, the Group commenced proceedings in the High Court of England and Wales against Amerada Hess Libya Exploration Limited ("Hess") for outstanding payments under a drilling contract for Songa Saturn, for a total amount of approximately USD 18.5 million, plus interest and legal costs. The claim arises from damage to the rig's mooring system in severe weather and sea conditions offshore Libya in December 2008.

Having completed repairs to the mooring system, at a cost of about USD 5.1 million, the Group claims these amounts to be reimbursed from Hess pursuant to the contract. In addition, a claim of about USD13.4 relates to outstanding payments under the contract for day rates after the damage to the mooring system.

Hess has brought a counterclaim against the Group for repayment of approximately USD 2.2 million, which it claims to have paid in excess of the Group's entitlement under the drilling contract. Hess has brought a further non-quantified counterclaim for alleged loss and damage as a result of delay in the completion of drilling services under the contract and their use of a substitute drill ship.

Pleadings in the proceedings have been completed and the Group awaits a timetable for the conduct of subsequent proceedings. The Group intends to vigorously pursue this action.

Because the claim remains contingent at this stage, no recognition has been made.

Claim against Stena

The Group is engaged in the process of commencing an arbitration proceeding against Stena in respect of its bareboat charter for Songa Dee. The Group has submitted a substantial claim against Stena. While the bareboat charter with Stena required delivery of the rig at the end of the charter in the same condition as when the charter commenced, except for ordinary course wear and tear (as is customary in such agreements), the Group believes that Songa Dee was delivered in a condition far exceeding ordinary course wear and tear. The Group intends to vigorously pursue this action.

The outcome of the dispute is considered contingent and the Group's claim against Stena has not been recognised.

Capital commitments

	1-3 months
USD '000	
At 30 September 2009	
Songa Trym, intermediate SPS	3,568
Songa Trym, BOP	9,377
	-
Songa Saturn, water depth upgrade	5,343
	18,288

9 Transactions with related parties

The Group has engaged legal services from the law firm Aristodemou Loizides Yiolitis LLC. Nancy Charalambous, member of the Board of Directors in Songa Offshore SE, is an associate of this firm. For the nine month period the amount payable was USD 0.2 million.

In May 2009, the Group adopted a stock appreciation rights incentive plan to replace its 2008 share option plan. Under the new plan, 12 of the Group's key personnel have been awarded stock appreciation rights for, in the aggregate, up to 2,435,000 shares in the Company. The value of the rights is calculated on a strike price of NOK 13.20 per share, subject to certain adjustments. One-third of the rights have vested by 31 December 2009, one-third of the rights are to vest by 31 December 2010, and the remaining one-third is to vest by 31 December 2011. The rights expire two years from the vesting date.

There are no other material changes as against 31 December 2008.

10 Post balance sheet events

On 18 November 2009 the Group renegotiated its current contract with Statoil Petroleum AS ("Statoil") for the semisubmersible Songa Trym for operation in the Norwegian North Sea. The current contract expires on 1 February 2011, while the renegotiated contract has extended the termination date until 1 July 2012, partly in exchange for a reduction in the dayrate for the remaining originally contracted period. The contract value for the period from 1 December 2009 until 1 July 2012 is USD 344 million.

In addition Statoil has an option for one or two additional years, such option to be exercised by 1 July 2011. The current manager of Songa Trym, Odfjell, will continue to manage the rig under a revised operating agreement between Songa and Odfjell with reduced management fee.

On 21 December 2009 the Group received a Letter Of Intent ("LOI") from Shell Development (Australia) for the use of the Songa Venus in its upcoming 2010 Exploration Drilling Campaign on the North West Shelf of Australia. The program is planned to include a firm 3 well program (two exploration wells and one deepening of existing well), with an estimated duration of 156 days, Shell also has the right to exercise up to two additional Optional wells with an estimated duration of 50 to 60 days each. The agreement is subject to a mutually agreed contract and Shell's acceptance of the rig and its equipment prior to commencement. The contract is expected to commence on or around 1st of April 2010, following the rig's 5-year Special Periodic Survey taking place in Singapore after its current drilling program for the ADA Consortium in Australia.

On 30 December 2009 the Group went into a well extension agreement to the existing well contract with CNOOC Africa Limited EG Branch for continued use of the drillship Songa Saturn for work in Equatorial Guinea. The firm part of the extension secures employment for the vessel until end March 2010 and has an estimated value of approximately US\$10 million.

In late January 2010, a supply vessel hired by Marathon collided with one of the Group's rigs, Songa Dee. The Group is in the process of determining the extent of damage to the rig. While it is believed that the damage can be temporarily repaired at the rig's current location (with permanent repairs to be conducted at its next scheduled intermediate survey in late 2011), the Norwegian government may require the Group to conduct permanent repairs now rather than in late 2011. It is expected that the costs related to the repair operations will be fully covered under the existing hull and machinery insurance.

11 Approval of interim financial statements

These interim condensed consolidated financial statements were approved by the Board of Directors on 26 January 2010.