



## **REPORT FOR THE SECOND QUARTER 2010**

Songa Offshore SE ("Songa") reports total comprehensive income for the second quarter of 2010 of USD 11.9 million.

Revenue for the second quarter was USD 139.0 million. This includes mobilization and demobilization revenue of USD 12.1 million.

Total expenses for the second quarter were USD 93.3 million. The figure includes a non operational gain of USD 2.0 million posted under "other gain and loss". The "other gain and loss" is split between a loss on flippable swap of USD 1.6 million, loss on buy back/settlement of bonds of USD 1.0 million, gain on allowances for doubtful debt of USD 3.9 million, USD 0.4 million in currency gain and USD 0.3 million in gain on disposal of assets.

EBITDA for the second quarter was USD 45.7 million. This figure is after taking into effect "other gain and loss".

Net financial expenses for the second quarter were USD 7.7 million.

Earnings per share (EPS) for the second quarter were USD 0.07. Diluted earnings per share (DEPS) for the second quarter were USD 0.07.

Average number of shares for the quarter was 167,712,544, and as per end of the period the outstanding number of shares was 167,712,544.

### **Main events during the second quarter of 2010**

On 16 April Songa Offshore announced that the Investment in Deepwater Driller Ltd (owner of *Songa Eclipse*) was completed in accordance with the terms of the Heads of Agreement entered into between Songa Offshore and the shareholders of Deepwater Drilling Ltd. Following the Investment, the Company owns 31.25% of Deepwater Drilling Ltd.

On 6 May Songa Offshore announced that a firm drilling contract had been agreed and signed with Total E&P Australia for their use of Songa Venus for the upcoming Drilling Campaign on the North Western Shelf of Australia. The program consists of two firm wells plus one Optional well, the firm part of the contract has an estimated duration of 110 to 140 days and the firm part of the contract is expected to generate aggregate revenues of between USD 30 and USD 40 million. The contract with Total E&P Australia will commence in direct continuation of the rig's current program for Shell Development (Australia).

On 12 May Songa Offshore announced that a firm drilling contract had been agreed and signed with Eni China B.V. for their use of Songa Mercur for the upcoming drilling campaign offshore China. The program consists of one firm well plus two optional wells. The firm part of the contract has an estimated duration of 44 days with aggregate revenues of approximately USD 12 million plus a contractual demobilization to Singapore. The contract with Eni China will commence in direct continuation of the rig's current commitment and subsequent demobilization from Gazflot (Sakhalin, Russia).

## The rigs

Songa Venus had an operational efficiency of 46.6% in the quarter due to being out of operation from 4 May to 19 June for BOP repair works.

Songa Mercur achieved operating efficiency of 99.8% for the quarter while in operation. After finalizing its SPS in Singapore the rig started mobilizing for Sakhalin (Russia) 11 May and then started its drilling campaign for Gazflot 19 June.

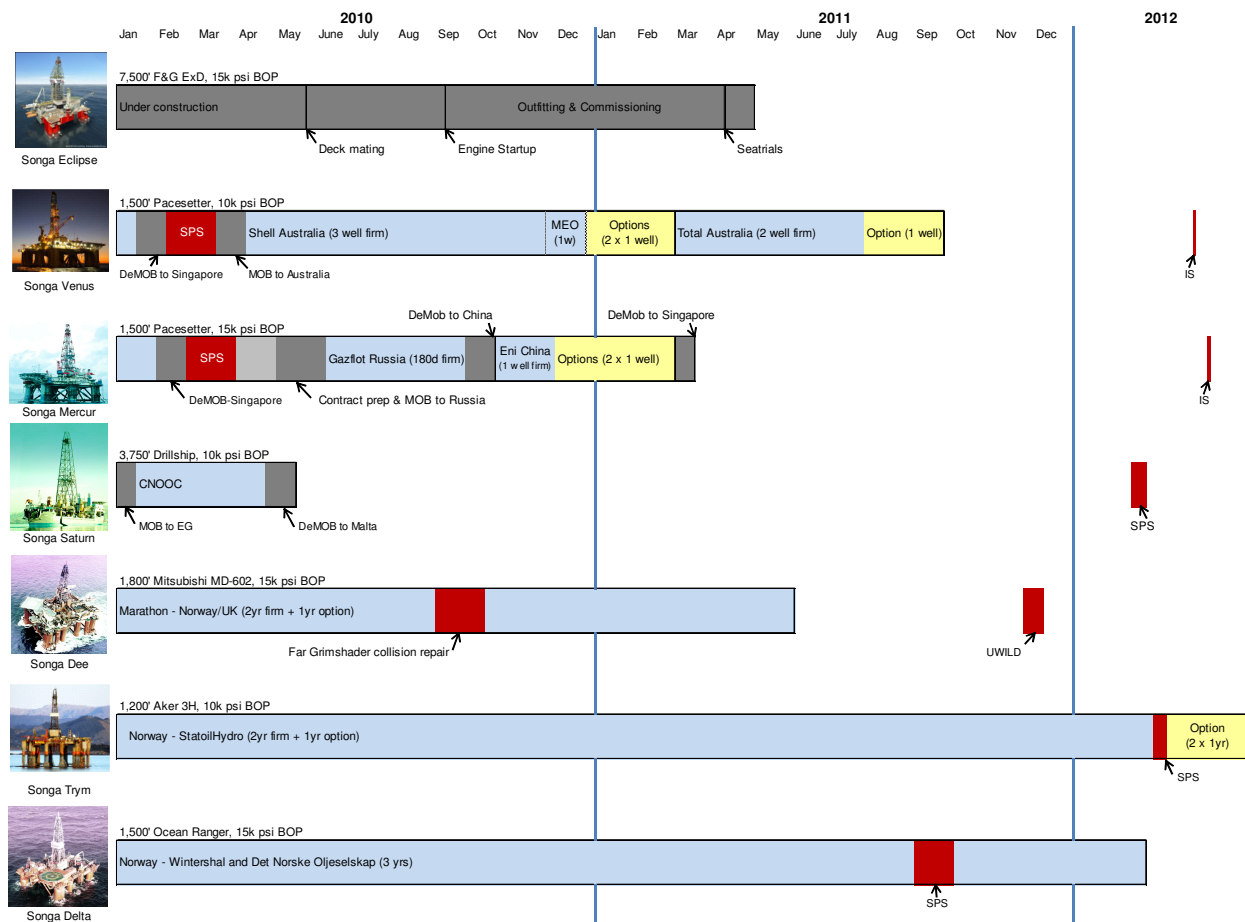
Songa Saturn achieved operating efficiency of 98.2% in the quarter while in operation. The campaign for CNOOC was finalized 19 April and the rig was demobilized to Malta where it arrived 12 May and still remains available.

Songa Delta achieved operating efficiency of 97.9% in the quarter. The rig is on contract with Wintershall / Det norske oljeselskap and is currently drilling on the Maria Field.

Songa Trym achieved operating efficiency of 98.1% in the quarter and has been operating for Statoil on the Troll Field.

Songa Dee has achieved operating efficiency of 92.1% in the quarter and has been operating for Marathon at the Alvheim Field.

## Contract status



## **Market conditions and outlook**

As reported in preceding quarters, bidding activity has been picking up since mid-2009. Inquiries for shorter periods of one to three wells are dominant at this point in the business cycle and we expect this trend to continue into early 2011.

We are in discussions for further business with regards to the Songa Mercur, Songa Venus, Songa Saturn and Songa Dee. While our confidence in the market recovery grows, there is a chance the Songa Saturn will experience continued waiting time before a new contract is finalized.

The Company has been able to achieve strong cash flows generated by the performance of its mid-water assets and apply them to deleveraging the balance sheet. Quarter-end interest bearing debt was reduced to USD 686 million while the Company was able to retain cash reserves of USD 46 million and an unutilised revolver (or "revolving credit line") of USD 42 million.

The Company notes that the banking market and international corporate bond market have recently showed signs of a return to normal state. Considering the Company's interest bearing debt is due by 2013, at the latest, we are pursuing to term out part of our debt to the later part of this decade. The Company has over the last few months been working on a complete refinancing of its bank-facility and expects this to be completed within the next few weeks. In addition to term-out of debt, the envisaged facility will also offer a much lighter repayment profile than the current facility.

The investment in Deepwater Driller Ltd is seen as a low-risk move in our continued efforts to build the Company and expand into the ultra-deepwater segment. The industry outlook in general is improving with the strengthening price of crude and continued signs of recovery in the global economy. The market outlook, together with our improved fleet profile of mid and ultra-deepwater assets, means that the Company's prospects in near future are looking increasingly good.

Limassol, 9 August, 2010

Board of Directors  
Songa Offshore SE

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Songa Offshore Group

**Condensed consolidated statement of comprehensive income**

for the period ended 30 June 2010

(IFRS non audited figures)

Amounts in USD '000	Q2 2010	Q1 2010	Q2 2009	Jan-Jun 2010	Jan-Dec 2009
<b>Continuing operations</b>					
Operating revenue	134,417	161,973	197,084	296,390	742,901
Reimbursables	3,228	1,421	10,958	4,649	37,594
Other revenue	1,350	675	557	2,025	4,187
Revenues	138,995	164,069	208,599	303,064	784,682
Operating expenses	(83,786)	(74,412)	(70,408)	(158,198)	(276,273)
Reimbursables	(3,088)	(1,291)	(10,933)	(4,379)	(37,361)
General and administrative expenses	(8,437)	(10,628)	(11,351)	(19,065)	(47,846)
Other gain and loss	2,006	(2,533)	12,645	(527)	947
Total expenses	(93,305)	(88,864)	(80,047)	(182,169)	(360,533)
EBITDA	45,690	75,205	128,552	120,895	424,149
EBITDA %	33%	46%	62%	40%	54%
Depreciation and amortization	(25,774)	(24,539)	(20,636)	(50,313)	(87,000)
EBIT	19,916	50,666	107,916	70,582	337,149
EBIT %	14%	31%	52%	23%	43%
Finance income	123	113	140	236	403
Finance costs	(7,849)	(9,540)	(14,051)	(17,389)	(52,214)
Profit (loss) before tax	12,190	41,239	94,005	53,429	285,338
Income tax (charge) credit	(328)	(8,056)	(16,290)	(8,384)	(24,628)
Profit (loss) for the period from continuing operations	11,862	33,183	77,715	45,045	260,710
Other comprehensive income	-	-	-	-	-
Total comprehensive income	11,862	33,183	77,715	45,045	260,710
Earnings (loss) per share (USD) from continuing operations					
Basic	0.07	0.22	0.72	0.29	2.08
Diluted	0.07	0.22	0.72	0.29	2.00

Songa Offshore Group

**Condensed consolidated statement of financial position at 30 June 2010**

(IFRS - non audited figures)

<i>(USD '000)</i>	30/06/2010	31/12/2009
<b>ASSETS</b>		
Non-current assets		
Rigs, machinery and equipment	1,412,270	1,410,312
Deferred tax assets	46,720	46,722
Investment in associates	50,000	-
<b>Total non-current assets</b>	<b>1,508,990</b>	<b>1,457,034</b>
Current assets		
Trade and other receivables	103,465	148,404
Prepayments	11,854	6,145
Incurring revenue	660	13,019
Other assets	5,661	7,638
Cash and cash equivalents	45,604	87,957
<b>Total current assets</b>	<b>167,244</b>	<b>263,163</b>
<b>TOTAL ASSETS</b>	<b>1,676,233</b>	<b>1,720,197</b>

**Condensed consolidated statement of financial position at 30 June 2010**

(IFRS - non audited figures)

<i>(USD '000)</i>	30/06/2010	31/12/2009
<b>EQUITY AND LIABILITIES</b>		
Capital and reserves		
Issued capital	26,075	21,476
Share premium	371,564	230,118
Reserves	15,585	15,585
Other equity	486,392	441,348
<b>Total equity</b>	<b>899,616</b>	<b>708,527</b>
Non-current liabilities		
Bank loan	462,310	537,639
Bond loans	55,627	87,488
Other long term liabilities	1,267	2,933
<b>Total non-current liabilities</b>	<b>519,204</b>	<b>628,060</b>
Current liabilities		
Bank loans	153,000	264,466
Bond loans	14,426	-
Trade and other payables	18,732	25,688
Tax payable	9,658	35,424
Derivative financial instruments	11,212	10,938
Deferred revenues	12,495	9,546
Other liabilities	37,890	37,548
<b>Total current liabilities</b>	<b>257,413</b>	<b>383,610</b>
<b>Total liabilities</b>	<b>776,617</b>	<b>1,011,670</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,676,233</b>	<b>1,720,197</b>

**Songa Offshore Group**

**Condensed consolidated statement of changes in equity for the period ended 30 June 2010**

(IFRS - non audited figures)

Amounts in USD '000

	Share capital	Share premium	Paid in, not registered share capital	Equity-settled employee benefits reserve	Recognition of convertible bond loan	Other equity	Total equity
<b>Balance as at 1 January 2009</b>	<b>16,630</b>	<b>120,496</b>	<b>-</b>	<b>15,585</b>	<b>20,815</b>	<b>161,763</b>	<b>335,289</b>
Adjustments recognized directly to equity						-	-
Total comprehensive income for the period						101,088	101,088
Issue of share capital	4,846	109,777	-	-		-	114,623
Derecognition of convertible bond					(20,815)	18,882	(1,933)
Recognition of share-based payments	-	-	-	1,664			1,664
<b>Balance as at 30 June 2009</b>	<b>21,476</b>	<b>230,273</b>	<b>-</b>	<b>17,249</b>	<b>-</b>	<b>281,733</b>	<b>550,732</b>
<b>Balance as at 1 January 2010</b>	<b>21,476</b>	<b>230,118</b>	<b>-</b>	<b>15,585</b>		<b>441,348</b>	<b>708,527</b>
Adjustments recognized directly to equity							-
Total comprehensive income for the period						45,045	45,045
Issue of share capital	4,598	141,445	-	-		-	146,043
<b>Balance as at 30 June 2010</b>	<b>26,074</b>	<b>371,563</b>	<b>-</b>	<b>15,585</b>	<b>-</b>	<b>486,393</b>	<b>899,616</b>

## Songa Offshore Group

**Consolidated statement of cash flows for the period  
ended 30 June 2010**

(IFRS - non audited figures)

Amounts in USD '000	30/06/2010	30/06/2009
Cash flows from operating activities:		
Profit before tax	53,429	130,510
Adjustment for:		
Depreciation	50,313	41,049
Cost of option plans	(1,346)	1,664
Finance costs	17,389	28,291
Other gain/loss	527	4,986
Movements in working capital:		
Change in receivables	53,566	(70,103)
Change in payables	(6,956)	16,704
Change in other liabilities	(174)	(12,476)
Cash generated from operations	166,748	140,625
Taxes paid	(25,766)	(11,394)
Interest and fees paid	(20,373)	(26,938)
Cash effect from other gains and losses	(2,995)	-
<b>Net cash generated by operating activities</b>	<b>117,614</b>	<b>102,293</b>
Cash used in investing activities:		
Purchase of property, plant and equipment	(52,499)	(49,546)
Proceeds from sale of property, plant and equipment	228	-
Investment in associate	(50,000)	-
<b>Net cash used in investing activities</b>	<b>(102,271)</b>	<b>(49,546)</b>
Cash generated by financing activities:		
Proceeds from issue of share capital	146,044	114,636
Proceeds from issue of bonds and new bank loan raised	58,000	-
Repayment of bonds and bank loans	(261,740)	(126,500)
<b>Net cash used/generated in financing activities</b>	<b>(57,696)</b>	<b>(11,864)</b>
Net increase/(decrease) in cash and cash equivalents	(42,353)	40,883
Cash and cash equivalents at 1 January	87,957	58,501
Cash and cash equivalents at 30 June	45,604	99,384

## **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 1 April 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 Sakhalin - Russia.

As of 30 June 2010 the Group had operations in the North Sea, offshore Sakhalin (Russia) 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 2009. 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 2010.

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 2009.

## Note 4 Rig, machinery and equipment

USD '000	Rigs and drill ship	Fixtures and equipment	Total
<b>Period ended 30 June 2010</b>			
Opening net book amount at 1 January 2010	1,408,877	1,435	1,410,312
Net additions	52,321	(50)	52,271
Book value before depreciations	1,461,198	1,385	1,462,583
Total depreciation charge	(50,098)	(215)	(50,313)
Closing net book amount	1,411,100	1,170	1,412,270
<b>Period ended 30 June 2010</b>			
Cost	1,676,103	2,428	1,678,531
Accumulated depreciation	(265,003)	(1,258)	(266,261)
Net carrying amount	1,411,100	1,170	1,412,270

Estimated lifetime	4-25 years	3-10 year
Depreciation rates	4%-25%	10%-33%
Depreciation method	Straight line	Straight line

## 5 Borrowings

The outstanding debt as of 30 June 2010 amounted to USD 685.3 million and consists of the following:

- USD 615.3 million amount outstanding of the USD 1,050.0 million bank senior secured credit facility that the Company entered into in August 2008;
- USD 14.4 million amount outstanding under the secured fixed rate bond issued in March 2006, which carries a fixed rate of interest of 9.75%;
- USD 55.6 million amount outstanding under the three-year floating rate bond issued in June 2009 with a coupon of LIBOR + 12%.

As of 30 June 2010 there was USD 45.6 million of cash and cash equivalents, and USD 42.0 million in unutilized drawing rights under the revolving credit facility.

## 6 Share capital

As of 30 June 2010 total outstanding shares in the Company was 167,712,544. Weighted average number of shares in the second quarter was 167,712,544 and adjusted weighted average number of shares, as defined in IFRS in the fourth quarter was 167,712,544.

The total share capital as of 30 June was EUR 18,448,379.84 equal to a nominal value EUR 0.11 per share

## **7 Approval of interim financial statements**

These interim condensed consolidated financial statements were approved by the Board of Directors on 6 August 2010.

## Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2010 has been prepared in accordance with IAS 34 – Interim Financial Reporting and gives a true and fair view of the Group`s assets, liabilities, financial position and profit as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Limassol, 6 August 2010

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Arne Blystad  
(Chairman)

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Nancy Charalambous  
(Board member)

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Erik Østbye  
(Board member)

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Valborg Lundegaard  
(Board member)

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Asbjørn Vavik  
(Board member/Chief Executive Officer)