



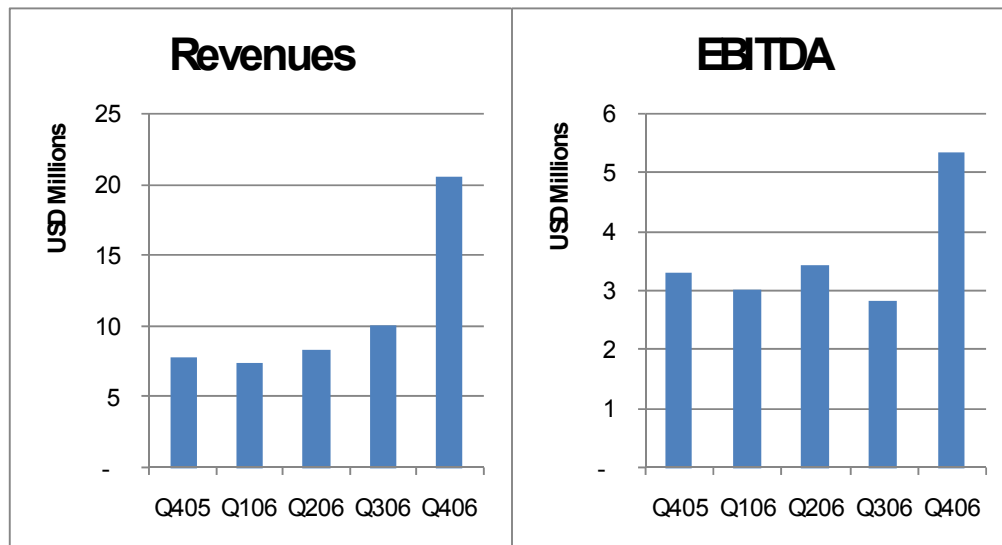
# SeaBird Exploration Group

## Preliminary Results 2006 and Fourth Quarter

## Key Figures

*All figures in USD 1,000*

	Quarter ended		Twelve months ended	
	December 31		December 31	
	2006	2005	2006	2005
Revenues	20 552	7 763	46 288	21 965
EBITDA	5 322	3 285	14 584	8 227
EBIT	3 633	2 821	10 675	6 899
Net profit	3 214	2 857	11 030	6 537
Earnings per share	0,04	0,05	0,15	0,21
Cash flow from operations	5 769	467	13 760	11 957
CAPEX	41 437	12 782	152 484	12 901
Net interest bearing debt including finance leases	68 205	-12 387	68 205	-12 387
Equity ratio	65 %	74 %	65 %	74 %



## **Q4 Highlights**

- Consolidated revenues of USD 20.6 million, an increase of 165% compared to Q4 2005 and 104% compared to Q3 2006. Revenues for the full year of USD 46.3 million, up 111% from 2005.
- Q4 earnings hit by a total loss of USD 5 million related to Global Geo Services (“GGS”).
- EBITDA of USD 5.3 million. Adjusted for the GGS loss of USD 5 million this was an increase of 213% compared to Q4 2005 and 265% compared to Q3 2006, mainly driven by the strengthening of the seismic markets, with substantially better rates. EBITDA for the full year of USD 14.6 million, up 139% from 2005 (adjusted for GGS loss).
- Hawk Explorer and Osprey Explorer started operations in Q4 2006, bringing the number of vessels in operation to five by the end of 2006.
- SeaBird continued the investments and has announced the addition of three more vessels to the fleet, bringing the total number of planned vessels in operation to ten by the end of 2007, compared to three by the end of Q3 2006.
- Main focus on planning for conversion of five remaining vessels for completion in 2007, with no indication of material overruns or delays so far.
- Substantial funding raised from the bond market and commercial debt through Q4 2006 and early 2007.

## **Outlook 2007**

- We still see a very strong demand within all segments of the seismic industry, with a substantial part of the available capacity already contracted.
- We expect the supply within our segments to increase slightly. However, the demand side is expected to more than absorb the additional capacity.
- Aquila Explorer, Harrier Explorer and Munin Explorer projected to be ready for operation during Q2 2007, while Hugin Explorer and Raven Explorer are expected to be ready for operation in Q3 2007.
- 500 new deep water nodes expected to be operational on the Hugin Explorer by end Q3 2007/beginning of Q4 2007.
- On the basis of the substantial increase of the fleet and the strengthening of the market rates, we expect a significant growth in both revenues and earnings in 2007, and in particular we expect a very strong second half of the year. Revenues are expected to be in excess of USD 170 million for the full year, while EBITDA is expected to be in excess of USD 90 million.
- Total capital expenditures are expected to be in the range of USD 120 million for the full year.

## **Key Financial Performance Figures**

The SeaBird Group reported consolidated revenues of USD 20.6 million in Q4 2006, an increase of 165% compared to Q4 2005 and 104% compared to Q3 2006. Revenues for the full year were USD 46.3 million, up 111% from 2005.

As previously disclosed, GGS presented substantial claims in arbitration proceedings against SeaBird. The main claim in the principal action was unlawful withdrawal of the lease of M/V Geo Mariner in 2005, amongst other things including (a) a claim for compensation in the amount of USD 4.3 million and (b) the right to a 50% ownership of the vessel and 50% of the future earnings of the vessel upon expiration of the charter agreement. Both these claims were upheld in SeaBird's favour.

The arbitration proceedings included a number of other claims and cross-claims, with various results. In total, SeaBird has charged a loss of around USD 5 million in Q4 2006 in the line other income, expenses (net), related to GGS (including the loss on investment in GGS shares (USD 1.1 million), write off of receivables refused in arbitration result and other GGS related items (USD 3.9 million). All substantial parts of this loss are non-cash.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") were USD 5.3 million for the quarter, an increase of 213% compared to Q4 2005 and 265% compared to Q3 2006 (adjusted for the GGS loss of USD 5 million in Q4 2006) The improvements are mainly driven by the strengthening of the seismic markets, with substantially better rates together with bringing Hawk Explorer and Osprey Explorer into operations in Q4 2006. EBITDA for the full year was USD 14.6 million, up 139% from 2005 (adjusted for GGS loss).

Earnings before interest and taxes ("EBIT") increased to USD 3.6 million in Q4 2006 an increase of 208% compared to Q4 2005 (adjusted for the GGS loss). EBIT for the full year were USD 10.7 million, up 128% from 2005 (adjusted for GGS loss).

Net Profit for Q4 2006 increased 189% over the comparable quarter in 2005 (adjusted for the GGS loss), to USD 3.2 million. Net Profit for the full year was USD 11.0 million, up 146% from 2005 (adjusted for GGS loss).

## **Operational highlights Q4**

M/V Geo Mariner completed a survey with Indago Petroleum in the beginning of the quarter, before it moved on to a survey in Pakistan for Oil & Gas Development Company Limited (OGDCL) which was completed in January 2007.

Northern Explorer completed a long term contract for TGS-Nopec in the beginning of the quarter and continued with surveys in Sicily and Kenya. Osprey Explorer commenced operations in October on a six month charter with Veritas DGC (now CGGVeritas) with two six months renewal options, while Kondor Explorer continued operations for Veritas DGC under a charter expiring in May 2007, but with a six months renewal option.

Hawk Explorer finally commenced full operations at the end of November 2006 after some technical challenges post completion of conversion. She is on a two year charter with a one year renewal option for Fugro.

The group has set up their branch in Houston (USA). The core activity of the branch will be to oversee operations in Americas and also explore further business opportunities in the Gulf of Mexico and South America. Furthermore, SeaBird continues to strengthen the management and operating capacity across the group in line with the requirements of the fleet expansion.

Subsequent to year-end, SeaBird has acquired GeoBird Management Middle East FZ LLC (GeoBird) for USD 2 million. GeoBird is a maritime management company that has been responsible for the maritime operations of the SeaBird fleet of vessels since 2003. GeoBird's business is mainly related to the SeaBird maritime operations, but GeoBird is also providing maritime management services for other leading seismic companies.

### **Conversion projects**

Seabird has decided to move the Harrier Explorer previously destined for SeaBed operations into the 2D/Source vessel market due to strong market demand. The vessel is expected to be ready for operations in April 2007 with a total cost of around USD 40 million. SeaBird has entered into a 4 year firm time-charter with a 2-year option with Petroleum Geo-Services ASA (PGS) as a source vessel. PGS has the option to use the vessel as a 2D vessel provided they cover the cost of additional seismic equipment and additional operating cost. The contract value for the firm period is approximately USD 58 million and is scheduled for commencement in May 2007.

M/V Aquila Explorer is under conversion to a source vessel at a Singapore yard. The vessel is expected to be ready for delivery in late March/early April 2007 with a total cost of around USD 35 million. The vessel is contracted to PGS for six months with two six month options.

Subsequent to year-end, SeaBird has entered into a 5 year firm bareboat charter with Økland Fiskebåtrederi AS (Økland) with 3 x 1 year options for the vessel Munin Explorer (ex. Newfoundland Otter) a 1990 built Norwegian trawler under conversion to a Seismic vessel. Økland will carry out the conversion to a Source/2D vessel at their cost with the exception of the cost of the Air Guns and the Streamer. Estimated capital expenditures for SeaBird are around USD 8 million. The contract value for the firm period is approximately USD 33 million and is scheduled for commencement in June 2007. SeaBird has an option to purchase the vessel during the firm 5 years period.

In October 2006 SeaBird Exploration agreed to acquire the M/V "Tasneem 2" from Syarikat Borcos Shipping Sdn Bhd for USD 13 million. The vessel is a new-built Anchor Handling Tug Supply (AHTS) vessel and will be converted into a shallow water 2D/3D vessel and re-named the "Raven Explorer". Total project cost including conversion and purchase price is estimated to approximately USD 36 mill. The vessel is expected to be operational in the third quarter of 2007.

In December 2006 SeaBird Exploration Limited and Siem Offshore Inc entered into a 5 year firm bareboat charter with 3 x 1 year options for the new-built vessel Siem Mariner, a DP2 platform supply vessel of MT 6000 mk II design. The contract value for the firm period is approximately USD 57 million and is scheduled for commencement in Q3 2007. SeaBird has an option to purchase the vessel at the expiry of the firm 5 years period. SeaBird will convert the vessel to a state of the art SeaBed seismic vessel. The vessel is expected to be operational in the third quarter of 2007. Furthermore, SeaBird is investing in 500 new deep water nodes for the SeaBed operations with projected delivery by the end of Q3 or beginning of Q4 2007. Total investments in SeaBed operations are estimated to be around USD 40 million in 2007.

## Liquidity and Financing

At 31 December 2006, cash and cash equivalents amounted to USD 16.4 million, compared to USD 22.4 million at the end of the previous quarter. Net interest bearing debt was USD 68.2 million compared to USD 32.2 million at the end of the previous quarter.

In Q4 SeaBird exercised the drawdown of 2nd tranche of the bond loan at the Alternative Bond Market at the Oslo Stock Exchange ("Bond-loan"), equal to USD 7.7 mill (NOK 50 million) with an interest rate of NIBOR + 4.25%. Total Bond-loan at 31 December 2006 is around USD 32 million (NOK 200 million) with maturity in July 2009.

Furthermore, in Q4, SeaBird has completed the negotiations of part loan financing of the Osprey Explorer and the Aquila Explorer through a credit facility agreement with a commercial bank for a total amount of USD 30 million, to be repaid over five years. A total of USD 20 million was drawn under this facility as of 31 December 2006, while another USD 10 million will be drawn in the first half of 2007. This credit facility has an interest rate of LIBOR + 1.5%.

Subsequent to year-end, SeaBird decided to issue a new bond loan with a total borrowing limit of NOK 500 million. The new bond loan is listed on the Oslo Stock Exchange's Alternative Bond Market and has 5 years maturity, with floating interest (3 month NIBOR + 4.5%). The first tranche of NOK 400 million was closed 14 February 2007 and simultaneously SeaBird entered into a financial instrument which in effect converted the loan to a USD based loan with a principal repayment obligation of USD 65 million and a floating interest rate of LIBOR + 4.75%.

The Company views the new bond loan as a flexible financing for the substantial growth and investment program planned for the first half of 2007. SeaBird expects to incur significant capital expenditures for the previously discussed investments in 2007, where a substantial part is front-loaded to the first 6-8 months of the year. The net proceeds from the new bond loan will mainly be used to fund these investments. SeaBird expects some additional funding need in the peak investment period, and expects to be able to arrange this through additional commercial debt, financial lease arrangement or drawdown of the remaining part of the new Bond-loan.

## SEABIRD EXPLORATION LIMITED

### Consolidated income statement

All figures in USD	Quarter ended		Twelve months ended	
	December 31		December 31	
	2006	2005	2006	2005
Revenue	20 551 778	7 762 846	46 287 615	21 965 400
Charter hire and operating expenses	(8 584 389)	(4 480 988)	(22 769 105)	(13 248 624)
Selling, general and admin expenses	(1 742 146)	(1 063 593)	(5 835 923)	(4 309 792)
Other income (expenses), net	(4 902 892)	1 066 394	(3 098 555)	3 820 327
Earnings before interest, depreciation and amortization (EBITDA)	5 322 352	3 284 659	14 584 033	8 227 311
Depreciation & Amortization	(1 689 819)	(463 495)	(3 909 125)	(1 328 496)
Operating profit (EBIT)	3 632 533	2 821 164	10 674 908	6 898 815
Interest expense	34 878	(108 646)	(697 887)	(120 167)
Other financial items, net	(749 168)	93 845	756 503	93 845
Income (loss) from associated companies	-	50 681	-	(335 869)
Income (loss) before income tax	2 918 243	2 857 044	10 733 524	6 536 624
Tax income	296 194	-	296 194	-
<b>Net Income</b>	<b>3 214 437</b>	<b>2 857 044</b>	<b>11 029 718</b>	<b>6 536 624</b>
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in \$ per share)				
- basic	0,04	0,06	0,14	0,10
- diluted	0,04	0,06	0,14	0,21

## SEABIRD EXPLORATION LIMITED

### Consolidated balance sheet

All figures in USD	As at 31 December	
	2006	2005
<b>ASSETS</b>		
<b>Non current assets</b>		
<u>Tangible assets</u>		
Property, plant and equipment	168 273 432	20 616 060
Capital work in progress	63 675 247	7 637 384
Long term investments	3 213 708	-
<u>Intangible assets</u>		
Goodwill	7 729 296	-
Patent technology	4 412 142	-
Deferred tax asset	6 420 825	-
	<b>253 724 650</b>	<b>28 253 444</b>
<b>Current assets</b>		
Inventories	396 244	162 606
Trade receivables	17 554 863	4 826 293
Other current assets	3 891 848	2 084 074
Due from related parties	1 685 292	559 196
Available for sale financial assets	-	649 000
Cash and Cash Equivalents	16 386 838	21 957 347
	<b>39 915 085</b>	<b>30 238 516</b>
<b>Total assets</b>	<b>293 639 735</b>	<b>58 491 960</b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to equity holders of the Company</b>		
Share capital	81 295	62 381
Revaluation reserve	56 774 349	14 629 119
Share Premium	98 176 991	23 742 461
Currency Translation reserve	576 681	21 819
Share options granted	4 837 409	-
Retained earnings	29 057 617	4 871 389
	<b>189 504 342</b>	<b>43 327 169</b>
<b>LIABILITIES</b>		
<b>Non current liabilities</b>		
Non current Debt	46 010 152	755 924
Non-current portion of capital lease obligations	27 253 077	6 376 203
Provision for end of service gratuities	50 485	13 027
	<b>73 313 714</b>	<b>7 145 154</b>
<b>Current liabilities</b>		
Trade and other payables	19 492 851	5 255 620
Due to related parties	-	325 783
Current portion of interest bearing debt	9 316 726	-
Current portion of capital lease obligations	2 012 102	2 438 234
	<b>30 821 679</b>	<b>8 019 637</b>
<b>Total liabilities</b>	<b>104 135 393</b>	<b>15 164 791</b>
<b>Total equity and liabilities</b>	<b>293 639 735</b>	<b>58 491 960</b>

**SEABIRD EXPLORATION LIMITED**

**Consolidated statement of cash flows for the year ended December 31, 2006**

All figures in USD	Quarter ended		Twelve months ended	
	December 31		December 31	
	2006	2005	2006	2005
<b>Cash flows from operating activities</b>				
Net profit for the year	3 214 437	2 857 044	11 029 717	6 536 624
Adjustments for :				
Depreciation	1 689 819	463 495	3 909 125	1 682 479
Impairment of/loss on investment in shares	1 085 590			
Provision for employees' end of service gratuities	14 387	3 283	37 458	13 027
Employee Stock Option Plan	329 974	-	768 272	-
Increase in inventories	(195 336)	(162 606)	(233 638)	(162 606)
Increase in trade and other receivables	(3 980 684)	(1 893 581)	(14 536 344)	(3 706 593)
Decrease/(increase) in due from related parties	60 203	(960 345)	(1 126 096)	7 277 519
Increase/(decrease) in trade and other payables	4 325 403	497 896	14 237 232	(383 750)
(Decrease)/increase in due to related parties	(775 261)	(336 910)	(325 783)	325 783
Decrease/(increase) in margin deposits under lien	-	-	-	374 124
<i>Net cash from operating activities</i>	<b>5 768 532</b>	<b>468 276</b>	<b>13 759 943</b>	<b>11 956 607</b>
<b>Cash flows from investing activities</b>				
Movements in property, plant and equipment	(77 118 474)	(12 783 169)	(96 445 851)	(12 900 819)
Acquisition of intangible assets and deferred taxes	(1 580 123)	-	(18 562 263)	-
(Increase)/decrease in capital work in progress	35 681 715	-	(56 037 863)	-
Increase in investments in shares	-	(449 000)	(2 564 708)	(457 686)
<i>Net cash used in investing activities</i>	<b>(43 016 882)</b>	<b>(13 232 169)</b>	<b>(173 610 685)</b>	<b>(13 358 505)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of ordinary shares	-	23 754 842	74 453 444	23 754 842
Movements in borrowings	30 503 817	8 731 152	75 021 696	7 790 194
Dividends paid to Company shareholders	-	-	-	(8 504 101)
Share option granted on acquisition	-	-	4 069 137	-
Net movement in currency fluctuations	706 553	244 050	735 950	169 252
<i>Net cash from/(used in) financing activities</i>	<b>31 210 370</b>	<b>32 730 044</b>	<b>154 280 227</b>	<b>23 210 187</b>
<b>Net increase in cash and cash equivalents</b>	<b>(6 037 980)</b>	<b>19 966 151</b>	<b>(5 570 514)</b>	<b>21 808 289</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>22 424 812</b>	<b>1 991 195</b>	<b>21 957 346</b>	<b>149 057</b>
<b>Cash and cash equivalents at end of the year</b>	<b>16 386 832</b>	<b>21 957 346</b>	<b>16 386 832</b>	<b>21 957 346</b>

**SEABIRD EXPLORATION LIMITED**

<b>Equity Reconciliation (all amounts in USD)</b>	<b>2006</b>	<b>2005</b>
<b>Opening Balance 01.01</b>	<b>43 327 169</b>	<b>15 136 199</b>
Net Income	11 029 718	6 536 624
Dividend paid	-	(8 504 101)
Increase in share capital	74 453 444	23 754 842
Change to revaluation reserve	43 608 142	6 234 353
Share option granted	4 837 409	-
Adjustment to fair value relating to previously held interest in business combination achieved in stage	11 512 504	-
Net movements in currency translation reserve and other changes	735 956	169 252
<b>Ending Balance 31.12</b>	<b>189 504 342</b>	<b>43 327 169</b>

## **Selected notes and disclosures**

A general description of the Group, and the principal accounting policies applied in the preparation of these consolidated and condensed interim financial statements, are presented in the Consolidated Financial Statements for 2005. These Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2005 as they provide an update of previously reported information.

SeaBird Exploration (“the Group” or “SeaBird”) provides marine seismic services for the international oil and gas industry. SeaBird Exploration Limited (“the Company”) is a limited liability company incorporated in the British Virgin Islands. The Group has its operating office in Dubai, United Arab Emirates and a representative office in Oslo, Norway. SeaBird is, since April 2006, listed on the Oslo Stock Exchange.

### **Basis for preparation of financial statements**

The interim financial report is prepared in accordance with the International Accounting Standard 34 (IAS 34) “Interim Financial Reporting”. A general description of the Group, and the principal accounting policies applied in the preparation of these consolidated and condensed interim financial statements, are presented in the Consolidated Financial Statements for 2005. These Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2005 as they provide an update of previously reported information. The accounting policies used and the presentation of the Interim Financial Statements are consistent with those used in the Consolidated Financial Statements for 2005 unless otherwise stated.

The presentation of the Interim Financial Statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the Interim Financial Statements. If, in the future, such estimates and assumptions, which are based on management’s best judgement at the date of the Interim Financial Statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

### **Segment information**

Activities in 2D and 3D seismic operations are conducted and monitored within the Group as one business segment. Activities in the 4 component seabed seismic acquisition might be managed separately by the Norwegian subsidiary SeaBed Geophysical when the investment phase is finalized and operations commence.

Revenues and operating profit in geographical segments are presented below:

### Revenues

Geographical Area	Q4 06	Year 2006	Q4 05	Year 2005
Europe, Africa & Middle East (EAME)	14 119 778	32 105 667	5 564 415	14 384 154
North & South America (NSA)	6 432 000	14 181 948	2 198 431	7 581 246
Far East (FE)	0	0	0	0
<b>Total</b>	<b>20 551 778</b>	<b>46 287 615</b>	<b>7 762 846</b>	<b>21 965 400</b>

### Operating Profit

Geographical Area	Q4 06	Year 2006	Q4 05	Year 2005
Europe, Africa & Middle East (EAME)	2 023 156	5 389 434	1 850 149	3 778 590
North & South America (NSA)	1 609 378	5 285 474	971 015	3 120 225
Far East (FE)	0	0	0	0
<b>Total</b>	<b>3 632 533</b>	<b>10 674 908</b>	<b>2 821 164</b>	<b>6 898 815</b>

### Property, plant and equipment

The Group applies the revaluation model (IAS 16.31) on property, plant and equipment relating to vessels and seismic and seismic related equipment. The assets have been valued as at 31 December 2006. Revaluation is based on external independent appraisals at the year end.

As a consequence of the acquisition of 50% of Sana in May 2006, the Group has obtained full control over the Northern Explorer and consequently revaluated the previously held 50% (IFRS 3, Business combination achieved in stages). The revaluation amount is included in retained earnings.

As regards decomposing of vessels into seismic vessel (hull, engine and compressors) and seismic equipment, the Group's estimates of useful lives were 10 and 8 years respectively. The shorter useful life is used for equipment installed on chartered vessels. Costs relating to the 5 year special dry docking are balanced and depreciated separately. As regards new vessels acquired, converted and/or purchased in 2006 and onwards, useful lives are estimated to be up to 15 years. Consequently depreciation periods have been extended to 15 years.

### Capital work in progress

Capital work in progress is presented at historical cost and comprises vessels under conversion and node systems (SeaBed).

### Intangible assets and business combinations

SeaBird has acquired intangible assets in 2006 from the acquisition of Sana Navigation Co Ltd and the acquisition of SeaBed Geophysical AS.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. A purchase price allocation has been carried out for each acquisition.

The remaining 50% of the associate Sana Navigation Co Ltd, the operating company of the Northern Explorer, was acquired in May 2006. The accounts are consolidated from that date. The excess value of the business was calculated at USD 5 million. The value of the vessel was set in accordance with external valuation.

As for SeaBed Geophysical the total purchase price was USD 16 million and allocated to property, plant and equipment, patent technology, capital work in progress, deferred tax asset and goodwill. The excess value of the business was calculated at USD 2.7 million. Property, plant and equipment are presented at historical cost. Patent technology (intellectual property rights) is valued based on the cost method and are expected to have a remaining life time of 20 years from 2004. Closing date for the acquisition was 13 June 2006 and the accounts are consolidated from June 2006.

Part of the purchase price is financed through warrants (share options granted) to sellers and key personnel. The value of the options is calculated and presented as equity under Share options granted.

SeaBed moves towards the end of a development phase with successful trial test deliveries. The node operations are expected to commence in the second half of 2007. From the purchase of SeaBed in June 2006 costs directly attributable to capital work in progress and preparation of operations are capitalized. Administrative and selling costs are expensed. Depreciation related to nodes and patents will be charged from the time when the equipment is ready for operations.

### **Long term investments in shares**

The investment equalling USD 3.2 million represents a long term investment in the equity of GGS. The purchase price included a controlling premium above the stock market value in May 2006.

In accordance with IFRS the shares are presented in the financial statements as "available for sale" at stock market value at 31 December 2006, representing a decline in value of USD 1.1 million compared to the purchase price, which is recognized as an impairment.

### **Related parties**

Current account with Bartica, being the largest shareholder of SeaBird, is presented as receivable from related parties.

Otherwise, transactions in the period and balances with related parties as at December 31, 2006 only relate to marine management agreement with GeoBird Management as described in notes to the Consolidated Financial Statements for 2005. From January 2007 GeoBird Management is part of the Group.

## **Share capital and share options**

The total share capital of 81,295,000 shares are issued and paid up as of 31 December 2006.

Last year's annual general meeting authorized the board to issue up to 23,000,000 additional shares for general business purposes. In 2006 shares issued through private placements numbers to 8,914,000 shares, while 10,000,000 shares were issued in the IPO. In addition share options granted equals 2,309,544 shares.

SeaBird has implemented an Employee Stock Options Incentive Plan. This plan does not include any of the Bartica shareholders, as stated in the IPO Prospectus. The total number of shares that may be issued under the incentive scheme shall not exceed 2,000,000. As per 31 December 2006, options have been granted for 1,430,000 shares. Calculated value of the options is presented as equity and expensed over the option period.

Warrants or share options were used as part of the payment for SeaBed Geophysical AS as specified:

Selling shareholders	1,477,163 shares
Key employees	832,381 shares

Calculated value of the options are presented as equity and capitalized as part of the purchase price of the assets of SeaBed.

Estimated value of the share options granted – representing in total 3,739,544 shares – reduced for services not rendered as per December 31 - is presented in equity as Share options granted.

## **Non-current debt**

Debt is presented in accordance with the amortized cost method. Borrowing costs are considered in the calculation of amortized cost and the loan commitments are presented net. Borrowing costs (including arrangement fees) both relating to funds raised specially for financing of vessels and for the bond loan raised for general purposes have been capitalized.

## **Financial Statements**

The presentation of and classifications of items in the Financial statements are consistent with the Consolidated Financial Statements of 2005 except for the Income statement where the format of presentation has been changed both compared to 2005 and previous quarters. Prior period figures are reclassified to be comparable.

## **Changes in accounting principles**

Interest expenses and other borrowing costs on loans obtained specially for conversion of vessels are capitalised. However, interest expenses and other borrowing costs on the Bond-loan raised for general purposes were expensed in Q3 2006 (the loan established in July 2006). As from Q4 accounting principles have been changed and interest expense and other borrowing costs for Q3 and Q4 2006 from the bond loan have been capitalised on capital work in progress in Q4 2006. Capitalised borrowing costs from the Bond-loan amounts to around USD 1 mill.