

Sevan Marine ASA

Results

First Quarter 2015

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Sevan Marine – Investment Highlights

- **Debt free** - cash of USD 27 million
- **Large unutilized tax losses** - in excess of NOK 3.5 billion
- **Asset light and technology heavy** - no vessel ownership, license fee and engineering revenue model
- **Strong partners** – Teekay (Floating Production, Logitel) and Technip (KANFA)
- **Multiple applications** - FPSOs, FSOs, Drilling rigs, Accomodation units, FLNG
- **A proven design** – with unique benefits
- **Competetive cost level** – 15 - 25% cost savings estimated compared with turret moored solutions

Highlights

Floating Production

Other Applications

Investments

Financials

Outlook

First Quarter Highlights



Q1 2015 Highlights

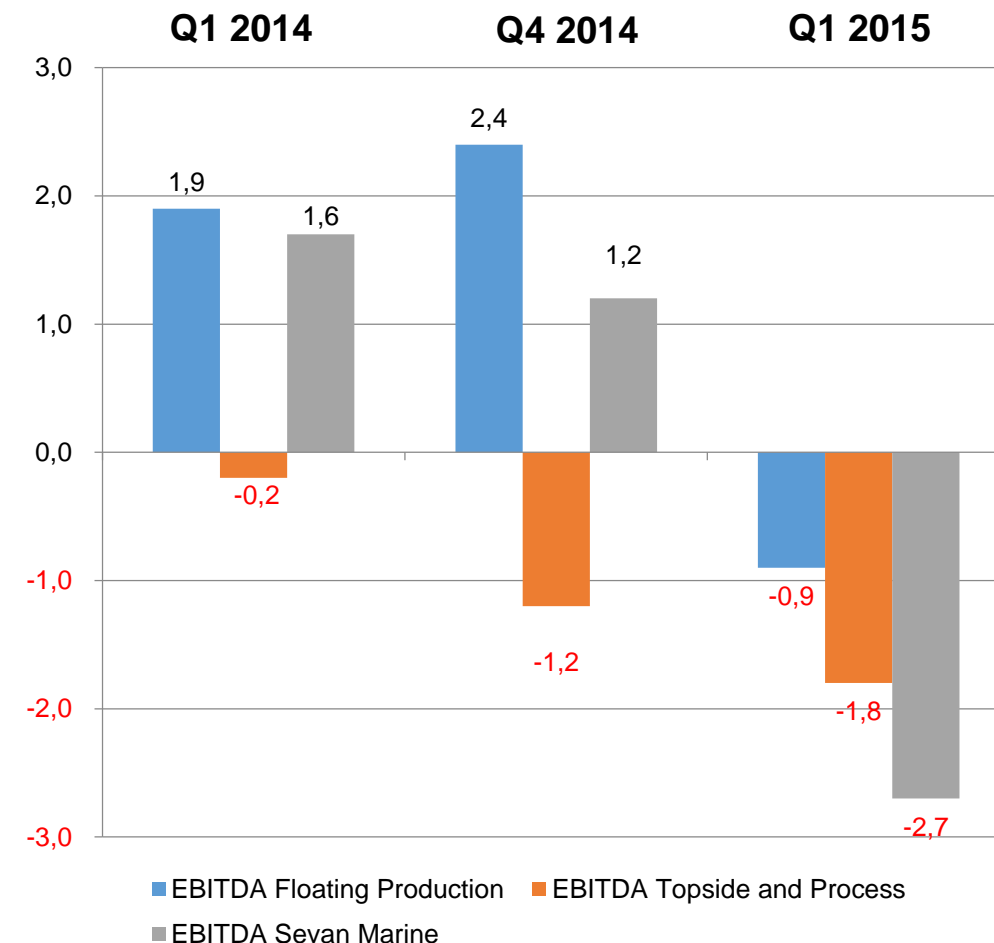
Floating Production:

- High workload for Goliat, Western Isles and Logitel and number of studies driving high staff utilization
- Tight cost control and better utilization of own staff
- No Dana license (3 million variance vs. Q1 2014)
- Headcount reduction implemented (USD 3 million annual saving and USD 1 million restructuring provision)
- Breakeven excluding restructuring in Floating Production

Topside and Process:

- KANFA AS further loss provision
- KANFA Aragon very low workload, cost cutting implemented

EBITDA (USD Million)



Note: Topside and Process includes KANFA AS and KANFA Aragon which are fully consolidated. Sevan ownership is 51% in KANFA AS and 50% in KANFA Aragon

Growing global fleet of cylindrical floaters

12 Sevan units currently in operation or under construction

5 Floating Production Units (FPSOs)



Piranema Spirit



Hummingbird Spirit



Voyageur Spirit



Goliat



Western Isles

4 Drilling Units



Sevan Driller



Sevan Brasil



Sevan Louisiana



Sevan Developer

3 Logitel Units



Arendal Spirit



Stavanger Spirit



Nantong Spirit

Full offshore design toolbox in place

Floating Production is the current core focus

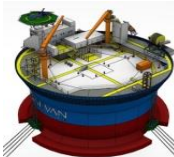


Floating Production – Sevan core

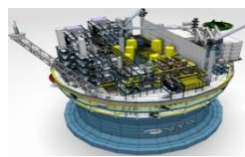
FPSO



FSO



FLNG



Future designs



PROVEN design

5 FPSO units delivered / under construction

Key characteristic: Spread Moored

Other Sevan Applications

Drilling



Sevan Drilling / Seadrill

Logitel



Logitel Offshore

Other



PROVEN design

7 units delivered / under construction

Developed with strategic partners

Key characteristic: Generally Dynamically Positioned

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Floating Production (FPSO, FSO, FLNG)



Sevan FPSOs: Ongoing projects

Goliat



Field operator: ENI

Location: Sub-arctic Barents Sea

Hull size: Sevan 1000

All mooring lines installed and hooked-up

Western Isles



Field operator: Dana Petroleum

Location: North Sea, UK

Hull size: Sevan 400

Under construction at the Cosco yard in China

Sevan FPSOs and FSOs: Main prospects

- FPSOs

Continued to work on several studies and tenders for upcoming FPSO prospects during 1st quarter, like the potential FPSO for Bream (Vette)

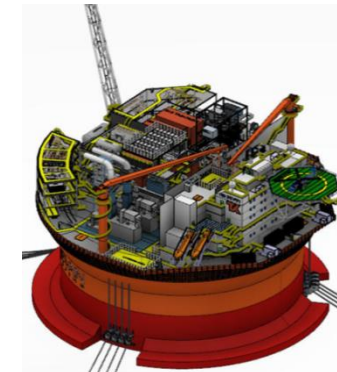
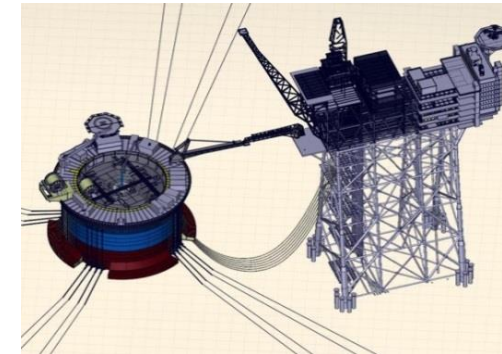
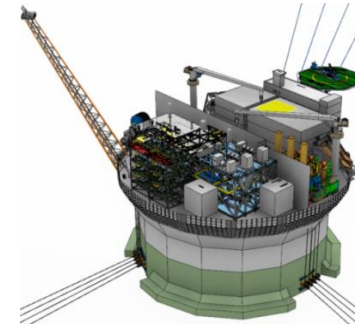
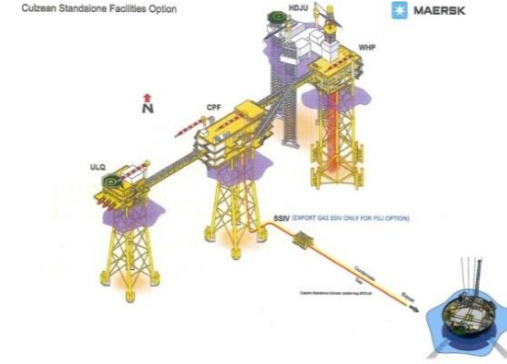
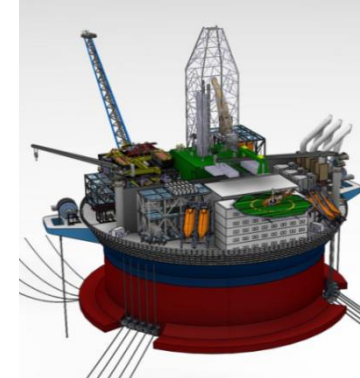
A concept selection for another potential UKCS opportunity is also progressing

- FSOs

Continued to work on several studies and tenders for FSO prospects during Q1, like the potential FSOs for the Bentley and Culzean fields

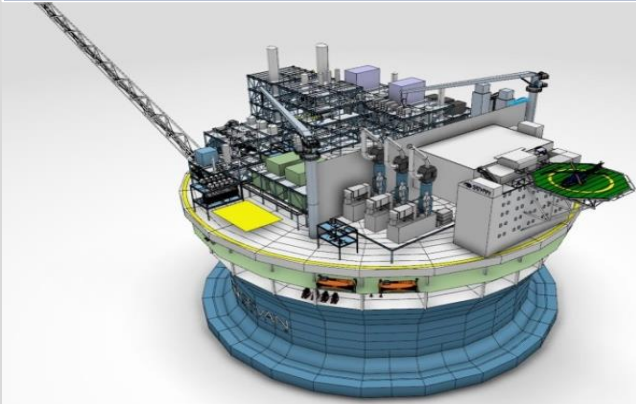
Both prospects are being targeted in co-operation with Teekay

Several prospects have been postponed or delayed in 2015 due to the rapid decline in oil price and consequent reduction in investment levels

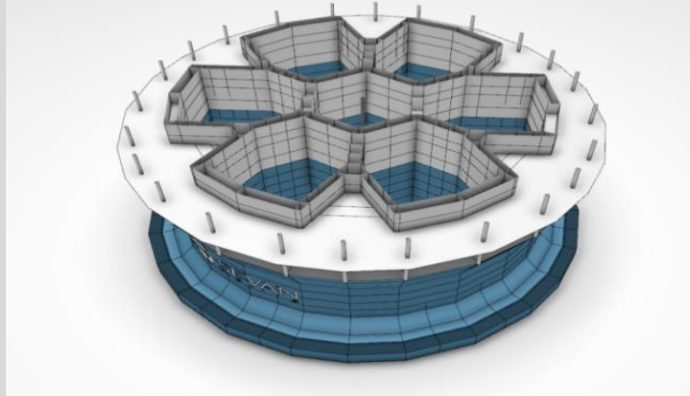


Sevan FLNG concept

Topsides



Hull and cargo containment system



Offloading based on HiLoad



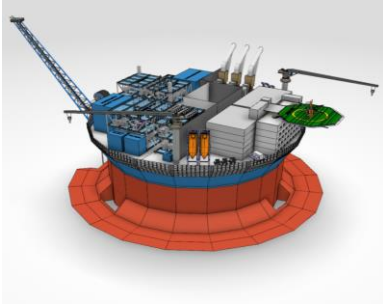
Key advantages:

- Stable platform gives high regularity
- Unique tank system applicable for both IHI SPB tanks and GTT Membrane tanks
- Large deck area for process either Liquefaction (FLNG) or Regasification (FSRU)
- Substantial storage (& Production) capacity
- No depth limitation for seawater intake
- Offloading systems for all environmental conditions
- Capacity for many risers
- Significant CAPEX saving, no turret and swivel
- Large OPEX savings, reduced marine crew / maintenance (no turret and swivel)

- Conceptual design completed
- Key concept features:
 - Liquefaction capacity: 2.4 mtpa (2 trains)
 - LNG storage capacity: 220,000 m³
 - LPG storage capacity: 25,000 m³
 - Condensate storage capacity: 36,000 m³
- Constructability study completed with major Korean yard
- Approval in Principle by ABS and DNV-GL
- Shortlisted by major IOC for small to mid-scale fields

Sevan FPSOs: Future FPSO opportunities

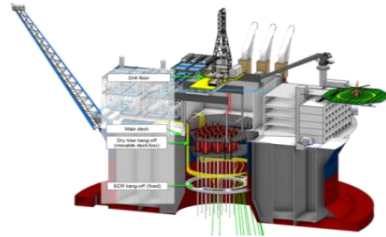
SEVAN SCR FPSO



- Concept for a non-disconnectable deepwater FPSO utilizing Steel Catenary Risers (SCR)
- Suited for harsh environment
- Extended skirt reduces heave motions
- SCRs arranged in moonpool, less affected by roll/pitch motions

**Concept developed
US patent application approved**

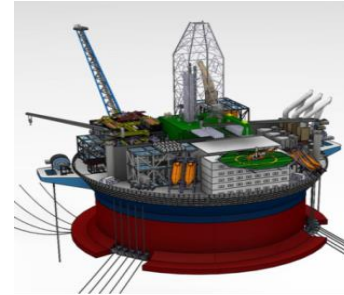
SEVAN FWPSO



- Concept for Floating Workover Production Storage Unit (FWPSO)
- Benign environment
- Extended skirt reduces heave motions
- Top tensioned vertical risers, arranged in a moonpool
- Draft compensation through large ballast capacity, or through movable hang-off platform

**Study proposal prepared to explore
the possibility of using dry-trees on a
Sevan unit**

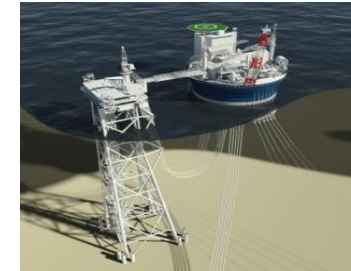
SEVAN FDP SO



- Concept for Floating Drilling, Production and Storage unit (FDP SO)
- Extended skirt reduces heave motions
- High drilling availability (production drilling)
- Mooring system designed for harsh environment

Concept study completed

Bridge linked FSO/FPSO



- Concept developed for mooring close to WHP allowing for a bridge connection between the units
- Jumpers (flexible pipes, umbilical, cables, etc) between units
- Telescopic gangway between units
- 4 mooring clusters to control offsets
- High availability of gangway
- Requiring a simpler WHP platform as equipment and living quarter can be moved to FSO

**Several studies performed both for
bridge linked FPSO and FSO**

WHP= Well Head Platform

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Other Applications (Drilling, Logitel)



Proven technology: Sevan designed Drilling Units

Sevan Driller

Field operator: Petrobras
Field: Pre-salt Brazil
Building year: 2009
Design: Sevan 650



Sevan Brasil

Field operator: Petrobras
Field: Pre-salt Brazil
Building year: 2012
Design: Sevan 650



Sevan Louisiana

Field operator: LLOG
Location: US GoM
Building year: 2013
Design: Sevan 650



Sevan Developer

Design: Sevan 650
Building year: 2013 /2014
Yard: Cosco Shipyard,
China



New Opportunities



- Continued long term interest for an Ice version and a Harsh Environment version
- Continue to pursue opportunity with a new market entrant which may materialize in 2015

Proven technology: Sevan designed Logitel Units

Three Units – One delivered and two under construction



Six Options with the Cosco Shipyard – one exercised, one to expire, 4 remaining

- The 'Arendal Spirit' was delivered in February 2015 from the Cosco, Nantong yard to Teekay Offshore Partners and has arrived in Brazil
- Logitel Offshore has the option to build 4 more at the Cosco Shipyard



CeFront cooperation

- CeFront (established by co-founders of Sevan) has strong technical competence for Sevan cylindrical hull designs
- Cooperation with CeFront to utilize expertise and secure technical and commercial development of technology in areas outside the core FPSO/FSO segment
 - Generate license income, service income and investment opportunities on project basis for non-core applications (Drilling and Accommodation)
- Sevan has preferential rights to request technical assistance from CeFront
- CeFront will be the preferred supplier of technology development services to Sevan for segments outside core FPSO/FSO
- Sevan commits to buy services from CeFront on a fixed fee basis for approximately USD 185k per month falling to USD 60k per month by end of 2018. Additional success fee to CeFront if a relevant project receives license fees

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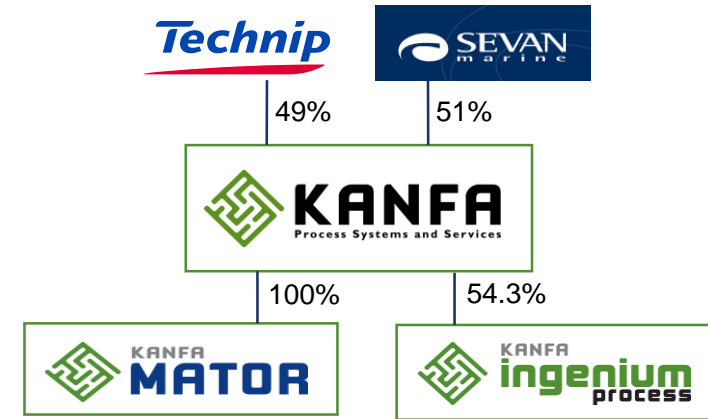
Outlook

Investments (KANFA, KANFA Aragon)



KANFA

- 50 employees
- A process technology company focusing on delivering on an EPC basis process equipment packages and modules as well as studies and FEEDs together with Technip
- Traditional process equipment packages and modules include: Main Separation systems, Water Injection systems, Produced Water Treatment systems, Chemical Injection systems
- Poor performance due to further loss provisions
- USD 50 million Yinson OTCP project started in quarter, currently working under LOA
- Margin on OTCP likely not visible until late 2015, 1st payment milestone achieved
- Action taken to reinforce key functions
- High level of tender work



KANFA Aragon

- 25 employees
- 50% ownership Sevan Marine and 50% ownership KANFA Aragon employees
- A process technology company focusing on FLNG as well as traditional gas processing packages, also on an EPC basis
- Patented FLNG liquefaction process based on an optimized dual nitrogen expander cycle
- Poor performance in quarter due to low workload, low utilization of staff
- Cost reduction measures taken
- Tendering for new work
- Further cost reduction measures required in second half of 2015 if work not won



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Q1 2015 Segment Information

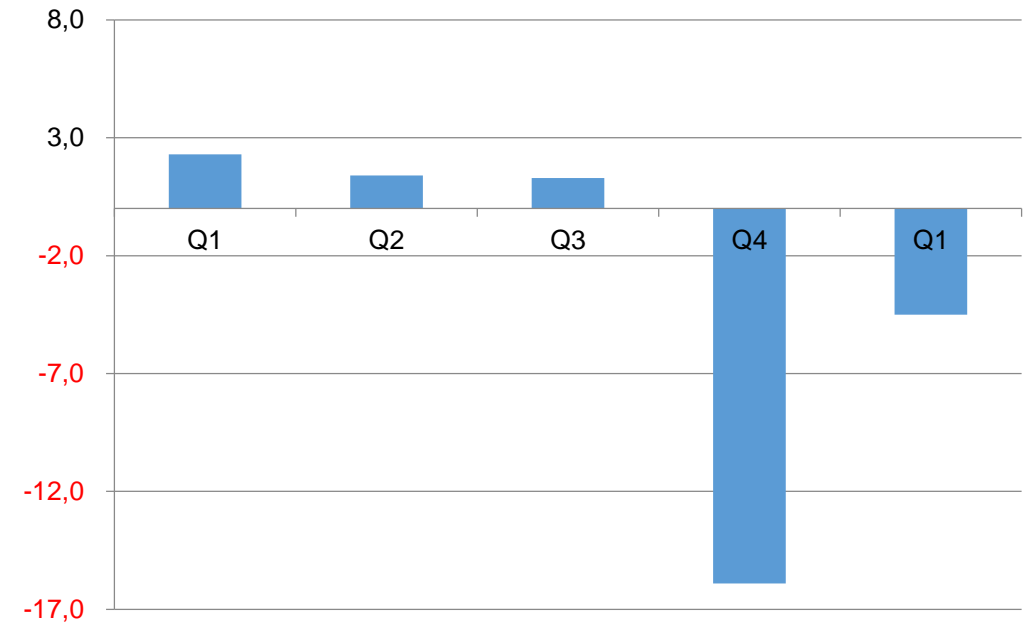
- Core Floating Production
average revenue per quarter of USD 15 million from Q1'13.
Loss of Dana license in Q1 2015. Solid historical margins
- Topside and Process Technology average revenue per quarter of USD 10 million from Q1'13. Lack of workload in Q1 2015
- Topside and Process Technology has delivered negative margins

Figures in USDm	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15
Revenue									
Floating Production	15.8	15.0	13.5	14.8	14.9	15.4	16.6	16.2	10.1
Topside and Process Technology	3.7	10.7	12.6	16.4	9.7	12.0	8.6	9.0	5.3
Group total	19.5	25.7	26.1	31.2	24.7	27.4	25.2	25.2	15.4
EBITDA									
Floating Production	1.3	2.9	2.3	-1.9	1.9	1.7	3.0	2.4	-0.9
Topside and Process Technology	-0.7	0.7	0.5	3.0	-0.2	-0.5	-1.5	-1.2	-1.8
Eliminations	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Group total	0.3	3.6	2.8	1.1	1.6	1.2	1.5	1.2	-2.7
EBITDA margin									
Floating Production	8%	19%	17%	-13%	12%	11%	18%	15%	-9%
Topside and Process Technology	-18%	7%	4%	18%	-2%	-4%	-17%	-13%	-34%

Q1 2015 Net Result

- USD 17.0 million in non-cash charges during Q4 2014
- Q1 2015 Result includes EBITDA impacts less USD 2.1 million unrealized foreign currency loss on NOK holdings
- Topside and Process segment performance challenging with improvement not expected before Q3 2015 at earliest
- Potential delays in Logitel deliveries could lead to future impairments
- Target to achieve break-even in Floating Production coming closer although new award likely needed to close gap fully

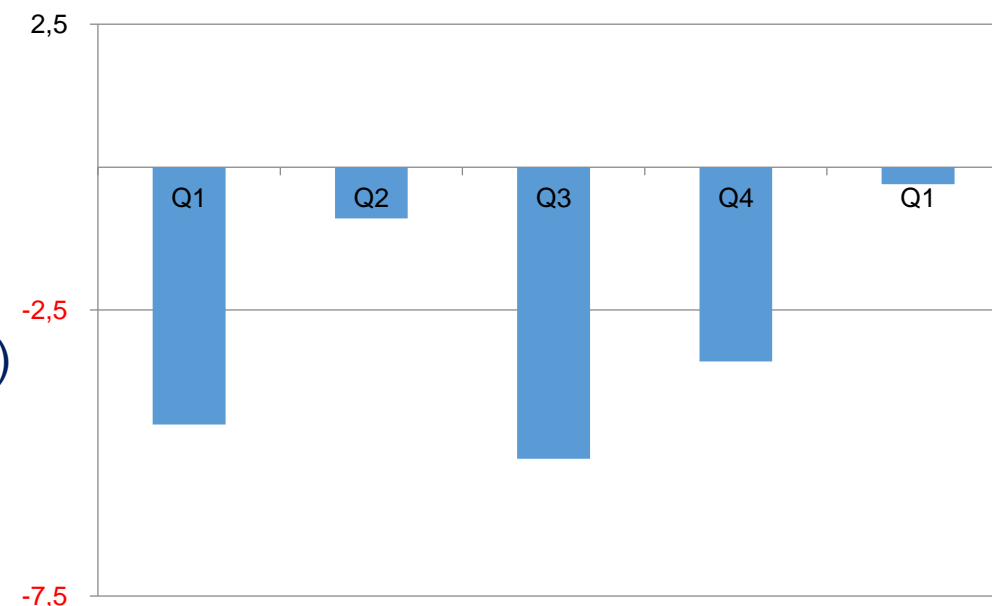
2014 and Q1 2015 Net Result (USD Million)



Q1 2015 Cash Flow

- Best cash performance in many quarters
- USD 27.0 million in cash at end Q1, in line with Q4
- Changes in cash largely driven by working capital movements and cost savings
- Majority of cash (USD 26.7 million) in floating production
- Piranema claim unresolved (USD 4.4 million provided for)
- Notice from Skatt Sør (Norwegian tax authorities)
Potential NOK 30 – 40 million cash impact in 2015
- First USD 10 million from Logitel expected in August
- Key target for 2015 is to maintain cash balance excluding one-off items such as Piranema and tax claims

2014 and Q1 2015 Cash Flow (USD Million)



Q1 2015 – Profit & Loss statement

<u>Unaudited figures in USD million</u>	<u>Q1 15</u>	<u>Q4 14</u>	<u>Q1 14</u>	<u>Comment</u>
Operating revenue	15,4	25,2	24,6	Dana license expiry (USD 3m). Lower activity (USD 2m). Poor Topside and Process workload (USD 5m)
EBITDA	-2,7	1,2	1,6	Dana license expiry (USD 3m). Restructuring provision (USD 1m). Poor Topside and Process performance (USD 2m). Compensated partially by savings and better utilization of own staff
Operating profit	-2,8	-4,8	1,5	
Net profit	-4,5	-15,9	2,3	EBITDA less exchange rate losses on NOK holdings

Excluding Topside and Process Segment and restructuring provision underlying EBITDA in Floating Production segment was breakeven

Q1 2015 – Balance Sheet

<i>Unaudited figures in USD million</i>	31.03.2015	31.12.2014	31.03.2014	Comment
Intangible assets	7	7	13	Goodwill related to Topside and Process segment
Deferred income tax assets	-	0	8	
Loan	50	50	60	Long term portion of Logitel convertible loan Accrued Logitel license of USD 9.7m
Other non-current assets	11	10	6	
Total non-current assets	68	67	86	
				USD 15.3m related to Topside and Process segment. USD 13m related to current portion of Logitel convertible loan plus accrued interest. Remainder is accounts receivable and accrued revenue
Trade and other receivables	38	51	42	USD 26.7m in Floating Production segment
Cash and cash equivalents	27	27	37	
Total current assets	65	78	79	
Total assets	133	145	165	
Total equity	106	111	129	
				USD 0.8m related to Topside and Process segment. Remainder is long term severance and pension liabilities
Total non-current liabilities	2	2	3	USD 11m related to Topside and Process segment. USD 4.4m Piranema Provision. USD 3.1m vacation and severance accruals. Remainder is accrued liabilities and accounts payable
Total current liabilities	25	31	33	
Total liabilities	27	34	36	
Total equity and liabilities	133	145	165	

USD 27 million of available cash in line with previous quarter
USD 73 million of balance sheet related to Logitel transaction
USD 25m of assets and goodwill related to Topside and Process Segment

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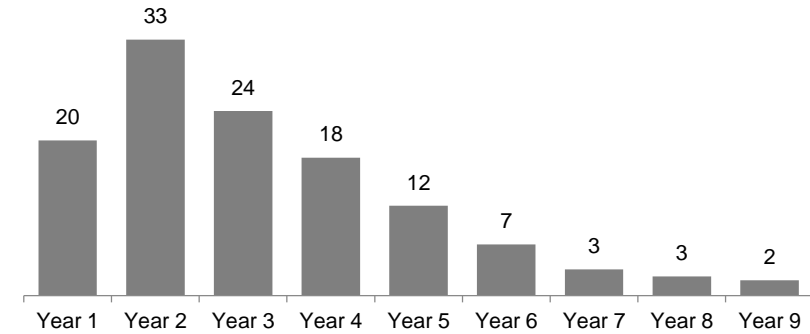


Contracted license fee potential

Ongoing FPSO Project

- Fixed license fee of USD 24m received
- Variable compensation component based on production or offloading
- Value in the range of USD 20-25m (10% WACC)
- Timing uncertain, vessel still under construction in yard

Field production profile ('000 b/d)



Source: Wood MacKenzie

Goliat FPSO

- Unit delivered, currently under commissioning in Northern Norway
- Sevan has a potential variable uptime bonus of up to USD 12m

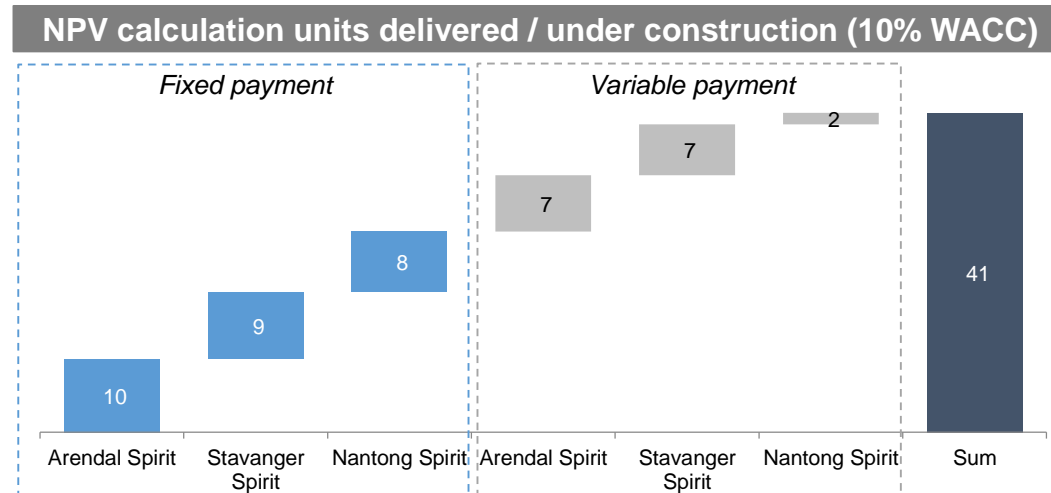


Logitel license fee potential

- Balance sheet includes USD 73m related to Logitel Offshore, of which approximately USD 40m is highly certain
 - USD 60m convertible loan to be repaid from fixed payments following delivery of the first 6 units
 - USD 13m in accrued interest and license revenue receivable which is the expected variable payment to be received from Arendal Spirit and the portion of expected variable payment on Stavanger Spirit accrued to date
- Payment schedule depending on delivery and charter acceptance of the units
 - Fixed payments due 6 months after delivery from yard
 - Variable component payable subject to operational performance and project execution due 12 months after start of charter hire
- Arendal Spirit delivered in Q1 2015
 - High certainty of payments
- Two units under construction
 - Relatively low risk, although timing is uncertain
- Option 1 exercised (Nantong Spirit), while option for fourth rig expiring in May will not be exercised
- Uncertainty related to remaining 4 options
- In addition to the fixed and variable payments, Sevan provides site services and engineering support to Logitel Offshore

USDm	Fixed payment	Variable payment*	Total	Status
Arendal Spirit	10	~8	~18	Delivered Q1'15
Stavanger Spirit	10	~8-10	~18-20	Uncertain (Scheduled Q4'2015)
Nantong Spirit	10	~2	~12	Uncertain (Scheduled Q4'2016)
Option 3	10	~2	~12	TBD (Expires 30.11.15)
Option 4	10	~2	~12	TBD (Expires 30.11.16)
Option 5	10	~2	~12	TBD (Expires 30.11.17)
Option 6	10	~2	~12	TBD (Expires 30.11.18)

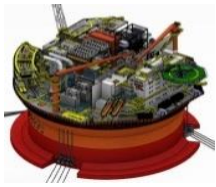
(*) Variable component payable subject to operational performance and project execution



License fee potential

1. License fee

FPSO



- Number of units: 5 last 9 years
- Typical license fee: USD 20-50m
- Ongoing project at USD 24m plus variable component
- License fee period 2-4 years plus variable component

FSO



- Number of units: 0
- Typical license fee USD 10-15m
- License fee period 2-3 years

Drilling



- Number of units: 4 last 7 years
- Typical license fee USD 8-10m
- License fee period 2-3 years

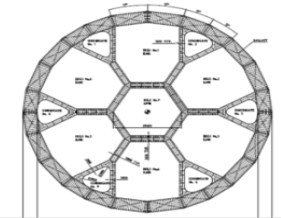
Accommodation



- Number of units: 3 last 4 years
- Typical license fee USD 10-15m
- License fee period 2-3 years

2. Engineering

All segments



- Engineering services and project follow-up depending on studies and license awards
- Sevan currently generating ~USD 30-40m annually

Sensitivities on future awards

- Table illustrating 3 scenarios of future license sales, including license fee, revenue and EBITDA potential
 - A high, medium and low case is provided
 - Illustrating the Sevan technology potential
- 0.5 units per year corresponds to 1 unit every second year (example)
- The key revenue drivers are size and frequency of license fees
- In the three cases revenue ranges from ~USD 40-110m, while EBITDA ranges from ~USD 10-60m
- Engineering margin assumed to increase with activity due to economies of scale

Sensitivities of future license sales

Run-rate scenarios

# units per year		Low	Mid	High
FPSO	(x)	0.50	0.75	1.00
FSO	"	0.25	0.33	0.50
FAU	"	0.25	0.33	0.50
Drilling	"	0.25	0.50	0.50

Average license fee

FPSO	USDm	20	25	40
FSO	"	10	15	20
FAU	"	10	12	15
Drilling	"	8	8	10

Eng. Hours

Billable Staff	(#)	75	95	125
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Revenues

Annual license fee	USDm	17	32	63
Engineering	"	22	30	44
Total	"	39	62	106

Operational Costs

Engineering margin	USDm	18 %	21 %	26 %
Engineering Staff	"	-18	-24	-32
Unallocated costs	"	-11	-14	-15
Total Operational Costs	"	-29	-38	-47

Total EBITDA	USDm	10	24	59
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Outlook

- The FPSO/FSO market
 - Increased focus on cost effective solutions should be an advantage for Sevan
 - Increasing sales and marketing focus with emphasis on U.S. oil majors and approval for use of concept in U.S. Gulf of Mexico. Considering opening office in Houston, Texas, USA with decision in 2015
 - Workload on current projects (Goliat and Western Isles) and studies declining, with utilization still high in part due to workforce reduction
 - Potential production related license fees and bonus payments outstanding
 - Two potential FPSO / FSO awards between Q4 2015 and early 2016
- The Sevan FLNG and HiLoad LNG Offloading solutions
 - Further small study secured during quarter
 - High level of interest and future small studies likely in coming months
- The Logitel market
 - An important milestone was achieved by the delivery of 'Arendal Spirit' and vessel arrival in Brazil
 - Challenging floating accommodation market may lead to delays in delivery of units 2 and 3
 - Long term prospects remains strong

Outlook

- The Drilling market
 - The Drilling market is expected to remain challenging
 - We see continued long term interest for the ice versions of our design as well as the possibility to provide a license to a new market entrant
- The Topsides Process Systems market
 - OTCP project progressing well
 - Securing further workload is key
 - Further cost reduction measures cannot be ruled out
- Comprehensive Cost Reduction Program
 - Over 15% headcount reduction, ahead of target
 - Objective to take out USD 3 million in annual cost looks achievable
 - Further cost reduction measures being looked into
 - Key target is to remain operating cash flow breakeven excluding one-off items in 2015
- Strategic Review
 - Optimistic that the outcome will help Sevan Marine to achieve its full potential and deliver enhanced value to shareholders



<https://www.youtube.com/watch?v=yrmgE6QiSBo>



<https://www.youtube.com/watch?v=WcjsdQgQOiA>



<https://www.youtube.com/watch?v=DA4u5Y3u0NM>

Q & A

