

# Sevan Marine ASA

## Results

### First Half 2015

Oslo, August 19, 2015

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# Sevan Marine – Investment Highlights

- **Debt free** - cash of USD 30 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, Accommodation units, FLNG
- **A proven design** – with unique benefits
- **Competitive cost level** – 15 - 25% cost savings estimated compared with turret moored solutions

Highlights

Floating Production

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# Second Quarter Highlights



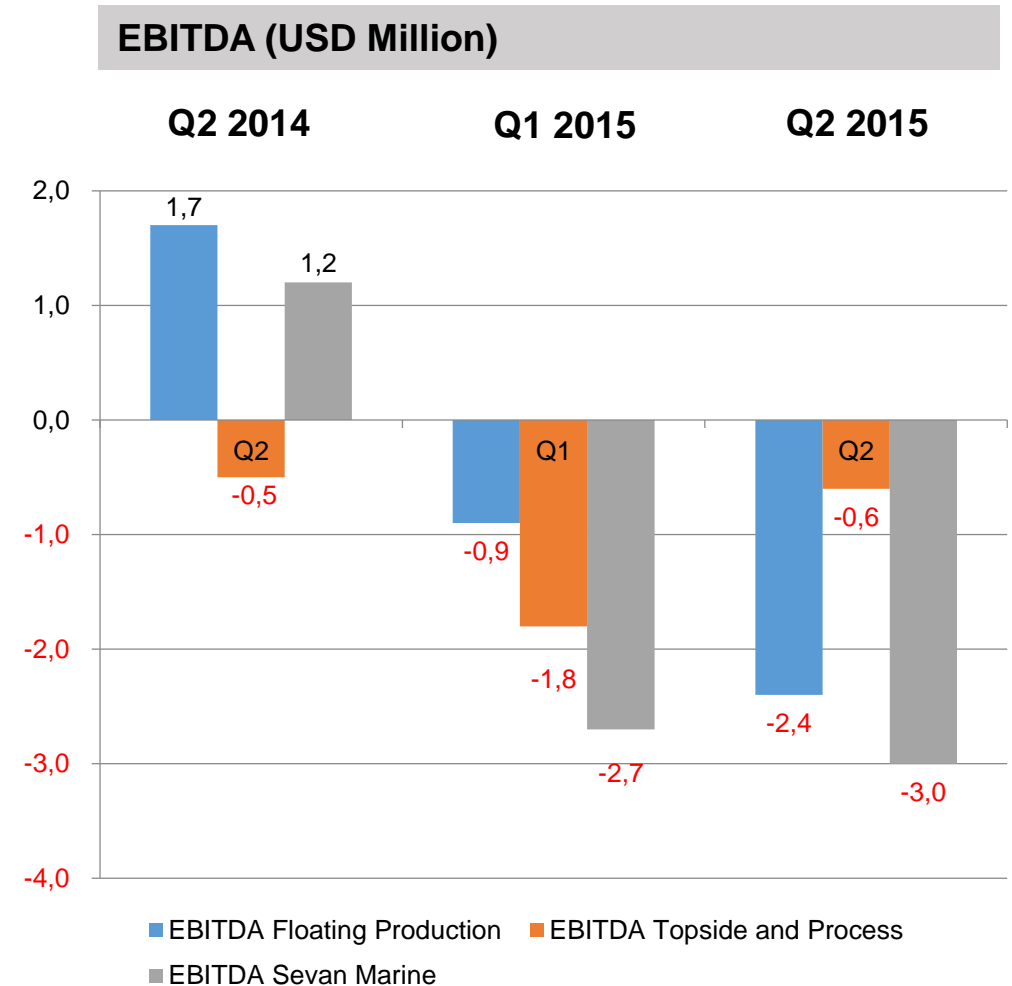
# Q2 2015 Highlights

## Floating Production:

- Headcount and other cost reduction implemented
- Decline in revenue (lower activity) only partially compensated by improved cost and efficiency
- USD 0.3m cost of investigation in quarter

## Topside and Process:

- KANFA breakeven on high OCTP workload
- Kanfa Aragon low workload, improved EBITDA due to cost cutting



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

# Investigation

- Arises out of allegations and most recently criminal charges in Brazil against former Sevan Marine employee and agent Mr. Raul Schmidt Felipe Junior in the Brazilian authorities' investigation into corrupt activities involving Petrobras (Operation Car Wash – Lava Jato)
- The investigation is focused on the historical activities of Mr. Raul Schmidt as employee and agent for Sevan Marine
- Sevan Marine has been in contact with the various jurisdictions involved (Norway, Brazil, US and UK) and is cooperating fully with authorities
- Sevan Marine is currently not aware of any payments or interactions with Mr. Raul Schmidt or any of his known companies since the IPO of the drilling activities and restructuring of Sevan Marine in 2011
- The investigation is expected to continue during Q3 and Q4 at an estimated total cost of USD 2-4m
- Sevan Marine is taking this matter very seriously and adheres to the strictest of compliance and ethical standards



# Strategic Review Process

- Pareto Securities has, as previously announced, been retained as advisor to the Company in order to look into a broad range of strategic alternatives, with the objective to take Sevan to the level in terms of growth and profitability
- This strategic review process continues, albeit at a slower pace than initially foreseen
- Sevan Marine remains optimistic that the outcome will help Sevan Marine to achieve its full potential and deliver enhanced value to shareholders



# 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**



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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

- The Goliat FPSO has now been installed at the field in the Barents Sea.
- Sevan activity on the project is continuing to decrease as the project is close to completion

**Western Isles**



Field operator: Dana Petroleum

Location: North Sea, UK

Hull size: Sevan 400

- Under construction at the Cosco yard in China
- Sevan involved with personnel at the yard and back office activities



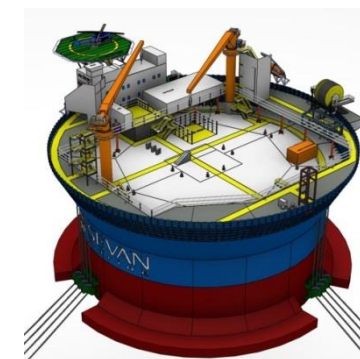
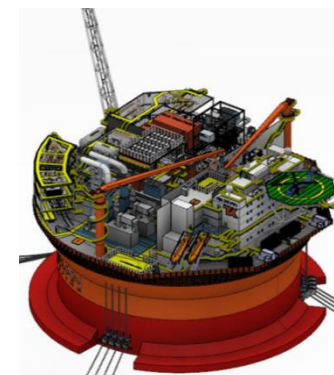
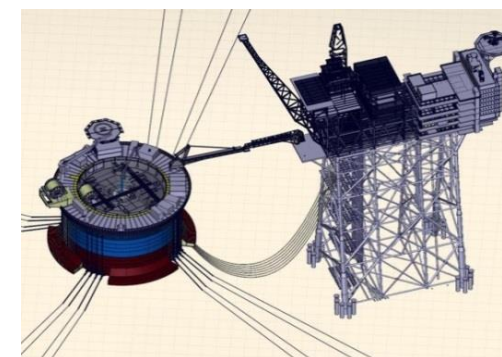
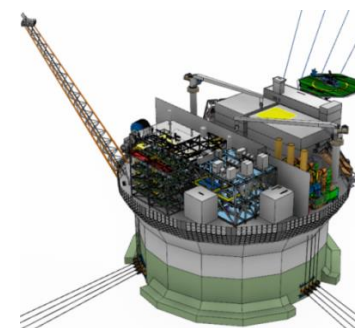
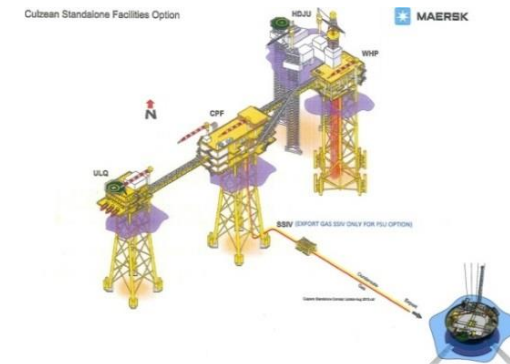
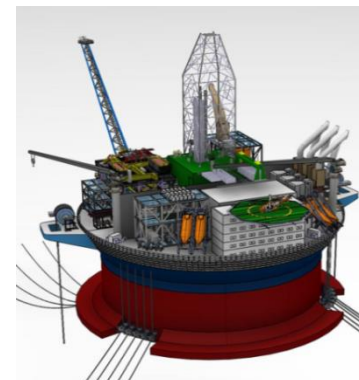
# FPSO and FSO market and prospects

Sevan is well positioned in the current market with a technology that can deliver substantial cost savings versus alternatives

During the second quarter we have been working on several studies and proposals within the FPSO/FSO market opportunities

We believe that we should be able to secure a license for one of these projects later this year or in the beginning of next year

As for the market in general, we continue to see prospects being postponed or delayed due to continued low oil price and consequent reduction in investment levels





# Sevan FLNG concept

Sevan is providing a cost efficient offshore FLNG solution

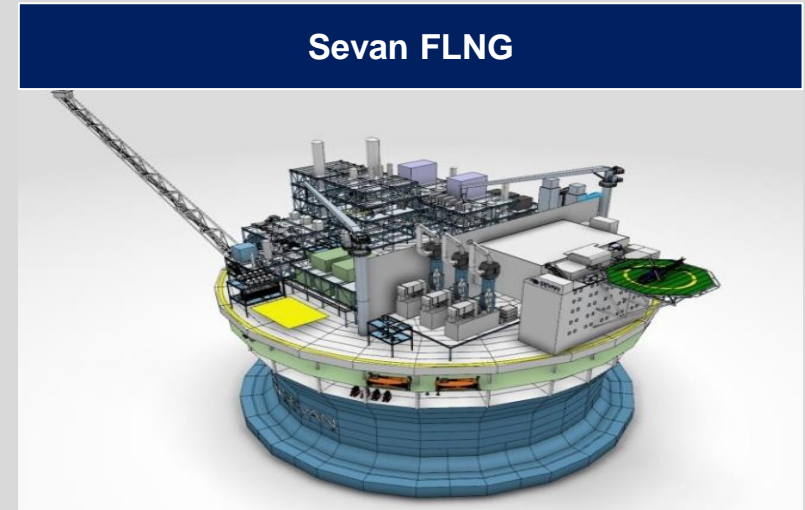
- No turret and swivel
- Membrane or SPB cargo containment system
- Capacity for many risers

Being considered by several major oil companies for field development

HiLoad is allowing offshore LNG transfer to standard LNG carriers

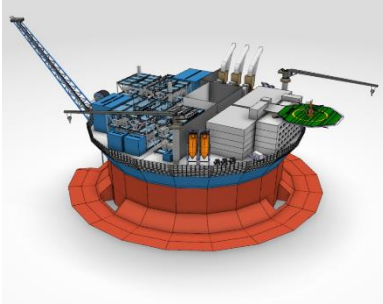
- Enhanced safety by 200 m separation of FLNG and LNG carrier
- Large savings by using standard LNG carriers
- Maximum flexibility by using standard LNG carriers

Enables offloading in rough sea-states



# Sevan FPSOs: Future FPSO opportunities

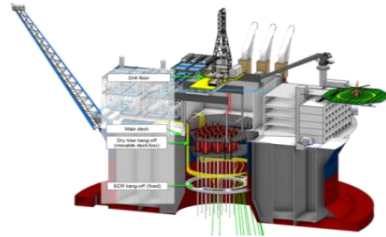
## SEVAN SCR FPSO



- 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 granted**

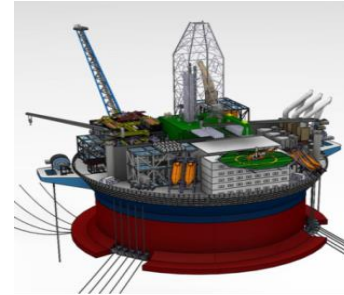
## SEVAN FWPSO



- 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**

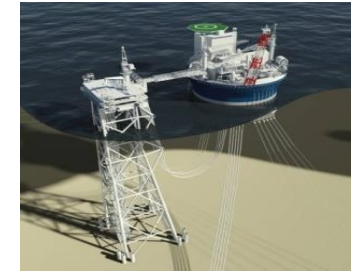
## SEVAN FDP SO



- 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 has expired, 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





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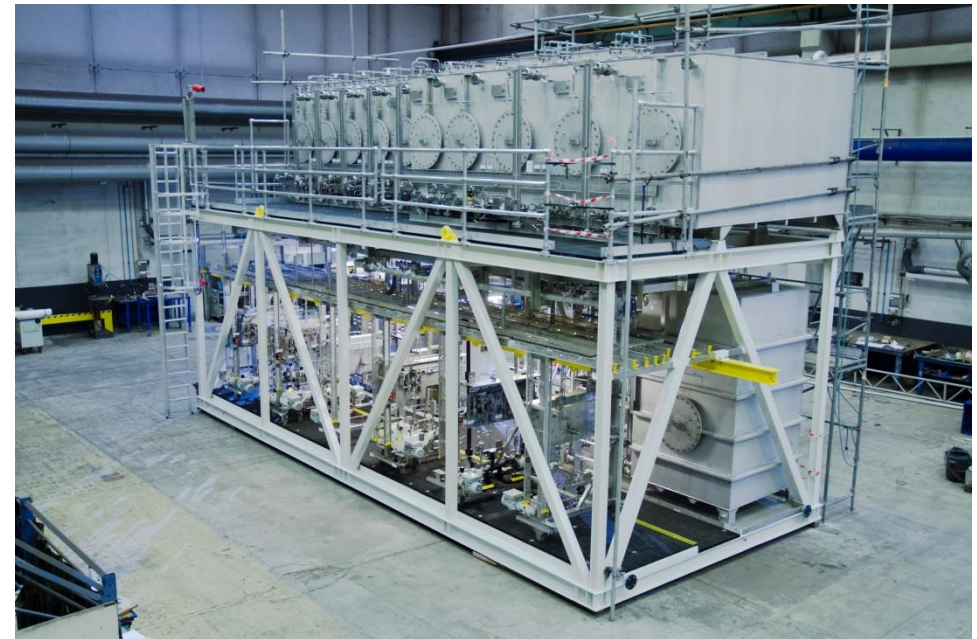
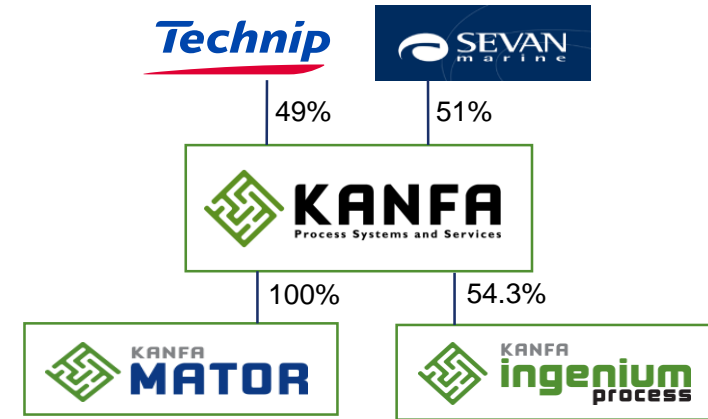
# Investments (KANFA, KANFA Aragon)





# KANFA

- 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
- The USD 50 million Yinson OCTP project is progressing well and steel cutting at the yard has recently commenced steel cutting at the yard. Margin is not likely not visible until late 2015, 1<sup>st</sup> payment milestone achieved
- KANFA Ingenium Process has been awarded the Chemical Injection Package for Johan Sverdrup Field Centre Phase 1. Package will be ready for delivery Q2 2016



# KANFA Aragon

- 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 financial performance in quarter due to low workload and low utilization of staff, however, partly offset by cost cutting measures implemented in Q2
- KANFA Aragon has recently secured more work (mainly engineering manhours), which should improve results in Q3
- Further cost reduction measures have been undertaken





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# Financials

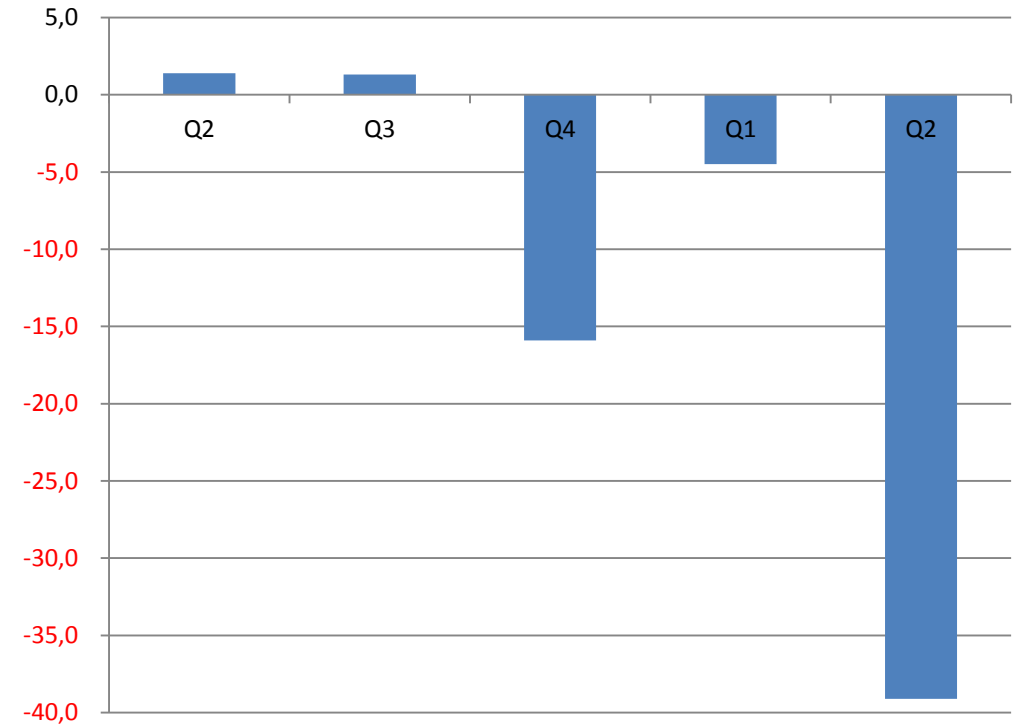




# Q2 2015 Net Result

- USD 37m non-cash impairment of Logitel Offshore convertible loan and accrued interest in Q2 2015
- Topside and Process segment performance improving but still negative
- Floating Production segment hit by impairment, declining workload and cost of investigation

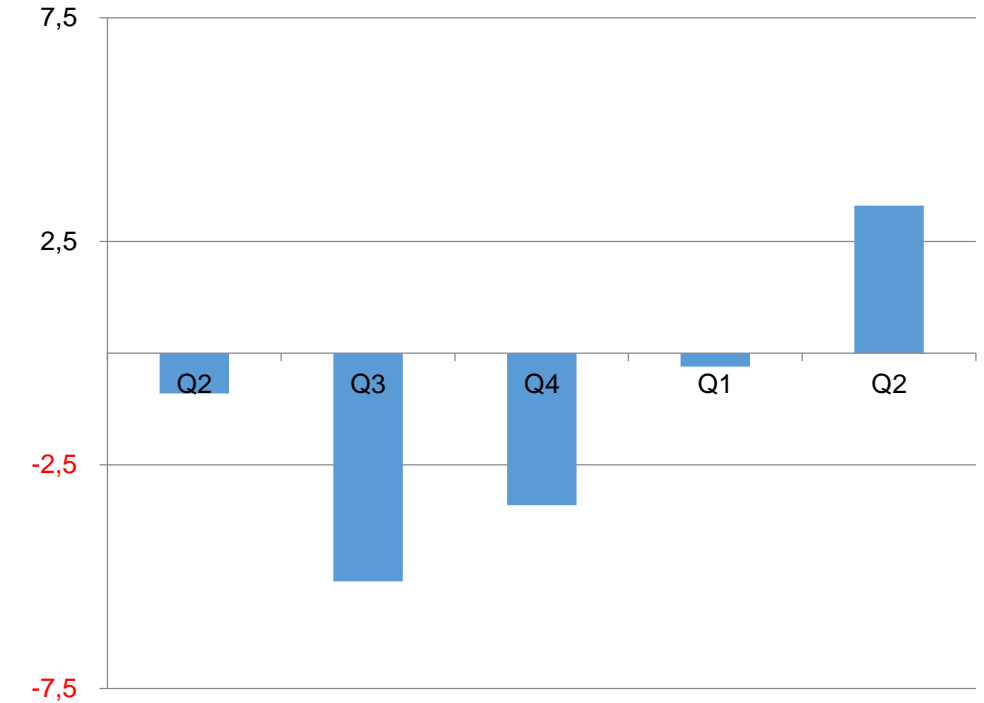
2014 and Q2 2015 Net Result (USD Million)



# Q2 2015 Cash Flow

- Positive cash flow quarter, driven by changes in working capital, including first OCTP down payment
- USD 30.3 million in cash at end Q2 2015
- Majority of cash (USD 28.6 million) in floating production
- 1st USD 10 million from Logitel Offshore received
- Investigation costs of USD 2-4 million expected
- Piranema claim unresolved (USD 4.4 million provision)
- Notice from Skatt Sør (Norwegian tax authorities)  
Potential NOK 30 – 40 million cash impact
- Key target is to maintain cash balance excluding one-off items such as Piranema, tax claims and investigation

2014 and Q2 2015 Cash Flow (USD Million)



# Q2 2015 – Profit & Loss statement

<u>Unaudited figures in USD million</u>	<u>Q2 15</u>	<u>Q1 15</u>	<u>Q2 14</u>	<u>Comment</u>
Operating revenue	15,5	15,4	27,4	Lower activity in Floating Production (USD 2.4m). Improved Topside and Process workload from OCTP project (USD 2.7m). Greater inter-company eliminations (USD 0.3m)
EBITDA	-3,0	-2,7	1,2	Decrease in Floating Production (USD 1.5m). Improved Topside and Process performance (USD 1.2m). Floating production in part due to USD 0.3m investigation related costs
Operating profit	-3,1	-2,8	1,1	
Net profit	-39,1	-4,5	1,4	Impairment of Logitel Offshore convertible loan

**Declining activity level in Floating Production partially compensated by cost savings and improvements in Topside and Process.  
USD 37m impairment of Logitel Offshore convertible loan.**



# Q2 2015 – Balance Sheet

<i>Unaudited figures in USD million</i>	<b>30.06.2015</b>	<b>31.03.2015</b>	<b>30.06.2014</b>	<b>Comment</b>
Intangible assets	7	7	13	Goodwill related to Topside and Process segment
Deferred income tax assets	-	-	8	
Loan	15	50	60	Long term portion of Logitel convertible loan Accrued Logitel license of USD 11m
Other non-current assets	12	11	8	
<b>Total non-current assets</b>	<b>34</b>	<b>68</b>	<b>89</b>	
Trade and other receivables	29	38	39	USD 12m related to Topside and Process segment. USD 11m related to current portion of Logitel convertible loan plus accrued interest. Remainder is accounts receivable and accrued revenue
Cash and cash equivalents	30	27	36	
<b>Total current assets</b>	<b>60</b>	<b>65</b>	<b>75</b>	USD 28.6m in Floating Production segment
<b>Total assets</b>	<b>94</b>	<b>133</b>	<b>163</b>	
<b>Total equity</b>	<b>68</b>	<b>106</b>	<b>127</b>	
Total non-current liabilities	2	2	3	USD 0.9m related to Topside and Process segment. Remainder is long term severance and pension liabilities
Total current liabilities	24	25	33	
<b>Total liabilities</b>	<b>26</b>	<b>27</b>	<b>36</b>	USD 10m related to Topside and Process segment. USD 4.4m Piranema Provision. USD 2.2m vacation and severance accruals. Remainder is accrued liabilities and accounts payable
<b>Total equity and liabilities</b>	<b>94</b>	<b>133</b>	<b>163</b>	

**USD 30m cash balance**  
**USD 37m Logitel Offshore impairment. Remaining value is also USD 37m**

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# Outlook



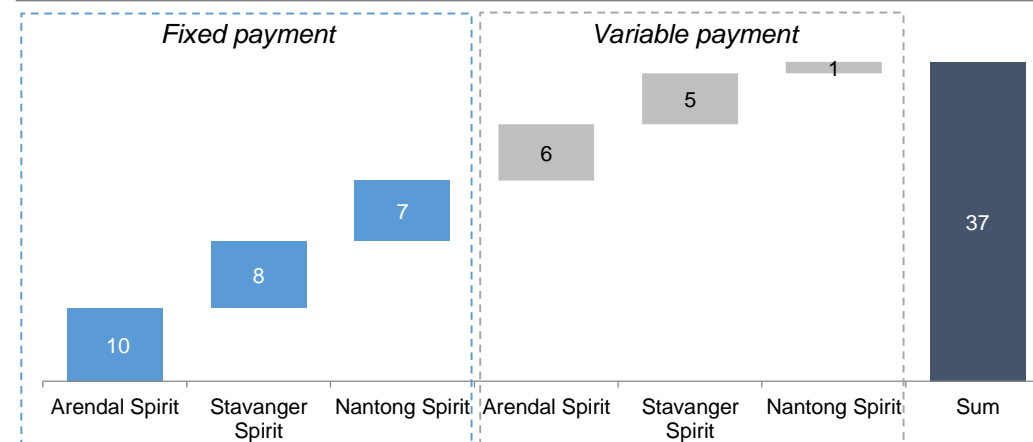
# Logitel Offshore update

- Arendal Spirit delivered in February and on charter in Q2 2015
  - USD 10m fixed payment received in August 2015
  - Currently estimated USD 8m variable payment due June 2016
- Two units under construction without charter contracts
  - Unit 2 delivery delayed for up to one year
  - Unit 3 construction delayed for 120 days, further delays cannot be ruled out
- Payments to Sevan Marine depend 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
- Sevan Marine believes likelihood of further new rigs is substantially reduced and highly dependent upon obtaining charter contracts for rigs under construction
- Remaining book value of convertible loan, accrued interest and accrued license income of USD 37m reflects discounted value of expected payments for rigs 1, 2 and 3 only

USDm	Fixed payment	Variable payment*	Total	Status
Arendal Spirit	10	~8	~18	Delivered Q1'15 On Charter Q2'15
Stavanger Spirit	10	~8-10	~18-20	Delivery delayed up to 12 months (Original schedule Q4'15)
Nantong Spirit	10	~2	~12	Construction delayed 120 days (Original schedule Q4'16)
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

**Remaining book value is equal to NPV of units delivered / under construction (10% WACC)**





# Outlook

- The FPSO/FSO market
  - Increased focus on cost effective solutions should be an advantage for Sevan
  - Workload on current projects (Goliat and Western Isles) and studies declining, with utilization still high in part due to workforce reduction
  - Two potential FPSO / FSO awards between Q4 2015 and early 2016
  - Positive continuing progress on UK sector FPSO prospect
- Logitel Offshore
  - An important milestone was achieved with the start of the Arendal Spirit 3 year charter, triggering currently expected USD 8m variable payment in June 2016
  - Challenging floating accommodation market has led to delays in rigs 2 and 3
  - Long term prospects remains strong
- The Drilling market
  - The Drilling market is expected to remain challenging
  - License has been granted to construct Sevan Marine designed unit for new market entrant. Effective date and payment of the license is subject to financing and construction contract becoming effective

# Outlook

- The Topside Process Systems market
  - OCTP project progressing well
  - Chemical injection package LOI for Johan Sverdrup field
  - Improved workload in Kanfa Aragon
  - Further cost reduction measures cannot be ruled out
- Cost Reduction Program
  - Over 15% headcount reduction
  - Impact already visible in Q2 2015
  - Declining workload and costs associated with investigation offsetting benefits at bottom line
  - Key target is to remain operating cash flow breakeven excluding one-off items in 2015
- Strategic Review
  - Process continues and Sevan Marine remains optimistic that the outcome will help company to achieve its full potential and deliver enhanced value to shareholders
- Dividend
  - Intention to consider extraordinary dividend in second half of 2015
  - Given activity level and status of new business opportunities, board will revisit first in Q4 2015

# Q & A

