

Sevan Marine ASA

Results

Third Quarter 2015

Oslo, November 11, 2015

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Sevan Marine – Investment Highlights

- **Debt free** - cash of USD 38 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

Third Quarter Highlights



Q3 2015 Highlights

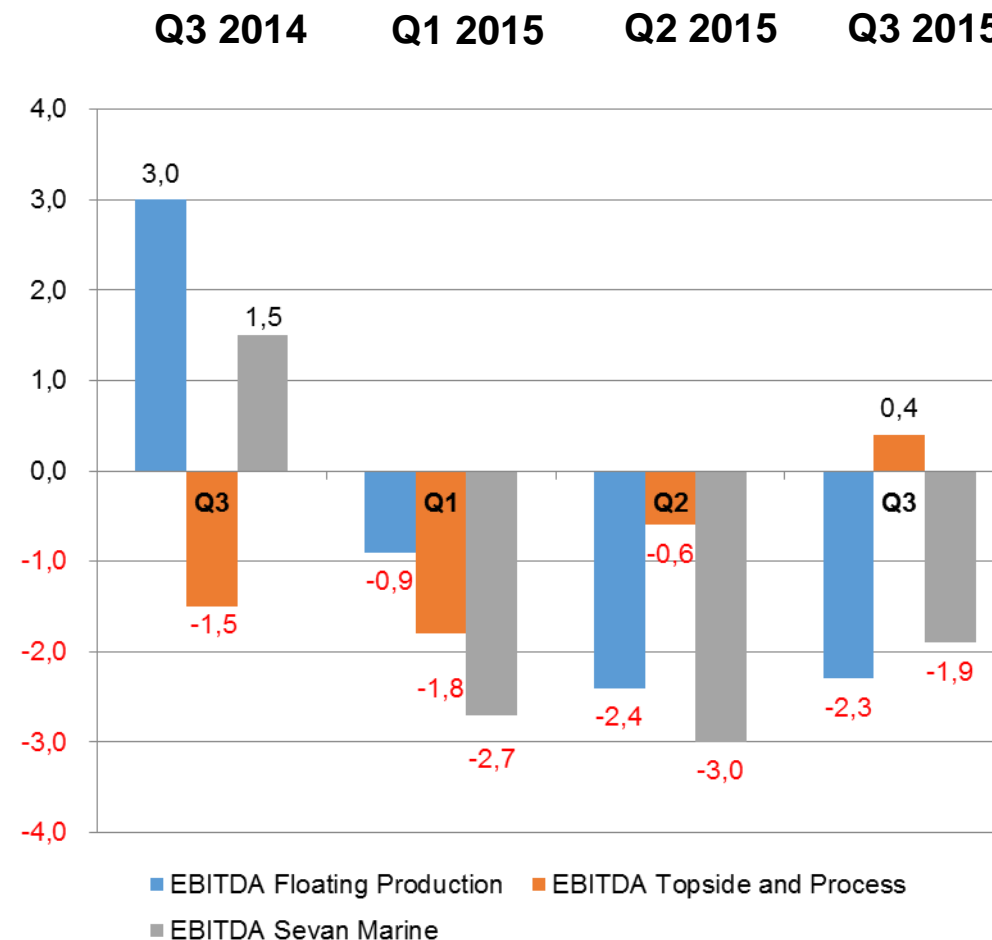
Floating Production:

- Headcount and other cost reductions implemented
- Decline in revenue (lower activity) only partially compensated by improved cost and efficiency
- USD 1m cost of investigation in quarter

Topside and Process:

- KANFA positive on high OCTP workload and project final settlement
- Kanfa Aragon workload and EBITDA improved

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

Investigation

- The Board received in October the external investigation report from Selmer, regarding allegations of possible improper conduct related to historical contracts with Petrobras, and has consequently handed the report over to the Norwegian authority for investigation of economic and environmental crime.
- The Board also asked Selmer to look into allegations in Brazilian media that privileged information were provided to investors regarding signing of contracts between Petrobras and Sevan Marine. Selmer has completed their report on this subject and concluded that based on the information available that such allegations cannot be verified.
- While the investigation by Selmer is now completed, Sevan Marine expects to continue its dialog with authorities in 2016. The expected total cost of the investigation remains in the range 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

- Sevan Marine appointed Pareto Securities in April 2015 to explore potential strategic options for the Company. The corporate investigation carried out between June and October, which has now been completed, has resulted in delays to the strategic review
- The Company will continue the work to explore strategic options for Sevan Marine
- 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

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

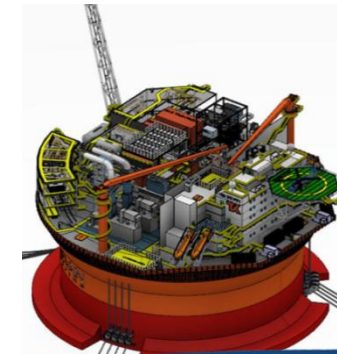
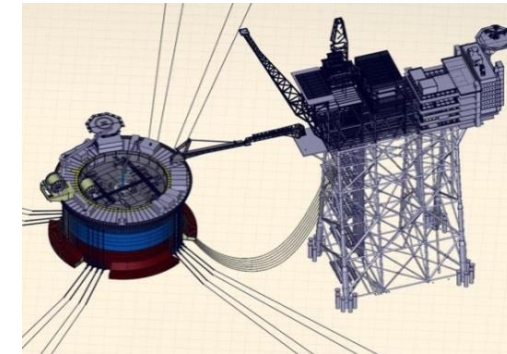
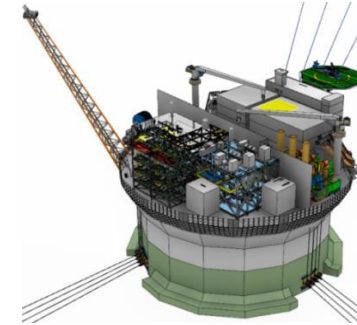
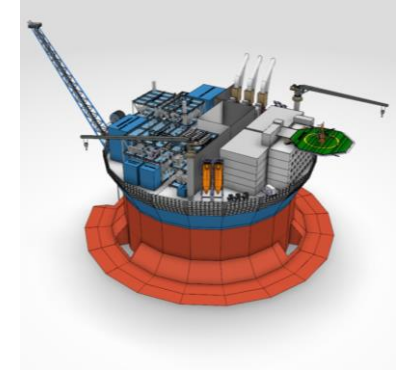
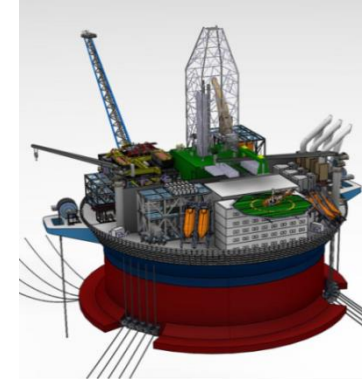
Location: North Sea, UK

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

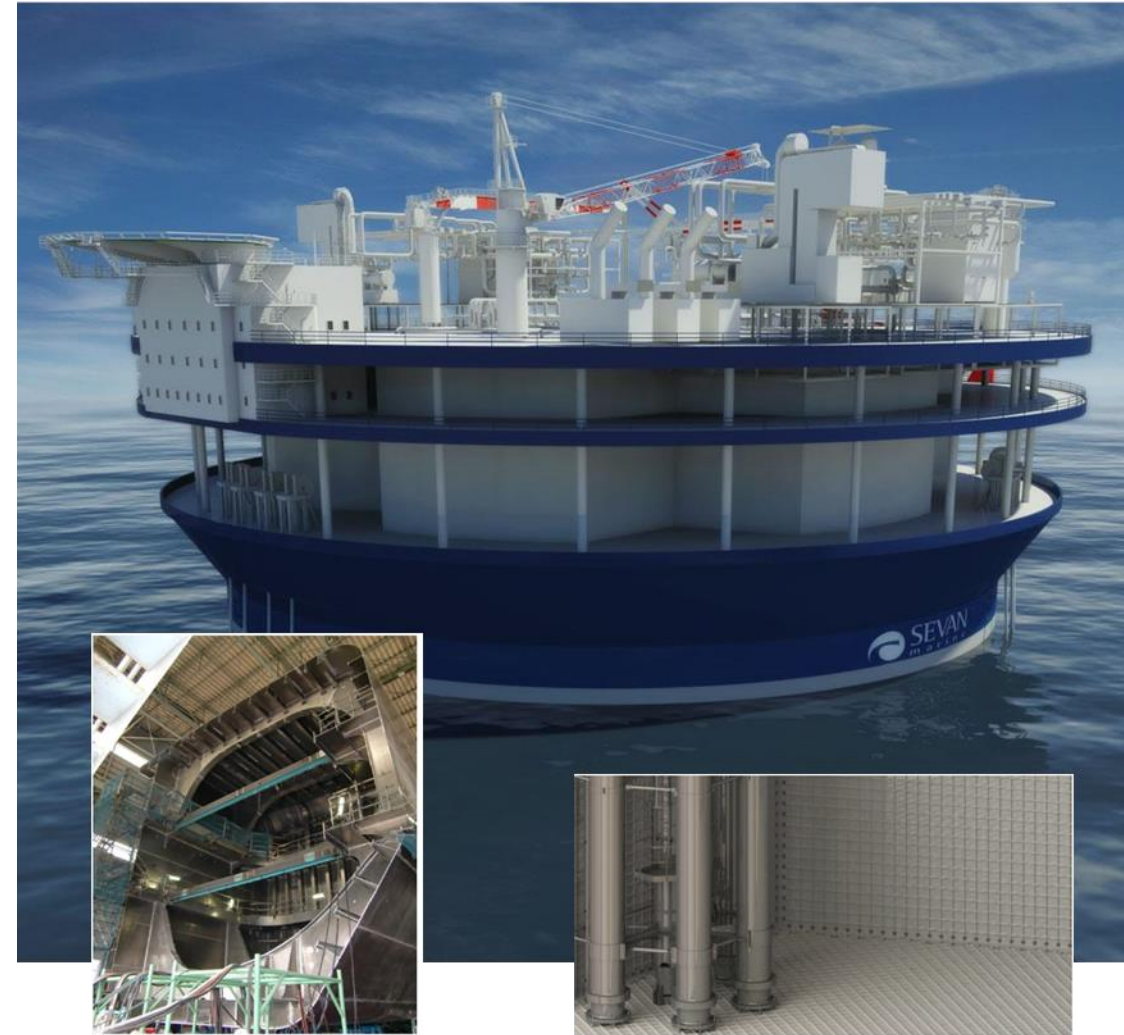
- During the third quarter we have been working on several studies and proposals within the FPSO/FSO market
- The selection of the Sevan Marine concept for the UK sector FPSO prospect and continuation of this project into a late FEED and contractor selection phase is a clear positive
- Sevan Marine expects to enter into a license agreement with respect to this prospect during Q4 2015. Payments under the license agreement remain subject to the field developers' final investment decision and start of construction of the unit, which is not expected before the second half of 2016.
- As for the market, 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
 - During the quarter Sevan Marine was awarded a paid feasibility study with an oil major to explore the use of Sevan Marine's cylindrical hull for a specific FLNG development. This study should be completed by year end and has the potential to lead to further paid study work in 2016



HiLoad LNG

HiLoad for Offloading

- 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

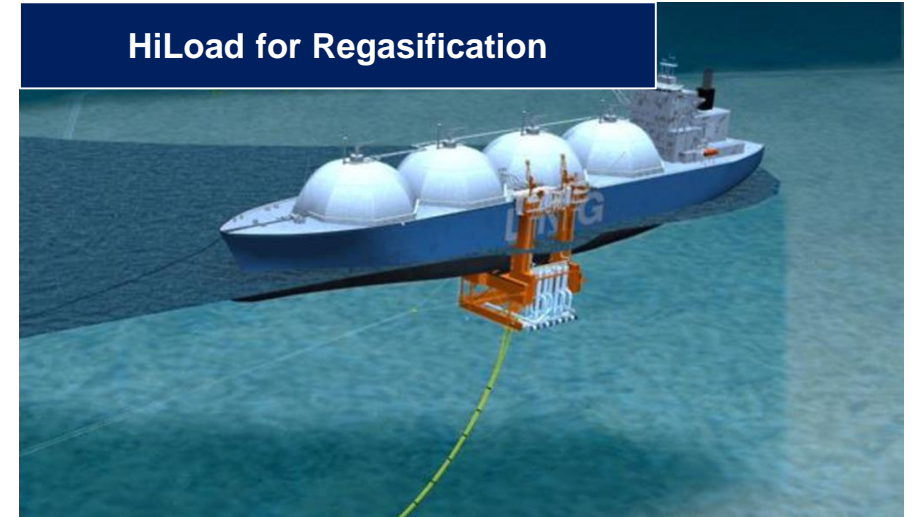
HiLoad for Regasification

- Regasification system located on the HiLoad unit
- Standard LNG carrier used for transport and storage
- Gas pipeline to power plant
- Considered for areas with underdeveloped power infrastructure
- FEED study currently being negotiated

HiLoad for Offloading

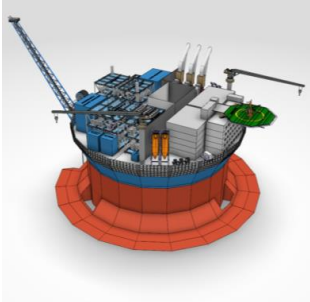


HiLoad for Regasification



Sevan FPSOs: Future FPSO opportunities

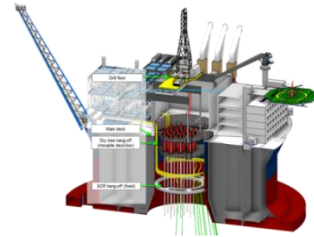
SEVAN SCR FPSO



- 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***

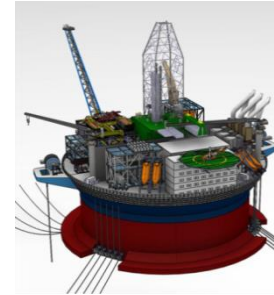
SEVAN FWPSO



- 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***

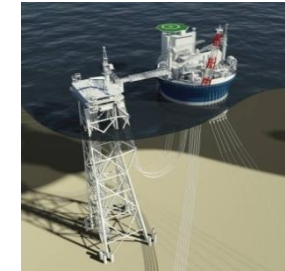
SEVAN FDP SO



- 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

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
- License provided to Cosco has expired

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 started production in June 2015
- Logitel Offshore has the option to build 4 more at the Cosco Shipyard

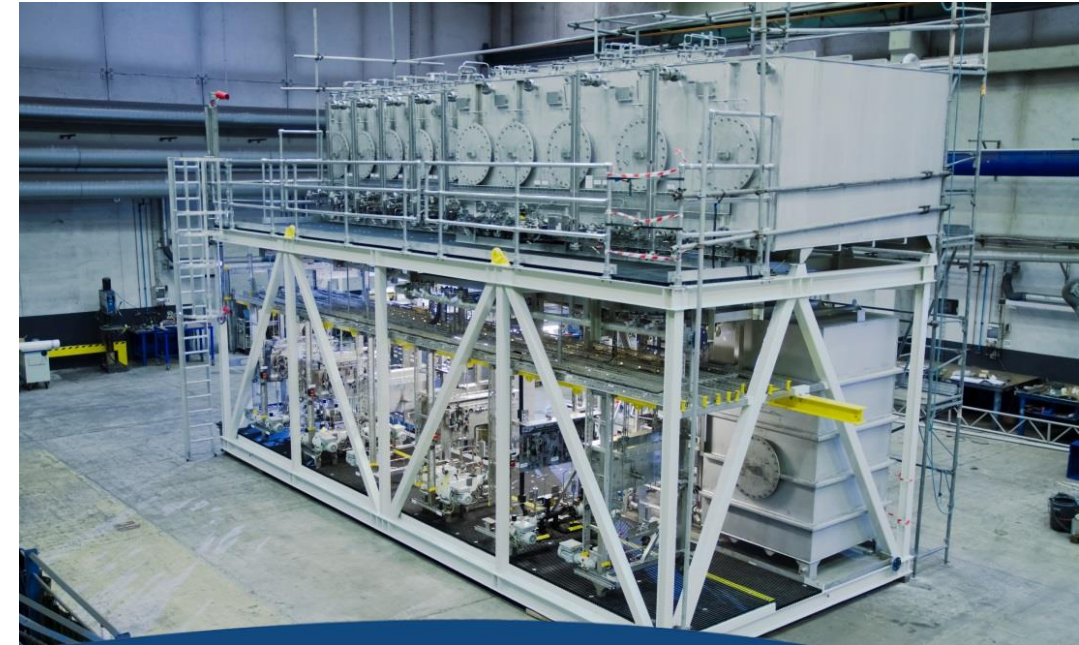
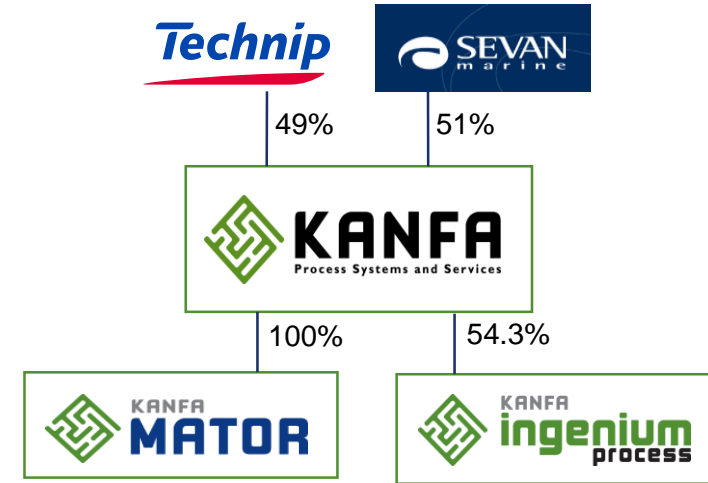


Investments (KANFA, KANFA Aragon)



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. Margin recognition unlikely before Q4 2015 or early 2016
- KANFA Ingenium Process has begun work on 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
- Improved workload in Q3 has led to reduction in loss versus previous quarters
- Further cost reduction measures have been undertaken



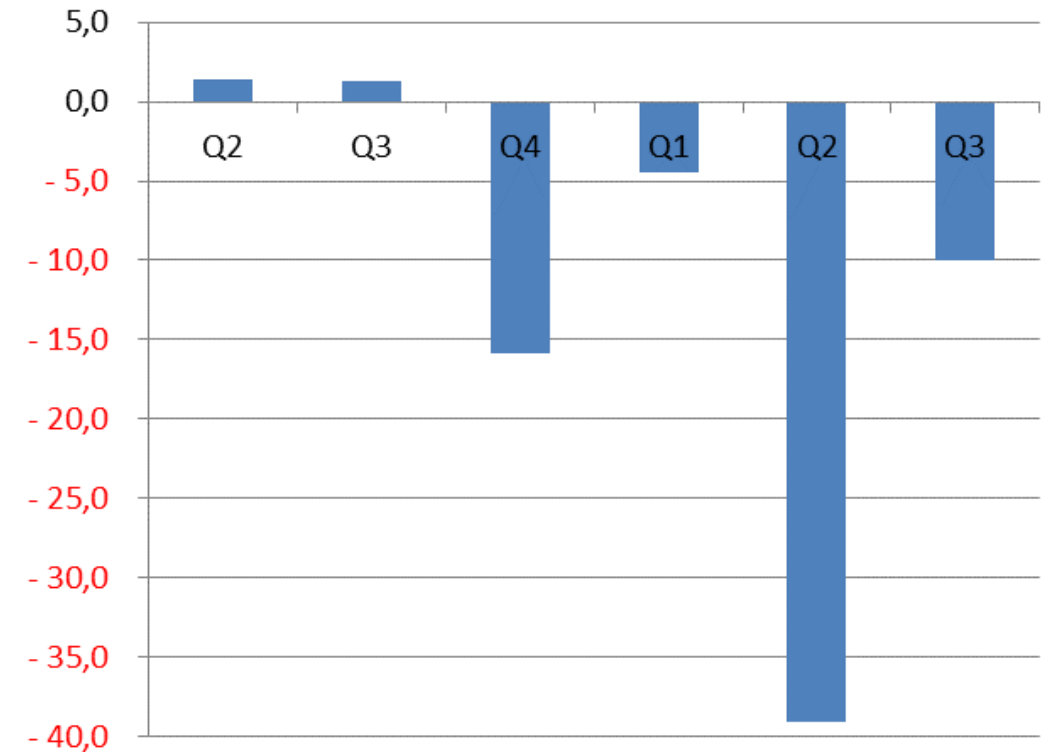
Financials



Q3 2015 Net Result

- USD 6m non-cash impairment related to KANFA AS
- Topside and Process segment performance improved and profitable in the quarter
- Floating Production segment decline due to impairment, declining workload, Logitel Offshore variable fee adjustment and cost of investigation

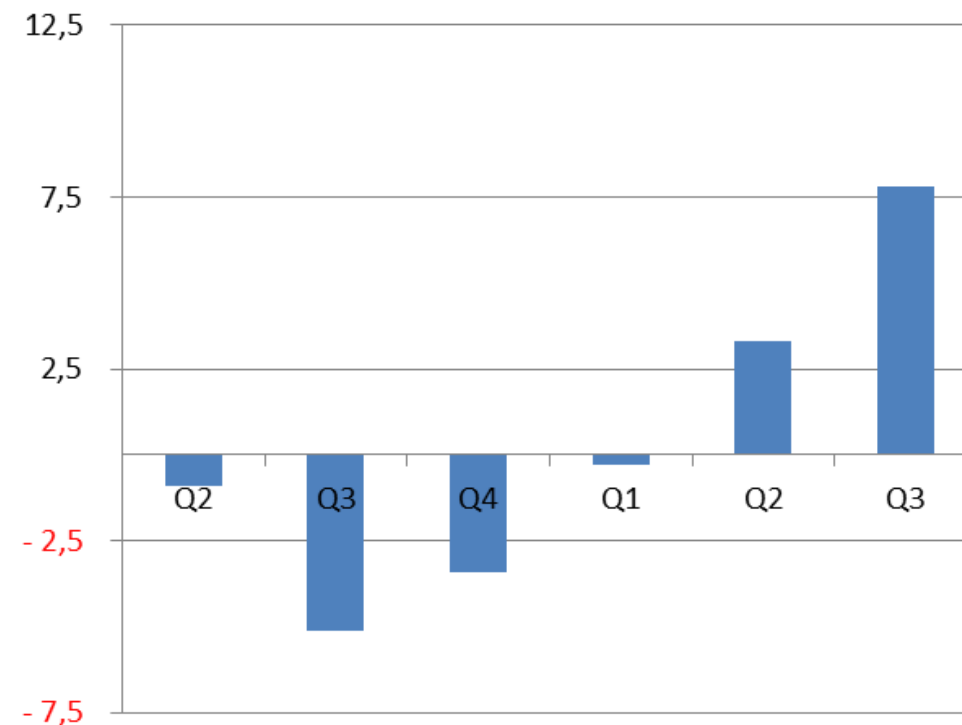
2014 and Q3 2015 Net Result (USD Million)



Q3 2015 Cash Flow

- Positive cash flow quarter
- Driven by Logitel Offshore convertible loan repayment and working capital in topside and process segment
- USD 38.1 million in cash at end Q3 2015
- Majority of cash (USD 34.4 million) in floating production
- Piranema claim unresolved (USD 4.4 million provision)
- Notice from Skatt Sør (Norwegian tax authorities)
Potential NOK 40 million cash impact in Q4 2015
- Key target is to maintain cash balance excluding one-off items such as Piranema, tax claims and investigation

2014 and Q3 2015 Cash Flow (USD Million)



Q3 2015 – Profit & Loss statement

<u>Unaudited figures in USD million</u>	<u>Q3 15</u>	<u>Q2 15</u>	<u>Q3 14</u>	<u>Comment</u>
Operating revenue	21,8	15,5	25,2	Lower activity and reversal of License revenue in Floating Production (USD 2.8m). Improved Topside and Process workload from OCTP project (USD 8.8m). Decreased inter-company eliminations (USD 0.3m)
EBITDA	-1,9	-3,0	1,5	Increase in Floating Production (USD 0.1m). Improved Topside and Process performance (USD 1.0m)
Operating profit	-8,0	-3,1	1,4	Write down of Goodwill related to Topside and Process segment of USD 6m
Net profit	-10,0	-39,1	1,3	Net currency related loss of USD 1.3m

Declining activity level in Floating Production partially compensated by cost savings and improvements in Topside and Process. USD 6m impairment of goodwill.

Q3 2015 – Balance Sheet

<i>Unaudited figures in USD million</i>	30.09.2015	30.06.2015	30.09.2014
Intangible assets	1	7	13
Deferred income tax assets	-	-	8
Loan	16	15	50
Other non-current assets	11	12	9
Total non-current assets	28	34	80
Trade and other receivables	19	29	54
Cash and cash equivalents	38	30	31
Total current assets	57	60	85
Total assets	85	94	165
Total equity	58	68	128
Total non-current liabilities	1	2	3
Total current liabilities	26	24	34
Total liabilities	27	26	36
Total equity and liabilities	85	94	165

Comment

Goodwill related to Topside and Process segment of USD 6m written down. Remaining amount related to Software

Long term portion of Logitel convertible loan
Accrued Logitel license of USD 10m

USD 12m related to Topside and Process segment, where USD 10m is in accounts receivable, rest is accrued revenue. USD 7m related to Floating Production segment, where USD 4m is in account receivable, rest is accrued revenue and prepaids

USD 34m in Floating Production segment

USD 0.8m related to Topside and Process segment. Remainder is pension liabilities

USD 14m related to Topside and Process segment. USD 4.4m Piranema Provision. USD 2.7m vacation and severance accruals. Remainder is accrued liabilities and accounts payable

USD 38m of available cash. USD 10m of Logitel Offshore convertible loan repaid in Q3 2015

Outlook



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) declining
- Utilization of staff still high in part due to workforce reduction
- Study work increasing including for FLNG and HiLoad applications
- Positive continuing progress on UK sector FPSO prospect
- One potential FPSO license from late 2016

- **Logitel Offshore**

- Variable payment expected in June 2016
- Challenging floating accommodation market has led to continuing delays in rigs 2 and 3
- Long term prospects remains strong

- **The Drilling market**

- License to Cosco has expired
- The Drilling market is expected to remain challenging

Outlook

- **The Topside Process Systems market**
 - OCTP project progressing
 - Chemical injection package for Johan Sverdrup field progressing
 - Improved workload in Kanfa Aragon
 - Further cost reduction measures will be carried out depending on the degree of success in winning new prospects
- **Cost Reduction Program**
 - Over 20% headcount reduction
 - Impact visible
 - 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**
 - The Board will consider further in conjunction with Q4 2015 results

Q & A

