

# Sevan Marine ASA

## Results

Fourth Quarter 2015

Oslo, February 24, 2016

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# Sevan Marine – Investment Highlights

- **Debt free** - cash of USD 36 million
- **Large unutilized tax losses** - in excess of NOK 3.5 billion
- **IP and technology company** - 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
- **Competitive cost level** – 15 - 25% cost savings estimated compared with turret moored solutions

# Proven designs – with unique benefits

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

# Q4 - Highlights

- License and Service Agreement for UK sector FPSO
- FLNG study with oil major for specific field
- Positive developments for the HiLoad technology (both re. offloading and regasification)
- Further cost reductions implemented
- Topside and Process results improved due to OCTP and higher workload in KANFA Aragon
- Investigation completed
- Strategic review re-energized

# Floating Production (FPSO, FSO, FLNG)



# Sevan FPSO 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

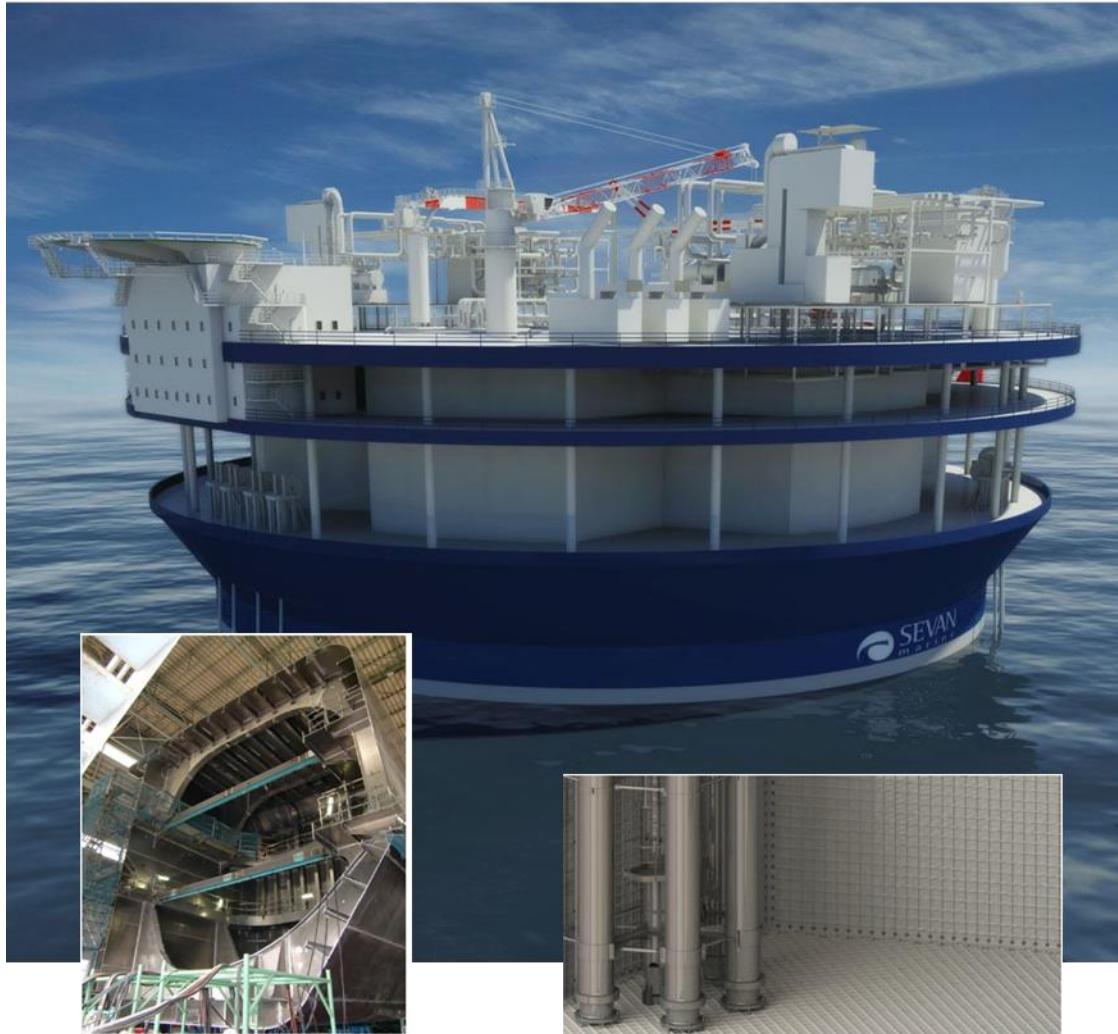
# Sevan FPSO



- The selection of the Sevan Marine concept for an UK sector prospect is a clear positive
- Sevan Marine entered into a license agreement for 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
- Sevan Marine is currently in the process of carrying out detail engineering for the hull under the service agreement entered into

# Sevan FLNG

- During the quarter Sevan Marine has been working on a feasibility study with an oil major to explore the use of Sevan Marine's cylindrical hull for a specific FLNG development
- This study is now completed and the final report is being evaluated by the client
- Sevan Marine is optimistic that this may lead to further study work this year



# HiLoad LNG Regasification

- Discussions with several interested parties regarding HiLoad LNG used for regasification purposes were discussed during the quarter.
- The first license and service agreement was signed in early January 2016 with Vires Energy Corporation (“Vires”) to support their regasification project in the Philippines.
- Payment under the license agreement is subject to Vires constructing and operating the regasification terminal. Construction is currently expected to start in 2016



# Other Applications (Drilling, Logitel)



# Proven technology – Sevan designed drilling units

Sevan Driller	Sevan Brasil	Sevan Louisiana	Sevan Developer
Field operator: Petrobras Field: Pre-salt Brazil Building year: 2009 Design: Sevan 650	Field operator: Petrobras Field: Pre-salt Brazil Building year: 2012 Design: Sevan 650	Field operator: LLOG Location: US GoM Building year: 2013 Design: Sevan 650	Design: Sevan 650 Building year: 2013 /2014 Yard: Cosco Shipyard, China
			

- The drilling market is expected to remain challenging
- Continued long term interest for Arctic and Ice version

# Proven technology – Sevan designed Logitel units

Arendal Spirit	Stavanger Spirit	Nantong Spirit
<p>Field operator: Petrobras Field: Pre-salt Brazil Building year: 2015 Design: Sevan 300</p> 	<p>Field operator: TBA Field: TBA Building year: Under construction Design: Sevan 300</p> 	<p>Field operator: TBA Field: TBA Building year: Under construction Design: Sevan 200</p> 

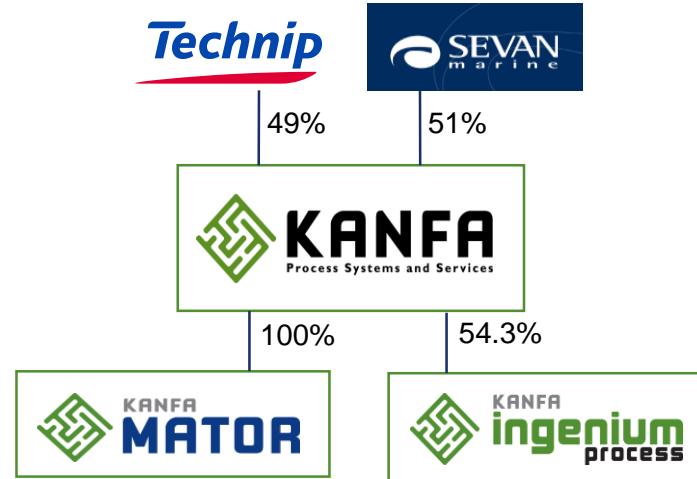
- The UMS and accommodation market is expected to remain challenging
- The 'Arendal Spirit' commenced charter in June 2015
- Logitel Offshore has the option to build 4 more units at the Cosco Shipyard

# 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 better. Margin recognition likely in first half of 2016
- KANFA Ingenium Process has continued work on Chemical Injection Package for Johan Sverdrup. 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 has led to improved results
- New study for Singaporean based client expected to improve results further in first half of 2016
- Sevan Marine is undertaking a strategic review of its holding in KANFA Aragon AS which may result in a disposal or closer integration



# Financials



# Q4 2015 Highlights

## EBITDA (USD Million)

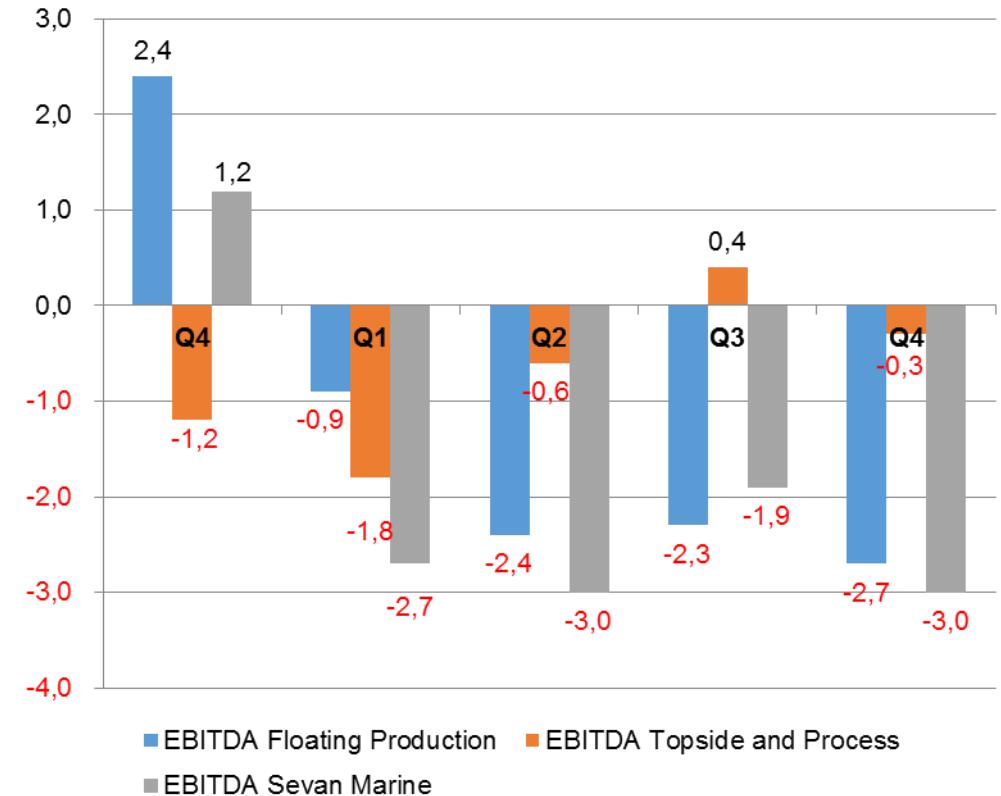
### Floating Production:

- Improved revenue vs Q3 2015
- Q3 2015 cost was positively impacted by one-offs
- Further cost reduction measures taken in Q4 and in early 2016
- USD 0.4m cost of investigation in quarter and USD 1.8m for the year

### Topside and Process:

- High workload in both KANFA and KANFA Aragon
- Negative due to provisions and one-off impacts

Q4 2014 Q1 2015 Q2 2015 Q3 2015 Q4 2015

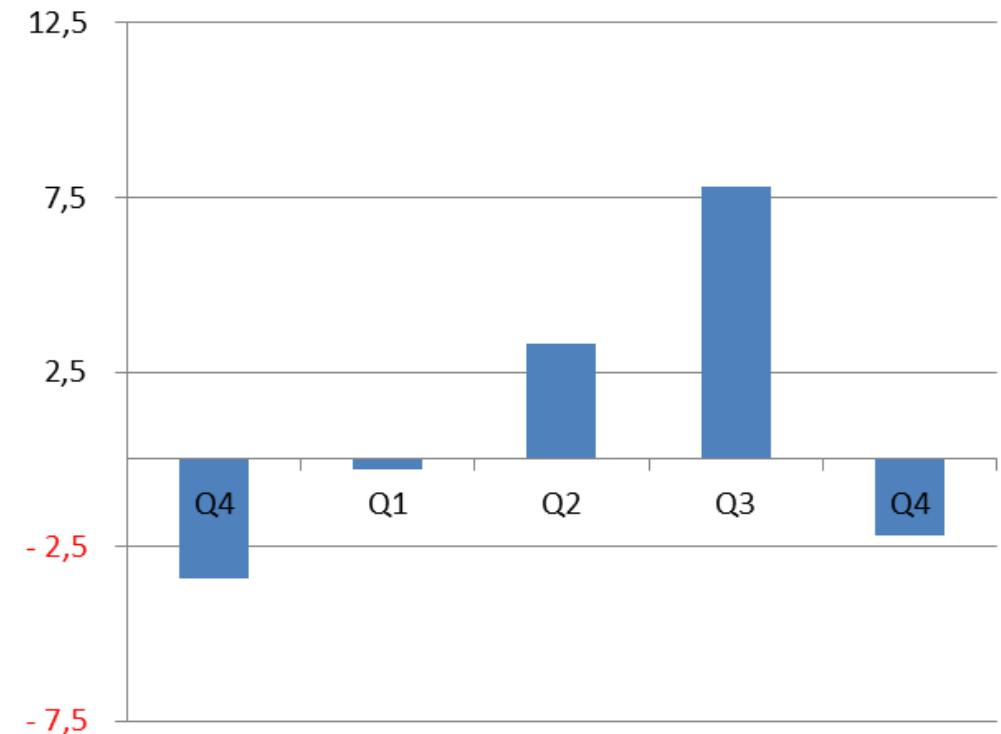


Note: Topsides and Process includes KANFA AS and KANFA Aragon which are fully consolidated. Sevan ownership is 51% in KANFA AS and 50% in KANFA Aragon

# Q4 2015 Cash Flow

- USD 36.6 million in cash at end Q4 2015
- Majority of cash (USD 30.6 million) in floating production
- Negative cash flow quarter driven by investigation costs, legal fees and final acquisition of HiLoad LNG rights
- Working capital in topside and process segment largely related to OCTP project in KANFA
- Piranema claim (USD 3.8 million provision). Petrobras has started deducting from TK charter. Cash out in 2016
- Notice from Skatt Sør (Norwegian tax authorities). NOK 31 million cash impact in Q1 2016
- Key target is to maintain cash balance excluding one-off items such as Piranema, tax claims, investigation and restructuring charges

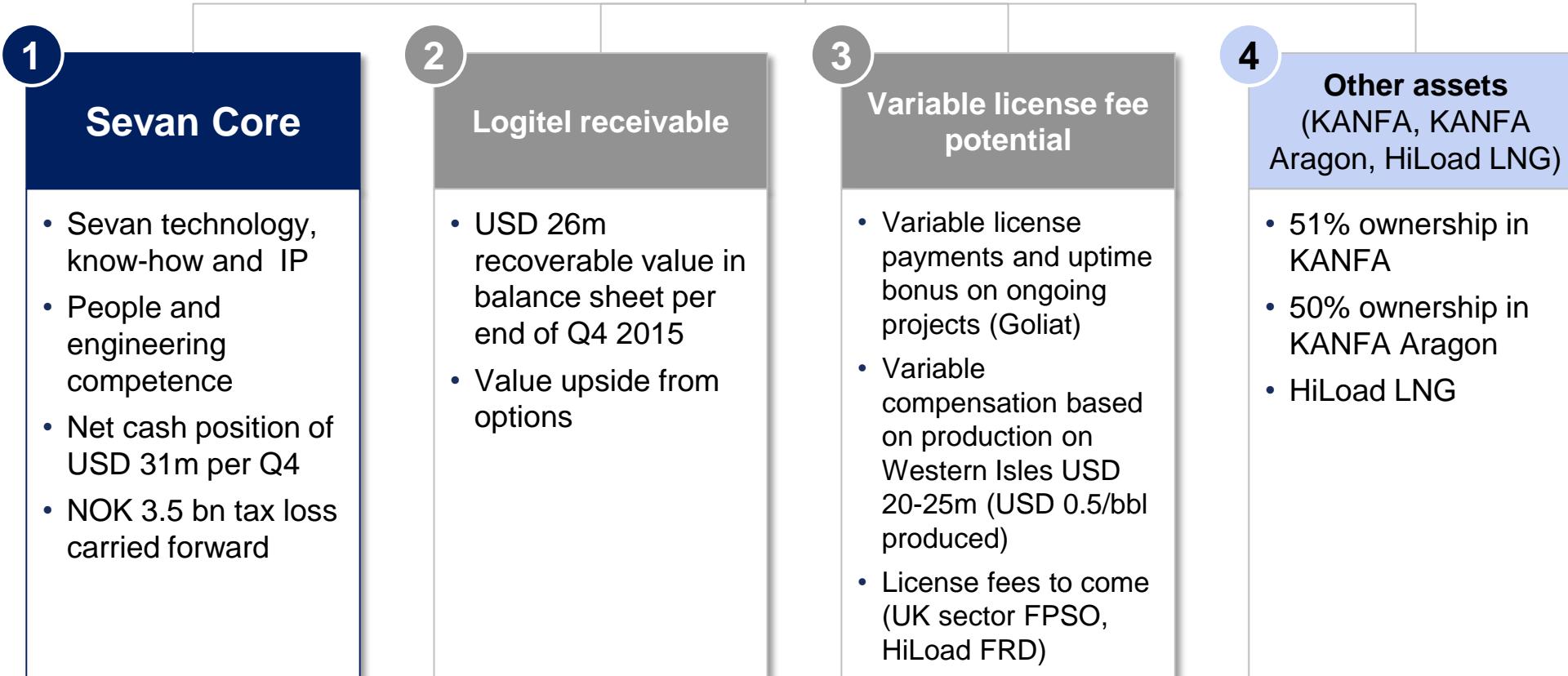
2014 and Q4 2015 Cash Flow (USD Million)



# Cost Reduction Highlights

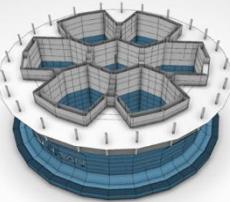
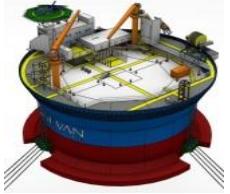
- **Headcount** – in floating production reduced from 121 to 86 during year. Target for end 2016 of 55 to 60
- **Employee cost** – management has accepted voluntary wage reductions of 10 to 50% starting in 2016
- **Legal cost** – 2015 impacted heavily by legal and advisory costs related to investigation cost, CeFront settlement and tax dispute of approximately USD 3 million in total
- **Overhead cost** – Run rate cost excluding legal down by over USD 0.4 million per quarter or over 25 percent

# Sevan Marine Value Components



# License Fee Potential

## License fee

FPSO	FLNG	FSO	Drilling	Accommodation
				
<ul style="list-style-type: none"><li>Number of units: 5 last 9 years</li><li>Typical license fee: USD 20-50m</li><li>Dana at USD 24m plus variable component</li><li>License fee period 2-4 years plus variable component</li></ul>	<ul style="list-style-type: none"><li>Number of units: 0</li><li>Typical license fee: USD 30-50m</li><li>License fee period likely greater than 3 years</li></ul>	<ul style="list-style-type: none"><li>Number of units: 0</li><li>Typical license fee USD 10-15m</li><li>License fee period 2-3 years</li></ul>	<ul style="list-style-type: none"><li>Number of units: 4 last 7 years</li><li>Typical license fee USD 8-10m</li><li>License fee period 2-3 years</li></ul>	<ul style="list-style-type: none"><li>Number of units: 3 last 4 years</li><li>Typical license fee USD 10</li><li>License fee period 2-3 years</li></ul>

# Floating Production Segment – License Fee Outlook

<u>USD million</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
UK Sector FPSO (milestone based, offset by services)			USD 25-35 million based on milestones and value of services provided			
FRD (milestone based, offset by services)				USD 5 -10 million based on milestones and value of services provided		
Dana (subject to production)					USD 0.5 per barrel produced or USD 0.3 per barrel offloaded	
Goliat Bonus (subject to uptime)	USD 0 to 12 million					

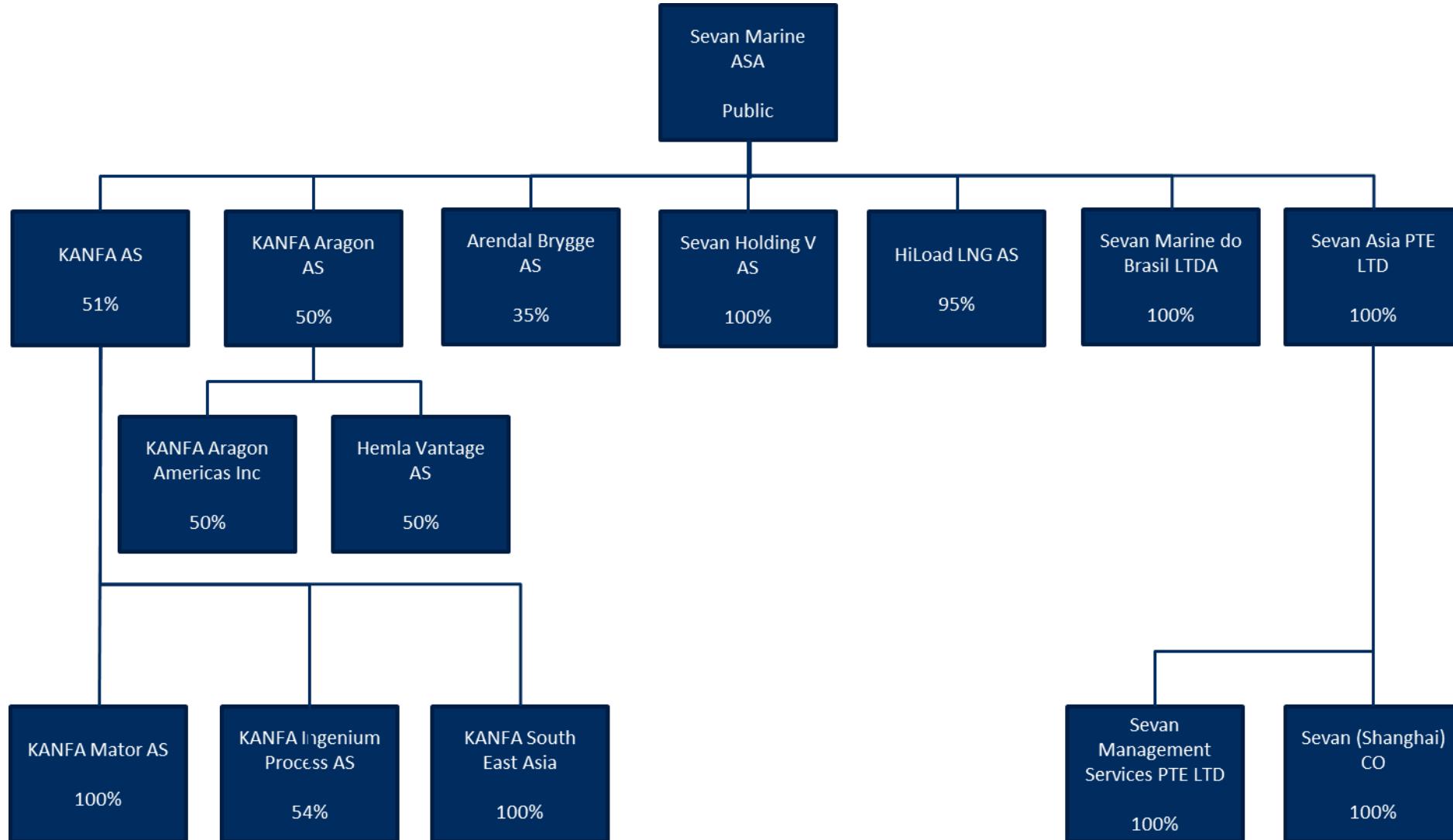
# Floating Production Segment – Revenue Outlook 2016

<u>USD millions</u>	<u>Backlog</u>	<u>Expected</u>	<u>Total</u>
Dana	3		3
Goliat	2		2
UK Sector FPSO	2	2	4
Services	1		1
HiLoad	1	3	4
Logitel	4		4
Opportunities (FLNG, FPSO)		6	6
License fees		3	3
<b>2016 Revenue Outlook</b>	<b>12</b>	<b>13</b>	<b>25</b>

# Floating Production Segment – Cost Outlook 2016

<u>USD millions</u>	<u>Est. 2016</u>
Hired in staff cost (project driven)	(4,0)
Other third party costs (project driven)	(1,0)
Direct employee cost	(6,0)
Site service employee cost	(3,5)
Indirect employee costs	(3,0)
Overhead cost	(3,5)
One-off and restructuring costs	(2,0)
<b>2016 Estimated Cost</b>	<b>(23,0)</b>

# Current Legal Structure



# Q4 2015 – Profit & Loss statement

<u>Unaudited figures in USD million</u>	<u>Q4 15</u>	<u>Q3 15</u>	<u>Q4 14</u>	<u>Comment</u>
Operating revenue	27,2	21,8	25,2	Higher activity in Q4 and reversal of logitel revenue in Q3 Floating Production (USD 1.2m). Improved Topside and Process workload mainly from OCTP project (USD 4.2m).
EBITDA	-3,0	-1,9	1,2	Decrease in Floating Production (USD 0.5m) due to investigation costs and positive one-offs in Q3. Decrease Topside and Process performance (USD 0.6m) due to provisions and one-offs
Operating profit	-3,1	-8,0	-4,8	Write down of Goodwill related to Topside and Process segment of USD 6m in Q3
Net profit	-8,4	-10,0	-15,9	Tax claim 2012 USD 4.5m

**Floating Production partially compensated by cost savings and improvements in Topside and Process.**

# Q4 2015 – Balance Sheet

<u>Unaudited figures in USD million</u>	<u>31.12.2015</u>	<u>30.09.2015</u>	<u>31.12.2014</u>	<u>Comment</u>
Intangible assets	1	1	7	Remaining amount related to software & rights
Loan	16	16	50	Logitel convertible loan estimated recoverable value
Other non-current assets	6	11	10	Long term portion accrued Logitel variable fee of USD 5m, total accrual of Logitel variale fee USD 10m. USD 5m classified as short term
<b>Total non-current assets</b>	<b>23</b>	<b>28</b>	<b>67</b>	
Trade and other receivables	27	19	51	USD 11m in Floating Production and USD 16m in Topsid and Process segment
Cash and cash equivalents	37	38	27	USD 31m in Floating Production and USD 6m in Topsid and Process segment
<b>Total current assets</b>	<b>63</b>	<b>57</b>	<b>78</b>	
<b>Total assets</b>	<b>87</b>	<b>85</b>	<b>145</b>	
<b>Total equity</b>	<b>50</b>	<b>58</b>	<b>111</b>	
Total non-current liabilities	1	1	2	USD 0.5m in Floating Production and USD 0.6m in Topsid and Process segment
Total current liabilities	36	26	31	USD 15m in Floating Production and USD 21m in Topsid and Process segment
<b>Total liabilities</b>	<b>37</b>	<b>27</b>	<b>34</b>	
<b>Total equity and liabilities</b>	<b>87</b>	<b>85</b>	<b>145</b>	

**USD 36m of available cash**

# Q4 2015 – Segment Assets

<u>Unaudited figures in USD million</u>	<u>FP</u>	<u>T&amp;P</u>	<u>Q4 15</u>	<u>Comment</u>
<b><u>Non-current assets</u></b>				
Intangible assets	1	-	1	Largely IT, software and rights
Loan	16	-	16	Carrying value Logitel loan
Other non-current assets	6	0	6	USD 5m Logitel variable payment estimate
<b>Total non-current assets</b>	<b>23</b>	<b>0</b>	<b>23</b>	
<b><u>Trade and other receivables</u></b>				
Short term portion Logitel variable payment	5	-	5	Logitel variable payment
Trade receivables	4	4	8	
Project accruals	0	11	12	Mainly related to OCTP project in T&P
Prepays	1	0	1	
Other	0	1	1	
<b>Total trade and other receivables</b>	<b>11</b>	<b>16</b>	<b>27</b>	
<b><u>Cash and cash equivalents</u></b>				
<b>Total cash and cash equivalents</b>	<b>31</b>	<b>6</b>	<b>37</b>	
<b>Total assets</b>	<b>64</b>	<b>22</b>	<b>87</b>	

**Floating Production assets excludes NOK 3.5 billion in tax losses not recorded on balance sheet**

Note: Excludes intra and intersegment assets

# Q4 2015 – Segment Liabilities

<u>Unaudited figures in USD million</u>	<u>FP</u>	<u>T&amp;P</u>	<u>Q4 15</u>	<u>Comment</u>
<b><u>Non-current liabilities</u></b>				
Retirement benefit obligations	1	0	1	
Deferred tax	-	0	0	
<b>Total non-current liabilities</b>	<b>1</b>	<b>1</b>	<b>1</b>	
<b><u>Current liabilities</u></b>				
Debt to credit institutions	1	-	1	Nordea facility utilized by KANFA Aragon
Trade creditors	1	3	4	Mainly related to OCTP project in T&P
Project accruals	0	14	15	Mainly related to OCTP project in T&P
Tax dispute 2012	5	-	5	Provision for disputed tax, interest and penalties. Approximately USD 3.7m (NOK 31m) cash out in Q1 2016
Piranema fine	4	-	4	Guarantee to TK from 2011 restructuring. Petrobras deducting from charter so will be cash out in 2016
VAT & public duties	1	1	2	
Employee related accruals	3	1	4	
Other	1	1	2	
<b>Total current liabilities</b>	<b>15</b>	<b>21</b>	<b>36</b>	
<b>Total liabilities</b>	<b>16</b>	<b>21</b>	<b>37</b>	

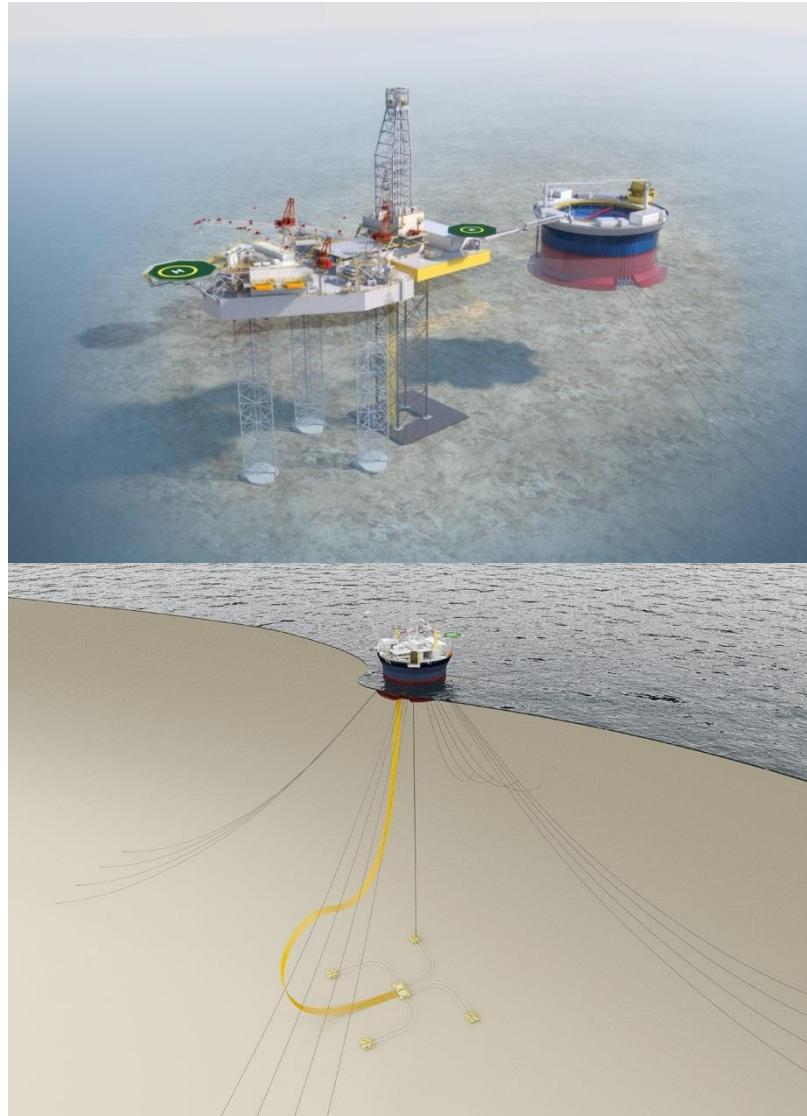
## Floating Production liabilities driven by Piranema claim and 2012 tax dispute

Note: Excludes intra and intersegment liabilities

# Outlook



# Floating Production



- The prospects pursued during the fourth quarter includes a FWPSO for Asian waters, a bridge-linked FSO for UK North Sea, gas FPU's in various areas as well 'standard' FPSO solutions
- Despite a generally weak market, we have received an increasing amount of inquiries in connection with early phase studies. Which we take as a signal that the downturn in the market is about to level off
- We firmly believe that an increased focus on cost effective solutions should be an advantage for Sevan

# Environmental



## Gas to Wire

Floating Power Plant developed with Siemens

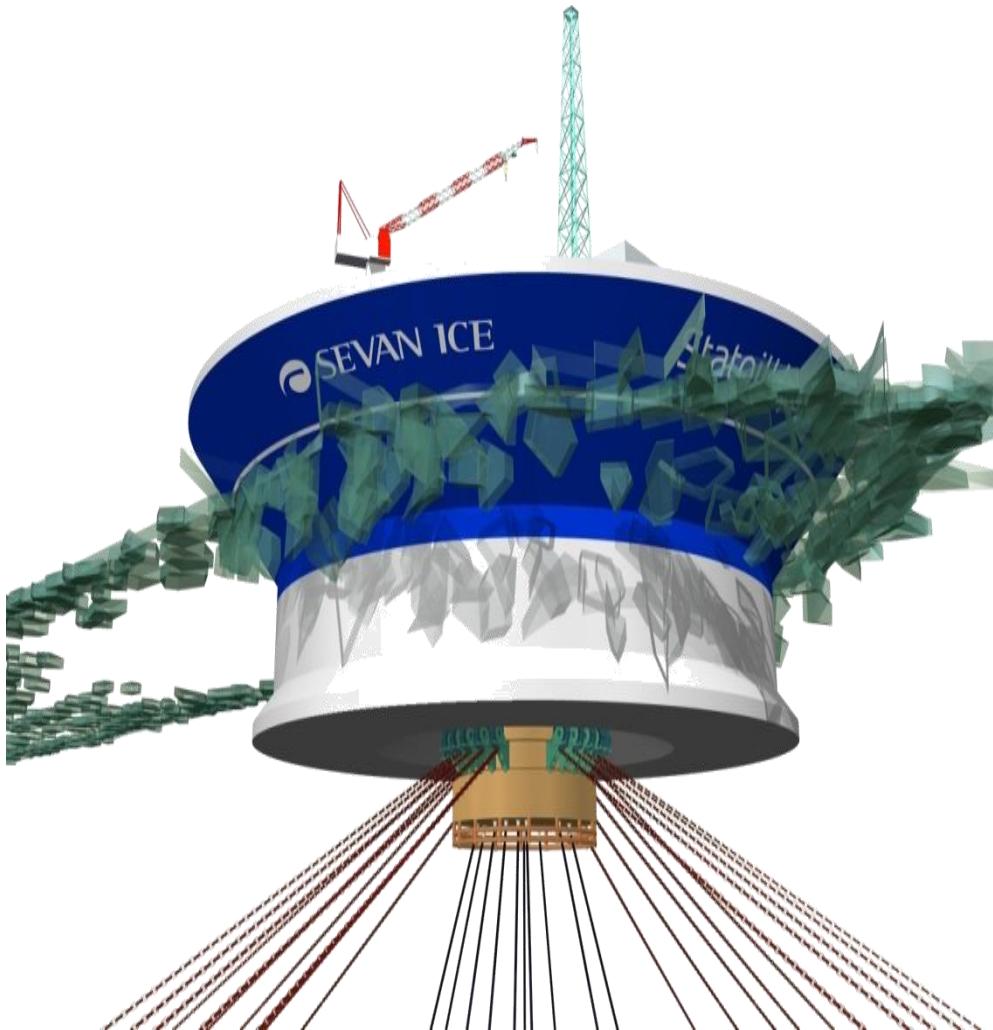
## CEPONG (Clean Electricity Production from Offshore Natural Gas)

Ongoing project with SINTEF incl. Carbon capture and storage

## Electrification

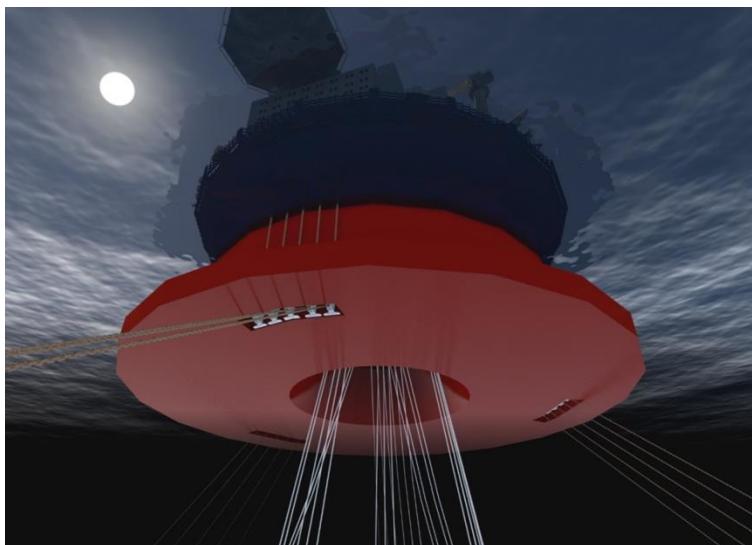
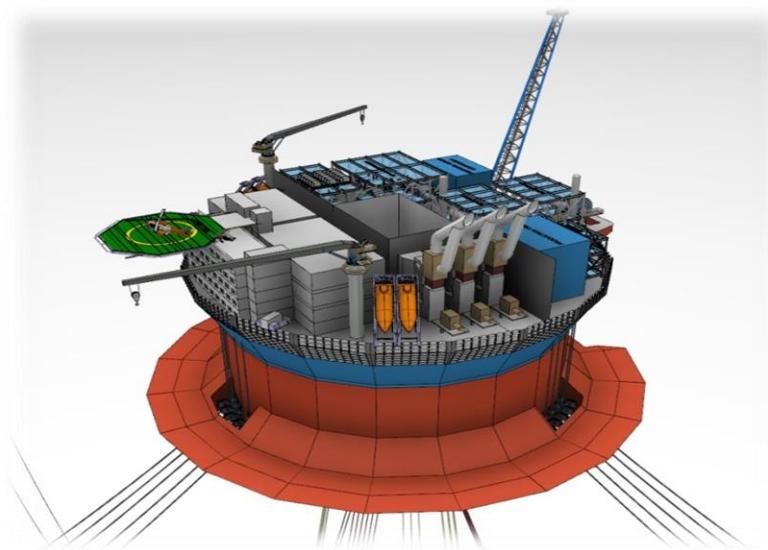
70 MW through a 105 km AC cable from shore

# Arctic



- Harsh weather conditions
  - Long winter season
  - Low temperature
  - Polar lows
  - Darkness
  - Icing
  - etc.
- Other challenges
  - Distance and infrastructure
  - Need for winterization
  - Vulnerable environment
  - etc.

# Gulf of Mexico



- Sevan 1000 Unit selected for further study and model testing under the Research Partnership for Securing Energy to America (RPSEA) programme
  - Water depth: 2,500m
  - Storage capacity: 1,000,000 bbls
  - Oil production: 60,000 bopd
  - Water production: 60,000 bopd
  - Gas processing: 60 mmscfd
  - Motions: Acceptable for SCR
- In dialog with US regulatory bodies regarding non-disconnect FPSO

# FLNG

## Sevan FLNG

- Addressing an emerging market with a cost effective solution
- The solution is based on proven elements
- In dialog with several potential clients



## HiLoad for Offloading

- Enables offloading in rough sea-states
- Enhanced safety by 200 m separation between vessels
- Large savings by using standard LNG carriers



# LNG Regasification



## HiLoad for Regasification

- Expected high growth in the LNG downstream market
- The HiLoad Floating Regasification Dock (FRD) offers a simple and cost effective solution for regasification of LNG
- In particular relevant for areas with underdeveloped power infrastructure

# Outlook

- **The FPSO/FSO market**
  - Increased focus on cost effective solutions is an advantage for Sevan
  - Study work increasing including for FLNG and HiLoad applications
  - Positive continuing progress on UK sector FPSO prospect
- **Logitel Offshore**
  - Variable payment expected in June 2016
  - Challenging floating accomodation market has led to continuing delays in rigs 2 and 3
- **The Topside Process Systems market**
  - OCTP project progressing with equipment now being installed at yard, single digit USD margin likely in 2016
  - Chemical injection package for Johan Sverdrup field progressing well
  - Improved workload in Kanfa Aragon

# Outlook

- **Cost Reduction Program**
  - Over 20% further headcount reduction taken in Q1 2016
  - Key target is to remain operating cash flow breakeven excluding one-off items in 2016
- **Investigation**
  - Sevan Marine has to date not been charged
  - Dialogue with authorities expected to continue into 2016
- **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**
  - No regular dividend proposed for 2015. Board will continue to assess each quarter

# Q & A

