

# Sevan Marine ASA

## Results

First Quarter 2016

Oslo, May 25, 2016

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# 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**

# Q1 - Highlights

- Continuing work on UK sector FPSO prospect
- Continuation of FLNG study with oil major for a specific field
- Increased interest from oil majors regarding the Sevan technology as well as HiLoad LNG
- Further model testing for GOM application with SCRs
- Further cost reductions implemented
- Topsides and Process results significantly improved
- Strategic review ongoing



# Floating Production (FPSO, FSO, FLNG)





# Sevan FPSO - Goliat



## IMPORTANT MILESTONES Q1 16!

- First oil achieved!
- First offloading successfully performed!
- 70 MW electrification through a 105 km HVAC cable from shore!
- Continued support by Sevan Marine
- Potential regularity bonus

3D Illustration from 2008





First offloading 2016



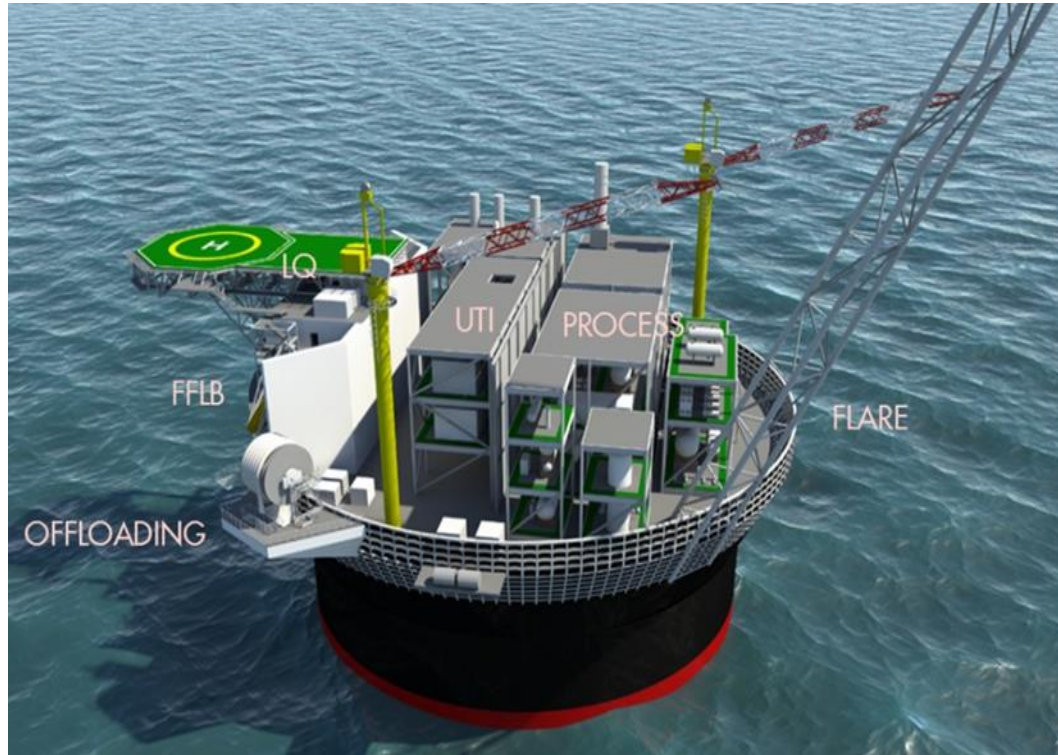


# Sevan FPSO – Western Isles



- First oil planned for Q4 17
- Plateau production is expected to be around 40,000 boepd
- The estimated field life is 15 years
- Continued support from Sevan Marine
- Sevan Marine will receive 50 cents per produced barrel when in operation

# Sevan FPSO – UK based oil major



- 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 has been carrying out detail engineering for the hull under the service agreement entered into
- Currently in the process of discussing further support to the project for the next phases



# Sevan FLNG – US based oil major



- Sevan Marine was last year awarded a feasibility study with an oil major to explore the use of Sevan Marine's cylindrical hull for a specific FLNG development
- Sevan Marine has now been awarded a follow up study focused on the marine aspects of Sevan Marine's unique cylindrical design.
- This study will continue until the end of 2016 and represents yet a further milestone in the development of Sevan Marine's FLNG concept

# HiLoad LNG Regasification

- 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

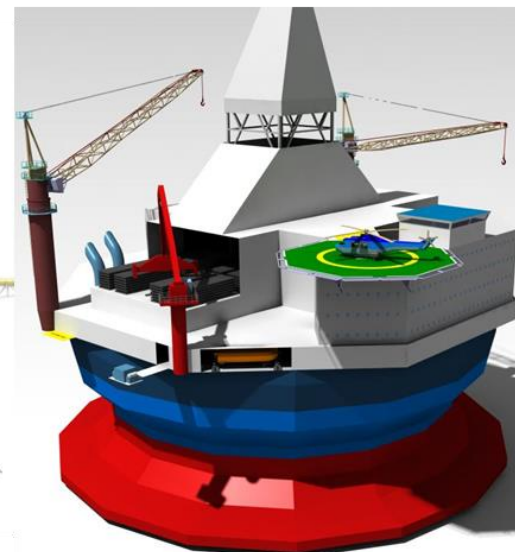
- Units owned and operated by Sevan Drilling / Seadrill
- Sevan Marine has all technology and IP rights
- Sevan Marine has developed MKII and arctic design



**Sevan MODU**



**Sevan MODU MKII**



**Sevan Arctic MODU**



# Proven technology – Sevan designed Logitel units

- Units owned and operated by Teekay/Logitel
- Sevan Marine has all technology and IP rights
- Very positive feedback received regarding ‘Arendal Spirit’





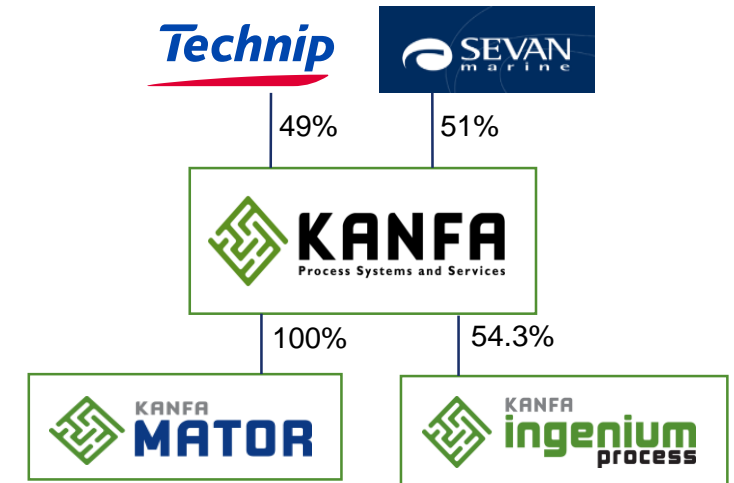
# Investments (KANFA, KANFA Aragon)





# 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*
- High activity in the quarter due to working on the USD 50 million Yinson OCTP project as well as the Chemical Injection Package for Johan Sverdrup. Package will be ready for delivery Q2 2016



# KANFA



## OCTP Project

- All 4 modules loaded onto barge and being transported to the integration yard in Singapore
- Margin has not been recognized earlier for conservative reasons. However, as the project is now close to complete, a small margin has been recognized in Q1 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*
- The ongoing study work for Singaporean based client has significantly improved the workload and the results for the quarter. This is expected to also be the case for the next quarter
- KANFA Aragon also managed a positive settlement of a historical project which further improved the results for the quarter
- Sevan Marine is undertaking a strategic review of its holding in KANFA Aragon AS which may result in a disposal or closer integration





# Financials





# Q1 2016 Highlights

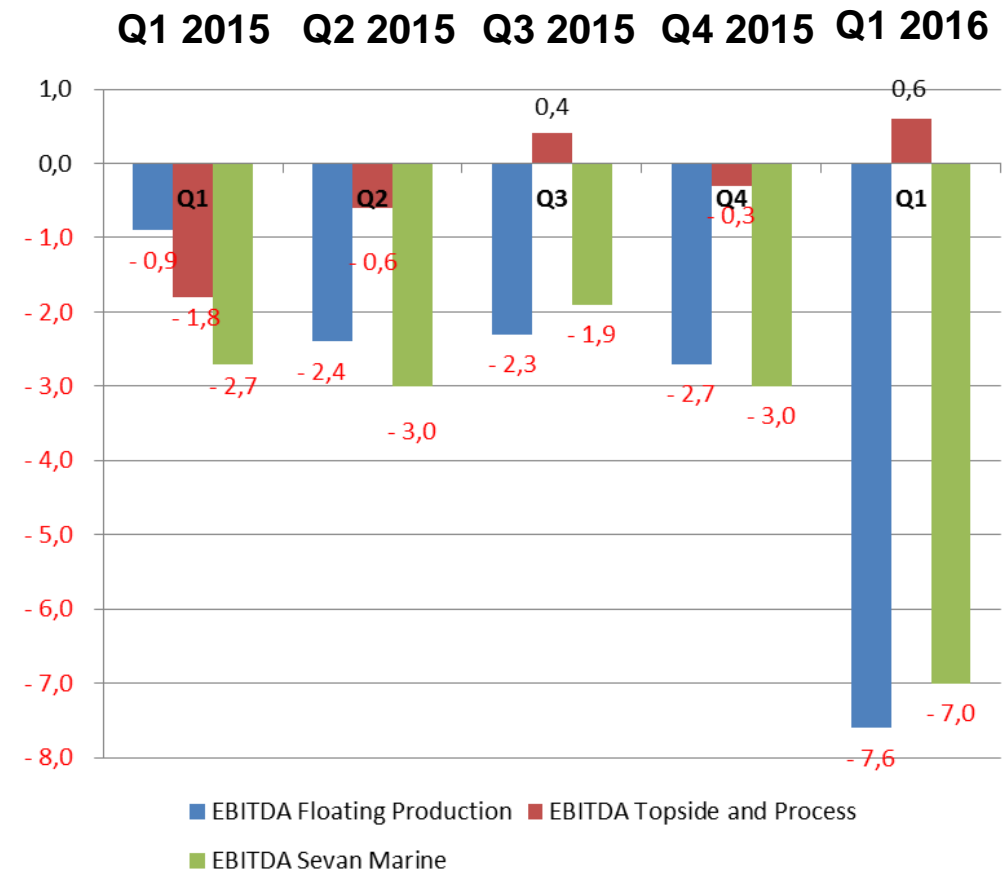
## Floating Production:

- Close to break even without one offs of USD 5.0 million related to Logitel and USD 2 million in restructuring
- USD 0.6 million recurring loss driven by workload

## Topside and Process:

- Driven by OCTP initial margin. Project progressing well with more margin likely as project is completed over remainder of 2016
- High workload and historical settlement in KANFA Aragon

## EBITDA (USD Million)

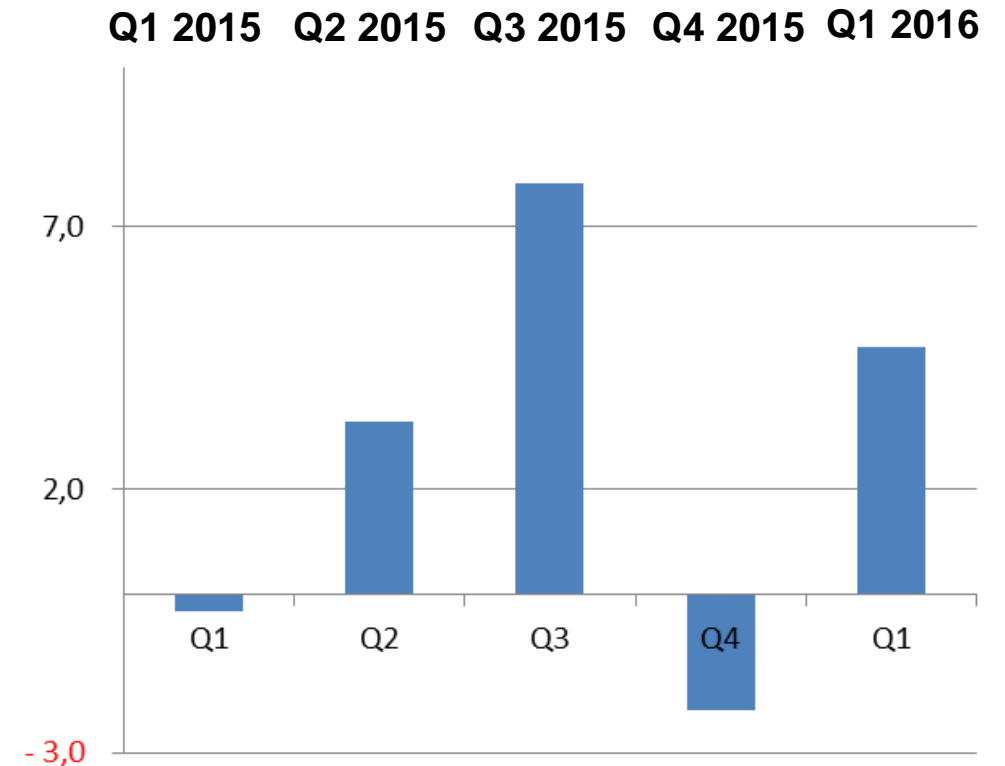


Note: Topside and Process includes KANFA AS and KANFA Aragon which are fully consolidated. Sevan ownership is 51% in KANFA AS and 50% in KANFA Aragon

# Q1 2016 Cash Flow

- USD 41.3 million in cash at end Q1 2016
- Majority of cash (USD 27.0 million) in floating production, USD 14.3 million in topside and process
- Positive cash flow driven solely by working capital in relation to OCTP project which will unwind in Q2/Q3
- Negative cash flow in floating production driven by the USD 3.5 million 2012 tax dispute which has been appealed

Cash Flow (USD Million)

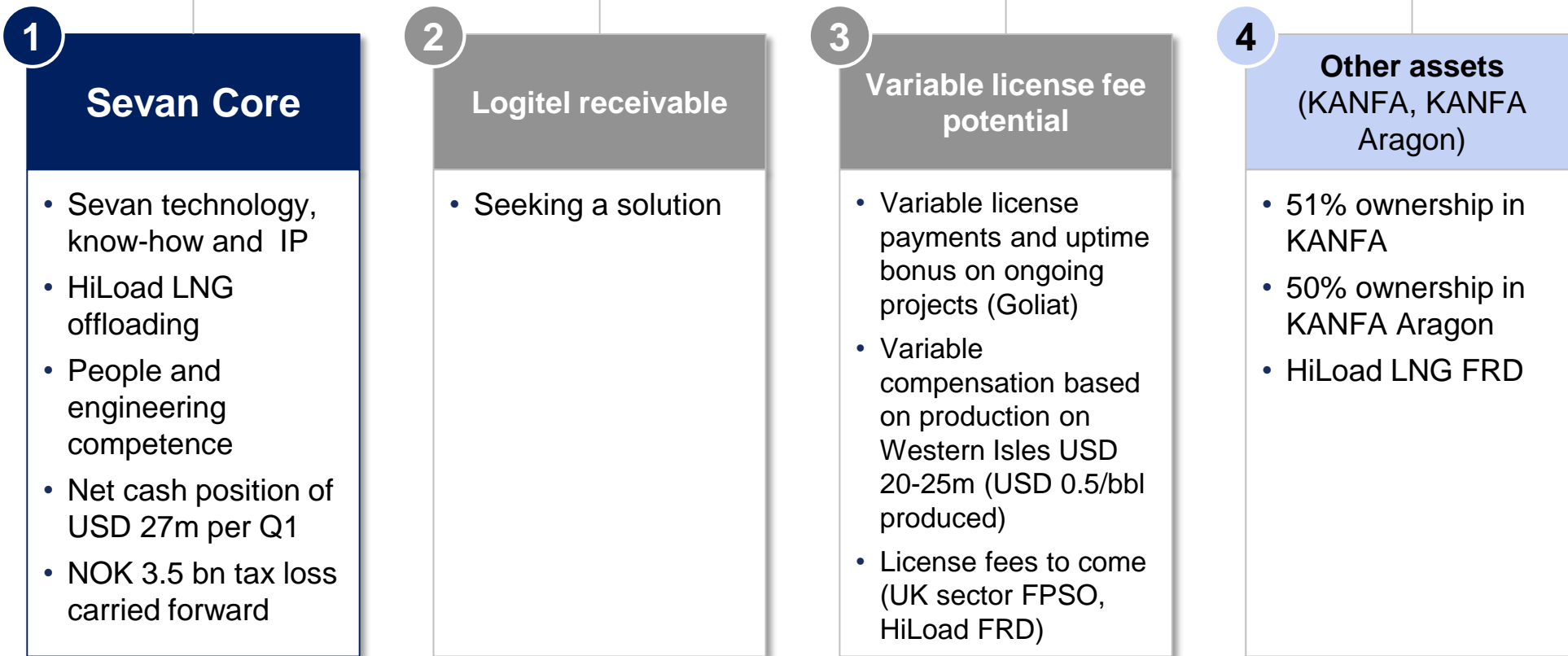




# Cost Reduction Highlights

- **Headcount** – in Floating Production reduced from 121 to 86 during 2015. New target of 50 by year end. Group headcount has been reduced from over 200 to below 140 in the past 15 months
- **Employee cost** – voluntary wage reductions of 10 to 50% for management. All staff in Sevan Marine have accepted a 7.5% salary reduction for remainder of 2016 and reduced working time over summer period. Further changes have also been made to simplify and reduce the management team
- **Legal cost** – Legal and other advisors costs substantially below 2015 although still high due to Logitel issue and 2012 tax dispute in particular
- **Overhead cost** – The recurring cost base in Floating Production has been reduced by over USD 8m or over 40 percent since the end of 2014. The fixed cost base in Floating production is declining to as little as USD 11-12 million per annum

# Sevan Marine Value Components





# License Fee Potential

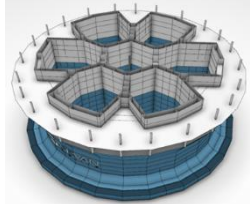
## License fee

### FPSO



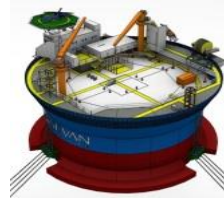
- Number of units: 5 last 9 years
- Typical license fee: USD 20-50m
- Dana at USD 24m plus variable component
- License fee period 2-4 years plus variable component

### FLNG



- Number of units: 0
- Typical license fee: USD 30-50m
- License fee period likely greater than 3 years

### 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
- License fee period 2-3 years

# Outlook 2016

- Continue to work with ENI, DANA and UK FPSO project at or above forecasted level
- Secured backlog in relation to FLNG study with oil major
- Continued delay in other near term prospects (Bentley and the Far East Opportunity) means that achieving 2016 revenue targets will be challenging. Further cost reduction measures been kicked off, including across the board salary and working time reductions to counter decline to extent possible
- Recent re-negotiation of UK sector FPSO license fee has reduced potential gross license fee from USD 35 million to USD 27.5 million with impact only on last milestone payments not expected before 2020
- OCTP project progressing well which should provide for upside from KANFA in Q2/Q3 2016
- KANFA Aragon workload high and outcome of strategic review expected in Q2 2016
- Substantially increased interest from oil majors regarding Sevan Marine cylindrical design. This has materialized in some very small studies already. Hopeful that this will materialize into further study work during H2 2016. Likely to start out small



# Q1 2016 – Profit & Loss statement

<u>Unaudited figures in USD million</u>	<u>Q1 16</u>	<u>Q4 15</u>	<u>Comment</u>
Operating revenue	21,0	27,2	Reduced activity in Q1 Floating Production (USD 0.7m). Reduced project progress in Topside and Process mainly from OCTP project (USD 5.5m).
<b>EBITDA</b>	<b>-7,0</b>	<b>-3,0</b>	Decrease in Floating Production (USD 4.9m) mainly due to impairment of Logitel variable fee of USD 5.0m. Increase Topside and Process performance (USD 0.9m) due to improved project performance and activity level.
Operating profit	-7,1	-3,1	
Net profit	-8,1	-8,4	Impacted by impairment of USD 3.0m related to Logitel Loan

**Close to breakeven excluding Logitel impairments of USD 8.0m**  
**Positive Topside and Process performance a key driver**

# Q1 2016 – Balance Sheet

## Condensed Consolidated Balance Sheet

<u>Unaudited figures in USD million</u>	<u>31.03.2016</u>	<u>31.12.2015</u>	<u>Comment</u>
Intangible assets	1	1	Remaining amount related to software & rights
Loan	13	16	Logitel convertible loan estimated recoverable value, impairment of USD 3m
Other non-current assets	6	6	Accrued Logitel variable fee of USD 5m
<b>Total non-current assets</b>	<b>20</b>	<b>23</b>	
Trade and other receivables	15	27	USD 5m in Floating Production and USD 10m in Topside and Process segment. Impairment of USD 5m related to Logitel variable fee in Floating Production segment
Cash and cash equivalents	41	37	USD 27m in Floating Production and USD 14m in Topside and Process segment
<b>Total current assets</b>	<b>56</b>	<b>63</b>	
<b>Total assets</b>	<b>76</b>	<b>87</b>	
<b>Total equity</b>	<b>42</b>	<b>50</b>	
Total non-current liabilities	1	1	USD 0.6m in Floating Production and USD 0.7m in Topside and Process segment
Total current liabilities	34	36	USD 11m in Floating Production and USD 23m in Topside and Process segment
<b>Total liabilities</b>	<b>35</b>	<b>37</b>	
<b>Total equity and liabilities</b>	<b>76</b>	<b>87</b>	

**USD 41m of cash although driven by working capital in Topside and Process Segment**



# Q1 2016 – Segment Assets

<u>Unaudited figures in USD million</u>	<u>FP</u>	<u>T&amp;P</u>	<u>Q1 16</u>	<u>Comment</u>
<u>Non-current assets</u>				
Intangible assets	1	-	1	Largely IT, software and rights
Loan	13	-	13	Carrying value Logitel loan
Other non-current assets	6	0	6	USD 5m Logitel variable payment estimate
<b>Total non-current assets</b>	<b>20</b>	<b>0</b>	<b>20</b>	
<u>Trade and other receivables</u>				
Short term portion Logitel variable payment	-	-	-	USD 5m write down in Q1
Trade receivables	2	3	5	
Project accruals	1	6	8	Mainly related to OCTP project in T&P
Prepays	1	0	2	
Other	0	1	1	
<b>Total trade and other receivables</b>	<b>5</b>	<b>10</b>	<b>15</b>	
<u>Cash and cash equivalents</u>				
<b>Total cash and cash equivalents</b>	<b>27</b>	<b>14</b>	<b>41</b>	
<b>Total assets</b>	<b>52</b>	<b>25</b>	<b>76</b>	

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

Note: Excludes intra and intersegment assets

# Q1 2016 – Segment Liabilities

<u>Unaudited figures in USD million</u>	<u>FP</u>	<u>T&amp;P</u>	<u>Q1 16</u>	<u>Comment</u>
<u>Non-current liabilities</u>				
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>	
<u>Current liabilities</u>				
Debt to credit institutions	-	-	-	
Trade creditors	1	6	7	Mainly related to OCTP project in T&P
Project accruals	0	14	14	Mainly related to OCTP project in T&P
Tax dispute 2012	1	-	1	Provision for remaining disputed tax 2012, interest and penalties.
Piranema fine	3	-	3	
VAT & public duties	2	1	3	
Employee related accruals	2	1	3	
Other	1	1	2	
<b>Total current liabilities</b>	<b>11</b>	<b>23</b>	<b>34</b>	
<b>Total liabilities</b>	<b>12</b>	<b>23</b>	<b>35</b>	

**Largely driven by OCTP project in Topside and Process Segment**

Note: Excludes intra and intersegment liabilities



# Outlook





# Big push towards lowering cost

		Sevan 300	Sevan 400	Sevan 650	Sevan 850	Sevan 1000	Sevan 1400
Storage capacity	bbls	300 000	400 000	650 000	850 000	1 000 000	1 400 000
Hull Weight	(ton)	9 000	15 000	21 000	26 000	30 000	44 000
Typical Topside Weight ex process	(ton)	5 000	8 000	9 500	12 000	14 000	18 500
Typical Process Module weight	(ton)	3 000	6 000	9 000	11 500	16 000	22 000
Typical Topside (all above tank top) weight	(ton)	8 000	14 000	18 500	23 500	30 000	40 500
Typical lightship weight	(ton)	17 000	29 000	39 500	49 500	60 000	84 500
Main Deck Area	(m <sup>2</sup> )	3 451	4 776	5 806	7 085	8 008	10 024
Process Deck Area	(m <sup>2</sup> )	3 825	5 539	6 501	8 008	8 820	10 967
Hull Diameter	(m)	60,0	70,0	78,0	86,0	92,0	102,0
Skirt Diameter	(m)	64,3	87,5	96,0	108,0	115,0	124,0
Main Deck Diameter	(m)	66,3	78,0	86,0	95,0	101,0	113,0
Process Deck Diameter	(m)	69,8	84,0	91,0	101,0	106,0	118,2
Main Deck El. (Hull depth)	(m)	27,0	32,0	36,0	39,0	42,0	46,0
Process Deck El.	(m)	32,0	38,0	41,0	45,0	47,0	52,0
Draft, Ballast	(m)	13,0	16,5	19,0	19,0	19,0	35,5
Draft, Loaded	(m)	19,0	22,0	25,0	27,0	28,0	23,5

- The industry is looking for new and innovative solutions
- The industry is looking for simplification and standardisation
- We firmly believe that an increased focus on cost effective solutions will be an advantage for Sevan Marine

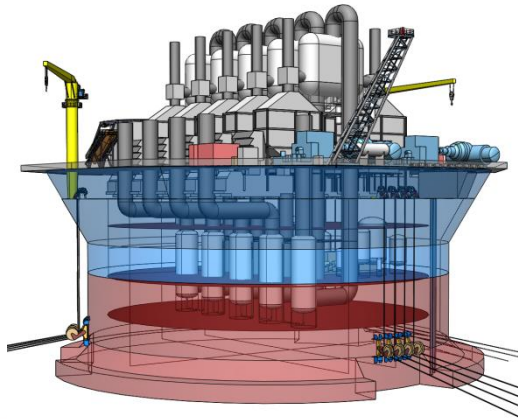


# Focus on environmental aspects



## 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

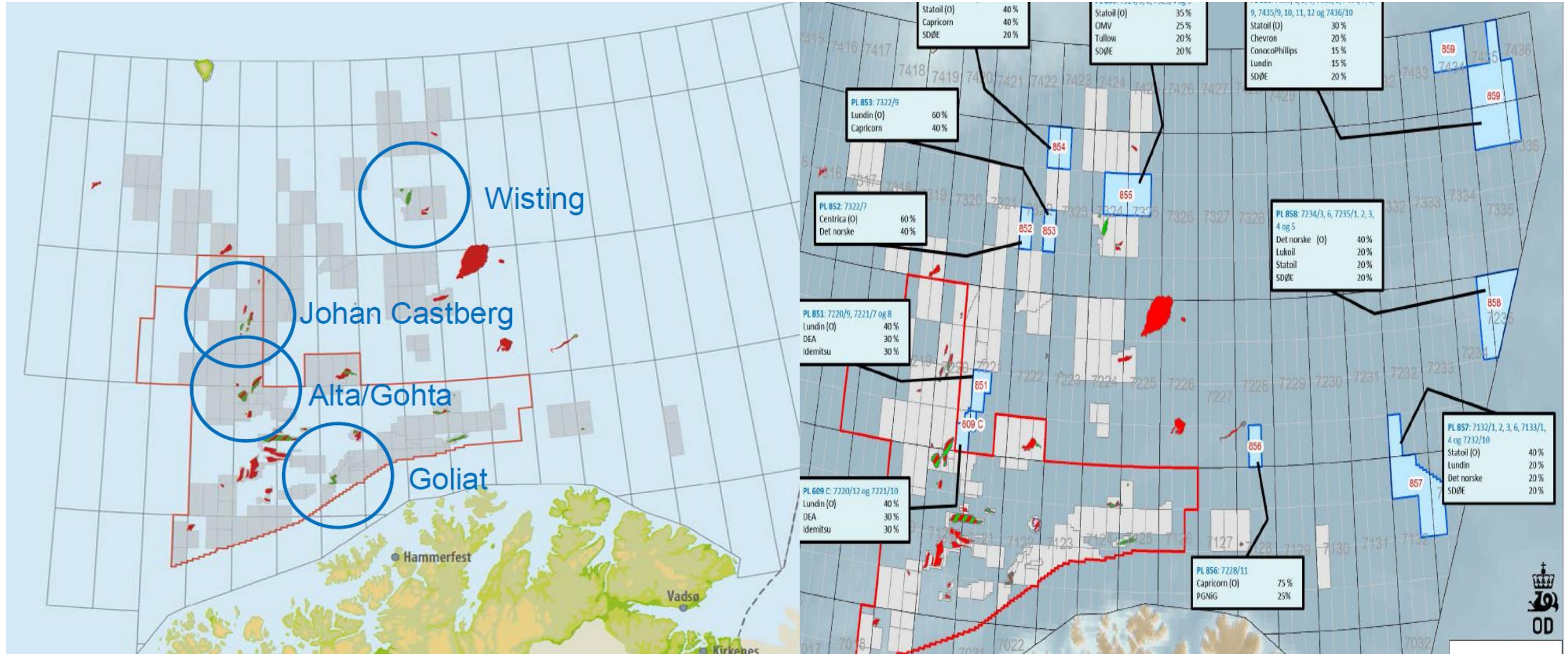


## Electrification

70 MW through a 105 km HVAC cable from shore

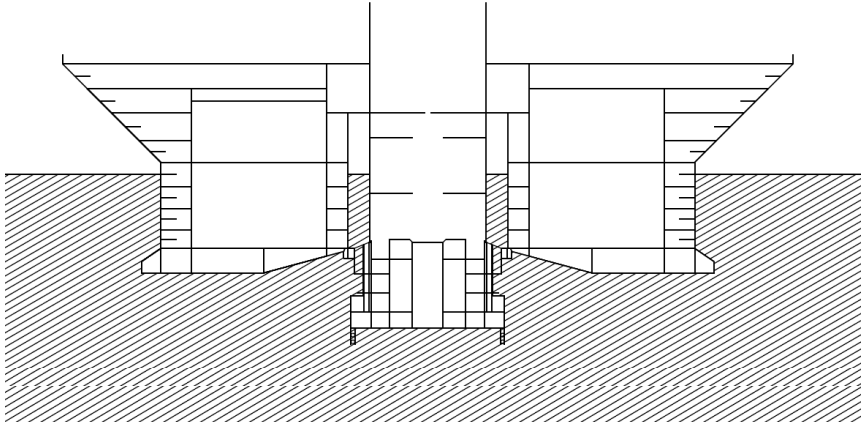
# Fields in the Barents Sea

# 23<sup>rd</sup> Licensing round

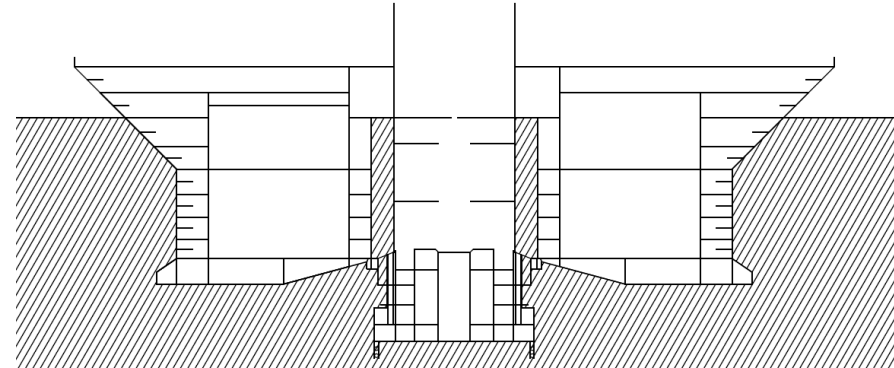




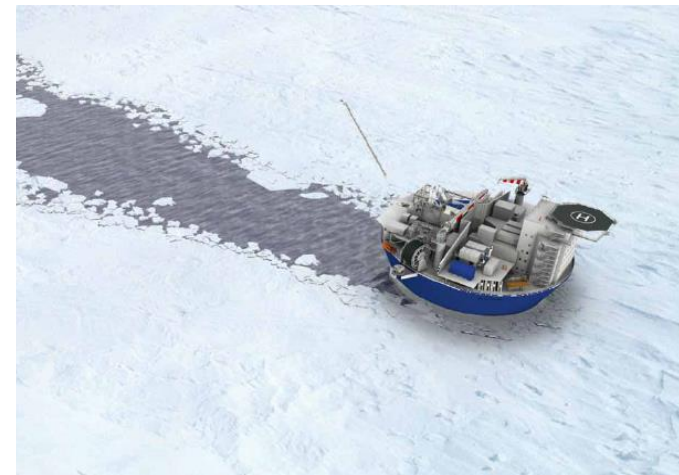
# Arctic Hull



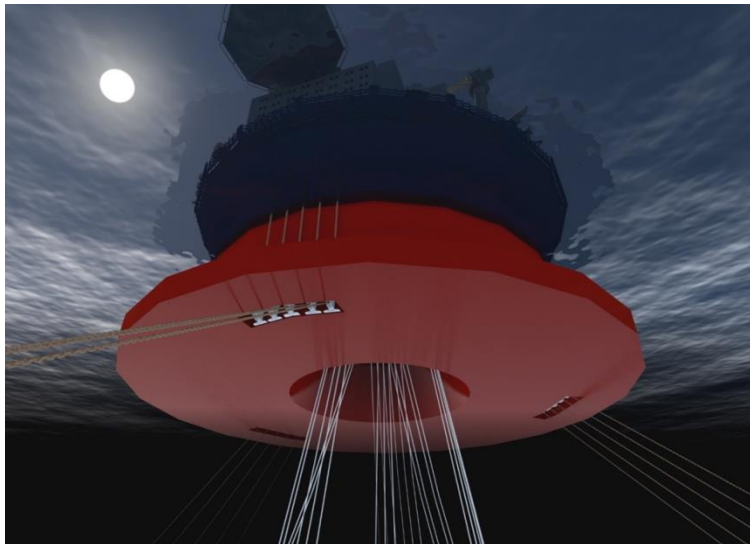
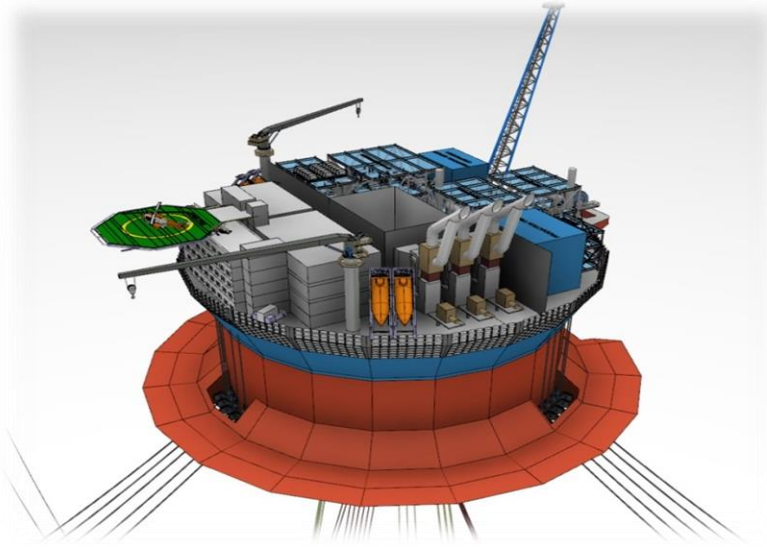
Open Water Draft



Ice Draft



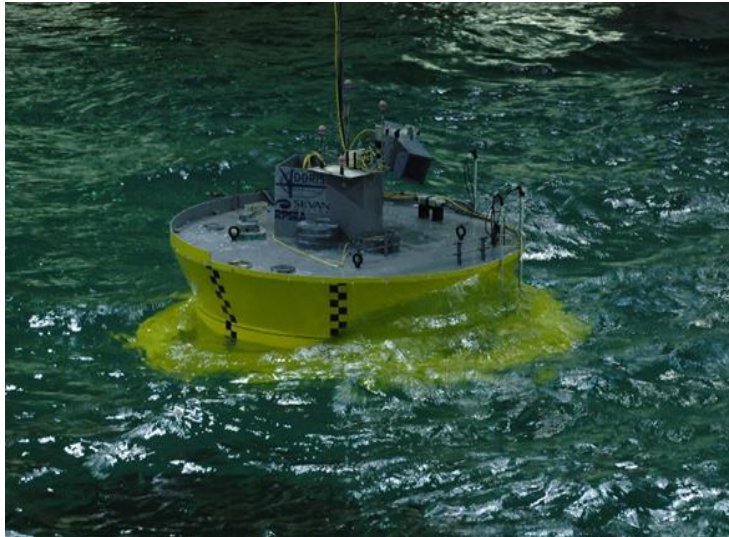
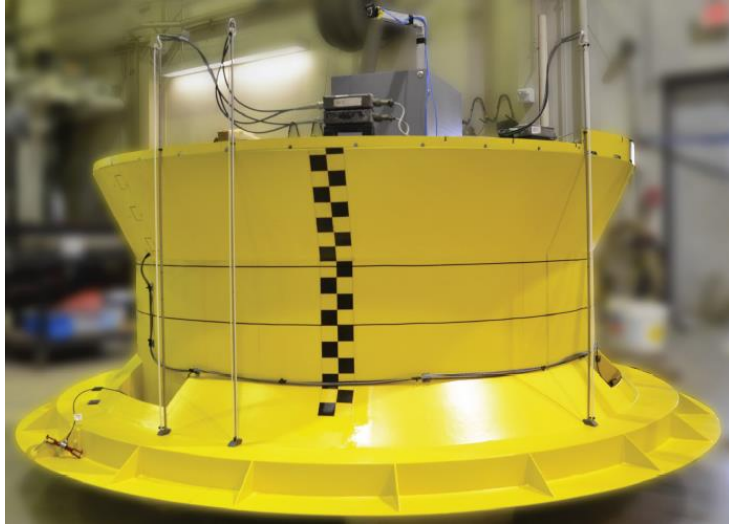
# Making progress in the Gulf of Mexico



- Under a program organized by the Research Partnership to Secure Energy for America (RPSEA), Doris Inc., the Offshore Technology Research Center (OTRC) at Texas A&M University and Sevan Marine have carried out further research and model scale testing of Sevan Marine's cylindrical hull for application in GOM ultra deep water
- Also in dialog with US regulatory bodies regarding non-disconnect FPSO

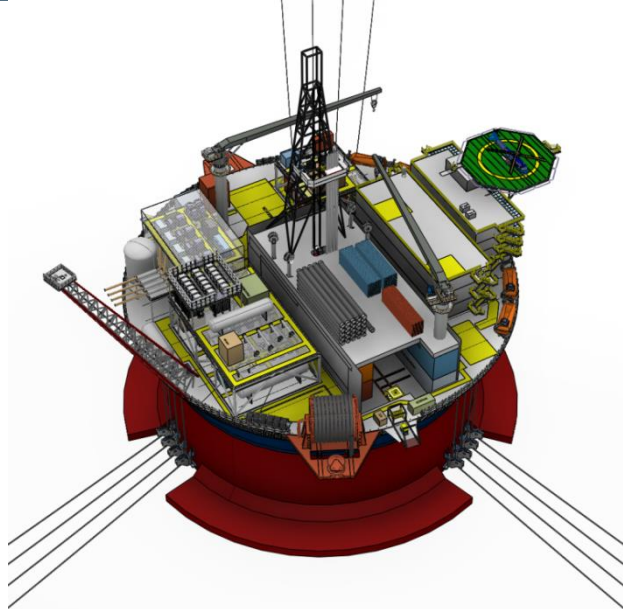
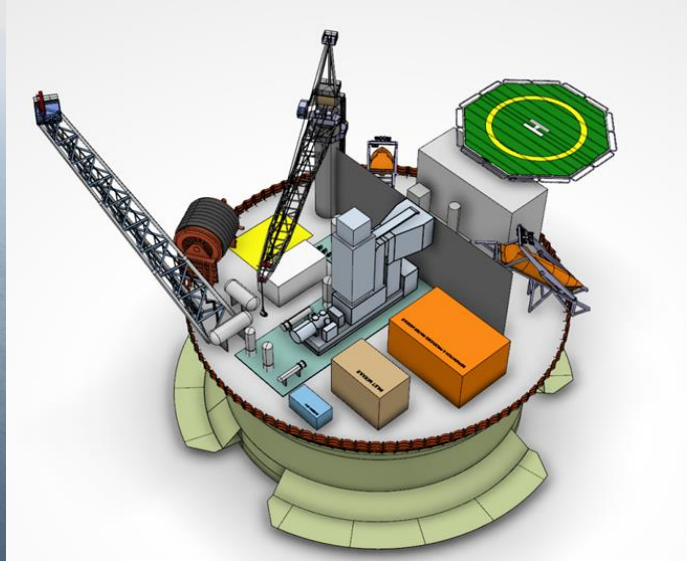


# Making progress in the Gulf of Mexico



- The model tests at OTRC confirm the favorable motion characteristics of the Sevan Marine design enabling the application of with Steel Catenary Risers (SCR) and permanent mooring in even the harshest hurricane conditions.
- Several major oil companies attended the Industry Day held on Wednesday, May 11, 2016 further highlighting the keen interest which exists in the market for Sevan Marine's cylindrical design.

# FPSO/FSO prospects

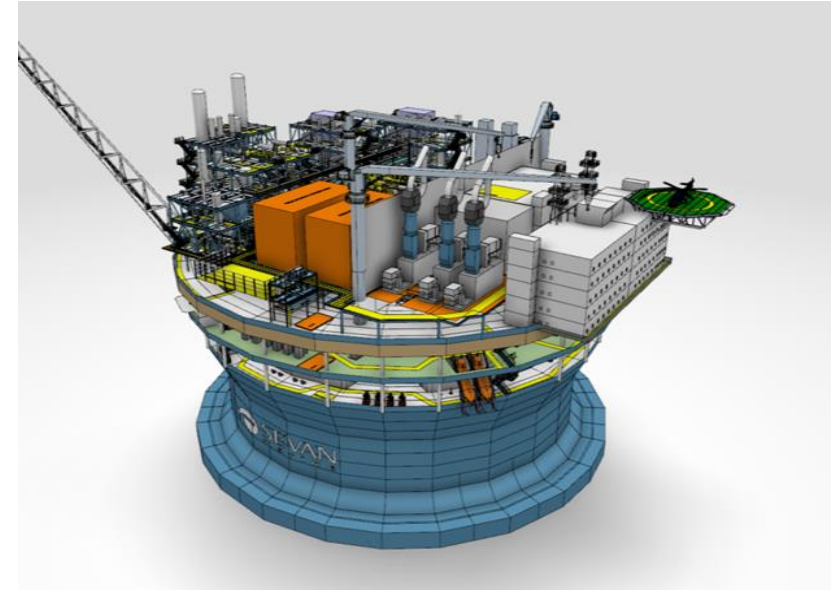


- The prospects pursued during the first quarter includes a FWPSO for Asian waters, a bridge-linked FSO for UK North Sea, gas FPU's in various areas as well 'standard' FPSO solutions
- Despite a generally weak market, we have received an increasing amount of inquiries in connection with early phase studies.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



# Gas market - FLNG

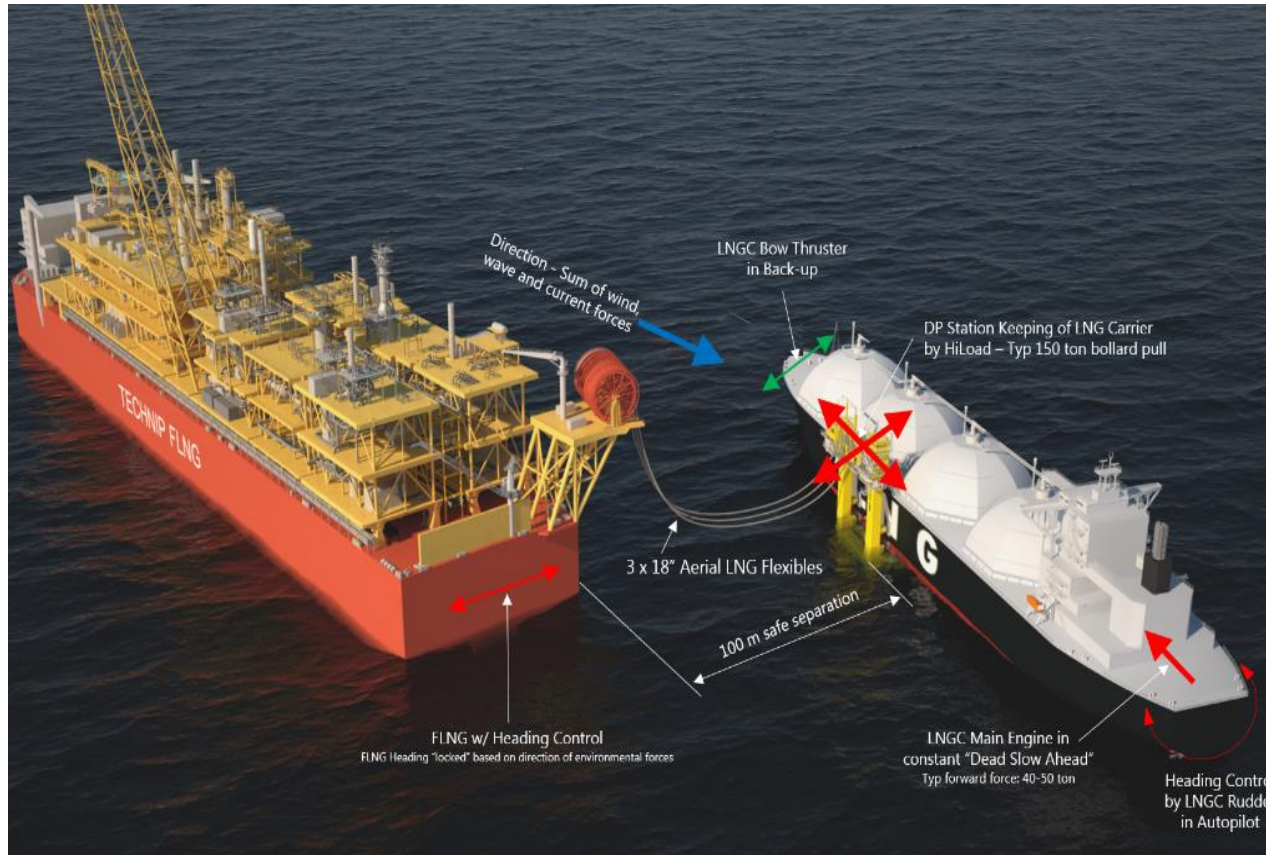
- The oversupply of LNG that has developed over the past year has impacted ongoing FLNG contracts as well as several planned FLNG projects
- Sevan Marine is addressing the FLNG with a cost effective solution based on proven elements
- In dialog with several potential clients



# HiLoad LNG - Offloading System

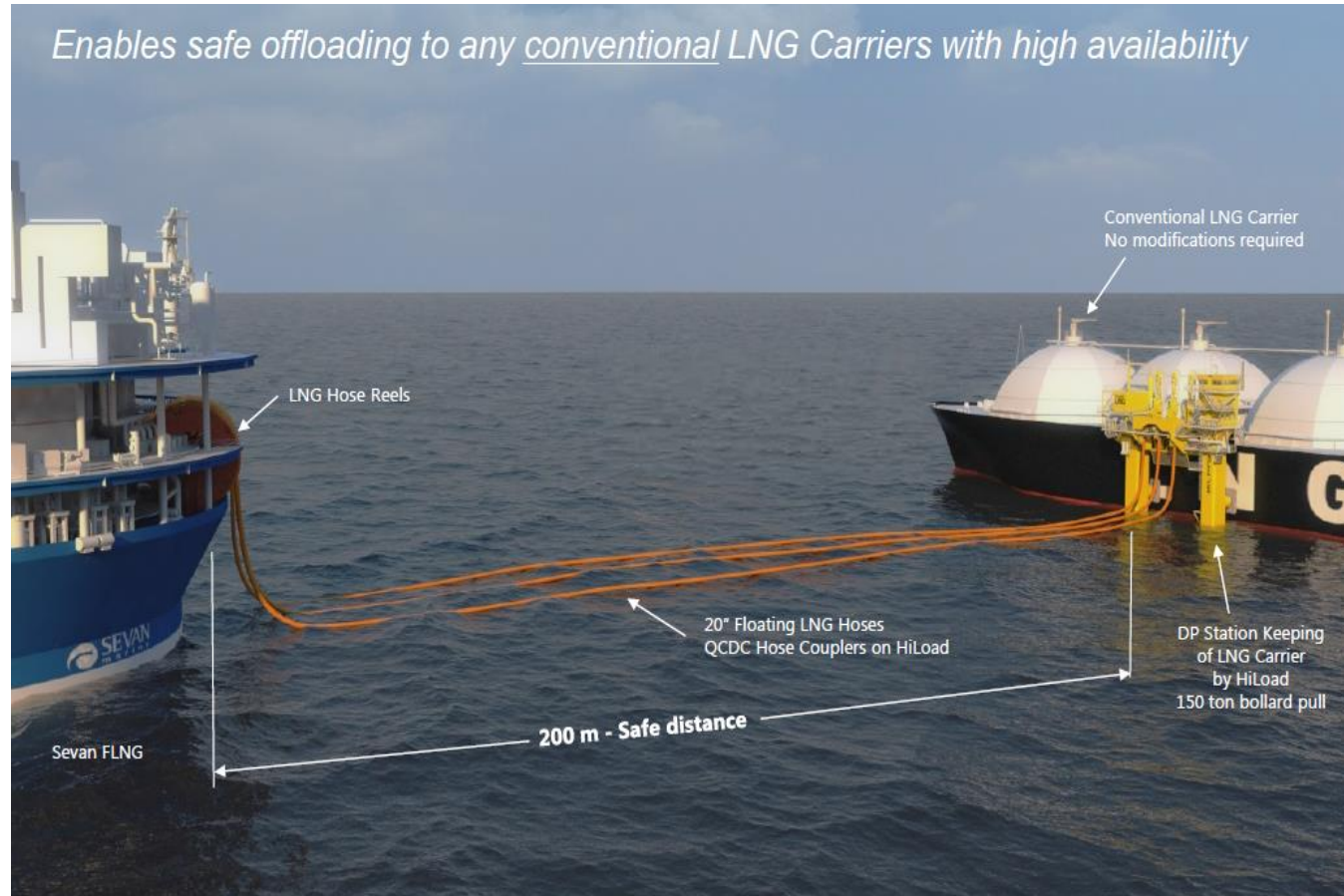
## Parallel Loading System (PLS)

- This system utilizes the HiLoad LNG unit for station keeping and Technip's cryogenic flexible aerial pipes
- It enables a safe transfer of LNG to any conventional LNG Carriers with no modifications necessary





# HiLoad LNG – Offloading System



## Arc Loading System (ALS)

- This system intends to use the HiLoad LNG unit for station keeping and Trelleborg's newly qualified 20" cryogenic floating hose
- It enables a safe transfer of LNG to any conventional LNG Carriers with no modifications necessary

# HiLoad 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



# Extensive Technology Development Program

## 15 YEARS

15-years extensive technology development project and qualification.

130,000 man-hours  
(combined by HiLoad LNG AS and Remora)

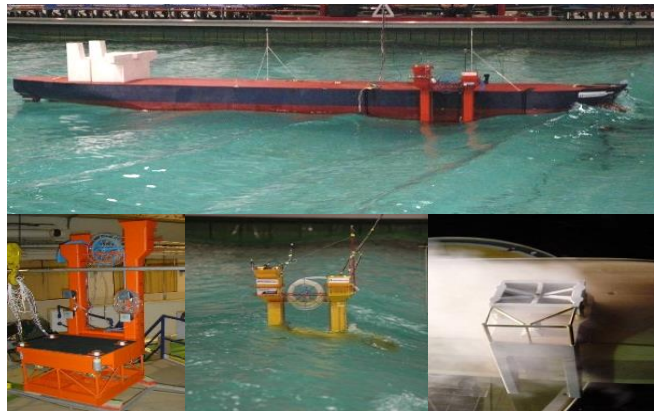
Full scale testing



## 7 MODEL TESTS

7 Model Test carried out:

- Docking
- DP Station Keeping
- 100-year survival
- Towing



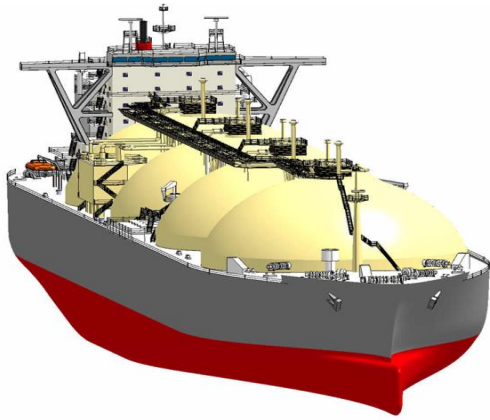
## FIELD OPERATION OF FIRST VESSEL

Field operation performed in Brazil.

Vessel owned and Operated by Teekay



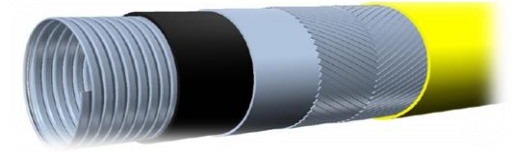
# FRD – The next generation FSRU...



+



+



**1 x old LNGC**

No modifications required

**FRD**

Floating Regas Dock w/Turret Mooring

**Gas Flowline**

Flexible Riser to save installation cost

## = The Complete LNG Logistics Solution

Storage | Regas | Distribution



# Outlook

- **The FPSO/FSO/FLNG market**
  - Focus on cost effective solutions is an advantage and is leading to increased market interest
  - Study work for FLNG application very positive
  - Positive continuing progress on UK sector FPSO prospect
  - Increased interest and small initial studies expected
- **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
- **Cost Reduction Program**
  - Over 20% further headcount reduction taken in Q1 2016
  - Reduced salary for 2016 and working time agreed for all Sevan Marine staff
- **Strategic Review**
  - Process continues and Sevan Marine is optimistic that the outcome will deliver enhanced shareholder value



# Q & A

