

# Sevan Marine ASA

## Results

Third Quarter 2016

Oslo, November 09, 2016

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# Sevan Marine

- **Debt free** - cash of approximately USD 25 million
- **Market Capitalization** – MNOK 900 - 1,000 (MUSD 100 – 120)
- **Asset light and technology heavy** - no vessel ownership, license fee and engineering revenue model
- **Proven designs** – with unique cost benefits
- **Competitive cost level** – 15 - 25% cost savings estimated compared with turret moored solutions



# Proven designs

## 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**

## 2 Logitel Units



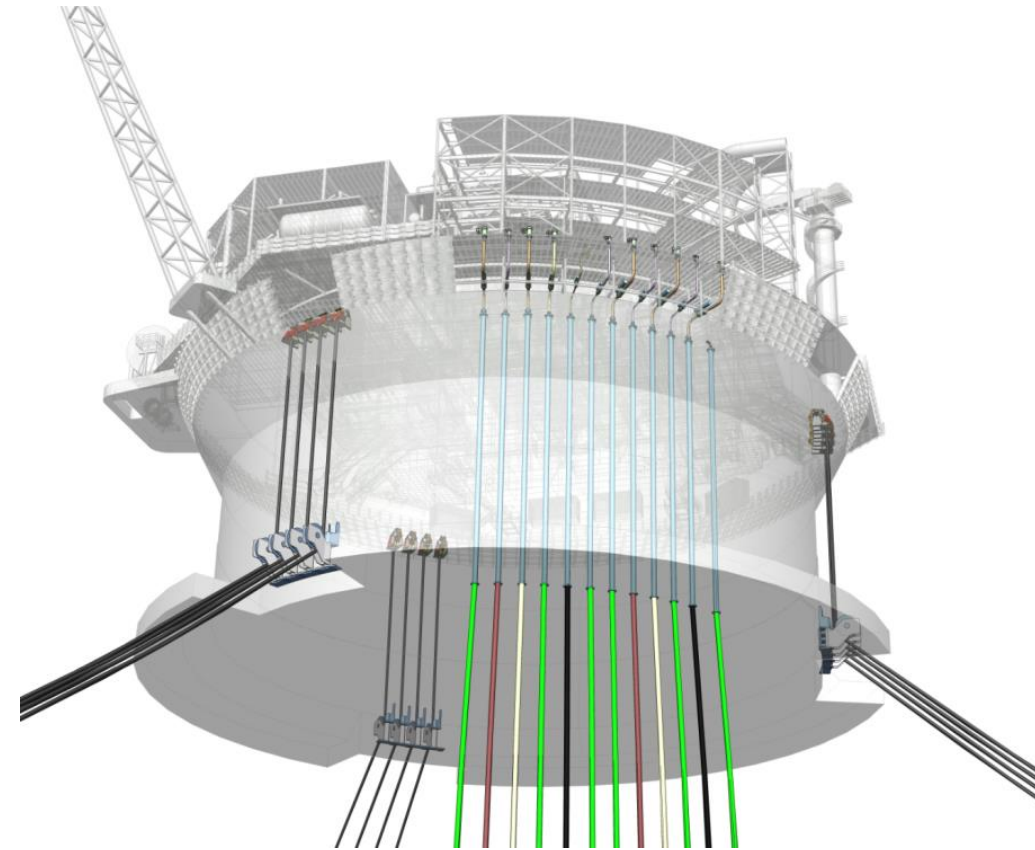
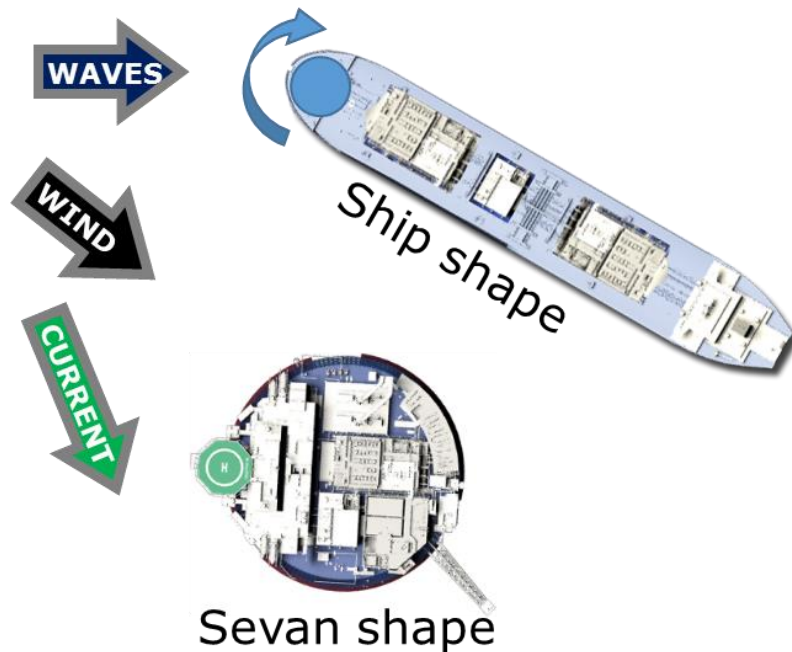
**Arendal Spirit**



**Stavanger Spirit**

# Main Benefits of Cylindrical Design

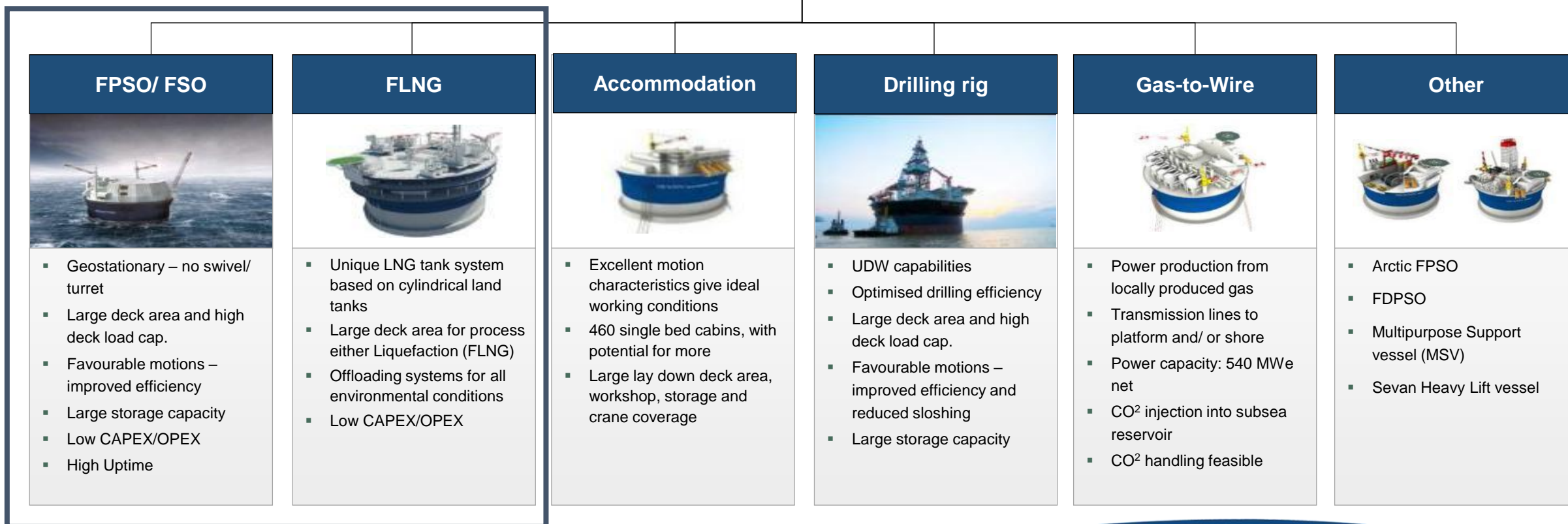
- No turret and swivel, lower capex
- High number of risers and umbilicals at low cost
- Electrification from shore
- Robust hull design with regards to ship impact
- Lower operational cost



# Q3 - Highlights

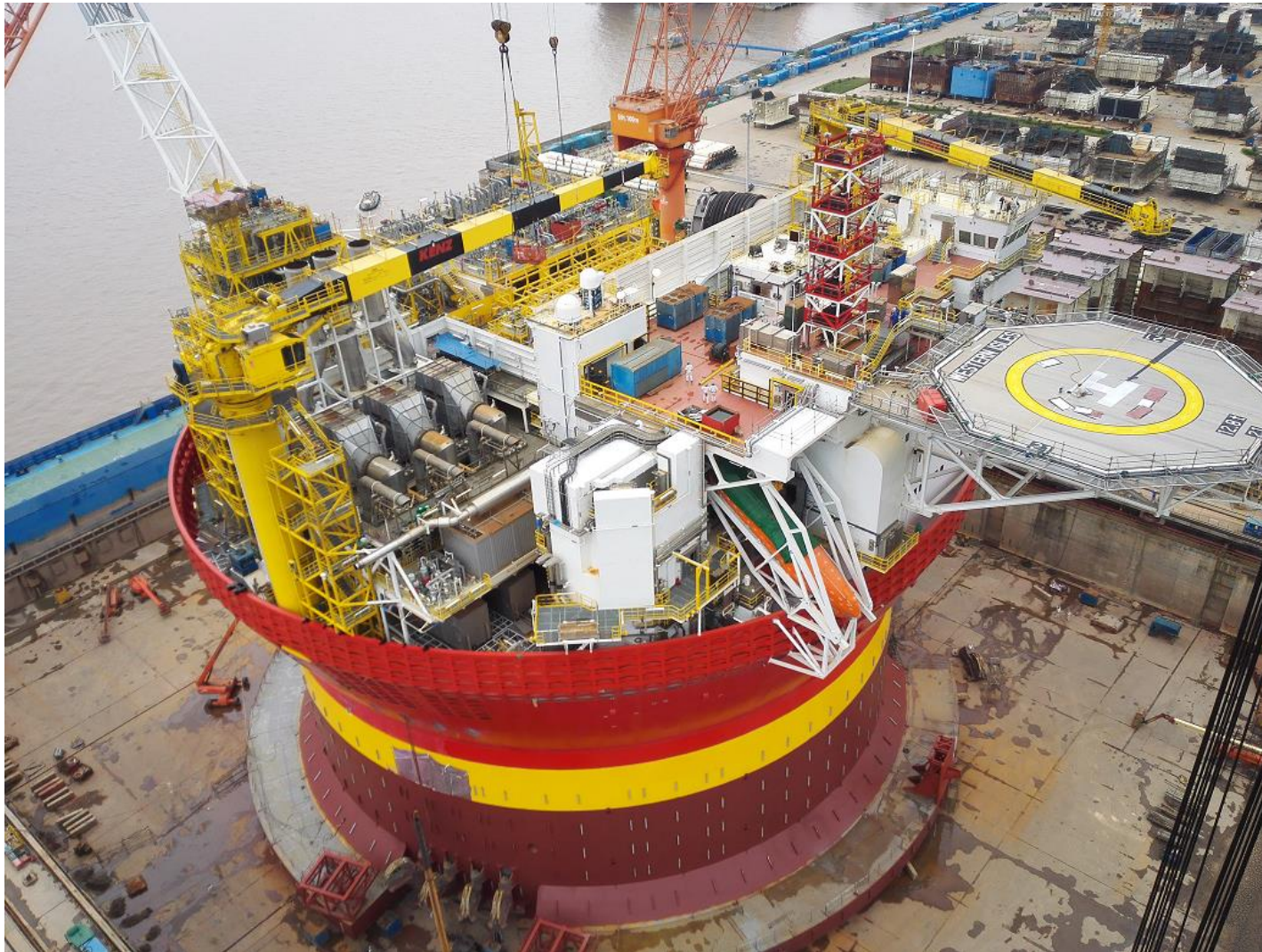
- Continuing work on UK sector FPSO prospect
- Continuing work on FLNG study with U.S. oil major for a specific field
- Concept study for OMV Norge in relation to Wisting field
- Logitel Rigs 2 and 3 construction contracts terminated and activity in China completed
- Topside and Process results positively impacted by further OCTP margin
- Change in leadership and further headcount reductions initiated

# Sevan Technology Overview – Core FPSO, FLNG offering





# 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 we expect will happen in the second half of 2017
- Sevan Marine has been carrying out detailed engineering for the hull under the service agreement entered into
- Currently supporting the client in the bid evaluation phase

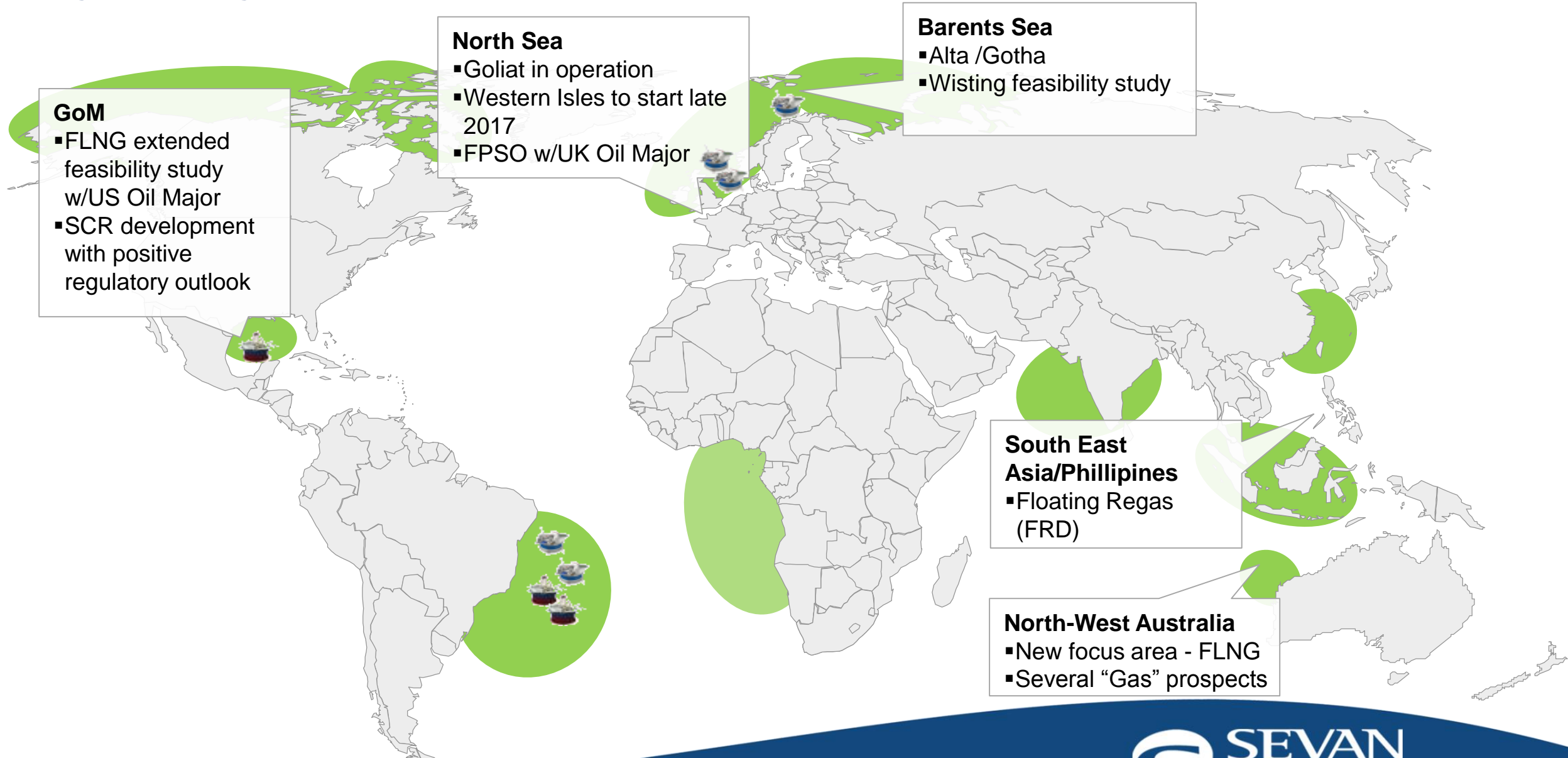
# Sevan FLNG – U.S. based oil major



- 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 is now working on a follow up study focusing on the hull and marine aspects of Sevan Marine's unique cylindrical design
- This study will continue until the end of 2016 and is expected to continue throughout 2017

# Overview of Current Activities Worldwide

Significant progress despite depressed offshore market





# Financials





# Q3 2016 Highlights

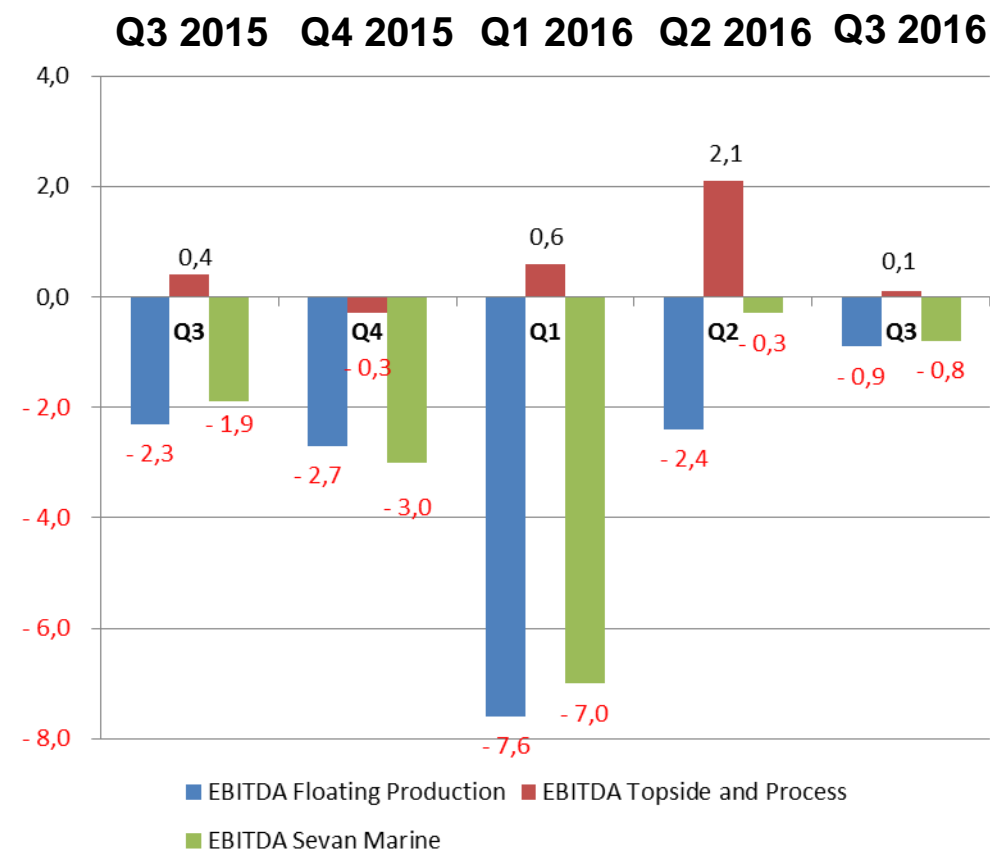
## Floating Production:

- Significantly reduced loss versus previous quarters
- A reflection of cost reductions and positive one-offs in the quarter
- Further revenue and workload decline has led to further cost reduction measures being taken

## Topside and Process:

- Additional margin recognized on the OCTP project in KANFA AS leading to positive result

## EBITDA (USD Million)

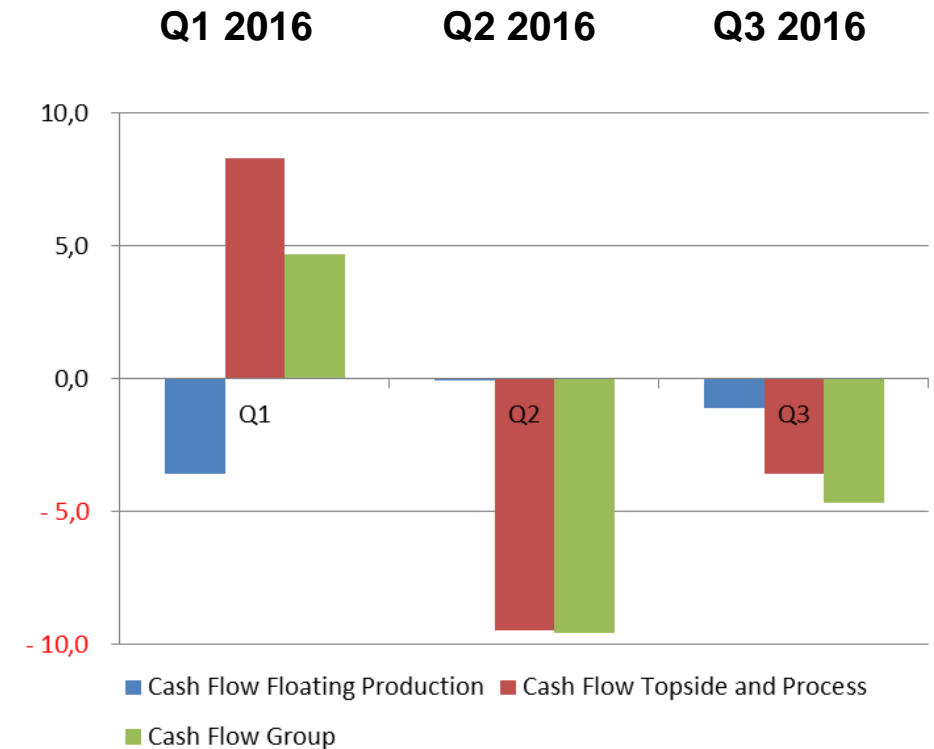


Note: Topside and Process includes KANFA AS and KANFA Aragon which are fully consolidated. Sevan ownership is 51% in KANFA AS

# Q3 2016 Cash Flow

- USD 27 million in cash at end Q3 2016
- Majority of cash (USD 25.8 million) in Floating Production, USD 1.2 million in Topside and Process
- Negative cash flow in Topside and Process in the quarter is driven by working capital in relation to OCTP project

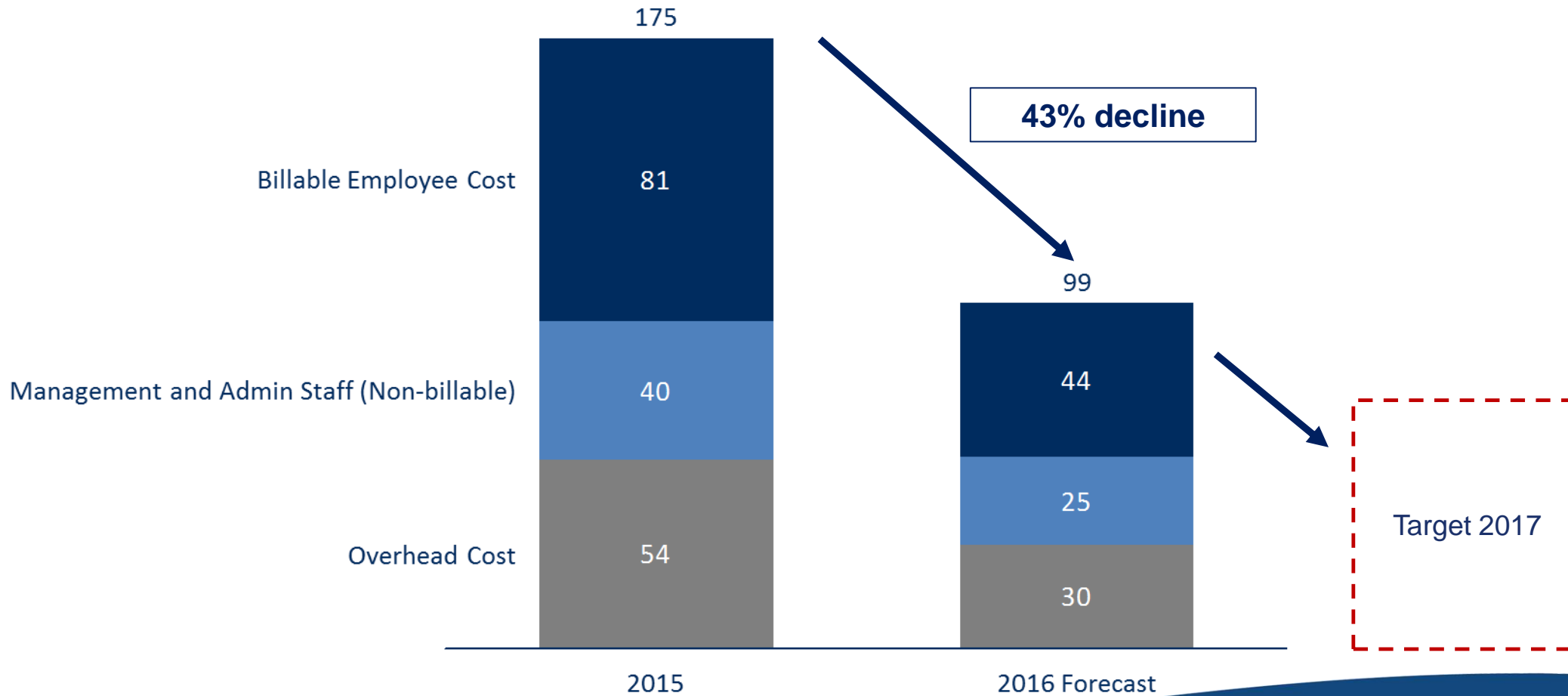
Cash Flow (USD Million)





# Cost reduction summary - MNOK

- Substantial cost reductions achieved in past 18 months
- Further reductions, including headcount, being carried out
- Target is to reduce cash burn to a minimum in 2017 in expectation of recovery in 2018/2019



# Sevan Marine Value Components



**Market Cap:** MNOK 900 – 1,000  
(MUSD 100 – 120)

**Debt:** 0

1

## Sevan Core

- Sevan technology, know-how and IP
- HiLoad LNG
- People and engineering competence
- Net cash position of USD 25.8m per Q3
- NOK 3.5 bn tax loss
- License fees to come (UK FPSO)

2

## Logitel (legal action and arbitration)

- Filed claim against Logitel claiming payment of some USD 60m in relation to the Logitel loan
- Initiated arbitration against Logitel and Teekay Offshore Partners claiming payment of USD 10m in relation to the Fourpartite Agreement

3

## Variable license fee potential

- Variable compensation based on production on Western Isles USD 20-25m (USD 0.5/bbl produced)
- Expected start of production in late 2017

4

## Other assets (KANFA)

- 51% ownership in KANFA (Technip has buyout option in 2017)
- Takeover looks increasingly likely

# Logitel

- Sevan Marine maintains that substantial claims can be made against involved parties and is dedicated to realizing the underlying values and outperforming impairments taken for the benefit of all shareholders
- The Board has taken the following steps:
  - Initiated legal action against Logitel Offshore Pte Ltd claiming payment of an amount of approximately USD 60 million in relation to the Logitel loan, and;
  - started arbitration against both Logitel Offshore Pte Ltd and Teekay Offshore Partners LP claiming payment of an amount of approximately USD 10 million in relation to the Fourpartite Agreement
- Sevan Marine reserves the right to, at any time, pursue other involved parties. Agreements suspending time-bar limitations have been entered into with such involved parties



# Q3 2016 – Profit & Loss statement

<u>Unaudited figures in USD million</u>	<u>Q3 16</u>	<u>Q2 16</u>	<u>Comment</u>
Operating revenue	5,1	16,9	Revenue decline in Floating Production and Topside and Process (OCTP coming to an end)
<b>EBITDA</b>	<b>-0,8</b>	<b>-0,3</b>	Mainly related to reduced activity in Floating Production offset in part by savings and one-off items
Operating profit	-0,8	-0,4	
Net profit before tax	-0,3	-11,6	Mainly related to financial FX USD 0.5m
Net profit	0,4	-11,6	Reversal of tax accrual USD 0.7m

**Net profit positively impacted by reversal of tax provision**

# Q3 2016 – Balance Sheet

<i>Unaudited figures in USD million</i>	<b>30.09.2016</b>	<b>30.06.2016</b>	<b><u>Comment</u></b>
Intangible assets	1,2	1,2	Software & rights
Loan	-	-	
Other non-current assets	5,9	5,9	Accrued Logitel variable fee of USD 5m
<b>Total non-current assets</b>	<b>7,1</b>	<b>7,1</b>	
Trade and other receivables	14,2	14,2	USD 25.8m in Floating Production and USD 1.2m in Topside and Process segment.
Cash and cash equivalents	27,0	31,7	
<b>Total current assets</b>	<b>41,3</b>	<b>45,9</b>	
<b>Total assets</b>	<b>48,3</b>	<b>53,1</b>	
<b>Total equity</b>	<b>28,9</b>	<b>28,3</b>	
Total non-current liabilities	1,1	1,1	USD 8.3m in Floating Production and USD 10.0m in Topside and Process segment. Decrease mainly related to reversal of tax accrual and working capital changes in Topside and Process segment
Total current liabilities	18,3	23,7	
<b>Total liabilities</b>	<b>19,5</b>	<b>24,8</b>	
<b>Total equity and liabilities</b>	<b>48,3</b>	<b>53,1</b>	

**USD 27m of cash including USD 1.2m in Topside and Process segment**

# Q3 2016 – Segment Assets

<u>Unaudited figures in USD million</u>	<u>FP</u>	<u>T&amp;P</u>	<u>Q3 16</u>	<u>Comment</u>
<u>Non-current assets</u>				
Intangible assets	1,2	-	1,2	Software and rights
Loan	-	-	-	
Other non-current assets	5,9	0,0	5,9	USD 5m Logitel Variable Fee estimate
<b>Total non-current assets</b>	<b>7,1</b>	<b>0,0</b>	<b>7,1</b>	
<u>Trade and other receivables</u>				
Short term portion Logitel variable payment	-	-	-	
Trade receivables	1,9	1,6	3,5	
Project accruals	0,5	8,7	9,2	Mainly related to OCTP project in T&P
Prepays	0,7	0,1	0,8	
Other	0,3	0,4	0,7	
<b>Total trade and other receivables</b>	<b>3,5</b>	<b>10,8</b>	<b>14,2</b>	
<u>Cash and cash equivalents</u>				
<b>Total cash and cash equivalents</b>	<b>25,8</b>	<b>1,2</b>	<b>27,0</b>	
<b>Total assets</b>	<b>36,3</b>	<b>12,0</b>	<b>48,3</b>	

**Floating Production assets excludes NOK 3.5 billion in tax losses**

Note: Excludes intra and intersegment assets



# Q3 2016 – Segment Liabilities

<u>Unaudited figures in USD million</u>	<u>FP</u>	<u>T&amp;P</u>	<u>Q3 16</u>	<u>Comment</u>
<u>Non-current liabilities</u>				
Retirement benefit obligations	0,7	0,1	<b>0,8</b>	
Deferred tax	-	0,3	<b>0,3</b>	
<b>Total non-current liabilities</b>	<b>0,7</b>	<b>0,5</b>	<b>1,1</b>	
<u>Current liabilities</u>				
Debt to credit institutions	-	-	-	
Trade creditors	0,2	0,6	<b>0,9</b>	Mainly related to OCTP project in T&P
Project accruals	0,1	7,7	<b>7,8</b>	Mainly related to OCTP project in T&P
Tax dispute 2012	1,1	-	<b>1,1</b>	Provision for ongoing tax dispute including interest and penalties
Piranema fine	3,6	-	<b>3,6</b>	
Tax, VAT & public duties	0,4	0,6	<b>1,0</b>	
Employee related accruals	1,7	0,5	<b>2,2</b>	
Other	1,2	0,5	<b>1,7</b>	
<b>Total current liabilities</b>	<b>8,3</b>	<b>10,0</b>	<b>18,3</b>	
<b>Total liabilities</b>	<b>9,0</b>	<b>10,5</b>	<b>19,5</b>	

**Working capital largely driven by OCTP project in Topside and Process Segment**

Note: Excludes intra and intersegment liabilities

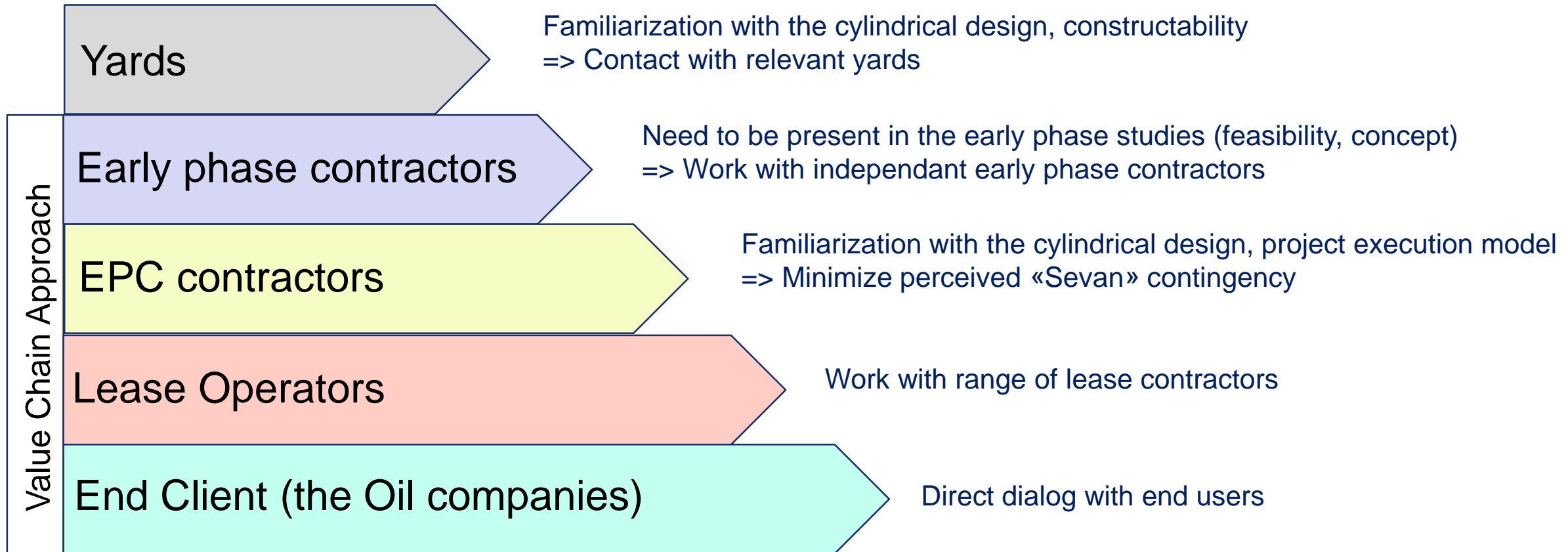


# Strategic Focus and Outlook

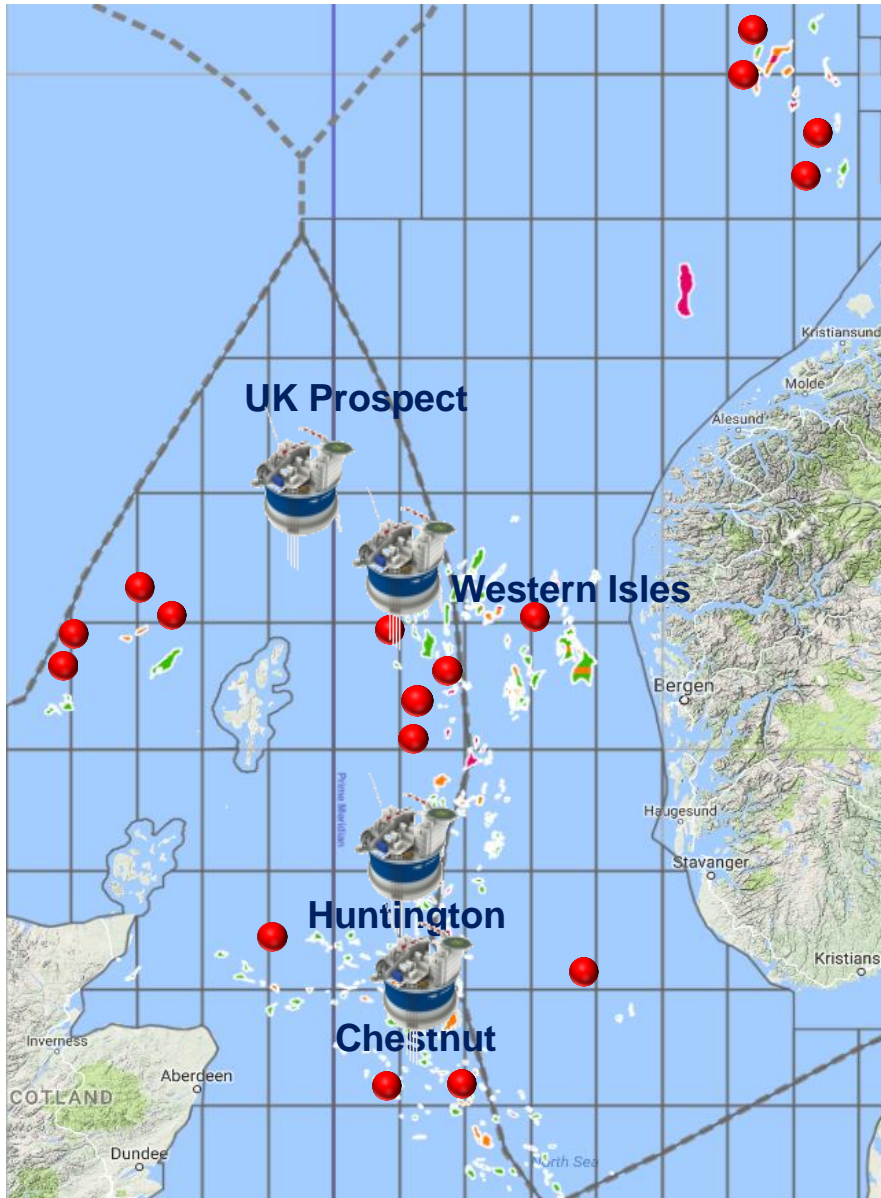




# Strategic Focus as Technology and Service Provider



# North Sea – Well Established Market

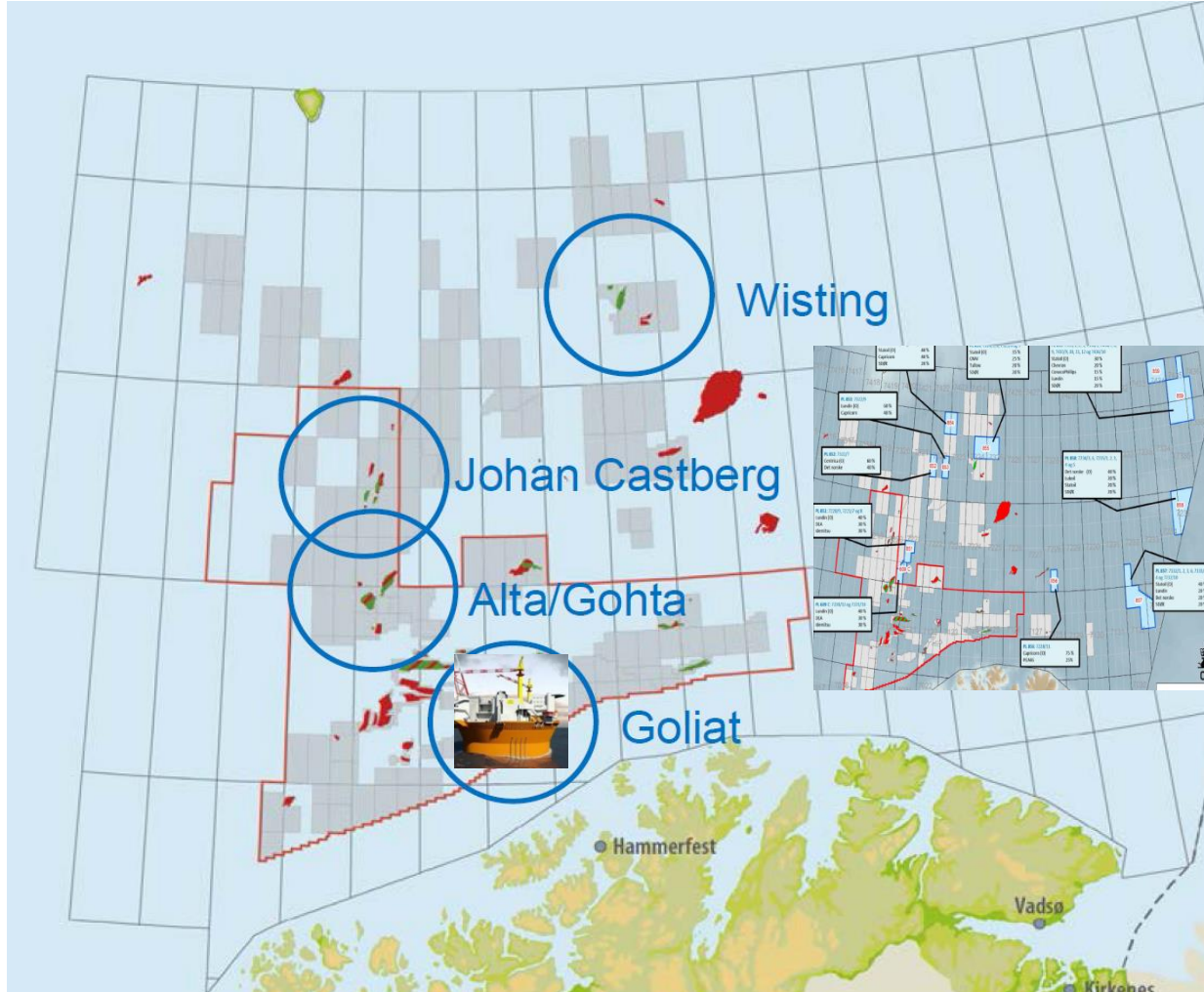


- Experience in the North Sea since 2007
- Voyager and Hummingbird
- Western Isles
- 'UK prospect' is in its EPC bidding stage
- Several prospects (indicated with the 'red dots') have been chased over the past years
- Few investment decisions in 2016. Expectation is that more will be made in 2017 (including UK prospect)

Sevan's strategy is to target small to medium size projects in the North Sea with a very cost efficient and proven solution



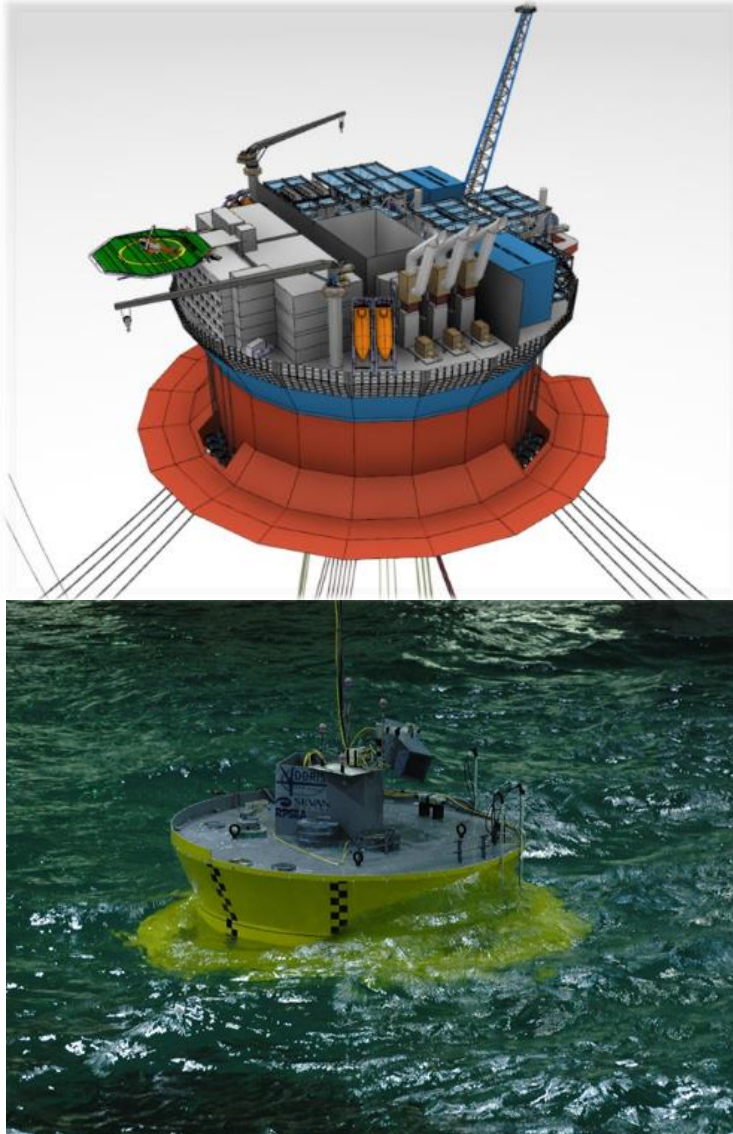
# Barents Sea - Goliat as First Mover, More to Come



- The Goliat platform for ENI was put in operation in March 2016 as the first floating production facility in the Barents Sea
- The installation includes 70 MW electrification through a 105 km HVAC cable from shore
- 13 companies are offered 10 production licenses in the 23rd round
- Early phase studies for Alta Gohta and Wisting

Sevan's strategy is to target "Goliat size" projects in the Barents Sea with a very cost efficient and proven solution as well as the experience and suitability for electrification

# Ultra Deep Water (GoM) – Future Development



- Harsh environment, deep and ultra deep water, high pressures and temperatures
- No pipeline infrastructure, need storage and offloading system
- To date few disconnectable and costly ship shaped FPSOs with turret / swivel and complicated riser systems
- Sevan has, with RPSEA, Doris Inc. and the OTRC at Texas A&M, carried out further research and model scale testing of Sevan Marine's cylindrical hull for application in GoM ultra deep water with Steel Catenary Risers (SCR)

Sevan's strategy is to target the ultra deep GoM market by use of steel catenary risers (SCR). In doing so we need to qualify for a non-disconnectable solution during a hurricane with cargo



# Gas Market – FLNG as Growth Market

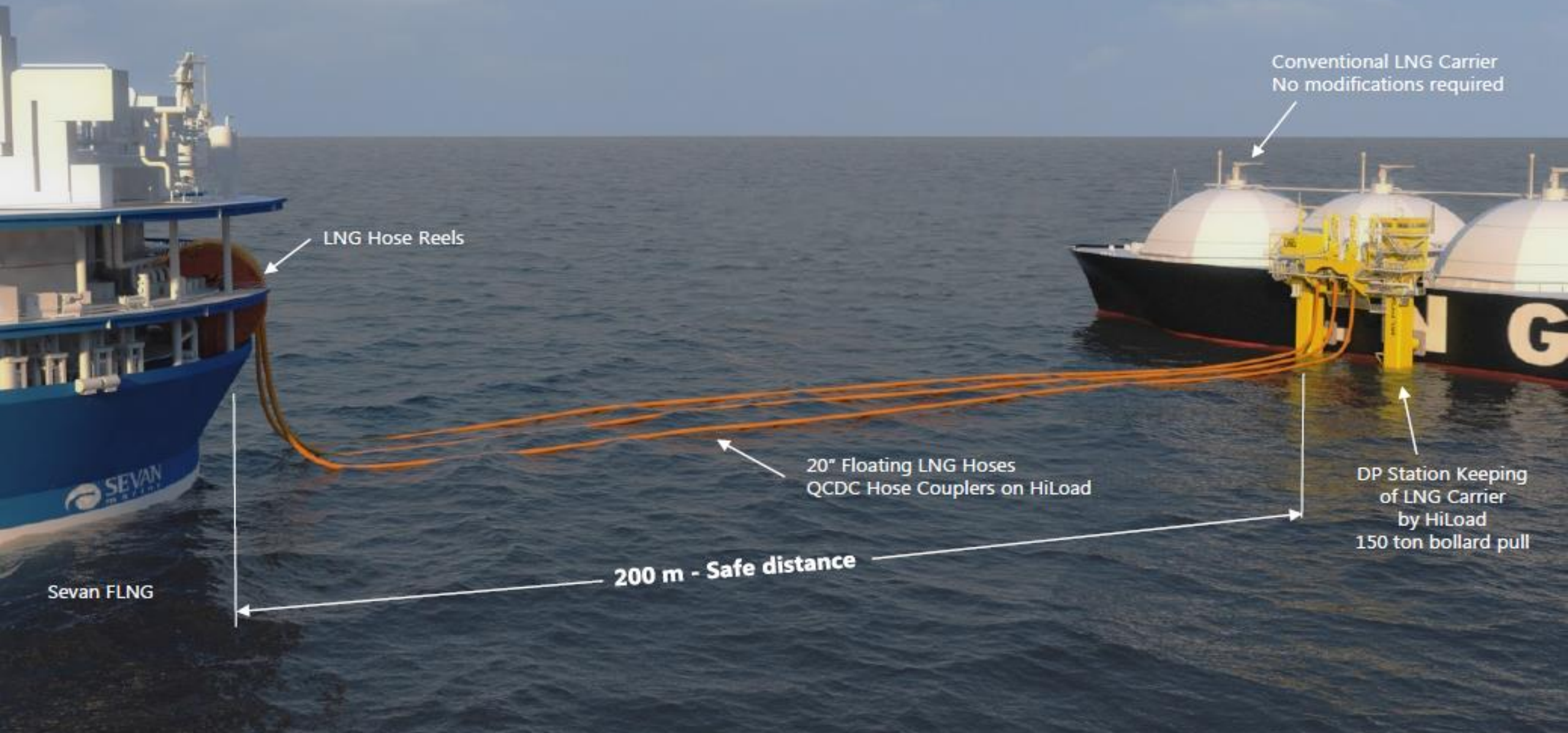


- Sevan Marine is addressing FLNG with a cost effective solution using its cylindrical hull and HiLoad FLNG while avoiding costly turrets
- The oversupply of LNG has led to cancellation and delays in several planned FLNG projects
- Delays have led many players to reconsider the development concept selected, an advantage for Sevan
- The ongoing feasibility study with the U.S. based oil major is an important recognition of the design

Sevan's strategy is to work with the U.S. based oil major to develop and apply the concept for a specific FLNG field

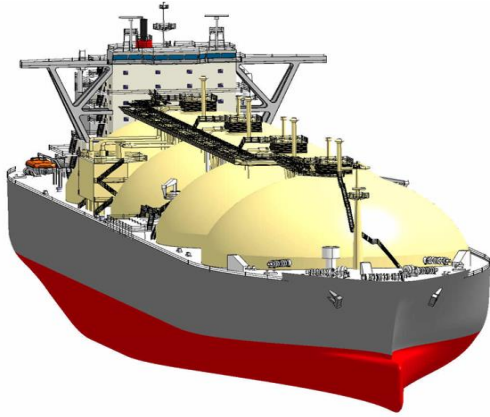
*Enables safe offloading to any conventional LNG Carriers with high availability*

## HiLoad – LNG Loading System





# Floating Regas Dock (FRD) – Cost effective FSRU solution based on HiLoad LNG Technology



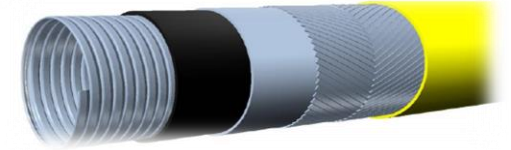
## 1 x old LNGC

No modifications required



## FRD

Floating Regas Dock w/Turret Mooring



## Gas Flowline

Flexible Riser to save installation cost

Contract signed with Vires Energy Corporation («Vires») for application of the technology for a specific project in the Philippines. Pre-FEED work has been completed and discussions continue regarding new work

Sevan's strategy is to work with Vires and others to successfully construct and install the first FRD unit while promoting the concept to others via engineering and EPC partners

# Outlook

- Expect work to continue with DANA, UK FPSO and FLNG projects
- Other near term prospects may be delayed and should generate more study work
- Cost reductions being carried out to meet expected reduced workload and minimize cash burn
- Continued investment in the development of new applications for example the use of Steel Catenary Risers
- Positive interest and prospects going into 2017, particularly from Oil Majors for FLNG and Barents Sea opportunities
- Our strategic focus remains being the world's leading provider of cylindrical floater designs, engineering and related services

# Q & A

