

# **REPORT**

## **THIRD QUARTER 2004**



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### Main figures<sup>1</sup>

Operating revenues for the third quarter came to NOK 0.0 million (NOK 0.9 million). The decrease was primarily due to a reduction in revenues from consultancy services. Following the commencement of the construction contract for the SSP 300, such consultancy work is expected to cease.

Operating income came to NOK - 4.7 (NOK - 2.9 million). The operating expenses has increased, primarily as a result of an increase in salary and other personnel and operating expenses due to higher activity caused by the construction of the SSP300.

Net financial items came to NOK 0.4 million (NOK 0). The increase was due to an increase in interest income on cash and cash equivalents.

Net profit came to NOK - 3.7 million (NOK - 2.3 million).

For the first nine months, operating revenues amounted to NOK 1.0 million (NOK 2.8 million). Operating income amounted to NOK - 12.4 million (NOK - 7.7 million), net financial items was NOK 0.9 million (NOK 0.1 million) and net profit was NOK - 9.2 million (NOK - 6.1 million).

As at September 30, 2004, total assets amounted to NOK 158.5 million, of which NOK 58.0 million had been capitalized as construction in progress on the SSP 300 FSO. As at September 30, the equity ratio was 97%. The Company did not have any interest-bearing debt.

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1) The figures in brackets refer to the same period last year

### Accounting policies

The financial data have been prepared in accordance with Norwegian GAAP. The accounts for 2003, 30.09.2003 and Q3 2003 are pro forma accounts, and has been prepared in connection with the transformation of the Company from a private company to a public company, which took place on June 18, 2004.

For each financial year starting on or after January 1, 2005, companies with securities trading on the Oslo Stock Exchange shall prepare their consolidated financial statements in conformity with the International Accounting Standards. The Company has outlined the expected major differences between IFRS and the accounting principles currently applied. The Company expects its first interim report in 2005 to be in compliance with IFRS-standards. Historical comparable IFRS-figures for 2004 are expected to be mandatory.

The Company does not expect to have many significant changes in accounting principles as a result of the transition to IFRS. Although many of the IFRS-standards that the Company will have to comply with in 2005 have been finalised, there are still some important standards that are not yet finalised. Therefore, differences between IFRS and the accounting principles currently being applied by the Company probably include, but are not limited to, the following:

Differences with possible impact on the income statement:

- IAS 38 requires development costs to be capitalized if certain criteria are fulfilled. The Company currently accounts for both research and development costs as incurred.
- The new standard on Share Based Payments (IFRS 2) requires entities

to measure their share option schemes to employees at fair value, using a share option valuation model. However, Oslo Stock Exchange currently allows that the intrinsic value based method is applied, i.e. cost is represented by the excess, if any, of the quoted market price of the share at the grant date or other measurement date over the amount an employee must pay to acquire the share.

Differences with possible impact on presentation and classification:

- IAS 1 requires entities to present a separate statement showing changes in equity. The Company currently presents such details in the notes to its financial statements.
- IAS 1 allows entities to present expenses in their income statements using the function of expense method. Norwegian GAAP allows only disclosure of expenses using the nature of expense method.

In general, IFRS requires more detailed disclosures than Norwegian GAAP. The Company aims to quantify the effects of the implementation of IFRS in its 2004 financial statements.

## **Business activities**

**Construction project.** The construction of the SSP 300 FSO proceeds according to plan and within budget, at the Yantai Raffles Shipyard in China. The Company has entered into purchase contracts with various suppliers for the delivery of Owner Furnished Equipment (OFE) to be installed on Vessel at the shipyard.

**Project status.** In general, there are several potential projects for the SSP 300 under construction, and also for larger SSP units, and the number of projects the Company is actively pursuing is

increasing. The projects are located in the North Sea, SE Asia and Brazil, which are the Company's main focus areas.

Typically, the projects are contracts extending over several years, where the Client would charter the SSP from the Company, some of which would require the installation of a process plant. In Brasil, the cooperation agreement with Petrobras has commenced and the parties are now working together for the purpose of exchanging knowledge and experience relating to the design and construction of monohull platforms. In the third quarter, the Company has further strengthened its organization and the manning now totals 17 persons.

## **Other**

The Company has filed an application for a listing on the Oslo Stock Exchange.

The Company has signed a definitive agreement with China Exim Bank for a loan facility of USD 13m that may be drawn down during the construction of the SSP 300. At delivery, the facility will be converted into a term loan with a duration of three years. The loan carries a fixed interest of 3.83% p.a.

## **Outlook**

In the recent months, the number of potential field development projects has increased steadily. This is in particular the case for small and medium-sized fields, which now are economical to develop due to improved technology and increased oil price. There are, however, relatively few floating production units available in this segment in the market, and those that would potentially be available, are for the most part being extended under existing contracts. The SSP 300 is well suited for the use on such fields, and the Board remains optimistic with regards to the possibilities for securing a contract for the unit.

Tananger, November 3, 2004  
The board of directors  
Sevan Marine ASA

## Sevan Marine ASA Group

### Income statement

<i>Unaudited figures in NOK million</i>	Q3 04	Q2 04	Q3 03	30.09.04	30.09.03	2003
Operating revenues	0,0	0,1	0,9	1,0	2,8	3,6
Operating expenses	4,7	4,3	3,7	13,2	10,4	13,1
<b>EBITDA</b>	<b>-4,7</b>	<b>-4,2</b>	<b>-2,8</b>	<b>-12,2</b>	<b>-7,6</b>	<b>-9,5</b>
Depreciation	-0,1	-0,1	-0,1	-0,2	-0,1	-0,2
<b>Operating profit</b>	<b>-4,8</b>	<b>-4,3</b>	<b>-2,9</b>	<b>-12,4</b>	<b>-7,7</b>	<b>-9,7</b>
Interest income	0,4	0,6	0,0	1,0	0,2	0,3
Interest expenses	0,0	-0,1	0,0	-0,1	-0,1	-0,2
<b>Net financial items</b>	<b>0,4</b>	<b>0,5</b>	<b>0,0</b>	<b>0,9</b>	<b>0,1</b>	<b>0,1</b>
<b>Profit before tax</b>	<b>-4,4</b>	<b>-3,8</b>	<b>-2,9</b>	<b>-11,5</b>	<b>-7,6</b>	<b>-9,6</b>
Tax	0,7	0,8	0,6	2,3	1,5	1,9
<b>Net profit</b>	<b>-3,7</b>	<b>-3,0</b>	<b>-2,3</b>	<b>-9,2</b>	<b>-6,1</b>	<b>-7,7</b>

### Balance sheet

<i>Unaudited figures in NOK million</i>	30.09.04	30.06.04	30.09.03	31.12.03
Deferred tax	8,8	8,1	6,2	6,5
Construction in progress	58,0	45,9	-	-
Other fixed assets	1,7	0,8	0,7	0,7
<b>Total long-term assets</b>	<b>68,5</b>	<b>54,8</b>	<b>6,9</b>	<b>7,2</b>
Current receivables	8,0	4,0	4,6	4,7
Cash and cash equivalents	82,0	125,9	3,7	2,5
<b>Total current assets</b>	<b>90,0</b>	<b>129,9</b>	<b>8,3</b>	<b>7,2</b>
<b>Total assets</b>	<b>158,5</b>	<b>184,7</b>	<b>15,2</b>	<b>14,4</b>
Share capital	12,4	12,4	3,9	3,9
Share premium reserve	141,2	144,5	9,8	8,0
Other equity	(0,1)	0,2	-	0,2
<b>Total shareholders' equity</b>	<b>153,5</b>	<b>157,1</b>	<b>13,7</b>	<b>12,1</b>
Pension obligations	0,5	0,4	-	-
<b>Total long-term debt</b>	<b>0,5</b>	<b>0,4</b>	<b>-</b>	<b>-</b>
Current liabilities	4,5	27,2	1,5	2,3
<b>Total current liabilities</b>	<b>4,5</b>	<b>27,2</b>	<b>1,5</b>	<b>2,3</b>
<b>Total shareholders' equity and liabilities</b>	<b>158,5</b>	<b>184,7</b>	<b>15,2</b>	<b>14,4</b>

### Cash flow

<i>Unaudited figures in NOK million</i>	<b>Q3 04</b>	<b>Q2 04</b>	<b>Q3 03</b>	<b>30.09.04</b>	<b>30.09.03</b>	<b>2003</b>
Cash flow from operations	-31,1	17,9	-2,0	-12,3	-5,8	-7,2
Cash flow from investments	-13,1	-41,9	-0,1	-59,3	-0,2	-0,3
Cash flow from financing	0,3	134,0	0,1	151,1	8,0	8,1
<b>Net cash flow</b>	<b>-43,9</b>	<b>110,0</b>	<b>-2,0</b>	<b>79,5</b>	<b>2,0</b>	<b>0,6</b>
Cash balance at beginning of period	125,9	15,9	5,8	2,5	1,8	1,8
<b>Cash balance at end of period</b>	<b>82,0</b>	<b>125,9</b>	<b>3,8</b>	<b>82,0</b>	<b>3,8</b>	<b>2,5</b>

### Key figures

<i>Unaudited figures</i>	<b>Note</b>	<b>Q3 04</b>	<b>Q2 04</b>	<b>Q3 03</b>	<b>30.09.04</b>	<b>30.09.03</b>	<b>2003</b>
Earnings per share (NOK)	1	-0,06	-0,05	-0,12	-0,19	-0,32	-0,40
Earnings per share fully diluted (NOK)	2	-0,06	-0,05	-0,12	-0,19	-0,32	-0,40
Cash flow per share (NOK)	3	-0,50	0,29	-0,10	-0,25	-0,30	-0,38
Cash flow per share fully diluted (NOK)	4	-0,50	0,29	-0,10	-0,25	-0,30	-0,38
Operating margin	5	-	-	-	-	-	-
Equity ratio	6	97 %	85 %	90 %	97 %	90 %	84 %
Return on equity	7	-	-	-	-	-	-
Return on capital employed	8	-	-	-	-	-	-
No. of outstanding shares (' 000)		62 051	62 051	19 488	62 051	19 488	19 488
Average no. of outstanding shares (' 000)		62 051	62 051	19 196	49 507	19 196	19 196
Share price (NOK)		5,25	3,80	3,00	5,25	3,00	3,00
Market capitalisation (MNOK)	9	325 768	235 794	58 464	325 767	58 464	58 464
Number of employees		17	14	9	17	9	10

#### Notes

- 1 Net profit / average no. of outst. shares
- 2 Net profit / average no. of shares fully diluted
- 3 Cash flow from ops. / average no. of outst. shares
- 4 Cash flow from ops. / average no. of shares fully diluted
- 5 (Operating profit / operating revenues) x 100
- 6 (Total shareholders' equity / total assets) x 100
- 7 (Net profit / average shareh. equity) x 100, annualised
- 8 (Operating profit + interest income) /  
(average total assets - average interest free debt),  
annualised
- 9 Latest quoted shareprice or share issue price  
x no. of outstanding shares

**10 largest shareholders as at 2004/10/22**

<b>Shareholder</b>	<b>Number of shares</b>	<b>%</b>
Vela AS	9 342 106	15,1 %
Skandinaviska Enskilda Banken	5 298 158	8,5 %
Arne Smedal	3 605 687	5,8 %
MP Pensjon	2 555 263	4,1 %
KLP Forsikring	2 551 579	4,1 %
Terra Vekst	2 006 139	3,2 %
Morgan Stanley and Clients Safe Custody	2 000 000	3,2 %
Jaco Invest AS	1 732 999	2,8 %
State Street Bank & Client Omnibus F	1 651 848	2,7 %
Fredrik Wiese	1 592 105	2,6 %
<b>Total</b>	<b>32 335 884</b>	<b>52,1 %</b>
No. of outstanding shares	62 050 921	
Foreign ownership	22,5 %	