



ANNUAL REPORT 2001

BOARD OF DIRECTORS REPORT 2001

SEVAN MARINE AS

Sevan Marine focuses its business on the delivery of goods and services to the oil industry. The Company is based in Tananger.

The main activity of the Company is related to the design, engineering, construction and ownership of floating production solutions and semi-submersible drilling rigs. The Company has developed a cylinder shaped FPSO named SSP (Sevan Stabilized Platform), which may be used for floating production offshore. The SSP is an alternative to ship based solutions, semis, TLPs and spar platforms. It is suitable for use in all offshore markets including harsh environment areas and on large field developments, due to its flexible design and favorable motion characteristics.

The major parts of the activities in 2001 were related to further development, testing and marketing of the FPSO, and establishing collaboration with strategic partners.

CONTINUED OPERATIONS

In accordance with the Accounting Act's § 3-3 the board confirms that the annual accounts have been prepared based on the assumption of continued operations. The basis for this assumption is the Company's strategic plan and financial prognoses. The Company's financial position is sound.

WORK ENVIRONMENT AND PERSONNEL

No sick leave has been reported in 2001. No serious work incidents or accidents resulting in personal injuries or damages to materials or equipment have happened in 2001. The work environment is good.

ENVIRONMENT REPORTING

The Company's business in 2001 did not pollute the environment.

FUTURE OUTLOOK

In 2001, the Company experienced continued positive feedback from potential clients on its solution for floating production and storage. In 2002, the Company will continue to develop the SSP in cooperation with clients and partners. The marketing of the SSP nationally and internationally will continue, with the aim of entering into a contract with an oil company.

RESULT AND FINANCIAL POSITION

The main activity in the group in 2001 was related to the development of the Company's solution for floating production. All costs related to the development of the SSP have been expensed. The parent company's net income was therefore minus NOK 5.4 million. The operating revenues for the group came to NOK 3.9 million, while the net income for the group amounted to minus NOK 6.4 million.

Total cash flow from operational activities in the group was minus NOK 6,6 million. Net income from the group was minus NOK 9,1 million.

In 2001 the total investments for the consolidated group was NOK 1,4 million. The main part of the investments was investments in subsidiaries.

The group cash at hand and securities pr. 31.12.01 was NOK 16,1 million. The group ability to equity finance the investment is good. The group short-term debt pr. 31.12.2001 represents the group's total debt. The financial position is good and the group can pay short-term debt with its most liquid means.

The group total assets and liabilities at year-end were NOK 23.8 million. The equity ratio as at year-end was 72%.

ANNUAL RESULT AND YEAR-END APPROPRIATIONS

The board proposed the following appropriation of the annual result in Sevan Marine AS:

<u>Transfer from share premium account:</u>	<u>NOK 5.387.477</u>
Total appropriations	: NOK 5.387.477

The Company did not have free equity as at December 31, 2001.

Tananger, March 22, 2002

Arne Smedal
Chairman of the
board (Sign)

Jan Erik Tveteraas
Board member and
managing director
(Sign)

Kåre Syvertsen
Board member
(Sign)

Kristian Haslum
Board member
(Sign)

SEVAN MARINE AS

BALANCE SHEET AS OF 31.12.2001

PARENT COMPANY			GROUP
2/20/2001	2001	ASSETS	Note 2001
		<i>Fixed assets</i>	
		<i>Intangible fixed assets</i>	
0	0	Goodwill	3 1 000 000
0	2 425 988	Deferred tax assets	2 2 474 811
0	2 425 988	Total intangible assets	3 474 811
		<i>Business assets</i>	
0	151 229	Machines, fixtures, fittings	3 918 309
0	151 229	Total business+F99 assets	918 309
		<i>Fixed asset investments</i>	
0	2 746 841	Investments in subsidiaries	4 0
0	0	Investments in other shares	0
0	1 622 642	Loans to group undertakings	4 0
0	4 369 483	Total fixed asset investments	0
0	6 946 700	Total fixed assets	4 393 120
		<i>Current assets</i>	
		<i>Current asset investments</i>	
0	10 000 685	Securities at market value	6 10 496 218
0	10 000 685	Sum inventories	10 496 218
		<i>Receivables</i>	
0	0	Accounts receivable from customers	389 065
114 000	2 823 462	Other receivables	5 2 914 884
0	0	Intercompany balances	0
114 000	2 823 462	Total receivables	3 303 949
0	182 760	Cash at bank	5 590 789
114 000	13 006 907	Total current assets	19 390 955
114 000	19 953 607	TOTAL ASSETS	23 784 075

SEVAN MARINE AS

BALANCE SHEET AS OF 31.12.2001

PARENT COMPANY			GROUP
2/20/2001	2001	EQUITY AND LIABILITIES	2001
		<i>Equity</i>	
		<i>Called-up and fully paid equity</i>	
100 000	3 197 567	Share capital (3 197 567 shares a NOK 1)	3 197 567
14 000	15 187 316	Share premium account	15 117 700
<u>114 000</u>	<u>18 384 883</u>	Total called-up and fyllu paid equity	<u>18 315 267</u>
		<i>Retained earnings</i>	
0	0	Other reserves	-1 159 951
<u>0</u>	<u>0</u>	Total retained earnings	<u>-1 159 951</u>
<u>114 000</u>	<u>18 384 883</u>	Total equity	<u>17 155 316</u>
<u>0</u>	<u>0</u>	Minority interests	<u>1 179 097</u>
		<i>Liabilities</i>	
		<i>Current liabilities</i>	
0		Overdraft facilities	0
0	230 052	Accounts payable to suppliers	281 842
0	0	Tax payable	266 994
0	314 291	Unpaid government charges and special taxes	590 439
0	809 472	Intercompany balances	0
0	214 909	Other curent liabilities	4 310 386
<u>0</u>	<u>1 568 724</u>	Total current liabilities	<u>5 449 661</u>
<u>114 000</u>	<u>19 953 607</u>	TOTAL EQUITY AND LIABILITIES	<u>23 784 075</u>
<u>0</u>	<u>0</u>	Secured debt	<u>0</u>
<u>0</u>	<u>0</u>	Guarantees	<u>0</u>

Tananger, 22.03.2002

Arne Smedal
Board member

Jan Erik Tveteraas
Board member
Managing director

Kåre Syvertsen
Board member

Jean-Philippe Flament
Board member

SEVAN MARINE AS

PROFIT AND LOSS ACCOUNT AS OF 31.12.01

PARENT COMPANY		GROUP
<u>2001</u>	OPERATING REVENUES AND EXPENSES	<u>2001</u>
0	Operating revenues	3 930 082
0	Raw materials and goods	-241 877
-1 983 983	Wages and salaries	10 -4 589 402
-12 535	Ordinary depreciations	3 -146 280
<u>-6 361 694</u>	Other operating expenses	<u>-8 054 011</u>
<u>-8 358 212</u>	Total operating revenues	<u>-13 031 570</u>
<u>-8 358 212</u>	OPERATING PROFIT / LOSS	<u>-9 101 488</u>
	FINANCIAL INCOME AND EXPENSES	
572 178	Interest income	836 118
0	Group contribution	0
0	Other financial income	-14 704
-27 431	Interest expenses	-256 115
0	Interest expenses to group undertakings	0
<u>0</u>	Other financial expenses	<u>0</u>
<u>544 747</u>	PROFIT ON FINANCIAL ITEMS	<u>565 299</u>
<u>-7 813 465</u>	PROFIT/LOSS ON ORDINARY ACTIVITIES BEFORE TAX	<u>-8 536 189</u>
2 425 988	Tax on profit /loss on ordinary activities	2 2 172 302
<u>0</u>	Profit/loss attributable to minority interests	<u>-253 155</u>
<u>-5 387 477</u>	RETAINED PROFIT / LOSS FOR THE YEAR	<u>-6 363 887</u>
	TRANSFERS	
<u>-5 387 477</u>	Transferred from the share premium reserve	
<u>-5 387 477</u>	TOTAL	

Tananger, 22.03.2002

SEVAN MARINE AS

CASH FLOW STATEMENT 2001

PARENT COMPANY		GROUP
<u>2001</u>		<u>2001</u>
	<i>Cash flow from operations</i>	
-7 813 465	Pre-tax profit/loss	-8 536 189
0	Profit/loss attributable to minority interests	-253 155
0	Taxes paid during the period	0
0	Group contribution	0
0	Loss/gain on disposal of fixed assets/shares	0
12 535	Ordinary depreciations	146 280
0	Change in inventories	0
0	Change in accounts receivable	-389 065
230 052	Change in accounts payable	281 842
-2 294 262	Change in other accrual accounting items	2 129 522
<u>-9 865 140</u>	Net cash flow from operations	<u>-6 620 765</u>
	<i>Cash flow from investment activities</i>	
0	Proceeds from disposal of tangible fixed assets	0
0	Proceeds from disposal of shares	0
-2 746 841	Investments in shares	-495 533
-163 764	Investment in tangible fixed assets	-1 064 589
-1 622 642	Payments for long-term loan debts	0
<u>0</u>	Proceeds from long-term loan debts	<u>0</u>
<u>-4 533 247</u>	Net cash flow from investment activities	<u>-1 560 122</u>
	<i>Cash flow from financing activities</i>	
0	Net change in overdraft facilities	0
23 772 360	Contributed new capital	23 772 360
-10 000 685	Net change in investments in bonds/certificates	-10 000 685
809 472	Final intercompany balances	0
0	Change in the exchange rate for foreign subsidiary	0
<u>0</u>	Distribution of dividends	<u>0</u>
<u>14 581 147</u>	Net cash flow from financing activities	<u>13 771 675</u>
<u>182 760</u>	NET CASH FLOW FOR THE PERIOD	<u>5 590 788</u>
<u>0</u>	Cash, bank deposits as of 01.01	<u>0</u>
<u>182 760</u>	Cash, bank deposits 31.12	<u>5 590 788</u>

Accounting Policies**The consolidated accounts**

The consolidated Profit and Loss Accounts include Sevan Marine AS, the wholly-owned subsidiaries Sevan Marine Management AS, Sevan Marine do Brasil Ltda and the partly owned company Marotec AS. The parent company is located in Tananger, and the subsidiaries are located in Tananger, Brasil and Asker. The consolidated accounts define the group's financial position and profit when the consolidated accounts are viewed as one financial unit. When consolidating the accounts, the subsidiaries are evaluated according to the cost method. All intercompany transactions and debts and receivables between the parent company and subsidiaries have been eliminated.

The company's accounts have been drawn up in accordance with Norwegian accounting standards. The subsidiary Sevan Marine do Brasil Ltda is converted from local currency in Brasil to NOK at the Balance Sheet date.

While drawing up the accounts the management needs to make various estimates and assumptions that affect the value of the reported assets and liabilities. Such estimates and assumptions may have considerable significance for reported revenues and costs for a specific period. The actual amounts may deviate from the estimates.

The parent company's accounts

The accounts for Sevan Marine AS define the parent company's financial position and the profit/loss for this company alone.

Principal rule for evaluation and classification of assets and liabilities

Assets determined for permanent ownership or use is classified as fixed assets. Other assets are classified as current assets. Receivables due for repayment within one year are classified as current assets. Classification of debts is based on analogue criteria. Current assets are evaluated at the lower of original cost and realizable value. Short-term debt is recognized in the Balance Sheet at nominal amount at the point the debt was incurred. Some items are assessed according to specific evaluation rules in compliance with the Norwegian Accounting Act. This is further explained in the following:

Tangible fixed assets

Tangible fixed assets are capitalized and classified as fixed assets. Tangible fixed assets will be depreciated over their anticipated economic life. Depreciations will be distributed as a straight-line depreciation over their assumed useful economic life.

Shares in subsidiaries and other shares

Investments in subsidiaries have been evaluated according to the cost method. Investments are considered depreciated to fair market value unless the drop in value is regarded as temporary.

Research and development

Costs related to research and development is expensed on a continuous basis.

Cash and bank deposits

Cash and bank deposits include cash, bank deposits and other means of payment with an original due date of three months or less from the date of acquisition.

Investments and securities that are included in a trading book

Investments and securities that are included in a trading book are evaluated at fair value on the Balance Sheet date. Interest income is recorded as income on a current basis. Securities that are not included in a trading book are evaluated at the average lower of original cost and fair market value on the Balance Sheet date.

Currency

Cash and bank deposits, current assets and short-term debts in foreign currency are converted to exchange rates that prevail on the Balance Sheet date. Realized and non-realized profit and loss on exchange on assets and debts in currencies other than NOK have been included in the profit/loss for the year.

Taxes

Deferred tax / deferred tax assets are calculated on the basis of temporary differences between accounting and tax-related Balance Sheet values, and losses carried forward at the end of the accounting year. Tax-reducing temporary differences and losses carried forward are offset against tax-increasing temporary differences that are reversed during the same period. Tax consists of payable tax (tax on the year's taxable income), and change in net deferred tax. Tax is divided between ordinary profit and profit from extraordinary items in accordance with the tax basis.

Cash flow statement

The cash flow statement is drawn up according to the indirect cash flow method. Cash comprises cash and bank deposits.

Note 1 – Equity

Parent company		Share capital	Share premium reserve	Other equity	Total
Initial share issue	20.02.2001	100 000	14 000	-	114.000
Directed share issue	27.04.2001	1400000			1.400.000
Directed share issue	01.06.2001	230900	923600		1.154.500
Directed share issue	26.06.2001	1466667	20533338		22.000.005
Share issue costs			-896145		- 896.145
Net profit for the year			-5387477		-5.387.477
Equity as of 31.12.01		3 197 567	15 187 316	-	18.384.883

	Number of shares	Profit/Loss	Profit/Loss per share
Profit /Loss per share	3 197 567	-7 813 465	-2.44

In 2001 the company carried out a 100 for 1 sharesplit which reduced the shares face value from NOK 100 pr. Share to NOK 1 pr. share. The number of shares in the Company increased from 1.000 to 100.000 shares.

The Company carried out a directed share issue towards the shareholders in Marotec AS as a partly pay for 51,67% of the shares in Marotec AS.

Group		Share capital	Share premium reserve	Other equity	Total
Initial share issue	20.02.2001	100.000	14.000	-	114.000
Directed share issue	27.04.2001	1.400.000			1.400.000
Directed share issue	01.06.2001	230.900	923.600		1.154.500
Directed share issue	26.06.2001	1.466.667	20.533.338		22.000.005
Share issue costs			-896.145		- 896.145
Net profit for the year			-5.203.938	-1.159.951	-6.363.889
Minority part of net profit			-253.155		-253.155
Equity as of 31.12.01		3.197.567	15.117.699	-1.159.951	17.155.316

Note 2 – Tax**Parent company****1 Jan. 2002 – 31 Dec. 2002**

Loss	- 7 813 465
Cost in connection with share issue	- 896 145
Other permanent differences	45 368
<u>Change in temporary differences related to business assets</u>	<u>- 25 757</u>
Tax-related loss carry-forward	- 8 689 999
Taxable income	0
Tax rate – 28%	0

The tax-related effect of temporary differences and tax-related loss carry-forward which provide deferred tax assets was as follows as of 31 December 2001:

As of 31 December 2001

	Temporary differences	Tax-related effect
Bonds	0	0
Business assets	25 757	7 212
<u>Tax-related loss carry-forward 2001 (expires 2011)</u>	<u>- 8 689 999</u>	<u>- 2 433 200</u>
Basis for calculating deferred tax assets	-8 664 242	- 2 425 988

Deferred tax assets are recognized in the Balance Sheet at nominal value.

Group

Deferred tax assets and tax payable are related to the parent company and to subsidiaries in Norway.

Note 3 – Tangible fixed assets

Parent company	Machines, fixtures, fittings	Total
Acquisition cost 1.1	-	-
Additions	163 764	163 764
Disposals	0	0
<u>Acquisition cost 31.12</u>	<u>163 764</u>	<u>163 764</u>
<u>Accumulated depreciation 31.12</u>	<u>12 535</u>	<u>-12 535</u>
Book value as of 31.12	151 229	151 229
Depreciation for the year	12 535	12 535
Economic life Depreciation rate	3 years/30%	

Group

Group	Machines, fixtures	Goodwill	Total
Acquisition costs 1.1	994 973	1 069 616	2 064 589
<u>Acquisition cost 31.12</u>	<u>994 973</u>	<u>1 069 616</u>	<u>2 064 589</u>
<u>Accumulated depreciation 31.12</u>	<u>-76 664</u>	<u>-69 616</u>	<u>-146 280</u>
Book value as of 31.12	918 309	1 000 000	1 918 309
Depreciation for the year	-76 664	-69 616	-146 280
Economic life Depreciation rate	3 years /30%	10 years/10%	

Goodwill is depreciated over 10 years, since this is expected to better represent future earnings related to goodwill.

Note 4 – Shares and intercompany balances

Investments in subsidiaries are valued according to the cost method

Company name	Cost price	Ownership interest	Share book equity	Share profit/loss 2001
Sevan Marine Management AS	115 000	100,00%	112 260	4 395
Sevan Marine do Brasil Ltda	573 174	99.90%	425 619	-1 303 319
Marotec AS	2 058 667	51.67%	1 287 641	298 525
Total	2 746 841		669 880	-1 000 399

Intercompany balances

Parent company

Loan to Sevan Marine do Brasil Ltda, NOK 1 622 642

There are no secured debts, guarantees or other provisions of security to the advantage of the subsidiaries.

Note 5 – Other short-term receivables

Other short term receivables mainly consist of advances on travel expenses and loans to employees.

Note 6 – Investments

Investments consist of Norwegian certificates.

Note 7 – Cash and bank deposits

Cash and bank deposits consist of unrestricted funds in NOK, and restricted funds related to withholding tax deductions from employees of NOK 209 887. Interest income consists of interest on bank deposits and investments.

Note 8 – Shares owned or controlled by the board of directors

As of 31 December 2001 the following board members owned or controlled shares in the Company.

Arne Smedal, chairman of the board, owns 370 498 shares and 500 000 shares through Vela AS, Jan Erik Tveteraas, board member and managing director 500 000 shares through Vela AS, Kåre Syvertsen, board member, 33 334 shares and 500 000 shares through Vela AS.

Note 9 – Shareholder information

As of 31 December 2002, the Company had 20 shareholders. Four of these were non-Norwegians.

Vela AS,	1 500 000 shares
Arne Smedal,	370 498 shares
Kristian Haslum	297 567 shares
Jaco Invest AS,	200 000 shares
Waterman Holding Inc,	135 000 shares
Skagenkaien Eiendom AS,	100 000 shares
AS Clipper,	80 000 shares
AS Audley,	80 000 shares
Memento A/S,	67 500 shares
Bjørn J. Brenna,	67 000 shares
Spring Capital,	66 667 shares
Tveteraas Eiendomsselskap,	66 667 shares
Nils R. Hersløv,	66 667 shares

Svein H. Vormedal,	66 667 shares
Kåre Syvertsen,	33 334 shares

Note 10 – Payroll expenses, number of employees, remunerations, loans to employees

Payroll expenses	2001
Salaries	1 704 125
Employer's National Insurance contributions	269 889
Other payments	9 969
Total	1 983 983

Average number of employees	3
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Payments to senior employees	Payroll exp.	Nat.Ins. contr.	Other payments
Managing director	556 467	82 304	27 252

According to the Company's car loan scheme, the company's three directors have been given interest-free and repayment-free car loans of NOK 600 000. The advantage of interest-free loans is reported as provided by Norwegian tax legislation.

Auditor

Auditor's fees charged as an expense for 2001 are NOK 0. Remunerations have been paid for other services in the amount of NOK 1 500.

To the Annual Shareholders' Meeting of Sevan Marine AS

Auditor's report for 2001

We have audited the annual financial statements of Sevan Marine AS as of December 31, 2001, showing a loss of NOK 5 387 477 for the parent company and a loss of NOK 6 363 887 for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with the law and regulations and present the financial position of the Company and of the Group as of December 31, 2001, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information given in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss are consistent with the financial statements and comply with the law and regulations.

Forus, 13 May, 2002

PricewaterhouseCoopers DA

Torbjørn Larsen
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.