



ANNUAL REPORT 2002

BOARD OF DIRECTORS REPORT 2002

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, 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 part of the activities in 2002 were related to further development, testing and marketing of the FPSO.

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 2003. No serious work incidents or accidents resulting in personal injuries or damages to materials or equipment have happened in 2003. The work environment is good.

ENVIRONMENT REPORTING

The Company's business in 2002 did not pollute the environment.

FUTURE OUTLOOK

In 2002, the Company experienced positive feedback from potential clients on its solution for floating production. The Company will in 2002 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 2002 was related to the development of the Company's solution for floating production. All costs related to this development work have been expensed. The parent company's net income was therefore minus NOK 4.3 million. The operating revenues for the group came to NOK 4.7 million, while the net income for the group amounted to minus NOK 7.3 million.

Total assets and liabilities at year-end were NOK 14.5 million. The equity ratio as at year-end was 63 %.

During 1st quarter 2003 the Company strengthened its equity through a capital increase of NOK 15 million.

ANNUAL RESULT AND YEAR-END APPROPRIATIONS

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

<u>Transfer from share premium account:</u>	NOK 4.263.968
Total appropriations	: NOK 4.263.968

The Company did not have free equity as at December 31, 2002.

Tananger, May 19 2003

Arne Smedal
Chairman of the
board (Sign.)

Jan Erik Tveteraas
Board member and
managing director
(Sign)

Kåre Syvertsen
Board member
(Sign.)

Jean-Philippe Flament
Board member
(Sign.)

SEVAN MARINE AS

BALANCE SHEET AS OF 31.12.2002

PARENT COMPANY			GROUP	
2001	2002		2002	2001
		ASSETS		
		<i>Fixed assets</i>		
		<i>Intangible fixed assets</i>		
0	0	Goodwill	3	1 000 000
2 425 988	4 663 805	Deferred tax assets	2	2 474 811
2 425 988	4 663 805	Total intangible assets		3 474 811
		<i>Business assets</i>		
151 229	198 210	Machines, fixtures, fittings	3	918 309
151 229	198 210	Total business+F99 assets		918 309
		<i>Fixed asset investments</i>		
2 746 841	5 561 473	Investments in subsidiaries	4	0
0	0	Investments in other shares		0
1 622 642	0	Loans to group undertakings	4	0
4 369 483	5 561 473	Total fixed asset investments		0
6 946 700	10 423 488	Total fixed assets		4 393 120
		<i>Current assets</i>		
		<i>Current asset investments</i>		
10 000 685	0	Securities at market value	6	10 496 218
10 000 685	0	Sum inventories		10 496 218
		<i>Receivables</i>		
0	0	Accounts receivable from customers		389 065
2 823 462	6 927 852	Other receivables	5 & 11	2 914 882
0	520 375	Intercompany balances	4	0
2 823 462	7 448 227	Total receivables		3 303 947
182 760	1 114 595	Cash at bank		5 590 789
13 006 907	8 562 822	Total current assets		19 390 954
19 953 607	18 986 310	TOTAL ASSETS		23 784 074

SEVAN MARINE AS

BALANCE SHEET AS OF 31.12.2002

PARENT COMPANY			GROUP	
2001	2002	EQUITY AND LIABILITIES	2002	2001
		<i>Equity</i>		
		<i>Called-up and fully paid equity</i>		
3 197 567	3 197 567	Share capital (3 197 567 shares a NOK 1)	3 197 567	3 197 567
15 187 316	10 923 348	Share premium account	10 931 213	15 117 700
<u>18 384 883</u>	<u>14 120 915</u>	Total called-up and fyllu paid equity	<u>14 128 780</u>	<u>18 315 267</u>
		<i>Retained earnings</i>		
0	0	Other reserves	-5 027 991	-1 159 951
<u>0</u>	<u>0</u>	Total retained earnings	<u>-5 027 991</u>	<u>-1 159 951</u>
18 384 883	14 120 915	Total equity	9 100 789	17 155 316
<u>0</u>	<u>0</u>	Minority interests	<u>0</u>	<u>1 179 097</u>
		<i>Liabilities</i>		
		<i>Current liabilities</i>		
0	2 682 957	Overdraft facilities	2 682 957	0
230 052	1 113 363	Accounts payable to suppliers	1 285 493	281 842
0	0	Tax payable	0	266 994
314 291	489 192	Unpaid government charges and special taxes	489 192	590 439
809 472	0	Intercompany balances	0	0
214 909	579 883	Other curent liabilities	990 642	4 310 386
<u>1 568 724</u>	<u>4 865 395</u>	Total current liabilities	<u>5 448 284</u>	<u>5 449 661</u>
<u>19 953 607</u>	<u>18 986 310</u>	TOTAL EQUITY AND LIABILITIES	<u>14 549 072</u>	<u>23 784 074</u>
<u>0</u>	<u>0</u>	Secured debt	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	Guarantees	<u>0</u>	<u>0</u>

Tananger, 25 April 2003

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 31.12.02

PARENT COMPANY			GROUP	
2001	2002		2002	2001
		OPERATING REVENUES AND EXPENSES		
0	489 781	Operating revenues	4 712 039	3 930 082
0	0	Raw materials and goods	0	-241 877
-1 983 983	-4 717 289	Wages and salaries	10 -5 887 376	-4 589 402
-12 535	-56 030	Ordinary depreciations	3 -114 279	-146 280
-6 361 694	-6 141 587	Other operating expenses	11 -9 764 070	-8 054 011
-8 358 212	-10 914 906	Total operating revenues	-15 765 725	-13 031 570
-8 358 212	-10 425 125	OPERATING PROFIT / LOSS	-11 053 686	-9 101 488
		FINANCIAL INCOME AND EXPENSES		
572 178	238 097	Interest income	250 474	836 118
0	1 456 200	Group contribution	0	0
0	2 320 510	Other financial income	2 511 360	-14 704
-27 431	-67 625	Interest expenses	-67 625	-256 115
0	0	Interest expenses to group undertakings	0	0
0	-23 841	Other financial expenses	12 -1 154 923	0
544 747	3 923 341	PROFIT ON FINANCIAL ITEMS	1 539 286	565 299
-7 813 465	-6 501 784	PROFIT/LOSS ON ORDINARY ACTIVITIES BEFORE TAX	-9 514 400	-8 536 189
2 425 988	2 237 816	Tax on profit /loss on ordinary activities	2 237 816	2 172 302
0	0	Profit/loss attributable to minority interests	0	-253 155
-5 387 477	-4 263 968	RETAINED PROFIT / LOSS FOR THE YEAR	-7 276 583	-6 617 042
		TRANSFERS		
-5 387 477	-4 263 968	Transferred from the share premium reserve		
-5 387 477	-4 263 968	TOTAL		

Tananger, 25 April 2003

SEVAN MARINE AS

CASH FLOW STATEMENT 2002

PARENT COMPANY			GROUP	
2001	2002		2002	2001
		<i>Cash flow from operations</i>		
-7 813 465	-6 501 784	Pre-tax profit/loss	-9 514 400	-8 536 189
0	0	Profit/loss attributable to minority interests	0	-253 155
0	0	Taxes paid during the period	-266 994	0
0	-2 300 900	Group contribution	0	0
12 535	56 030	Loss/gain on disposal of fixed assets/shares	-2 300 900	0
0	0	Ordinary depreciations	114 279	146 280
0	0	Change in inventories	0	0
230 052	883 311	Change in accounts receivable	72 790	-389 065
-2 294 262	-3 564 516	Change in accounts payable	1 003 651	281 842
		Change in other accrual accounting items	-6 620 039	2 129 522
<u>-9 865 140</u>	<u>-11 427 859</u>	Net cash flow from operations	<u>-17 511 613</u>	<u>-6 620 765</u>
		<i>Cash flow from investment activities</i>		
0	0	Proceeds from disposal of tangible fixed assets	1 492 168	0
0	6 522 172	Proceeds from disposal of shares	0	0
-2 746 841	-7 035 904	Investments in shares	0	-495 533
-163 764	-103 011	Investment in tangible fixed assets	-156 669	-1 064 589
-1 622 642	0	Payments for long-term loan debts	0	0
0	0	Proceeds from long-term loan debts	0	0
<u>-4 533 247</u>	<u>-616 743</u>	Net cash flow from investment activities	<u>1 335 499</u>	<u>-1 560 122</u>
		<i>Cash flow from financing activities</i>		
0	2 682 957	Net change in overdraft facilities	2 682 957	0
23 772 360	0	Contributed new capital	0	23 772 360
-10 000 685	10 000 685	Net change in investments in bonds/certificates	10 496 218	-10 000 685
809 472	292 795	Final intercompany balances	0	0
0	0	Change in the exchange rate for foreign subsidiary	-777 947	0
0	0	Distribution of dividends	0	0
<u>14 581 147</u>	<u>12 976 437</u>	Net cash flow from financing activities	<u>12 401 228</u>	<u>13 771 675</u>
<u>182 760</u>	<u>931 835</u>	NET CASH FLOW FOR THE PERIOD	<u>-3 774 886</u>	<u>5 590 788</u>
0	182 760	Cash, bank deposits as of 01.01	5 590 788	0
<u>182 760</u>	<u>1 114 595</u>	Cash, bank deposits 31.12	<u>1 815 902</u>	<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 and Sevan Marine do Brasil Ltda. The parent company is located in Tanager, and the subsidiaries are located in Tanager and Brazil. 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 Brazil 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 are 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 are 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
Equity as of 31.12.01	3 197 567	15 187 316	-	18 384 883
Profit/Loss 2002		-4 563 301		-4 563 301
Equity as of 31.12.02	3 197 567	10 624 015	-	13 821 582

	Number of shares	Profit/Loss	Profit/Loss per share
Profit /Loss per share	3 197 567	-4 563 302	-1.43

Group	Share capital	Share premium reserve	Other equity	Total
Equity as of 31.12.01	3 197 567	15 117 699	-1 159 951	17 155 316
Profit/Loss 2002			-7 575 916	-7 575 916
Loss on exchange equity of foreign subsidiary			-777 949	-777 949
Equity as of 31.12.02	3 197 567	15 117 699	-9 513 816	8 801 451

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

Loss	- 6 501 785
Other permanent differences	- 1 490 417
<u>Change in temporary differences related to business assets</u>	<u>- 9 139</u>
Tax-related loss carry-forward	- 8 001 341
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 2002:

As of 31 December 2002

	Temporary differences	Tax-related effect
Business assets	34 895	9 770
Tax-related loss carry-forward 2001 (expires 2011)	- 8 689 999	- 2 433 200
Tax-related loss carry-forward 2002 (expires 2012)	- 8 001 341	- 2 240 375
Basis for calculating deferred tax assets	-16 656 445	- 4 663 805
Valuation reserve	-16 656 445	- 4 663 805

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	163 764	163 764
Additions	103 011	103 011
Disposals	0	0
Acquisition cost 31.12	266 775	266 775
Accumulated depreciation 31.12	-68 565	-68 565
Book value as of 31.12	198 210	198 210
Depreciation for the year	56 030	56 030
Economic life Depreciation rate	3 years/30%	

Group

	Machines, fixtures	Goodwill	Total
Acquisition costs 1.1	994 973	1 069 616	2 064 589
Additions	156 669	-	156 669
Disposals	0	-1 069 616	-1 069 616
Acquisition cost 31.12	1 151 642	-	1 151 642
Accumulated depreciation 31.12	-568 832	-	-568 832
Book value as of 31.12	582 810	-	582 810
Depreciation for the year	-114 279	-	-114 279
Economic life Depreciation rate	3-10 years /10-30%	10 years/10%	

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 2002
Sevan Marine Management AS	115 000	100%	115 727	1 051 931
Sevan Marine do Brasil Ltda	5 446 473	99.9%	425 619	-2 964 375
Total	5 561 473		541 346	-1 912 444

Intercompany balances**Parent company**

Loan to Sevan Marine do Brasil Ltda, NOK 53 740
Loan to Sevan Marine Management AS, NOK 466 635

Total NOK 520 375

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, and receivable payment from the SkatteFUNN scheme, ref. Note 11.

Note 6 – Investments

Investments consist of Norwegian certificates and Norwegian investments.

Note 7 – Cash and bank deposits

Cash and bank deposits consist of distributable funds in NOK, and undistributable funds related to advance tax deductions from employees of NOK 184 268. 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 481 737 shares and 500 000 shares through Vela AS, Jan Erik Tveteraas, board member and managing director, 24 114 shares and 500 000 shares through Vela AS, Kåre Syvertsen, board member, 57 448 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,	481 737 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,	57 448 shares
Raul Schmidt,	48 300 shares
Roberto Paschoalin,	48 300 shares
Jan Erik Tveteraas,	24 114 shares
Bernt O Smedal,	20 000 shares
Svein Hjort-Olsen,	13 500 shares
Clovis Lopes,	8 000 shares

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

Payroll expenses	2001
Wages	3 407 826
Employer's National Insurance contributions	683 372
Other payments	626 091
Total	4 717 289

Average number of employees 3

Payments to senior employees	Payroll exp.	Nat.Ins. contr.	Other payments
Managing director	1 082 810	159 342	47 278
Chairman of the board	1 048 358	155 785	56 501

No directors' fees have been charged as an expense/paid for 2002.

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 2002 are NOK 25 000. Remunerations have been paid for other services in the amount of NOK 36 500.

Note 11 - SkatteFUNN

In 2002, the Company has had R&D projects approved as projects that are entitled to grants under the rules of SkatteFUNN.

Calculated grants for 2002 amount to NOK 1 235 854, which have been entered as a reduction of (offset against?) other operating costs.

Note 12 – Other financial expenses

Group

Other financial expenses consist of exchange losses in connection with business activities in Brazil, and loss from divestment of subsidiary in the consolidated accounts.

To the Annual Shareholders' Meeting of Sevan Marine AS

Auditor's report for 2002

We have audited the annual financial statements of Sevan Marine AS as of December 31, 2002, showing a loss of NOK 4 263 968 for the parent company and a loss NOK 7 276 583 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, 2002, 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.

Stavanger, mai 19, 2003

PricewaterhouseCoopers DA

Torbjørn Larsen

State Authorised Public Accountant (Norway)

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