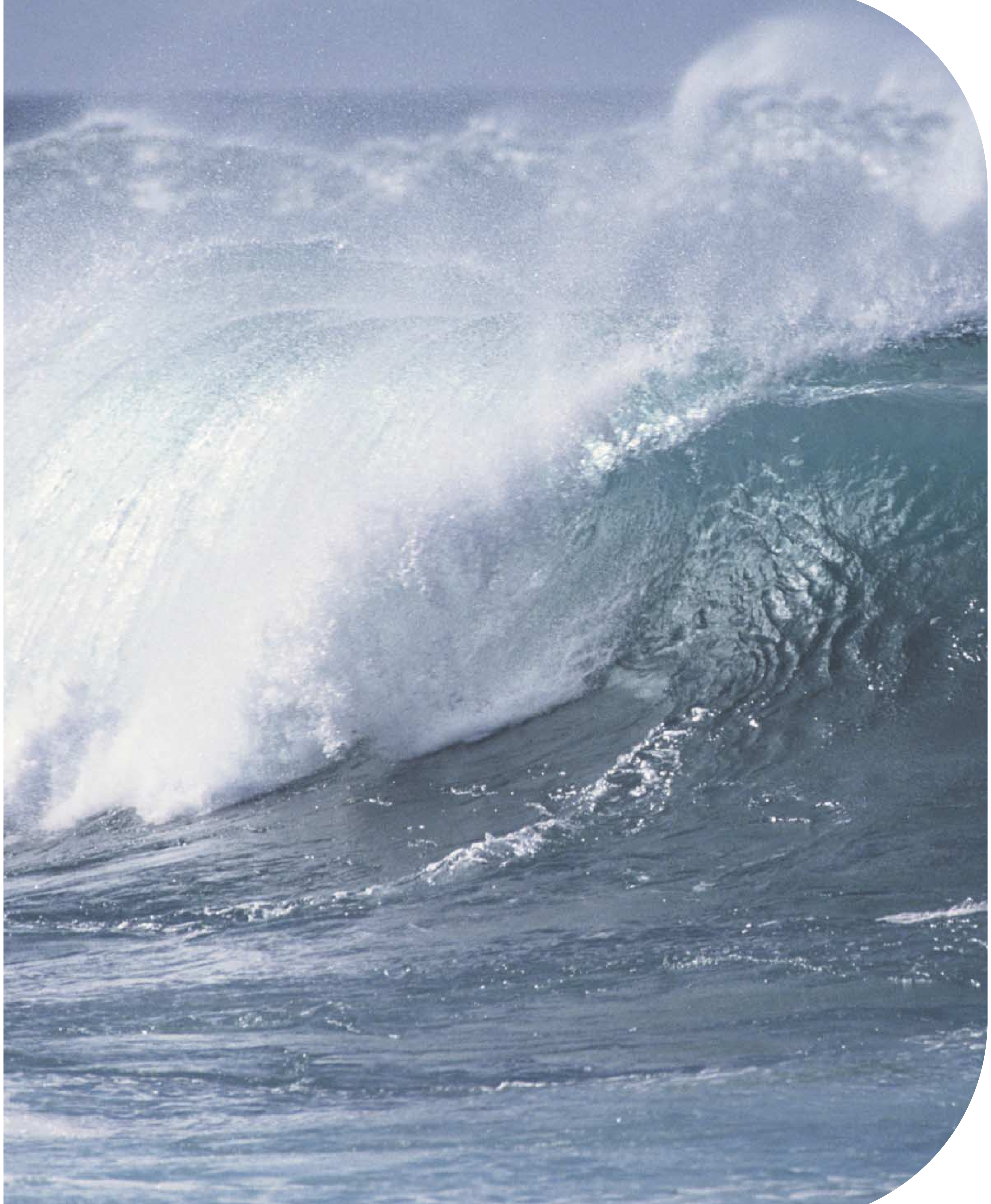
ANNUAL REPORT 2004



CONTENTS

KEY FIGURES

INCOME STATEMENT				
Audited Amounts in NOK million	**2004**	**2003***	**2002***	**2001***
Operating revenues	1.0	3.6	4.7	0.0
Total operating expenses	18.3	13	17	-9.8
EBITDA	-17.3	-9.4	-12.3	-9.8
Depreciation	-0.4	- 0.2	- 0.1	- 0.1
Operating Profit	-17.7	- 9.7	- 12.4	- 9.9
Interest income	1.3	0.3	0.2	0.6
Interest expenses	-0.2	- 0.2	- 1.3	0
Net financial items	1.1	0.1	-1.1	0.6
Profit before tax	-16.6	- 9.6	- 13.5	- 9.3
Tax	8.2	1.9	2.9	2.4
Net Profit	-8.4	- 7.7	- 8.9	- 6.6

BALANCE SHEET				
Amounts in NOK million	**2004**	**2003***	**2002***	**2001***
Deferred tax	14.7	6.5	4.7	2.4
Construction in progress	95.5	0.0	0.0	0.0
Other fixed assets	2.2	0.7	0.6	1.0
Investment in associated companies	15.0			
Total long-term assets	**127.4**	**7.2**	**5.2**	**3.4**
Investments discontinued operations	0.0	0.0	0.0	2.4
Current receivables	6.8	4.7	7.5	2.8
Cash and cash equivalents	67.0	2.5	1.8	10.4
Total current assets	**73.8**	**7.2**	**9.3**	**15.6**
Total assets	**201.2**	**14.4**	**14.5**	**19.0**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	13.2	3.9	3.2	3.2
Other equity	171.3	7.9	5.9	14.1
Total shareholders' equity	**184.5**	**11.8**	**9.1**	**17.3**
Pension obligations	0.3	0.3	0.0	0.0
Total long term debt	**0.3**	**0.0**	**0.0**	**0.0**
Total current liabilities	**16.4**	**2.3**	**5.5**	**1.7**
Shareholders' equity and liabilities	**201.2**	**14.4**	**14.5**	**19.0**

* Unaudited amounts

2004: YEAR IN BRIEF

1st Quarter
- Negotiation of a construction contract with the Yantai Raffles Shipyard in China was commenced
- A private placement with gross proceeds of NOK 18 million was carried out

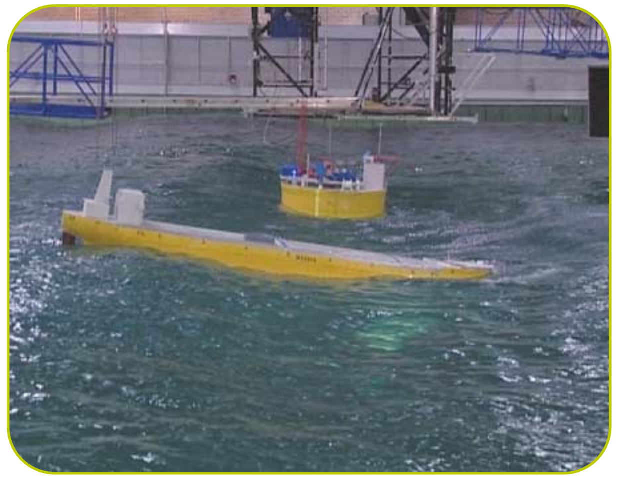
2nd Quarter
- Execution of the construction contract with the yard and ordering of first steel
- A private placement with gross proceeds of NOK 143 million was carried out
- The Company was transformed into a public limited company

3rd Quarter
- Signing of a cooperation agreement with Petroleo Brasileiro S.A. for the purpose of exchanging experience and knowledge on the technology related to the design and construction of mono-column hulls
- Filing of an application for a listing on the Oslo Stock Exchange
- Signing of a loan agreement with China Exim Bank for a pre- and postdelivery loan facility of USD 13m

4th Quarter
- Sevan Marine do Brasil Ltda entered into a Memorandum of Understanding (MOU) with Petrobras for the use of Sevan Marine's SSP 300 platform under a long-term contract on the Piranema field off the north-east coast of Brazil, in deep water ranging from 1 000 to 1 600 m
- Listing of the Company on the Oslo Stock Exchange on December 13. In connection with the listing, the Company carried out a share issue of 4 118 000 shares with gross proceeds of NOK 35 million
- Acquisition of 48% of the shares in Kanfa AS, a process design and engineering company offering services to the offshore industry

1st Quarter 2005
- The MOU with Petrobras S.A. was confirmed by a letter of intent for the use of the SSP 300 FPSO under construction in China, under an 11-year charter contract with extension options. The contract value for the fixed term was approximately USD 399 million
- A private placement with gross proceeds of NOK 111.7 million was carried out
- A bond issue of NOK 670 million was carried out with a term of 3 years and a fixed interest rate of 9%

Petrobras top management visiting the SSP construction at Yantai Raffel Shipyard, including the President; Jose Eduardo Dutra and E&P Director; Guilherme Estrella.



THE COMPANY

Sevan Marine is an offshore technology company focused on the market for floating production, storage and offloading. The Company offers proprietary solutions related to floating production units.
The Company's vision is to create a world-class company in the technologically challenging segments of offshore floating production and storage of hydrocarbons.
These goals shall be reached primarily by offering superior capabilities within design, engineering and project execution and maintaining local presence in international markets. Growth is expected to be achieved mainly through organic development and partnership arrangements.

THE TECHNOLOGY

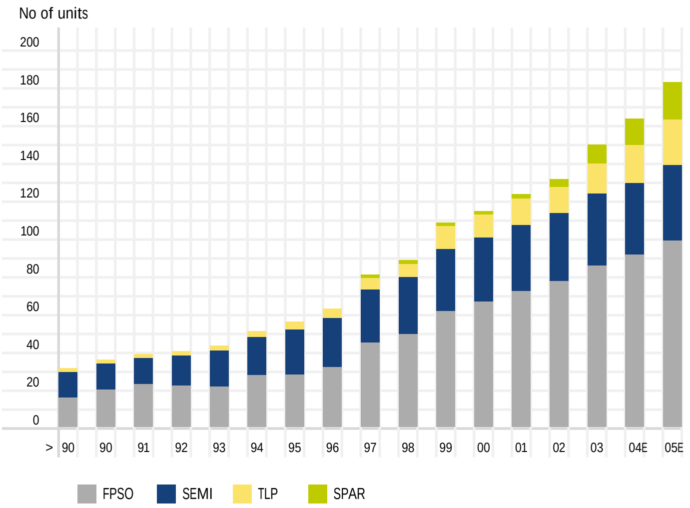
The Company has since its origin focused its business on the development of a new cylinder shaped platform type for storage and production of hydrocarbons in deep and shallow waters (FPSO/FSO). The platform is named SSP ("Sevan Stabilized Platform") and is designed to operate in all types of sea areas. The main competitive advantage of the SSP platform is that it combines internal oil storage capacity and ability to carry high topside weights with a low construction cost compared to other FPSO units. The SSP is an alternative to ship based production and storage solutions as well as semi-submersibles, TLPs and Spar platforms. The platform is suitable for use in all offshore markets including harsh environment areas and on both marginal and large field developments, due to its flexible design and favourable motion characteristics.

THE MARKET

The focused market areas for the SSP are the North Sea, Brazil, South-East Asia and West Africa. These are areas where numbers of exploration fields over the next 10 years will be high, based on oil discoveries that have already been revealed.

Fuelled by high oil and gas prices, the outlook for the oil service industry in general is very attractive. This secures high profitability for the petroleum companies' short term. Current future prices indicate a continuing high price for oil and gas. The market for FPUs has grown steadily since the early 90's. From 37 fields in operation using a FPU at the end of 1990, the number at the end of 2005 was estimated to 182 units, equal to an annual growth of more than 10%.

FLOATING PRODUCTION UNITS (FPUs) IN OPERATION BY CATEGORY



Source: Infield, Enskilda Securities Research, FPU company figures

LETTER FROM THE CEO

2004 was an exciting year for Sevan Marine. In the beginning of the year we entered into a contract for the construction of the first SSP platform at the Yantai Raffles shipyard in China. During the year we had discussions with several potential clients, which culminated in an 11-year agreement with Petrobras S.A. for the charter of the SSP 300 FPSO on the Piranema field, offshore Brazil. Obviously this agreement represented a break-through for the SSP technology. Petrobras is a world leader in floating production and deepwater operations and we are proud to be the preferred contractor for the development of the Piranema field. It will be one important priority for us to make sure that this SSP is completed on time and within budget.

In December, Sevan Marine was listed on the Oslo Stock Exchange. Through the listing, we have been able to provide a regulated market place for the trading of our shares. During 2004 we carried out three private placements, with gross proceeds of NOK 196 million. The share issues were well received in the market and they have provided a solid foundation for the future growth of our company. We are satisfied that we have also been able to attract international investors. As of today, foreign shareholders own about 25% of the outstanding shares. Going forward we will continue to keep the market informed about our activities, both in Norway and abroad.

With our skilled and highly motivated staff in Arendal, Asker, Rio de Janeiro, Yantai and Tananger, we are well prepared for the opportunities and challenges that lie ahead of us. The competitive strengths of Sevan Marine have traditionally been within the design and engineering areas on the marine side. We are happy that the excellent team from Kanfa decided to join us at the end of 2004. They provide us with an extensive experience within the areas of design and engineering of process facilities. Together, we now have the capacity and knowledge to offer competitive solutions to client's world wide within floating production, storage and offloading.

The offshore market's reception of the SSP has been positive. Based on the strong market outlook, our ambition is to add more SSP units to our fleet of FPSOs. Our aim is to increase the value creation, to the benefit for our shareholders, clients and employees, utilizing our competitive advantages.

On behalf of the Sevan Marine organization, I would like to thank our shareholders for your confidence in us.

March 31, 2005

Jan Erik Tveteraas
CEO

DESIGN AND TECHNOLOGY

SSP - SEVAN STABILIZED PLATFORM
The SSP is classified with DNV as an Offshore Installation (toi) and Floating Production with the following notations:
• COW
• POSMOOR
• OFFLOADING
• HELDK S
• CRANE
• PROD

FLAG STATE:
Bahamas

MAIN ACHIEVEMENTS WITH THE SSP TECHNOLOGY:
• High capacity for both oil storage and deck load
• Low cost and fast construction
• High flexibility for various applications

MAIN SSP FEATURES:
• No turret
• No swivel
• Spread mooring
• Any number and type of riser
• Oil storage
• Segregated ballast
• High deck load capacity
• Simple interface between hull and topside
• Excellent motions
• High safety standard
• Offloading to tankers

WIDE CAPACITY RANGE:
The SSP has a wide capacity range with an oil storage capacity of up to 2 million bbls.

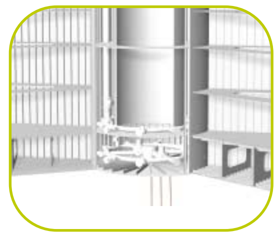
Design	Storage (bbl)	Displace-ment (mt)	Draft (m)	Diameter (m)
SSP 300	300 000	55 000	17	60
SSP 600	600 000	110 000	20	75
SSP 850	850 000	140 000	24	84
SSP 1000	1 000 000	165 000	28	84
SSP 1700	1 700 000	278 000	30	106
SSP 2000	2 000 000	305 000	33	106


FPSO


FSO


Offloading


Segregated ballast


Piping arrangements


PETROBRAS CHOSE THE SSP FOR THE PIRANEMA FIELD

Petrobras S.A. has entered into an agreement with Sevan Marine do Brasil Ltda, a subsidiary of Sevan Marine ASA for the use of the SSP 300 FPSO under a long-term contract on the Piranema field in the State of Sergipe, off the north-east coast of Brazil, in deep water ranging from 1 000 to 1 600 m. The unit to be used is currently under construction at the Yantai Raffles shipyard in China.

The fixed term of the charter contract is 11 years. The contract will commence mid-2006. The contract value for the fixed term is approximately USD 399 million. The SSP 300 FPSO will be equipped with a process plant capacity of 30 000 barrels of oil per day, a gas injection plant with compression capacity of 3.6 million m^3 per day and an oil storage capacity of 300 000 barrrels. The unit will be prepared to receive up to 21 risers.

As a part of its long-term strategy in Brazil, Sevan Marine will enter into an agreement with its Brazilian partner, Etesco Construção e Comércio Ltda for the joint ownership and operations, whereby Etesco will have a 25% equity interest in the SSP 300 FPSO.

FACTS ABOUT PETROBRAS S.A.

- *The founding of Petrobras was authorized in October 1953, with the objective of executing, on behalf of the Federal Government, the activities of the oil sector in Brazil.*
- *Petrobras in numbers 2003:*
  - Net earnings: US$ 30.8 (billion)
  - Net income: US$ 6.6 (billion)
  - Shareholders: 131 577
  - Exploration: 35 drilling rigs (22 offshore)
  - Reserves: (Set Criterion) 11.6 billion barrels of oil and gas equivalent (boe)
  - Production Platforms: 68 fixed, 30 floating
  - Daily production: 1,701 million bpd oil and LNG
- *Petrobras staff: By February 2005 there are 53 661 people working in Petrobras S.A.*

- INTERESTED IN TESTING THIS NEW TECHNOLOGY

"We are interested in testing this new technology, SSP-300" says Offshore Production Asset Manager Mr. Renilton M. Brandao.

Petrobras is a global integrated energy company that explores, produces, refines, markets and transports petroleum and its by-products worldwide. Brazil's largest industrial corporation, Petrobras also operates in 11 other countries, and is the world's 8th largest publicly traded petroleum company. We asked Mr. Renilton M. Brandao who is the Offshore Production Asset Manager in the Sergipe and Alagoas Business Unit, about the future cooperation between Petrobras S.A. and Sevan Marine ASA.

Can you please tell us about yourself and your history at Petrobras?
I've been working for Petrobras since 1980. During these 25 years, I worked in most of the Business Units in Brazil, such as Para, Amazon, Rio Grande do Norte, Ceara and Bahia, and in Rio de Janeiro headquarter, mainly as Geologic Operations Manager, in Exploration Department. Then I worked in Colombia, for 5 years, as Production Asset Manager and Argentina, participating of Perez Companc's purchase, in the Due Dilligence phase. Nowadays I'm in charge of Offshore Production Asset Manager, in Sergipe and Alagoas Business Unit.

Why did Petrobras select Sevan Marine as a vendor for the FPSO?
Because Petrobras understands that Sevan Marine has a competitive solution for Piranema Field and we are interested in testing this new technology, SSP-300.

What do you expect from Sevan Marine?
I expect a competitive company, with high quality operation focused in our best pratices in HSE.

What are the geological characteristic for the Piranema field?
Piranema is a field with modest reserves, but with an oil of excellent quality, 43º API. The greatest challenge is to produce this field economically.
To do that we changed many paradigms, producing one area till the end and moving the FPSO to the next area, repeating the process. We introduced some new technologies as SSP-300, which agregate value to the project, in terms of safety and competitive costs.

Were do you see the future possibilities for cooperations between Petrobras and Sevan Marine?
I see the possibility of Sevan Marine to participate operating in all fields in Petrobras. Sevan has to prove to be a safety, thrustable, efficient and competitive company to actuate in Brazil for Petrobras, and we think is a matter of time.

SHAREHOLDER INFO

SHAREHOLDER POLICY
The Company shall aim at making the Shares in the Company an attractive investment object. The Company shall provide its shareholders with a competitive return on investment over time, in terms of dividend and development in the share price. The Company's target is that the underlying values shall be reflected in the share price.

The Company shall be managed based on principles that seek to ensure openness, integrity and equal treatment of shareholders. The Company shall seek to clarify its long-term potential, including its strategy, value drivers and risk factors.

The Company shall maintain an open and proactive investor relations policy, a best-practice website and shall give presentations regularly in Oslo and Stavanger in connection with interim results.

The Company shall provide shareholders, Oslo Børs and the market as a whole with timely and accurate information at all times. Such information will take the form of annual reports, quarterly interim reports, press releases, stock exchange notifications and investor presentations, as applicable.

THE 20 LARGEST SHAREHOLDERS AS AT MARCH 31, 2005:

Name	No of shares	% share
Arne Smedal	3 605 687	5.45
Aasen AS	3 114 036	4.71
Supernova AS	3 114 035	4.71
Hallingen AS	3 114 035	4.71
JP Morgan Chase Bank	2 942 074	4.04
MP Pensjon	2 555 263	3.51
Morgan Stanley and Co. Intl. Limited	2 518 291	3.46
Tycoon Industrier AS	2 233 000	3.07
Statoils Pensjonskasse	2 019 773	2.78
Ferncliff AS	1 899 190	2.61
Enskilda Securties ASA	1 268 000	1.74
Credit Agricole Indosuez (Suisse) SA	1 738 139	2.39
Normandie Invest AS	1 100 000	1.51
Jaco Invest AS	1 000 000	1.37
Statoil Forsikring AS	995 791	1.37
Fidelity Funds-Nordic Fund/sicav	950 900	1.31
SIS Segaintersettle AG 25PCT	895 042	1.23
Gambak	880 000	1.21
Whitehorse Investering	850 000	1.17
Waterman Holding INC.	834 170	1.15
20 largest shareholders	**37 941 900**	**53.92**
Remaning	34 837 021	46.08
Total	**72 778 921**	**100.00**

DIVIDEND POLICY
Long-term, the Company shall aim at paying a dividend to its shareholders on a regular basis. Near-term, the Company's focus will be on completing the construction of the first SSP and on growth in the Company's share price based on the market's valuation of existing and future earnings.

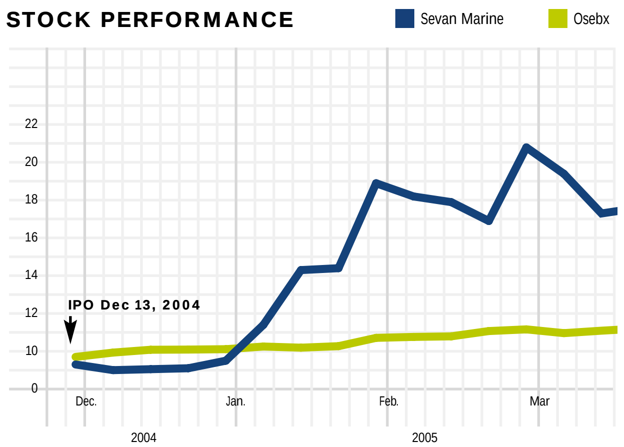
In the last three years, there has been no payout.

INVESTOR RELATIONS POLICY
In order to treat all its shareholders equally, an important aim for Sevan Marine is to ensure that the stock market at all times is in possession of correct and complete information about the Company's operations and condition, and thereby to contribute to the most accurate pricing of its shares.

Approaches taken to meet this aim include prompt and comprehensive reporting of the Company's interim results and the distribution of annual and quarterly reports. In addition, information of significance for assessing the Company's underlying value and prospects is reported to the Oslo Stock Exchange and made available on the Company's internet site.

Presentations are given in connection with the publication of the quarterly results and throughout the year, both nationally and internationally, to inform existing and potential investors about the Company.

STOCK PERFORMANCE



THE BOARD OF DIRECTORS' REPORT 2004

Sevan Marine ASA is an offshore technology company, which specializes in the market for floating production and storage of oil and gas. The Sevan Marine Group of companies (Company) has developed a new, cylinder shaped platform type named SSP (Sevan Stabilized Platform), which is suitable for use in all sea environments. The Sevan Marine Group has offices in Tananger and Arendal, Norway and Rio de Janeiro, Brazil.

2004 was an important year in the Company's history. In the first quarter, the Company entered into an agreement with Yantai Raffles Shipyard in China for the construction of the first SSP platform. In the fourth quarter, Sevan Marine do Brazil Ltda, a subsidiary of the Company, entered into a Memorandum of Understanding (MOU) with Petrobras S.A. for the use of one SSP 300 FPSO under an 11-year charter contract on the Piranema field in the state of Sergipe, off the north-east coast of Brazil, in deep water ranging from 1 000 to 1 600m. The SSP under construction in China will be utilized for this contract. In the first quarter 2005, the MOU was confirmed by a letter of intent between the parties.

In December 2004, the Company was listed on the Oslo Stock Exchange. The listing has provided a regulated market place for the trading of the Company's shares and has made the shares more liquid and therefore a more attractive investment for existing shareholders and new investors.

INCOME STATEMENT AND BALANCE SHEET

Consolidated revenues for 2004 totaled NOK 1 million, a decrease of NOK 2.6 million from 2003. Operating loss was NOK 17.7 million, an increase of NOK 8.8 million from 2003. This was due to a reduction in revenues from consultancy service and an increase in operating expenses due to higher activity caused by the construction of the SSP 300. Net loss came to NOK 8.4 million, compared to NOK 7.2 million in 2003. All costs related to the development of the SSP have been expensed.

The effective tax charge deviates significantly from the nominal statutory tax rate of 28%. This is mainly caused by the fact that tax-deductible expenses, related to share issues, have been recorded against equity in the financial statements. The Company has recognized deferred tax assets due to expectations of future taxable income from services planned to be performed under the signed letter of intent with Petrobras.

At December 31 2004, total assets amounted to NOK 201.2 million, of which long term fixed assets amounted to NOK 127.4 million and NOK 67 million was cash and cash equivalents. At year-end, the equity ratio was 92%. The Company did not have any interest-bearing debt.

As a consequence of the listing of the Company's shares, the Company has become subject to a different set of accounting standards and guidelines. This has resulted in changes to the accounting treatment of Pensions and Share based incentive plans; see notes to the financial statements for details. Effective from the year ending December 31, 2005, the Company will prepare financial statements in accordance with International Financial Reporting Standards (IFRS). These financial statements will include comparative amounts for 2004, restated to comply with applicable IFRS standards. In the notes to the 2004 financial statements information has been given of expected effects of the transition to IFRS. This information is based on current IFRS standards and interpretations. Changes to standards and interpretations may be issued during the period until the Company presents its first IFRS financial statements for the year ending December 31, 2005. Such changes may imply changes to the IFRS information given in note 23.

CAPITAL AND FINANCING

Net cash flow for 2004 was NOK 65.1 million. Cash flows from operations amounted to minus NOK 3.9 million, cash flows from investments amounted to minus 112.4 million and cash flows from financing amounted to NOK 181.4 million.

In February, April and December 2004 the Company carried out private placements with gross proceeds of NOK 18 million, NOK 143 million and NOK 35 million, respectively. In February 2005, the Company carried out a private placement with gross proceeds of NOK 111.7 million.

Sevan Production AS, a wholly owned subsidiary of Sevan Marine ASA, has entered into a loan agreement with the Export-Import Bank of China for the provision of a term loan in the amount of USD 13 million, financing, in part, the construction of the SSP 300 at the Yantai Raffles Shipyard. As at year-end, no drawdowns had been made on this loan facility.

In order to fully finance the construction of the SSP 300 at the Yantai Raffles Shipyard, a bond issue of NOK 670 million has been carried out. The bond loan will have a term of 3 years, a fixed interest rate of 9.00% payable annually in arrears, and will mature on March 31, 2008. The settlement date is expected to be March 31, 2005. An application will be made for listing of the loan at Oslo Stock Exchange.

GOING CONCERN

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

RISK

The SSP is based on new technology that has not yet been tested under real operating conditions. The assessment of the performance of the SSP is based on model tests and theoretical analyses. The Company has made its best efforts and evaluation using recognized methods and expertise available to ensure that model scale test and analyses reflects full-scale behavior of the unit. However, the Company cannot guarantee that all hydrodynamic effects have been revealed or identified. In connection with the construction of the SSP 300 FPSO, the Company has used its best efforts to prepare proper specifications of the SSP, including the supply and installation of equipment. Despite these efforts there can be no assurances that delays and cost overruns will not occur and such events, if occurring, could have an adverse impact on the Company's financial position.

The Company contemplates utilizing a combination of equity, bond financing and/or bank financing to finance the construction of SSP units. Obtaining such financing may be subject to market risks and other risks that may influence the availability, structure and terms of such financing. The demand for FSO/FPSO services in connection with production in the offshore oil and gas sector is particularly sensitive to price decreases, fluctuations in production levels and disappointing exploration results.

HSE AND CORPORATE GOVERNANCE

Developing sound health, safety and environment (HSE) principles are critical success factors for the Company. The Company's business in 2004 did not pollute the environment. No sick leave was reported. No serious work incidents or accidents resulting in personal injuries or damages to materials or equipment happened in 2004. The work environment is good.

The board and management will work to establish equal positions and opportunities for men and women among its employees and in the board. Currently, 28% and 32% of the employees in the parent company and group, respectively, are women. There are no women elected as board members.

The Company aims at developing sound corporate governance routines. As a basis for its conduct of corporate governance, the Company uses the national Norwegian code of practice for corporate governance, as prepared by a working group consisting of representatives of the major organizations involved, owners, issuers and the stock exchange.

OTHER MATTERS

In first quarter 2005, the Company announced that it had acquired 48% of the shares in Kanfa AS. Kanfa is a process design and engineering company offering service to the offshore industry. Kanfa's employees have a long track record and has been involved in most of the Norwegian field developments over the past 15 years, as well as several international projects.

OUTLOOK

The floating production market continues to look good. Several field development projects are coming to the market, in particular small and medium-sized fields. The Company is discussing project opportunities with potential clients in the North Sea, Latin America and South-East Asia, for the use of the SSP as an FPSO.

The expected start-up of the contract with Petrobras is mid-2006 and the Company expects to generate revenues as from third quarter 2006.

The board would like to thank the employees for the achivements in 2004.

ANNUAL RESULT AND YEAR-END APPROPRIATIONS

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

Transfer from share premium account:	NOK 3 914 929
Total appropriations:	NOK 3 914 929

The Company did not have distributable equity as at December 31, 2004.

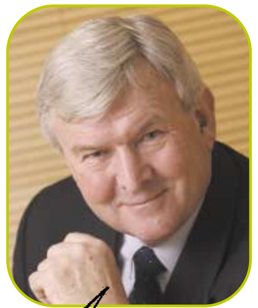
Tananger, March 14, 2005

Jan-Fredrik Wilhelmsen
Chairman of the board

Arne Smedal
Board member

Kåre Syvertsen
Board member

Jean-Philippe Flament
Board member



John Hatleskog
Board Member

INCOME STATEMENT

PARENT COMPANY			NOK 1 000		GROUP		
	2003	**2004**	**OPERATING REVENUES AND EXPENSES**	**Note**	**2004**	**2003**	0
0			Operating revenues	12	981	3 626	
	-4 443	-7 217	Salaries and wages	9	-10 449	-6 437	
	-87	-304	Depreciation	3	-392	-168	
	-2 427	-5 813	Other operating expenses	9, 15	-7 864	-5 945	
	-6 957	-13 334	Total operating expenses		-18 705	-12 550	
	-6 957	**-13 334**	**OPERATING PROFIT / - LOSS**		**-17 724**	**-8 924**	
							FINANCIAL INCOME AND
EXPENSES							
	201	1 315	Interest income		1 318	207	
	950	121	Group contribution		0	0	
	0	29	Other financial income		66	133	
	-60	-3	Interest expenses		-39	-83	
	-14	-78	Other financial expenses	11	-198	-421	
	1 077	**1 384**	**NET FINANCIAL INCOME AND EXPENSES**				**1 147 -164**
					-5 881	-11 950	INCOME/ -LOSS BEFORE
TAX		-16 577	-9 088				
	1 862	8 035	Income taxes	2	8 212	1 862	
	-4 019	**-3 915**	**NET INCOME / - LOSS**		**-8 365**	**-7 226**	

		TRANSFERS
-4 019	-3 915	Transferred from share premium account
-4 019	**-3 915**	**TOTAL TRANSFERS**

Tananger, March 14, 2005

Jan-Fredrik Wilhelmsen	**Arne Smedal**	**Kåre Syvertsen**
Chairman of the Board	Board member	Board member
Jean-Philippe Flament	**John Hatleskog**	**Jan Erik Tveteraas**
Board member	Board member	CEO

BALANCE SHEET

PARENT COMPANY		NOK 1 000			GROUP
2003	**2004**	**ASSETS**	**Note**	**2004**	**2003**
		Fixed assets			
		Intangible fixed assets			
6 526	14 560	Deferred tax assets	2	14 738	6 526
6 526	14 560	Total intangible assets		14 738	6 526
		Tangible fixed assets			
0	0	Construction in progress	3	95 469	0
206	1 789	Machines, fixtures, fittings	3	2 214	661
206	1 789	Total fixed assets		97 683	661
		Investments			
8 608	73 435	Investments in subsidiaries	4	0	0
0	15 000	Investments in associated companies	4	15 000	0
8 608	88 435	Total investments		15 000	0
15 340	**104 784**	**Total fixed assets**		**127 421**	**7 187**
		Currents assets			
		Receivables			
0	0	Accounts receivable from customers		0	291
4 275	6 174	Other receivables	5, 10	6 796	4 468
361	30 146	Intercompany balances	4	0	0
4 636	**36 320**	**Total receivables**		**6 797**	**4 759**
1 868	64 098	Cash and cash equivalents	6	67 002	2 465
6 504	**100 418**	**Total current assets**		**73 799**	**7 224**
21 844	**205 202**	**TOTAL ASSETS**		**201 220**	**14 411**
		EQUITY AND LIABILITIES			
		Equity and liabilities			
		Called-up and fully paid equity			
3 898	13 234	Share capital (66 168 921 shares at NOK 0.20 par value)	1, 7, 8	13 234	3 898
16 448	183 760	Share premium account	1	171 102	8 465
20 346	196 994	Total fully paid equity		184 336	12 363
		Retained earnings			
0	0	Conversion difference	1	188	0
0	0	Total retained earnings		188	0
20 346	**196 994**	**Total equity**	**1**	**184 524**	**12 363**
		Liabilities			
		Long-term liabilities			
0	300	Pension liabilities	14	300	0
		Current liabilities			
0	0	Overdraft facilities		0	0
565	3 054	Accounts payable to suppliers		11 523	688
0	0	Taxes payable	2	0	0
497	2 511	Unpaid goverment charges and special taxes		2 605	574
0	935	Intercompany balances	4	0	0
436	1 408	Other curent liabilities		2 268	786
1 498	7 908	Total curent liabilities		16 396	2 048
21 844	**205 202**	**TOTAL EQUITY AND LIABILITIES**		**201 220**	**14 411**

CASH FLOW STATEMENT

PARENT COMPANY		NOK 1 000	GROUP	
2003	**2004**		**2004**	**2003**
		Cash flows from operations		
-5 881	-11 950	Income / -loss before tax	-16 577	-9 088
0	0	Taxes paid during the period	0	0
87	304	Depreciation	392	168
0	0	Change in accounts receivable	291	25
-548	2 489	Change in accounts apyable	10 835	-597
2 517	1 086	Change in other accrual accounting items	1 186	2 582
-3 825	**-8 071**	**Net cash flows from operations**	**-3 873**	**-6 910**
		Cash flows from investment activities		
-3 047	-79 826	Investment in shares	-15 000	0
-95	-1 886	Investment in tangible fixed assets	-97 414	-246
-3 142	**-81 712**	**Net cash flows from investment activities**	**-112 414**	**-246**
		Cash flows from financing activities		
-2 683	0	Net change in overdraft facilities	0	-2 683
10 244	181 103	Proceeds from share issues	181 103	10 244
0	300	Net change in pension liabilities	300	0
159	-28 850	Intercompany funding	0	0
0	0	Exhange rate changes foreign subsidiary	-37	243
7 720	**152 553**	**Net cash flows from financing activities**	**181 366**	**7 804**
753	**62 770**	**NET CASH FLOWS FOR THE PERIOD**	**65 079**	**648**
1 115	1 868	Cash and cash equivalents 01.01.	2 464	1 816
1 868	**64 638**	**Cash and cash equivalents 31.12.**	**67 543**	**2 464**

NOTES TO THE 2004 ANNUAL ACCOUNTS

Accounting Policies

All amounts are in NOK 1 000 unless otherwise stated.

The consolidated accounts

The consolidated accounts include Sevan Marine ASA and the wholly-owned subsidiaries Sevan Marine Management AS, Sevan Marine Production AS, and Sevan Marine do Brasil Ltda. The parent company is located in Tananger and Arendal. The subsidiaries are located in Tananger, Norway and Rio de Janeiro, Brazil. All intercompany transactions as well as debts and receivables between the group companies have been eliminated.

The financial statements have been prepared in accordance with generally accepted accounting principles in Norway.

The accounts of the subsidiary Sevan Marine do Brasil Ltda have been converted from local currency in Brazil to NOK using average annual rates for the Profit & Loss Account, and prevailing exchange rates at the Balance Sheet dates for balance sheet items.

Investments in associated companies, in which Sevan Marine ASA has significant influence, has been accounted for under the equity method.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to use estimates and assumptions, which affect the value of the assets and liabilities, and disclosure notes. Such estimates and assumptions may have significant impact on the reported revenues and costs for a specific reporting period. The actual amounts may deviate from the estimates.

Principal rule for evaluation and classification of assets and liabilities

Assets determined for long term 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 liabilities is determined on the basis of analogous criteria. Current assets / short-term liabilities are recorded at the lower / higher of historical cost and net realisable value. Some items are measured and recorded in accordance with specific measurement rules in the Norwegian Accounting Act. Such items have been explained in more detail, where applicable, below.

Tangible fixed assets

Tangible fixed assets are capitalized and classified as fixed assets. Tangible fixed assets are recorded at their historical cost less depreciations. Fixed assets are depreciated on a straight-line basis over their estimated economic life.

Assets under construction (SSP 300 FPSO)

Platform under construction is recorded at cost. Salaries and travel expenses directly related to the SSP 300 under construction have been capitalised at cost. Parts of the cost price has been hedged (cash flow hedge) and recorded using the exchange rate applicable at the time of buying the foreign exchange amount.

Shares in subsidiaries and associated companies

In the parent company accounts, investments in subsidiaries and associated companies have been recorded under the cost method. Investments are written down to fair value when a reduction in value is not expected to be temporary.

Research and development and public grants

Costs related to research and development, net after deductions for received public grants, are expensed as incurred.

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 purchase.

Currency

Cash and bank deposits, current assets, and short-term liabilities nominated in foreign currencies are converted to exchange rates that prevail on the Balance Sheet date, except for deposits designated as cash flow hedges, see below. Realised and unrealised exchange gains and losses on assets and liabilities in currencies other than NOK have been included as financial items in the income statements.

Foreign currency hedge (cash flow hedge)

Bank deposits in foreign currency (USD), made in relation to entering into the platform construction contract with the yard, with the purpose of hedging the exchange rate for instalments in USD, have been treated as a cash flow hedge, and accounted for at the rate at the time of making the deposit.

Pension plans

Sevan Marine ASA has a collective defined benefit plan for its employees. Effective from financial year 2004, the company has implemented the Norwegian standard on accounting for pension costs. The Company has obtained actuaries' calculations and provided for net pension liabilities in the balance sheet as at 31.12.2004. The effect of implementation (net pension liabilities) as at 1.1.2004 has been recorded against equity.

Taxes

Deferred taxes / deferred tax assets are calculated on temporary differences between balance sheet accounting and tax 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 in the same time intervals. Taxes consist of taxes payable (taxes on current year taxable income), and change in net deferred taxes.

Earnings per share

Earnings per share are calculated by dividing the net income/ - loss by the weighted average of the total number of outstanding shares. Shares issued during the year are weighted in relation to the period they have been outstanding.

Share based incentive plans

The Company uses share based incentive plans for the employees. For plans, under which the employee is given the right to buy shares at a price (exercise price) lower than the market price at the date of grant, the difference (intrinsic value or "in the money value") between the exercise price and the market price is expensed as salary costs over the life of the plan. This treatment is in accordance with notes previously issued by Oslo Stock Exchange, and has been implemented effective from financial year 2004. The offsetting entry to salary expenses is an increase in equity, and hence, there will be no cumulative effects on equity from prior years.

Estimated employer´s share of social security incurred in relation to the incentive plans is expensed over the vesting period of the plans. Estimate changes of incurred employers' share of social security are expensed over the remaining vesting period of the plan. This treatment of employer's share of social security relating to incentive plans has also been implemented effective from financial year 2004. Accumulated effect from prior years has been recorded directly against equity as at 1.1.2004.

Cash flow statement

The cash flow statement has been prepared in accordance with the indirect method.

NOTE 1 – EQUITY

Parent company	Share capital	Share premium	Other equity	Total equity
Share capital 31.12.03	**3 898**	**16 448**	**0**	**20 346**
Total proceeeds from share issues in 2004	9 336	186 667		196 003
Share issue costs 2004		-15 506		-15 506
Implementation of pension liabilities		-320		-320
Employers' share of social security costs on share based incentive plans prior years		-220		-220
In the money value options 2004		606		606
Net result 2004		-3 915		-3 915
Share capital 31.12.04	**13 234**	**183 760**	**0**	**196 994**

Group	Share capital	Share premium	Conversion differences	Total equity
Share capital 31.12.03	**3 898**	**8 465**	**0**	**12 363**
Correction of elimination error from 2003*		-495	226	-269
Total proceeds from share issues in 2004	9 336	186 937		196 273
Share issue costs 2004		-15 506		-15 506
Implementation of pension liabilities		-320		-320
Employers' share of social security costs on share based incentive plans prior years		-220		-220
In the money value options 2004		606		606
Net result 2004		-8 365		-8 365
Exchange gains/losses foreign subsidiary			-38	-38
Share capital 31.12.04	**13 234**	**171 102**	**188**	**184 524**

* Relates to correction of eliminaton error made when preparing the 2003 group accounts

NOTE 2 – TAXES

Parent company	2004	2003
Profit before tax	-11 950	-5 881
Permanent differences	-16 207	-768
Changes in temporary differences	1 003	11
Tax basis	-27 154	-6 638
Loss to be brought forward	-23 329	-16 691
Basis for taxes payable	**-50 483**	**-23 329**
Taxes payable	0	0
Change in deferred tax assets	8 035	1 862
Tax expenses	**8 035**	**1 862**

Temporary differences	2004	2003
Fixed assets	325	23
Options	-1 544	-219
Pension liabilities	-300	-320
Net temporary differences	-1 519	-516
Losses carry forward	-50 482	-23 329
Basis for deferred tax assets	**-52 001**	**-23 845**
Deferred tax assets in balance sheet	**-14 560**	**-6 526**

Group	2 004	2 003
Taxes payable Norway	0	0
Taxes payable abroad	0	0
Change in deferred taxes Norway	8 212	1 862
Total tax charge	**8 212**	**1 862**
Fixed assets	325	23
Options	-1 544	-219
Pension liabilities	-300	-320
Net temporary differences	-1 519	-516
Losses carry forward	-51 115	-23 329
Basis for deferred tax assets	**-52 634**	**-23 845**
Deferred tax assets in balance sheet	**-14 738**	**-6 526**

Tax losses carry forward 2001 (expires 2011)	- 8 690
Tax losses carry forward 2002 (expires 2012)	- 8 001
Tax losses carry forward 2003 (expires 2013)	- 6 637
Tax losses carry forward 2004 (expires 2014)	-27 787
Total tax losses carry forward	**-51 115**

Deferred tax assets have been accounted for at nominal value. Deferred tax assets have been recognised based on expectations of future taxable profits, related to the letter of intent with Petrobras for the SSP 300 FPSO, with the expiry dates stated above. Deferred tax assets and payable taxes relate to the parent company and Norwegian subsidiaries.

Reconciliation between expected tax charge based on the nominal Norwegian statutory tax rate of 28% and actual tax charge:

Parent company	2004	2003
Profit before tax	-11 950	-5 881
Expected tax charge	3 346	-1 647
Tax charge in the profit and loss acconts	-8 035	-1 862
Difference	**4 689**	**215**
Tax effect of share issue costs	4 342	72
Tax effect of other premanent differences	347	143
Explained difference	**4 689**	**215**

Group	2004	2003
Profit before tax	-16 577	-9 088
Expected tax charge	-4 642	-2 545
Tax charge in the profit and loss acconts	-8 212	-1 862
Difference	**3 570**	**-683**
Tax effect of share issue costs	4 342	72
Deferred tax assets abroad calculated at 28% - not recorded	-1 118	-898
Tax effect of other premanent differences	347	143
Explained difference	**3 570**	**-683**

NOTE 3 – TANGIBLE FIXED ASSETS

Parent company	Machinery, fixtures	Total
Cost price 1.1.	362	362
Additions	1 886	1 886
Disposals	0	0
Cost price 31.12.	2 248	2 248
Accumulated depreciations 31.12.	-459	-459
Book value 31.12.	**1 789**	**1 789**
Depreciations current year	304	304
Economic life/depreciation rates	3-5 years /20-30%	

Group	SSP 300 under construction	Machinery, fixtures	Total
Cost price 1.1.	0	1 398	1 398
Additions	95 469	1 945	97 414
Disposals	0	0	0
Cost price 31.12.	95 469	3 343	98 812
Accumulated depreciations 31.12.	0	-1 129	-1 129
Book value 31.12.	**95 469**	**2 214**	**97 683**
Current year depreciations		392	392
Economic life/depreciation rates		3-10 years /10-30%	

Included in the amount for additions for the SSP 300 FPSO under construction is 1 809 of capitalised salary expenses for own hours, and 818 of capitalised travel expenses related to personnel working directly with the construction project.

A contract with Yantai Raffles Shipyard for construction of the SSP 300 hull was entered into in March 2004. As at December 31, 2004 3 instalments out of totally 10 had been paid. The remaining instalments are due in accordance with stipulated milestone dates based on work progress. The engineering, procurement and construction work for the process plant will be performed by Kanfa AS (48% owned by the Company), while the hook-up of the process plant onto the hull will be performed by the shipyard. The installation of the SSP 300 FPSO at location offshore Brazil is expected to take place mid-2006.

NOTE 4 – SHARES AND INTERCOMPANY BALANCES AND INVESTMENT IN ASSOCIATED COMPANY

Investments in subsidiaries

Company name	Office located	Cost price	No of shares	Share capital	Book value	Ownership share
Sevan Marine Management AS	Tananger	115	1	115	115	100%
Sevan Production AS	Tananger	60 115	1	59 659	60 115	100%
Sevan Marine do Brasil Ltda	Rio de Janeiro	13 205	5 413	1 190	13 205	99,90%
Total book value		**73 435**			**73 435**	
Investment in associated company						
Kanfa AS	Asker	15 000	96	1 827	15 000	48%
Total book value		**15 000**			**15 000**	

The shares in Kanfa AS were acquired December 28, 2004. Net result for the 3 days period is immaterial and has not been accounted for in the 2004 accounts. Kanfa AS' estimated net result for 2004 is 1 096 versus 3 312 for 2003. The company's estimated equity as at 31.12.2004 is 3 807 versus 2 712 as at 31.12.2003. No additional values relating to balance sheet assets or unrecognised balance sheet assets in Kanfa AS, except for goodwill, have been identified. The premium of 13 173, which were paid in excess of the book value of the acquired shares, is hence allocated to goodwill.

Intercompany balances

Parent company	
Liability to Sevan Marine do Brasil Ltda	-935
Loan to Sevan Production AS	30 025
Loan to Sevan Marine Management AS	121
Total	**29 211**

Except for a guarantee for Sevan Production AS' commitments related to the platform under construction, cf. note 6 below, no pledges, guarantees, or other securities have been granted on behalf of the subsidiaries.

NOTE 5 – OTHER SHORT-TERM RECEIVABLES

Other short term receivables mainly consist of receivable from SND, receivable from the SkatteFUNN scheme, ref note 10, and input VAT receivable.

NOTE 6 – CASH AND BANK DEPOSITS

Included in cash and bank deposits are restricted cash related to taxes withheld from employees of 419. Interest income consist of interest on bank deposits.

A bank deposit in foreign currency (USD) designated as a cash flow hedge (originally USD 10 million), app. USD 1,8 million as at 31.12.2004, has been recorded at the exchange rate at the time of buying the foreign currency, USD 1 = NOK 6,94. The USD bank deposit, of originally USD 10 million, represents the Company's self-financing of the USD share of the contract price for the SSP 300 hull.

NOTE 7 – SHARES, OPTIONS, AND BONUS SHARE OPTIONS OWNED OR CONTROLLED BY THE BOARD OF DIRECTORS AND MANAGEMENT

As of December 31, 2004 senior management and the board members owned or controlled shares in the Company:

Jan-Fredrik Wilhelmsen, chairman of the board, owns 60 000 shares. Arne Smedal, board member, owns 3 605 687 shares directly, 3 114 036 shares through his wholly owned company Aasen AS, and 80 000 shares through Elvheim AS, where he has a controlling ownership interest. He also has 179 500 share options with a strike price of NOK 3.00 and 100 000 bonus share options with a strike price of NOK 0.20.

Kåre Syvertsen, board member, owns 378 740 shares directly, and 3 114 035 shares through his wholly owned company Hallingen AS. He also has 179 500 share options with a strike price of NOK 3.00, and 100 000 bonus share options with a strike price of NOK 0.20. Jean-Philippe Flament, board member has 500 000 share options with a strike price of NOK 4.00. John Hatleskog, board member, owns 1 741 999 shares through his wholly owned company Jaco Invest AS.

Jan Erik Tveteraas, CEO, owns 222 148 shares directly and 3 114 035 shares through his wholly owned company Supernova AS. He also has 179 500 shares options with a strike price of NOK 3.00 and 100 000 bonus share options with a strike price of NOK 0.20. Raul Schmidt, President Sevan Brasil, owns 780 315 shares. He also has 479 500 share options with a strike price of NOK 3.00, 179 500 share options with a strike price of NOK 4.00, 100 000 with a strike price of NOK 9.80 and 175 000 bonus share options with a strike price of NOK 0.20.
Egil Kvannli, CFO, owns 7 000 shares and has 50 000 share options with a strike price of NOK 9.80.
Henriette Sandvaag, IR, owns no shares, but has 50 000 share options with a strike price of NOK 9.80.

NOTE 8 – SHAREHOLDER INFORMATION

As at December 31, 2004 the Company had 513 shareholders. Of these, eight were resident outside of Norway. The 20 largest shareholders as at December 31, 2004 were:

Name	**No of shares**	**% share**
Arne Smedal	3 605 687	5.45
Skandinaviska Enskilda Banken	3 146 824	4.76
Aasen AS	3 114 036	4.71
Supernova AS	3 114 035	4.71
Hallingen AS	3 114 035	4.71
MP Pensjon	2 555 263	3.86
Morgan Stanley and Co. Intl. Limited	2 305 000	3.48
Statoil Pensjonskasse	1 943 273	2.94
Ferncliff AS	1 889 190	2.86
Fredrik Wiese	1 762 105	2.66
Jaco Invest AS	1 741 999	2.63
Terra Vekst	1 738 139	2.63
Tycoon Industrier AS	1 361 000	2.06
Holberg Norden	1 314 474	1.99
Wieco AS	1 306 605	1.97
Credit Agricole Indosuez (Suisse) SA	1 302 105	1.97
Gambak	1 100 000	1.66
Strata AS	1 064 000	1.61
Statoil Forsikring AS	1 018 491	1.54
Skagenkaien Eiendom AS	1 000 000	1.51
20 largest shareholders	**39 496 261**	**59.69**
Remaining	26 672 660	40.31
Total	**66 168 921**	**100.00**

As at December 31, 2004 3 203 060 share options had been granted to employees and senior management under the Company's share option plans, 395 702 options had not been granted. The strike price for the granted options is NOK 3.00 – 9.80. As at December 31 2004, 650 000 bonus share options had been granted to management under the Company's bonus share plan, while 50 000 options had not been granted under the plan. The strike price for the awarded options is equal to par value of the company's shares, NOK 0.20. Under both plans, the options may be exercised at given time periods, but expire 5 years after grant date.

NOTE 9 – SALARIES, OTHER BENEFITS, NUMBER OF EMPLOYEES

	2004	**2003**
Salaries and vacation pay	9 047	5 111
Employers share of social security	2 128	683
Pension costs	700	332
Options	1 931	0
Capitalised salaries	-3 809	0
Other salary related costs	452	311
Total salaries and wages	**10 449**	**6 437**
Average number of employees	17	9

Remuneration to management	**Salaries**	**Other benefits**
CEO	1 463 072	57 105
Board member/VP Technology	1 458 437	119 329
Board member/VP Business Development	1 387 755	201 894

The CEO has an agreement for post service remuneration of 18 month salaries from the date of resignation, if termination is initiated by the board.
The Company has a collective pension scheme for its employees, including management.
No fees have been charged or paid to the Board of Directors in 2004.

Spesification of auditors fees	2004	2003
Audit fees	194	45
Technical assistance	249	30
Other assistance	873	10
Fees charged directly to equity	-810	0
Total auditor's fees charged to the accounts	**506**	**85**

NOTE 10 - SKATTEFUNN

The Company has performed R&D projects, which are entitled to grants under the SkatteFUNN scheme. Calculated grants for 2004 amounts to 790. This amount has been recorded and classified as a reduction of other operating costs.

NOTE 11 – OTHER FINANCIAL EXPENSES

Other financial expenses consist of exchange losses in connection with business activities in Brazil.

NOTE 12 – GEOGRAPHICAL DISTRIBUTION OF REVENUES AND ASSETS

Group

Operating revenues	2004	2003	Assets	2004	2003
Norway	981	3 626	Norway	200 742	13 855
Brazil	0	0	Brazil	478	556
Total revenues	**981**	**3 626**	**Total assets**	**201 220**	**14 411**

NOTE 13 – SEGMENTS

In 2004 and 2003 the major part of the Company's revenues were related to a services agreement with Transocean. Following the signing of the construction contract for the first SSP unit in 1st quarter 2004, such consultancy work has been ceased. As of today, floating production and storage of oil and gas, constitutes the only business segment of the Company. The Company has one SSP 300 FPSO under construction. Going forward, the Company's revenues will be generated from the ownership and operation of this unit and possible additional future units. The Company expects to generate revenues from the SSP 300 FPSO under construction as from 3rd quarter 2006.

NOTE 14 – PENSION LIABILITIES

The Company has a collective pension plan (defined benefit plan) for its employees. 5 employees of the parent company are members of the plan. The Company has implemented the Norwegian accounting standard for treatment of pension costs, effective 1.1.2004. The implementation effect of 320 was booked against equity as at 1.1.2004. Actuaries' calculations have been obtained in order to estimate pension liabilities as at 1.1.2004 and 31.12.2004.

Financial assumptions:	2004
Discount rate	5.5%
Expected return on assets	6.0%
Expected pension increases / G-regulation	2.5%
Expected salary increases	2.5%

For demographic assumptions and turnover rates, commonly used assumptions in the insurance industry have been applied.

Specification of pension costs

Parent company 2004		Group 2004
498	Net present value of this years pension earned	498
60	Interest cost of the pension liabilities	60
-57	Expected return on pension assets	-57
114	Fees charged	114
614	Net pension costs	614
87	Social security on pension liabilities	87
700	**Pension costs including social security**	**700**

Pension liabilities

Parent company 2004		Group 2004
1 641	Estimated, incurred liabilities	1 641
-1 378	Estimated value pension assets	-1 378
263	Estimated net pension liabilities	263
37	Social security pension liabilities	37
300	**Net pension liabilities**	**300**

NOTE 15 – OTHER OPERATING COSTS

	2004	2003
Purchase of service and other fees	4 576	5 294
Materials	373	320
Travel costs	1 577	928
Office costs	1 270	584
Other	68	-1 182
Total other operating costs	**7 864**	**5 944**

NOTE 16 – RENTAL AND LEASE AGREEMENTS

The Company has entered into several agreements for rental of offices. Annual rental amounts for 2004 were 237. For 2003 annual rental amounts were 127. The company has also entered into rental agreements for various software and ASP solutions.

NOTE 17 – EARNINGS PER SHARE

	2004	2003
Earnings per share	-0.16	-0.41
Earnings per share diluted	-0.16	-0.41
Average no of outstanding shares	52 789	18 980

Due to net losses for the periods, and according to the principle of no negative dilution (positive effects on earnings per share resulting from an increase in number of shares outstanding, are not to be included), earnings per share diluted have been calculated equal to earnings per share.

NOTE 18 – SHARE BASED INCENTIVE PLANS

The Company has various share option plans and bonus share plans. Shares under the bonus share plan were granted in 2002 and 2003, and have an exercise price of NOK 0.20. The market value of the underlying shares at the time of grant of the bonus share options has been assessed at NOK 3.00. The difference (intrinsic value or "in the money value"), NOK 2.80, has, effective 2004, been expensed as salary charges over the vesting period. The offsetting entry to salary charges is increase in equity.

For 2004 the salary charges relating to the "in the money value" of the options is 606. The comparable amount for 2003 would have been 548. Employer's share of social security related to the above mentioned plan has been expensed by 86 for 2004, comparable amounts for 2003 would have been 78.

The share option plans granted in 2001 and 2002 have exercise prices of NOK 3.00, the plans granted in 2003 has exercise prices of NOK 4.00, and the plans granted in 2004 have exercise prices of NOK 9.80. These exercise prices have been set equal to the assessed market values at the time of grant.

Under the bonus share plan of June 2002, rights to purchase a total number of 500 000 shares have been granted. Of these, 2/3 are fully vested as at 31.12.2004 and the remaining 1/3 will be fully vested in June 2005. These options must be declared by June 2007.

Under the bonus share plan of May 2003, rights to purchase a total number of 150 000 shares have been granted. Of these, 1/3 are fully vested as at 31.12.2004, another 1/3 will be fully vested in May 2005, and the remaining 1/3 will be fully vested in May 2006. These options must be declared by May 2008.

Under the share option plan of 2001, rights to purchase a total number of 700.000 shares have been granted. These are all fully vested as at 31.12.2004, and must be declared by July 2006.

Under the share option plan of 2002, rights to purchase a total number of 898 780 shares have been granted. Of these, 2/3 are fully vested as at 31.12.2004, and the remaining 1/3 will be fully vested in October 2005. These options must be declared by October 2007.

Under the share option plan of 2003, rights to purchase a total number of 860 280 shares have been granted. Of these, 1/3 are fully vested as at 31.12.2004, another 1/3 will be fully vested in May 2004, and the remaining 1/3 will be fully vested in May 2006. These options must be declared by May 2008.

Under the share option plan of 2004, rights to purchase a total number of 744 000 shares have been granted. None of these are vested as at 31.12.2004. 1/3 will vest in November 2005, another 1/3 will vest in November 2006, and the remaining 1/3 will vest in November 2007. These options must be declared by November 2009.

The calculated employer's share of social security related to the share option plans, on the basis of a price increase of the underlying shares, has been expensed by 1 239 for 2004, comparable amounts for 2003 would have been 109.

The calculated employer's share of social security related to the bonus share plans for 2002, 33, and for 2003, 78, as well as calculated employer's share of social security related to the share option plan for 2003, 109, totally 220, has been recorded directly to equity as at 1.1.2004.

NOTE 19 – RELATED PARTY TRANSACTIONS

Sevan Marine ASA had a contract with a company owned by one of the directors in its Brazilian subsidiary, for the performance of management services in Brazil and West Africa. This agreement has been cancelled with effect from 30 June 2004.

Sevan Marine Management AS had a contract with the company referred to above, whereby this company received a commission related to Sevan Marine Management AS' revenues under its agency agreement with Transocean. This contract expired 30 April 2004.

Jan Erik Tveteraas, Kåre Syvertsen, and Arne Smedal has until 1 November 2004 had interest free car loans from the company, totally NOK 1.8 million.

NOTE 20 – FINANCIAL RISK

The financial statements are prepared in Norwegian currency (NOK), but the Company performs business activities internationally, and are hence exposed to fluctuations in exchange rates. Day rates for FPSOs and valuation of FPSOs in the market are determined in USD. The ownership and operation of SSP FPSOs will expose the Company to fluctuations in the NOK/USD ratio, in particular.

The group currently has no material receivables or liabilities, which imply exposure to any credit, or interest rate risk. See, however, note 21 below concerning the bond issue.

NOTE 21 – LOANS, GUARANTEES, SECURITIES, AND COLLATERALS

Sevan Production AS has entered into a loan agreement with the Export-Import Bank of China for the provision of a loan of USD 13 million. The loan will be drawn in accordance with certain milestone dates in the construction contract with the yard. Interest accrues at a fixed rate of 3.83 per cent per annum, payable every six months in arrears. The loan shall be repaid semi-annually in six approximately equal instalments, the first instalment to be paid six months after delivery of the SSP 300 under construction the Yantai Raffles Shipyard in China.

The loan is secured by way of a pre-delivery assignment of insurances, assignment of the shipbuilding contract, and assignment of the benefits under a USD 13 million Performance Bond in favour of Sevan Production. Post-delivery, the loan will be secured by a first priority mortgage over the SSP 300, assignments of any charter, charter earnings and insurances, and a pledge of accounts.

The loan agreement is based on customary, international ship finance standards. There are no financial covenants, but there are material adverse change provisions pertaining to the Sevan Marine Group and any charterer. There is a restriction on dividends and other distributions from Sevan Production AS. Final drawdown under the loan agreement – coinciding with the delivery date under the shipbuilding contract which must occur no later that on 2 July, 2006 unless otherwise agreed with the lender – is subject to a letter of intent having been entered into with respect to employment of the SSP 300, which employment contract requires the consent of the lender. Material changes to the shipbuilding contract will require the lender's prior approval, as will changes to the ownership or corporate status of Sevan Production and changes to the ownership, flag, classification or management of the SSP 300, additional borrowings and major acquisitions or disposals by Sevan Production. No amounts have been drawn under this facility as at 31.12.2004.

The obligations of Sevan Production AS under the construction contract and the loan agreement with the Export-Import Bank of China have been guaranteed by the Sevan Marine ASA.

In order to fully finance the construction of the SSP 300 at the Yantai Raffles Shipyard, after it was decided to build the unit as an FSPO (and not an FSO as originally ordered) according to requirements under a charter agreement with Petrobras S.A. a bond issue of NOK 670 million has been carried out. The bond loan will have a term of 3 years, a fixed interest rate of 9.00% payable annually in arrears. It was paid in by the bondholder on March 31, 2005 and will mature on March 31, 2008. The loan has been secured with a pledge in the shares of Sevan Production AS and second priority in Sevans insurance interests.

NOTE 22 – CONTINGENT LIABILITIES

The company has been informed, by two individuals who hold two registered patents regarding device for reducing wave movements on floating objects, that they are of the view that the company has infringed upon their rights under the patents. The Company is of the firm opinion – which is supported by its independent patent advisor - that the relevant illustration does not represent any infringement of the said patents. The Company believes that the discussion with the two patent holders has been finalised and any outstanding issues resolved, but will rigorously defend its position if the issue – contrary to expectation – the issue was to re-surface.

NOTE 23 – TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The group will prepare financial statements in accordance with International Financial Reporting Standards (IFRS) for the year ending December 31, 2005. These financial statements will include comparative amounts for 2004, which will have been restated to comply with applicable IFRS standards. The Company does not expect to have many significant differences between the financial statements for 2004 prepared in accordance with accounting principles generally accepted in Norway (NGAAP) and the same financial statements prepared in accordance with IFRS. A difference in presentation will occur as the Company under IFRS will present a separate statement, which shows movements in equity. In the 2004 financial statements based on Norwegian accounting principles, a table of such movements has been presented in the notes.

Information given in this note is based on current IFRS standards and interpretations as of today. Changes to standards and interpretations may be issued during the period until the company presents its first IFRS financial statements for the year ending December 31, 2005. Such changes may imply changes to the IFRS information gven in this note.

Currently the only difference with quantitative effect on income statement items have been identified in the area covered by IFRS no 2, Share based payments. For balance sheet items, differences have been identified in relation to cash flow hedges covered by IAS 39. In accordance with IAS 21, translation differences related to foreign subsidiaries should be classified as a separate component of equity. However, IFRS 1 exempts a first time adopter from this requirement, and the cumulative translation difference is deemed zero at the date of transition to IFRS.

In accordance with IAS 39, the portion of losses or gains on hedging instruments determined to be effective hedges, shall be recognised directly in equity. In the 2004 financial statements, under Norwegian accounting principles, losses on the hedging instrument determined to be an effective hedge (bank deposit in USD) is recognised as bank deposits. Under IFRS the bank deposit is reduced by the exchange loss, which is recognised directly in equity, see specification of equity adjustments under IFRS below.

The Company's share based incentive plans have been described in mote detail in note 18 above.

IFRS 2 requires share based payment plans to be recorded at fair value. This implies that for bonus share plans and share option plans, a time value must be calculated in addition to the intrinsic ("in the money") value to assess the market value of the plans. The Company has performed calculations of fair value using the Black & Scholes option pricing model and the following assumptions:

Assumptions:	**2004**	**2003**	**2002**	**2001**
Risk free interest rate	3.6%	4.9%	6.0-7.0%	6.8%
Volatility	35%	35%	35%	35%
Calculations:				
Calculated value per option/bonus share right	3.60	1.56-3.84	1.22-2.85	1.27
No of bonus share options		150 000	500 000	
No of share options	744 000	860 280	898 780	700 000
Total calculated value of outstanding options	**2 678**	**1 918**	**2 522**	**889**
Amounts to be expensed over the vesting periods	**1 727**	**1 510**	**595**	**123**
Amounts expensed under NGAAP	**606**	**548***		

* Only for comparisons. The 2003 financial statements have not been restated applying the new NGAAP principle.

Reconciliation of the financial statements prepared in accordance with Norwegian accounting principles and IFRS:

	2004	
Net income / - loss under NGAAP	**(8 365)**	
IFRS adjustments related to share based incentive plans (IFRS 2)	(1 121)*	
Total net income effect IFRS adjustments	(1 121)	
NET INCOME/(LOSS) under IFRS	**(9 486)**	

	31.12.2004	**1.1.2004**
Equity under NGAAP	**184 524**	**12 363**
IFRS adjustments related to share based incentive plans (IFRS 2)	(1 121)*	(2 228)
Effect of increase in equity share based incentive plans	1 121	2 228
Effect of cash flow hedge	(1 666)	-
Total equity effect of IFRS adjustments	(1 666)**	-
Equity under IFRS	**182 858**	**12 363**

* Expensed amount relating to outstanding options under IFRS, 1 727, reduced by 606 which has already been expensed in accordance with Norwegian accounting principles (new principle implemented effective from financial year 2004). ** Offsetting entry is reduction of bank deposits

AUDITOR´S REPORT

To the Annual Shareholders' Meeting of Sevan Marine ASA

Auditor's report for 2004

We have audited the annual financial statements of Sevan Marine ASA as of December 31, 2004, showing a loss of NOK 3 914 929 for the parent company and a loss NOK 8 364 621 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, 2004, 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.

Although it does not affect the above conclusion, we draw attention to the fact that the IFRS information in note 23 has been prepared on the basis of prevailing accounting standards and interpretations. Changes in the IFRS standards that will be applied when the Group prepares its first full IFRS financial statements as of December 31, 2005 may occur.

Stavanger, March 14, 2005
PricewaterhouseCoopers AS

Torbjørn Larsen
State Authorised Public Accountant (Norway)
Note: This translation from Norwegian has been prepared for information purposes only.

STAVANGER

Sevan Marine's head office is in Tananger, Norway. The functions located here include finance, operations, personnel, administration and investor relations.

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ARENDAL

Sevan Marine's office in Arendal, Norway, is responsible for engineering, business and conceptual development, technology development and construction projects.

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ASKER

Kanfa AS (48% owned) is a process design and engineering company offering services to the offshore industry. The Company is located in Asker, Norway.

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RIO DE JANEIRO

Sevan Marine do Brasil Ltda. is located in Rio de Janeiro. Its area of responsibility covers South America and West Africa, in addition to assisting the parent company in technology development activities and other corporate matters.

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YANTAI

Our site team in Yantai, following the first SSP under construction at the Yantai Raffles Shipyard in China.

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