



## **TECO MARITIME ASA**

### **Report – 1Q 2008**

**28 May 2008**

 **TECO MARITIME ASA**

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## Statutory Results for 1Q 2008

- The total operating revenue in the 1Q was MNOK 38.9 (compared to MNOK 37.0 last year)

- Teco Coating Service activities** contributed with MNOK 24.0 of which:

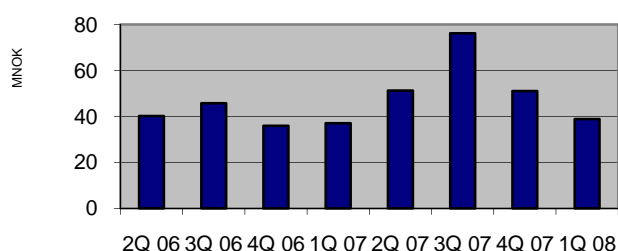
MNOK 21.5 was from voyage based projects

MNOK 0 was from onshore projects

MNOK 2.5 was from sub-invoicing of goods purchased on behalf of customers

- Teco Ship Service activities** contributed with MNOK 14,9

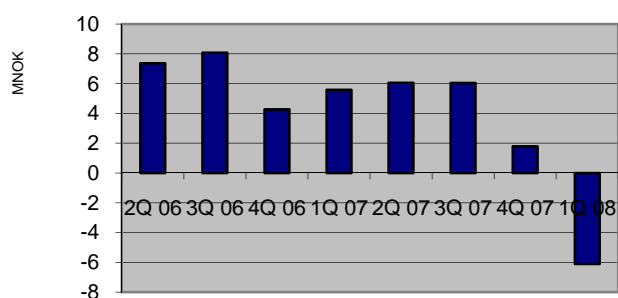
Revenues per quarter



## Earnings

- Pre tax earnings in the 1Q were MNOK -6.1 (compared to MNOK 5.6 last year.)

Pre tax earnings per quarter



## Assets

- The company's total assets as of 31 March were MNOK 254.1 ( compared to MNOK 168.9 last year)

- The total equity as of 31 March was MNOK 186.2 (compared to MNOK 105.9 last year).

## 1st Quarter information

The Board is not satisfied with the lower than expected revenues in the 1st quarter nor the lower than anticipated contributions achieved in the 1<sup>st</sup> quarter.

As informed in the profit-warning published on 30 April the company has experienced lower than expected sales in the Coating Contracting Services department combined with a weak US dollar and challenging production on several major projects. In addition to this several projects has been completed in the first quarter and we have seen new projects being delayed and some has been cancelled thus reducing the number of ongoing projects.

The incorporation of the newly purchased businesses has taken somewhat longer than expected but are now nearing completion and focus going forward will be placed on achieving efficiency gains in the daily operation as well as that of sales and marketing of both our existing as well as our new maritime services .

## Teco Coating Service Activities

The Coating Contracting department provides upgrading and maintenance of cargo and ballast tanks, as well as general maintenance of painted surfaces, onboard ships and rigs while the ship/rig is in operation. As this work is mainly performed during voyage, the owner avoids the costs associated with long periods of docking and prolonged off-hire periods. Additionally, the owner will be able to make more efficient use of the crew who, in addition to their contracted duties, will be available for other maintenance work onboard.

The Company also hires out qualified technical staff for various maintenance tasks during voyages. Such tasks are labour-intensive and are mainly performed by Polish and Bulgarian workers under the supervision of Norwegian project managers.

With considerable technical know-how in the area of coating, TECO has qualified teams specializing in the upgrading and maintenance of ships and rigs.

### **Teco Ship Service Activities.**

Represents 38 % of the total group turnover in the first quarter of this year. The acquisitions and incorporation of our new marine services for TECO is nearing completion and the infrastructure is now for the most part in place to accommodate the expected growth in these new services we now have established. TECO acquired a 1.800 m2 warehouse and office facility in Spijkenisse outside Rotterdam during the first qtr 2008.

We have now completed the refurbishment of the facility. Staff and operations from all four business units have moved in together in TECO owned facility at Puntweg 3 in Rotterdam. We have established a Mechanical workshop for maintenance of our own equipment in addition to a full service facility for both FRS services, Marine chemicals and Marine electronics. Our Coating Contracting Service division is using the facility to mobilize and de-mobilize projects in Europe.



Recruitment of competent staff and training is very important going forward. This applies particularly to skilled technical staff working in our new Services as well on our projects. Our ship service activities includes Marine Electronic Services, Fire Rescue and

Safety, Services and Tank Cleaning Services and we expect solid growth in the respective services as they are now being expanded and established in new facilities both in Rotterdam, Singapore and in Dubai. A new management team is in place in Dubai. A new managing Director is recruited to head up our new operations in Singapore and will relocate from Norway to Singapore in August.

Sales and marketing of these new services is another area we focus on as new sales teams are now being established within the respective services. We have employed a new corporate sales manager for ship services whom will join us in the middle of June 2008 and two new sales staff will be added to our services in Rotterdam this summer.

### **The market**

We are of the opinion that the marked conditions remain very good for all our services. We believe we offer an ideal solution with our voyage based services where clients and TECO will mutually benefit by working together.



We expect that the market in which we are operating will continue to grow as a result of both stricter maintenance requirements as well as that of TECO providing the necessary skilled technicians and services in the important ports we now are established.

### **Customers**

General appearance of ships is often looked at as indicative factor by surveyors in evaluating an owner or operators attitude towards maintenance. As such

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we have experienced an increased interest from owners for maintenance of also deck areas and super structures. This combined with increased focus on maintenance of ballast tanks, cargo tanks and cargo holds, will lead to continued demand for our services.



The same development is expected for our other services. We are attracting a lot of attention for servicing of marine electronics as well as that of our tank cleaning services. We have strengthened our Tank cleaning services by recruitment of Supercargo staff based out of our office in Bergen, in Norway. Our FRS services are more stable as it offers both certified scheduled compulsory testing and calibration of fire and safety systems as well as repair and overhaul and filling of existing systems onboard.

#### **Davie AS**

TECO Maritime ASA ownership of 13.75% in Davie AS remain unchanged. Davie AS owns 71.4% of Davie Yards ASA, 7.5% of Cecon ASA and 11.7% of Ocean Hotels Plc.

The value of TECO's shares in Davie AS is booked at a value of MNOK 58.61, giving a revaluation surplus of MNOK 49.15 compared to the historical cost price of the shares. The revaluation surplus is shown on a separate line under Equity in the Balance Sheet.

#### **Events after the end of 1Q**

Based on the weak results in the 1<sup>st</sup> quarter TECO has initiated an internal review in order to bring the profitability back to acceptable levels.

In addition, the Management of TECO has been strengthened by Mr. Christian Fr. Thyholdt whom has taken up his previous position as Deputy Managing Director with responsibility for the Coating Service activities as of 1 May 2008.

The Board is not aware of any other significant events following the end of the quarter.

#### **Prospects ahead**

TECO Maritime ASA's group of companies is now established in Oslo, Bergen, Rotterdam, Dubai and Singapore, as well as our own Training centre for ship's crew and specialists in Varna, Bulgaria. In addition, a mechanical workshop for servicing and maintaining our own equipment has been established in Fujairah, UAE.

The market and opportunities going forward supports growth in activity and TECO's success will be subject to successfully selling and delivering its services worldwide and meet customers expectation on quality and efficiency. An increased focus on maintenance as well as stricter regulations imposed by the ship classification societies will lead to an expansion of the potential market.

TECO is challenged by the increase in labour cost and recruitment and education of qualified foremen and workers for our projects. TECO has implemented a number of measures to secure continuity in the employment of qualified workers and high emphasis is placed on training.

The Board is satisfied with the financial development of the Company and is of the opinion that the company is well positioned for further growth.

The Board and Management are confident that the ongoing review and subsequent changes will put TECO back on track and enable the Group to grow further.

The Board and Management expect a stronger second quarter with increased activity and consequently improved result in the second half of 2008.

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Lysaker, 28 May, 2008

The Board of TECO Maritime ASA



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## Profit & Loss statement

Amount in 1 000 NOK	2008	2007	2007
	Q1	Q1	1.1 - 31.12
Operating Revenues	38 864	37 045	212 556
Cost of Goods sold	(20 970)	(19 936)	(119 213)
Other operating Expenses	(21 176)	(9 406)	(63 527)
<b>EBITDA</b>	<b>(3 282)</b>	<b>7 703</b>	<b>29 816</b>
Depreciation	(2 219)	(1 775)	(8 704)
<b>Operating result (EBIT)</b>	<b>(5 502)</b>	<b>5 928</b>	<b>21 112</b>
Net finance + / (-)	(612)	(347)	(1 619)
<b>Earnings before tax</b>	<b>(6 113)</b>	<b>5 581</b>	<b>19 493</b>
Estimated taxation on ordinary result	1 694	(1 575)	(4 690)
Extraordinary result	-	-	-
<b>Net Profit (Loss)</b>	<b>(4 419)</b>	<b>4 006</b>	<b>14 803</b>
Total number of shares issued at the end of the period	32 558 587	30 145 817	32 558 587
Total number of own shares at the end of the period	-	136 000	-
Average number of shares outstanding during the period	32 558 587	24 635 002	29 996 872
Earnings per share	(0,14)	0,16	0,49
Diluted earnings per share	(0,14)	0,16	0,49

## Balance Sheet

Amount in 1 000 NOK	2008	2007	2007
	31.3	31.3	31.12
Intangible fixed assets	3 663	648	1 969
Tangible fixed assets	28 850	19 700	22 590
Financial capital assets	58 812	9 545	67 396
Goodwill	65 833	4 827	65 833
<b>Total fixed assets</b>	<b>157 159</b>	<b>34 721</b>	<b>157 788</b>
Inventories	34 871	27 919	35 131
Current receivables	51 748	60 222	68 719
Cash and bank deposits	10 328	46 069	9 516
<b>Total current assets</b>	<b>96 947</b>	<b>134 210</b>	<b>113 366</b>
<b>TOTAL ASSETS</b>	<b>254 107</b>	<b>168 930</b>	<b>271 153</b>
Paid-in capital	95 902	73 251	95 902
Revaluation surplus	49 147	-	57 655
Other equity	41 169	32 626	45 546
<b>Total equity</b>	<b>186 218</b>	<b>105 877</b>	<b>199 104</b>
Provisions	1 227	-	77
Long term liabilities	23 137	20 631	20 242
Current liabilities	43 524	42 422	51 731
<b>Total liabilities</b>	<b>67 888</b>	<b>63 053</b>	<b>72 050</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>254 107</b>	<b>168 930</b>	<b>271 153</b>

## Cash Flow Statement

Amount in 1 000 NOK	2008	2007	2007
	Q1	Q1	1.1 - 31.12
Cash flow from operating activities	3 514	(721)	(58)
Cash flow from investing activities	(10 424)	(1 121)	(44 412)
Cash flow from financing activities	7 723	44 471	50 546
<b>Net change in cash etc</b>	<b>813</b>	<b>42 629</b>	<b>6 076</b>
Cash etc at the start of the period	9 516	3 440	3 440
<b>Cash etc at the end of the period</b>	<b>10 328</b>	<b>46 069</b>	<b>9 516</b>

## Changes in Equity

Amount in 1 000 NOK	2008	2007	2007
	Q1	Q1	1.1 - 31.12
<b>Equity at the start of the period</b>	<b>199 104</b>	<b>41 536</b>	<b>41 536</b>
Net Profit (Loss)	(4 419)	4 006	14 803
Paid-in capital	-	3 255	4 461
Paid-in premium	-	60 635	83 071
Cost of share issue (net tax)	-	(3 545)	(3 659)
Net repurchase / sale of own shares	-	-	1 283
Revaluation	(8 508)	-	57 655
Foreign currency translation, net	41	(9)	(47)
<b>Equity at the end of the period</b>	<b>186 218</b>	<b>105 877</b>	<b>199 104</b>

The financial statements are presented in accordance with the IAS34.  
Please see latest annual report for details on accounting principles.

The statements for the quarter has not been audited.

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