



## **TECO MARITIME ASA**

# **Interim Report 2<sup>nd</sup> quarter and 1<sup>st</sup> half year 2008**

**29 August 2008**

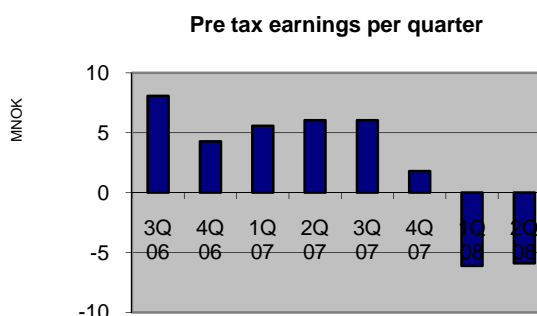
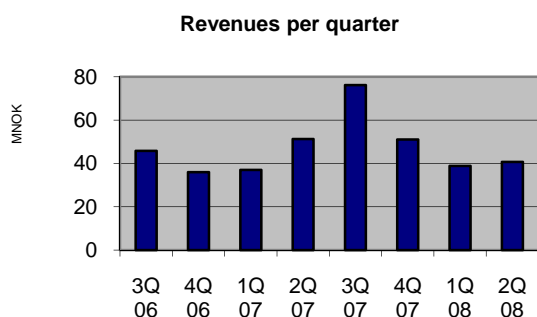
## HIGHLIGHTS 1<sup>ST</sup> HALF YEAR 2008

- Tore Enger took over the position as CEO in TECO Maritime ASA after Arne Ramstad
- Positive renegotiation of major ongoing coating contracts
- Jarle Westby – hired as new Managing Director in Singapore
- Christian Fr. Thyholdt took up the position of Deputy Managing Director and head of Coating Services in TECO Maritime ASA
- Acquired 1.800 m2 warehouse and office facility in Rotterdam
- Strengthening of commercial departments
- Increase in contracts – new customers

### FINANCIALS – Unaudited

#### Statutory Results for 2Q 2008

- The total operating revenue in the 2Q was MNOK 40.7 (compared to MNOK 51.2 last year)
- The total operating revenue in 1st half 2008 was MNOK 79.5 (compared to MNOK 88.3 last year)
- In 2Q the TECO Coating Service activities contributed with MNOK 24.9 of which:
  - MNOK 21.0 was from voyage based projects
  - MNOK 0.0 was from onshore projects
  - MNOK 3.9 was from sub-invoicing of goods purchased on behalf of customers
- TECO Ship Service activities contributed with MNOK 15.8



- **Earnings**
  - Pre tax earnings in the 2Q were MNOK -5.9 (compared to MNOK 6.1 last year).
  - Pre tax earnings in 1<sup>st</sup> half 2008 were MNOK -12.0 (compared to MNOK 11.6 last year).
  - Pre tax earnings in 2Q include a MNOK 1.1 provision for cost in connection with the former CEO's resignation and MNOK 1.0 for cost incurred in connection with the merger/demerger processes.
- **Assets**
  - The company's total assets as of 30 June were MNOK 245.2 ( compared to MNOK 272.6 last year)
  - The total equity as of 30 June was MNOK 173.5 (compared to MNOK 184.9 last year).

## **2<sup>nd</sup> quarter and 1<sup>st</sup> half 2008 information**

The Board was not satisfied with the lower than expected revenues in the 1st quarter and was not expecting a profitable 2<sup>nd</sup> quarter. However, the effort and various changes that have taken place in the Group during the 2<sup>nd</sup> quarter together with several new contracts and customers, gives the Board reason to be optimistic for the quarters to come.

The incorporation of last year's purchased businesses has taken somewhat longer than expected, but is now nearing completion and focus going forward is placed on achieving efficiency gains in the daily operation as well as that of sales and marketing. To achieve this, the commercial department for the Ship Service Activity has been strengthened and Jarle Westby, former manager in Aker Kværner Process Systems AS, has been appointed new Managing Director for TECO Maritime Pte Ltd, Singapore.

As previous informed in the profit-warning published on 30 April the company experienced lower than expected sales in the Coating Contracting Services department during the 1<sup>st</sup> quarter and several new projects which were expected to start were delayed or cancelled. The Board is pleased to see that the activity in the Coating Contracting Service department is now increasing. In addition to new contracts and new clients, several existing contracts have been renegotiated with up to 70% increase.

In May/June TECO Maritime ASA made an attempt to have its shares in Offshore Holding AS (former Davie AS) demerged from the company. The demerger could have resulted in TECO being moved to another trading-list on Oslo Stock Exchange. The Board decided to cancel the demerger as a change of listing would not be in the interest of the shareholders. At the same time the Company did go through with another demerger/merger. This demerger/merger will separate the Coating Activity into a new company, TECO Coating Services AS. The demerger will take place after the end of the creditors' two month notice period. The total cost for the demerger/merger and attempt to demerger the shares in Offshore Holding AS was approximately NOK 1.0 million.

The Board believes that the separation of the Coating Contracting Services from the holding company will set more focus on a previous very profitable activity. Mr. Christian Fr. Thyholdt has been appointed Managing Director of TECO Coating Services AS.

## **SEGMENT**

### **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. This activity represents 62% of the total group turnover in the first half of this year. 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. They are mainly performed by Polish, Bulgarian and Romanian 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**

This activity represents 38 % of the total group turnover in the first half 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 1<sup>st</sup> quarter in 2008.



All activity in The Netherlands has now moved together in TECO's facility at Spijkenisse. 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 as its' main hub to mobilize and demobilize projects in Europe.

Recruitment of competent staff and training is very important going forward. This applies both to skilled technical staff working within our Ship Service activities as well as within our Coating Contracting activities. Our Ship Service activities include Marine Electronics, Fire Rescue and Safety and Tank Cleaning.

Our Marine Electronic services conduct repairs and maintenance of electronic control systems onboard ship in service, during dry-docking, or at our workshop.

Our FRS services 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.

Our Tank Cleaning services offer 24 hours standby and will assist with procedures, supply of cleaning chemicals and trouble-shooting on board any vessel.

Please see our web-site [www.tecomaritime.com](http://www.tecomaritime.com) for more information.

### **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 upon as indicative factor by surveyors in evaluating an owner or operators attitude towards maintenance. As such we have experienced an increased

interest from owners for maintenance also for deck areas and superstructures. 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.

We expect solid growth within the respective activities as they are now being expanded and established in our facilities both in Rotterdam, Singapore and in Dubai.

### **Shares in Offshore Holding AS – former Davie AS**

TECO Maritime ASA's ownership of 13.75% in Offshore Holding AS remains unchanged. Offshore Holding AS owns 71.4% of Davie Holding AS (former Davie Yards ASA) which in turn owns 71.9% of David Yards Inc. As of 30<sup>th</sup> June, Offshore Holding AS also owned 7.5% of Cecon ASA and 11.7% of Ocean Hotels Plc. The shares in Cecon ASA have since been sold by Offshore Holding AS.

The value of TECO's shares in Offshore Holding AS is booked at a value of MNOK 51.0, the calculated value of Offshore Holdings shareholdings as of 30<sup>th</sup> June, giving a revaluation surplus of MNOK 41.6 compared to the historical cost price of the shares. The revaluation surplus is shown on a separate line under Equity in the Balance Sheet.

Davie Yards Inc published a 2Q 2008 result of MUSD –46.1 and reported that they will need additional funding within 6 months to continue operations.

Ocean Hotels Plc has on 20th August completed a share offering of approx. MUSD 22 at USD 0,50 per share. This offering has reduced Offshore Holdings ownership in Ocean Hotels from 11,7% to approx. 5,6%.

As of 25<sup>th</sup> August the calculated value of TECO's shares in Offshore Holding was approx. MNOK 14 giving a revaluation surplus of MNOK 4.5.

### **Other events after the end of 2Q**

As of July 1<sup>st</sup>, Mr. Tore Enger took over as CEO of TECO Maritime ASA. At the annual general meeting on 30<sup>th</sup> June he was not re-elected for the Board of Directors due to his new position as CEO. Mr. Hans Petter Evensen and Mr Gustaf Christensen were elected new board members. The new Board elected Mr Evensen as Chairman of the Board.

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 having an education facility 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 Company is planning for further growth in this Fujairah due to its prime location for Coating Contracting activities. The Middle East and Singapore are identified by TECO as the areas where the Group expects the majority of its growth in the future.

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 education. TECO strongly believes that providing quality is the key to further growth.

The Board and Management are confident that TECO is well on its way of getting back on track and able to grow further.

The Board and Management expect a significantly stronger second half of 2008 compared to the first half with increased activity and consequently improved results.

## RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period January 1 to June 30, 2008 has been prepared in accordance with IAS 24 - Interim Financial Reporting, and gives a true and fair view of the Company's and the Group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Lysaker, 28 august 2008

Hans Petter Evensen  
*Chairman of the Board*  
*(sign.)*

Johan Fr. Friis  
*Boardmember*  
*(sign.)*

Eva Von Hirsch  
*Boardmember*  
*(sign.)*

Eva Kristensen  
*Boardmember*  
*(sign.)*

Gustaf Christensen  
*Boardmember*  
*(sign.)*

Tore Enger  
*CEO*  
*(sign.)*

## Profit & Loss statement (Unaudited)

Amount in 1 000 NOK	2008 Q2	2007 Q2	2008 H1	2007 H1	2007 1.1 - 31.12
Operating Revenues	40 667	51 231	79 531	88 275	212 556
Cost of Goods sold	(22 145)	(29 646)	(43 115)	(49 582)	(119 213)
Other operating Expenses	(21 423)	(13 373)	(42 599)	(22 779)	(63 527)
<b>EBITDA</b>	<b>(2 901)</b>	<b>8 212</b>	<b>(6 183)</b>	<b>15 915</b>	<b>29 816</b>
Depreciation	(2 174)	(2 052)	(4 393)	(3 827)	(8 704)
<b>Operating result (EBIT)</b>	<b>(5 075)</b>	<b>6 160</b>	<b>(10 577)</b>	<b>12 088</b>	<b>21 112</b>
Net finance + / (-)	(829)	(109)	(1 441)	(456)	(1 619)
<b>Earnings before tax</b>	<b>(5 904)</b>	<b>6 051</b>	<b>(12 017)</b>	<b>11 632</b>	<b>19 493</b>
Estimated taxation on ordinary result	1 633	(1 614)	3 328	(3 189)	(4 690)
Extraordinary result	-	-	-	-	-
<b>Net Profit (Loss)</b>	<b>(4 271)</b>	<b>4 437</b>	<b>(8 690)</b>	<b>8 443</b>	<b>14 803</b>
Total number of shares issued at the end of the period	32 453 464	31 954 587	32 453 464	31 954 587	32 558 587
Total number of own shares at the end of the period	-	136 000	-	136 000	-
Average number of shares outstanding during the period	32 488 120	30 647 892	32 523 353	27 658 057	29 996 872
Earnings per share	(0,13)	0,14	(0,27)	0,31	0,49
Diluted earnings per share	(0,13)	0,14	(0,27)	0,31	0,49

## Balance Sheet (Unaudited)

Amount in 1 000 NOK	2008 30.6	2007 30.6	2007 31.12
Intangible fixed assets	5 297	584	1 969
Tangible fixed assets	29 210	21 099	22 590
Financial capital assets	51 245	69 385	67 396
Goodwill	65 833	58 363	65 833
<b>Total fixed assets</b>	<b>151 585</b>	<b>149 430</b>	<b>157 788</b>
Inventories	35 933	32 099	35 131
Current receivables	52 316	81 204	68 719
Cash and bank deposits	5 324	9 872	9 516
<b>Total current assets</b>	<b>93 573</b>	<b>123 175</b>	<b>113 366</b>
<b>TOTAL ASSETS</b>	<b>245 158</b>	<b>272 606</b>	<b>271 153</b>
Paid-in capital	95 057	88 015	95 902
Revaluation surplus	41 580	59 835	57 655
Other equity	36 865	37 047	45 546
<b>Total equity</b>	<b>173 503</b>	<b>184 898</b>	<b>199 104</b>
Provisions	1 245	-	77
Long term liabilities	20 599	20 716	20 242
Current liabilities	49 812	66 992	51 731
<b>Total liabilities</b>	<b>71 655</b>	<b>87 708</b>	<b>72 050</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>245 158</b>	<b>272 606</b>	<b>271 153</b>

## Cash Flow Statement (Unaudited)

Amount in 1 000 NOK	2008 Q2	2007 Q2	2008 H1	2007 H1	2007 1.1 - 31.12
Cash flow from operating activities	27	11 524	2 354	10 803	(58)
Cash flow from investing activities	(2 534)	(41 265)	(10 938)	(42 386)	(44 412)
Cash flow from financing activities	(2 498)	(6 455)	4 393	38 016	50 546
<b>Net change in cash etc</b>	<b>(5 004)</b>	<b>(36 197)</b>	<b>(4 191)</b>	<b>6 432</b>	<b>6 076</b>
Cash etc at the start of the period	10 328	46 069	9 516	3 440	3 440
<b>Cash etc at the end of the period</b>	<b>5 324</b>	<b>9 872</b>	<b>5 324</b>	<b>9 872</b>	<b>9 516</b>

## Changes in Equity (Unaudited)

Amount in 1 000 NOK	2008 Q2	2007 Q2	2008 H1	2007 H1	2007 1.1 - 31.12
<b>Equity at the start of the period</b>	<b>186 218</b>	<b>105 877</b>	<b>199 104</b>	<b>41 536</b>	<b>41 536</b>
Net Profit (Loss)	(4 271)	4 437	(8 690)	8 443	14 803
Paid-in capital	-	904	-	4 159	4 461
Paid-in premium	-	17 182	-	77 816	83 071
Cost of share issue (net tax)	-	(3 321)	-	(6 867)	(3 659)
Net repurchase / sale of own shares	(845)	-	(845)	-	1 283
Revaluation	(7 567)	59 835	(16 075)	59 835	57 655
Foreign currency translation, net	(33)	(16)	9	(25)	(47)
<b>Equity at the end of the period</b>	<b>173 503</b>	<b>184 898</b>	<b>173 503</b>	<b>184 898</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.

 **TECO MARITIME ASA**

TECO MARITIME ASA Tel.: +47 87 200 300  
P.O. Box 462 Fax.: +47 87 200 371  
NO-1327 Lysaker E-mail: mail@tecomaritime.com  
Norway



## NOTES TO THE FINANCIAL STATEMENT - Unaudited

### Note 1 - Statement of compliance

These interim financial statements have been prepared in accordance with international Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at, and for, the year ended December 31, 2007.

### Note 2 - Significant accounting principles

The accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its consolidated financial statements as at, and for, the years ended December 31, 2007. The 2007 financial statement can be obtained in printed form from TECO Maritime ASA, or downloaded from the Internet at: [www.tecomaritime.com](http://www.tecomaritime.com).

### Note 3 - Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in preparing these interim financial statements in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at, and for, the year ended December 31, 2007.

### Note 4 - Segment information

The Group's activities are divided into two reporting segments; Coating Contracting Activities and Ship Service Activities.

	Operating Income				Earnings before tax			
	2008	2007	2008	2007	2008	2007	2008	2007
(Amounts in MNOK)	Q2	Q2	1.1.-	1.1.-	Q2	Q2	1.1.-	1.1.-
Coating activities	24.9	40.1	48.9	75.2	-6.8	4.8	-12.5	10.3
Ship Services activities	15.8	11.1	30.6	13.1	0.9	1.3	0.5	1.3
<b>Total Group</b>	<b>40.7</b>	<b>51.2</b>	<b>79.5</b>	<b>88.3</b>	<b>-5.9</b>	<b>6.1</b>	<b>-12.0</b>	<b>11.6</b>

### Note 5 - Fixed assets

In February, the Company acquired an office/warehouse property in Spijkenisse just outside Rotterdam in order to accommodate all of the Group's activities in the Netherlands under one roof. The initial investment amounted to MNOK 8.0 and was mainly financed by a loan.

## Note 6 - Loans

In connection to the acquisition referred to in note 5, the Company entered into a loan agreement with SEB Privatbanken of MNOK 7.5. The loan matures in January 2010 and has a floating interest rate. As per June 30, the interest rate was 9.3 %.

## Note 7 - Related party transactions

Three of the Company's largest shareholders, CEO Tore Enger, Deputy Managing Director Christian Fr. Thyholdt and Sales and Marketing Director Bjarne Eia, own indirectly 78.4 %, 9.8 % and 9.8 % of TECO Group AS respectively. TECO Group AS is the Company's third largest shareholder.

TECO Management AS is a 100 % owned subsidiary of TECO Group AS.

All transactions with related parties are made at market rates.

<b>Net purchase and sale of goods and services</b> (Amounts in MNOK)	<b>1.1.-30.06.</b> <b>2008</b>	<b>1.1.-30.6.</b> <b>2007</b>
TECO Group AS	-	1.85
TECO Management AS	0.12	0.02

<b>Balance at the end of the reporting period</b> (Amounts in MNOK)	<b>2008</b>	<b>2007</b>
<b>Net receivables</b>		
TECO Group AS	-	0.90
TECO Management AS	0.40	1.03
<b>Net payables</b>		
TECO Group AS	0.02	0.94
TECO Management AS	0.18	0.08

## Note 8 - Events after the reporting period

In July the Company renegotiated three contracts with effect from June 1, 2008. The prices of these three contracts have been increased by 70 % each and the Company expects this to increase the quarterly cash flow by approximately MNOK 2.5.

Davie Yards Inc., Canada's largest shipyard, where TECO Maritime ASA is in control of indirectly 7 % of the shares through its ownership in Offshore Holding AS (former Davie AS), was listed on the Toronto Stock Exchange (TSX) in February 2008 at CAD 1.35 per share. On August 11, Davie Yards Inc. reported a loss of MUSD 54.8 for this year's first six months. As per August 25, the share was traded at approximately CAD 0.20. This would give a calculated value of TECO's shares in Offshore Holding AS of approx. MNOK 14 including a revaluation surplus of MNOK 4.5.

**TECO Maritime ASA**

P.O.Box 462

N-1327 Lysaker

NORWAY

*Office and visiting address:*

Lysaker Torg 8

1366 Lysker

NORWAY

Tel.: +47 67 20 03 00

Fax.: +47 67 20 03 96

Email: [coating@tecomaritime.com](mailto:coating@tecomaritime.com)[www.tecomaritime.com](http://www.tecomaritime.com)**TECO Coating LLC**

PO Box 117939

Dubai, United Arab Emirates

*Office and visiting address:*

Al Jadaf Dry Dock Yard

Dubai

Tel.: + 971 434 16344

Fax.: + 971 434 16343

E-mail: [mail@tecomaritime.com](mailto:mail@tecomaritime.com)**TECO MARITIME Norway AS**

P.O. Box 4

NO-3901 Porsgrunn, Norway

*Office and visiting address:*

Kulltangvegen 5

NO-3933 Porsgrunn, Norway

Tel: +47 35 56 03 00

Fax: +47 35 56 03 01

E-mail: [uss@tecomaritime.no](mailto:uss@tecomaritime.no)**TECO MARITIME AS**

P.O. Box 462

NO-1327 Lysaker, Norway

*Office and visiting address Bergen:*

Tollbodallmenningen 1B

NO-5004 Bergen, Norway

Tel: +47 55 21 21 50

Fax: +47 67 20 03 81

E-mail: [tma@tecomaritime.no](mailto:tma@tecomaritime.no)**TECO MARITIME Benelux B.V.***Postal, Office and visiting address:*

Puntweg 3

3208 LD Spijkenisse

The Netherlands

Tel: +31 10 43 46 599

Fax: +31 10 43 48 802

E-mail: [tma@tecomaritime.nl](mailto:tma@tecomaritime.nl)**TECO MARITIME Middle East LLC**

P.O. Box 62487 Al Jadaf

Dubai, United Arab Emirates

*Office and visiting address:*

Al Jadaf Dry Dock Yard, Dubai

Tel: +971 432 42727

Fax: +971 432 42800

E-mail: [tma@tecomaritime.ae](mailto:tma@tecomaritime.ae)**TECO MARITIME Far East Pte Ltd***Postal, Office and visiting address:*

7 Kian Teck Drive

628824 Singapore

Tel: +65 6777 7052

Fax: +65 6777 8136

E-mail: [tma@tecomaritime.sg](mailto:tma@tecomaritime.sg)The logo for TECO MARITIME ASA, featuring a stylized blue wave icon to the left of the company name in a bold, blue, sans-serif font.

TECO MARITIME ASA Tel.: +47 67 200 300  
P.O. Box 462 Fax.: +47 67 200 371  
NO-1327 Lysaker E-mail: [mail@tecomaritime.com](mailto:mail@tecomaritime.com)  
Norway

