



## **TECO MARITIME ASA**

### **Report – 3Q 2008**

**28 November 2008**

## Statutory Results for 3Q 2008

- The total operating revenue in the 3Q was MNOK 50.8 (compared to MNOK 76.2 last year)

- TECO Coating Service activities** contributed with MNOK 32.2 of which:

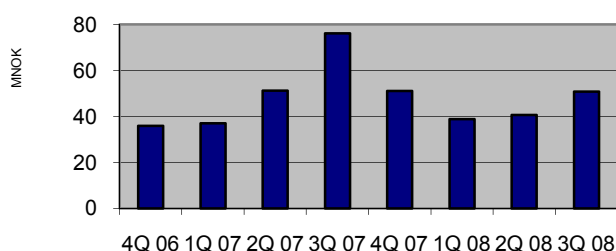
MNOK 25.7 was from voyage based projects

MNOK 1.6 was from onshore projects

MNOK 4.9 was from sub-invoicing of goods purchased on behalf of customers

- TECO Ship Service activities** contributed with MNOK 18.6 in turnover

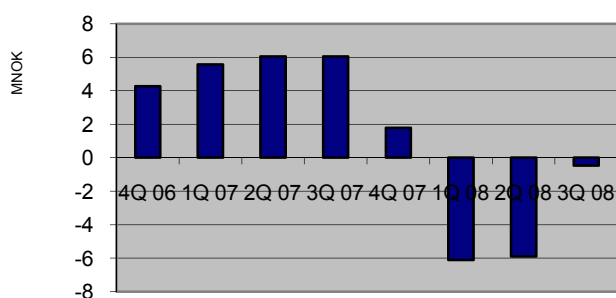
Revenues per quarter



## Earnings

- Pre tax earnings in the 3Q were MNOK -0.6 (compared to MNOK 6.0 last year.)

Pre tax earnings per quarter



## Assets

- The company's total assets as of 30 September were MNOK 208.3 ( compared to MNOK 288.3 last year)
- The total equity as of 30 September was MNOK 132.1 (compared to MNOK 196.0 last year).

## 3<sup>rd</sup> Quarter information

The Board is pleased to see that the 3Q results show that the Company is close to become profitable again. Pretax profits show a loss of MNOK 0.6 in the 3Q compared to a loss of MNOK 5.9 in 2Q 2008.

Frame agreements and contracts with new customers have been entered into this quarter in spite of the financial crises worldwide.

The incorporation of some of the businesses purchased last year has taken somewhat longer than expected. Special attention is given to these companies, and the Board is confident that they will be profitable in the near future.

Under Operating Expenses, a provision of MNOK 1.0 has been made due to termination of employment.

In the first half year report the Company reported that the demerger of TECO Maritime ASA would take place after the end of the creditors' two month notice period. This period ended in September and the demerger/merger of the Coating Activity is effective from 27<sup>th</sup> November.

## 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 63 % of the total group turnover in the third quarter. 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 hired workers under the supervision of our own 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

The Ship Service activities represent 37 % of the total group turnover in the third 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 quarter 2008.

All activity in The Netherlands has now been moved into 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 de-mobilize 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 good for all our services in spite of the financial crises around the world. We believe that our repair and maintenance services are even more in focus due to the unstable financial situation.

We believe we offer an ideal win-win 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 of also 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.

 **TECO MARITIME ASA**

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### **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 Davie Yards Inc. As of 30th September, Offshore Holding AS also owned 11.7% of Ocean Hotels Plc.

The value of TECO's shares in Offshore Holding AS is booked at a value of MNOK 10.5, giving a revaluation surplus of MNOK 1.0, down from MNOK 41.6 in 2nd quarter, 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. reported in the 2nd quarter that they would need additional funding to continue operations. In the beginning of November Davie Yards reported that they had entered into a USDM 10.0 loan agreement. The required refinancing of the Yard is still not completed and there is significant risk involved regarding the ability to complete the refinancing in today's financial market situation.

### **Events after the end of 3Q**

In late November the merger/demerger was finalised after the creditors' two month notice period. All Coating Services are now performed by the company TECO Coating Services AS, a 100% owned subsidiary of TECO Maritime ASA.

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

The current financial market situation, which we have seen has had effect on some of our customers delaying start-up of new projects, may continue to delay start-ups and even lead to cancellation of ongoing projects.

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

The Board expects to show a profitable 4<sup>th</sup> quarter.

Lysaker, 27 November, 2008

The Board of TECO Maritime ASA

## Profit & Loss statement (Unaudited)

Amount in 1 000 NOK	2008 Q3	2007 Q3	2008 YTQ3	2007 YTQ3	2007 1.1 - 31.12
Operating Revenues	50 835	76 166	130 366	164 441	212 556
Cost of Goods sold	(24 645)	(49 225)	(67 760)	(98 807)	(119 213)
Other operating Expenses	(23 533)	(18 329)	(66 132)	(41 108)	(63 527)
<b>EBITDA</b>	<b>2 657</b>	<b>8 612</b>	<b>(3 526)</b>	<b>24 527</b>	<b>29 816</b>
Depreciation	(2 216)	(2 230)	(6 610)	(6 057)	(8 704)
<b>Operating result (EBIT)</b>	<b>441</b>	<b>6 382</b>	<b>(10 135)</b>	<b>18 470</b>	<b>21 112</b>
Net finance + / (-)	(1 001)	(336)	(2 442)	(792)	(1 619)
<b>Earnings before tax</b>	<b>(560)</b>	<b>6 046</b>	<b>(12 577)</b>	<b>17 678</b>	<b>19 493</b>
Estimated taxation on ordinary result	115	(1 795)	3 443	(4 984)	(4 690)
Extraordinary result	-	-	-	-	-
<b>Net Profit (Loss)</b>	<b>(445)</b>	<b>4 251</b>	<b>(9 135)</b>	<b>12 695</b>	<b>14 803</b>
Total number of shares issued at the end of the period	32 453 464	32 558 587	32 453 464	32 558 587	32 558 587
Total number of own shares at the end of the period	-	-	-	-	-
Average number of shares outstanding during the period	32 453 464	32 036 044	32 499 887	29 133 583	29 996 872
Earnings per share	(0,01)	0,13	(0,28)	0,44	0,49
Diluted earnings per share	(0,01)	0,13	(0,28)	0,44	0,49

## Balance Sheet (Unaudited)

Amount in 1 000 NOK	2008 30.9	2007 30.9	2007 31.12
Intangible fixed assets	5 506	694	1 969
Tangible fixed assets	31 140	22 434	22 590
Financial capital assets	10 700	69 396	67 396
Goodwill	65 833	67 433	65 833
<b>Total fixed assets</b>	<b>113 179</b>	<b>159 958</b>	<b>157 788</b>
Inventories	36 052	35 080	35 131
Current receivables	55 320	77 582	68 719
Cash and bank deposits	3 712	15 637	9 516
<b>Total current assets</b>	<b>95 084</b>	<b>128 299</b>	<b>113 366</b>
<b>TOTAL ASSETS</b>	<b>208 263</b>	<b>288 257</b>	<b>271 153</b>
Paid-in capital	94 647	88 135	95 902
Revaluation surplus	1 035	59 835	57 655
Other equity	36 448	48 048	45 546
<b>Total equity</b>	<b>132 130</b>	<b>196 017</b>	<b>199 104</b>
Provisions	1 510	-	77
Long term liabilities	19 134	21 574	20 242
Current liabilities	55 488	70 666	51 731
<b>Total liabilities</b>	<b>76 133</b>	<b>92 240</b>	<b>72 050</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>208 263</b>	<b>288 257</b>	<b>271 153</b>

## Cash Flow Statement (Unaudited)

Amount in 1 000 NOK	2008 Q3	2007 Q3	2008 YTQ3	2007 YTQ3	2007 1.1 - 31.12
Cash flow from operating activities	4 760	11 795	7 113	22 597	(58)
Cash flow from investing activities	(4 147)	(1 978)	(15 085)	(44 365)	(44 412)
Cash flow from financing activities	(2 225)	(4 051)	2 169	33 965	50 546
<b>Net change in cash etc</b>	<b>(1 612)</b>	<b>5 765</b>	<b>(5 803)</b>	<b>12 197</b>	<b>6 076</b>
Cash etc at the start of the period	5 324	9 872	9 516	3 440	3 440
<b>Cash etc at the end of the period</b>	<b>3 712</b>	<b>15 637</b>	<b>3 712</b>	<b>15 637</b>	<b>9 516</b>

## Changes in Equity (Unaudited)

Amount in 1 000 NOK	2008 Q3	2007 Q3	2008 YTQ3	2007 YTQ3	2007 1.1 - 31.12
<b>Equity at the start of the period</b>	<b>173 503</b>	<b>184 898</b>	<b>199 104</b>	<b>41 536</b>	<b>41 536</b>
Net Profit (Loss)	(445)	4 251	(9 135)	12 695	14 803
Paid-in capital	-	302	-	4 461	4 461
Paid-in premium	-	5 255	-	83 071	83 071
Cost of share issue (net tax)	(295)	(250)	(295)	(7 117)	(3 659)
Net repurchase / sale of own shares	-	1 283	(845)	1 283	1 283
Revaluation	(40 545)	-	(56 620)	59 835	57 655
Foreign currency translation, net	(87)	279	(78)	254	(47)
<b>Equity at the end of the period</b>	<b>132 130</b>	<b>196 017</b>	<b>132 130</b>	<b>196 017</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

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