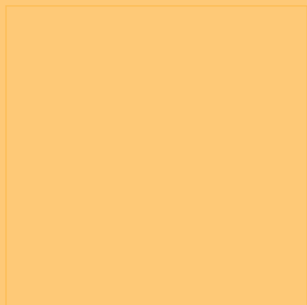


Annual Report 2003

Report from the Intsok board of directors





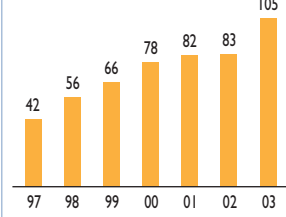
From drill floor on Erik Raude, operating off Canada.
(Picture: Ocean Rig)

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The growing role of Intsok

Continuous increase in the number of partners



The Norwegian Ministry of Petroleum and Energy invited the country's oil and gas industry in the mid-1990s to identify the long-term potential for national oil and gas expertise in international markets. This aimed to find a way of promoting Norway's companies abroad and strengthen the industry's competitiveness. This collaborative effort by the ministry and the industry resulted in the creation of a new foundation called Intsok, jointly owned by the oil industry and the three ministries involved in promoting the oil industry to international markets. Intsok became the Norwegian response to the extensive financial and market support given by many governments to domestic companies active in the international oil and gas sector.

Intsok is now recognised as the vehicle for providing market information, improving cooperation among its partners and communicating the capabilities of

industry and the government. Intsok's work expanded considerably in 2003. During the year, it organised 44 events aimed at assisting the internationalisation of the Norwegian-based oil and gas industry.

Intsok has seen a continuous increase in the number of its partners since it was established in 1997.

Most of these partners are small and medium-sized enterprises with an annual turnover in the oil and gas sector of less than NOK 50 million, but many are at the leading edge in technological terms, with high-quality products and services.

Intsok enables these small and medium-sized enterprises to benefit from the market insights and experience gained by larger companies through regional network meetings, and through the many market reports and updates available on the web. The foundation distributed more than 50 of the latter in 2003. Almost 30 priority projects are updated monthly and a business news bulletin is distributed each week to more than 300 recipients via the e-mail network.

Intsok has focused in recent years on a few main offshore markets, engaging local experts to help Norwegian companies gain access and, if necessary, to find relevant partners. The foundation now has local representatives servicing all eight of the main markets – Brazil, the Gulf of Mexico, Canada, the UK, Russia, Iran, Nigeria and Angola.

One of Intsok's most important responsibilities is to create settings in which its partners can meet and present their products and services to international customers – oil companies, contractors and fabricators. Building relations with ministries and national oil companies is important in many of Intsok's markets.

the Norwegian supply industry to key clients in overseas markets. The foundation is a network-based organisation in which the partners exchange experience and knowledge of market developments internationally. Its activities are financed jointly by the

The Norwegian government actively supports Intsok's many initiatives, and has become an integral part of the promotion of Norwegian expertise and technology abroad. The Norwegian minister of petroleum and energy, Einar Steensnæs, and his

Local representatives servicing all eight of the main markets



Senior Iranian delegates at Intsok's International Oil and Gas Business Days outside Oslo in August.

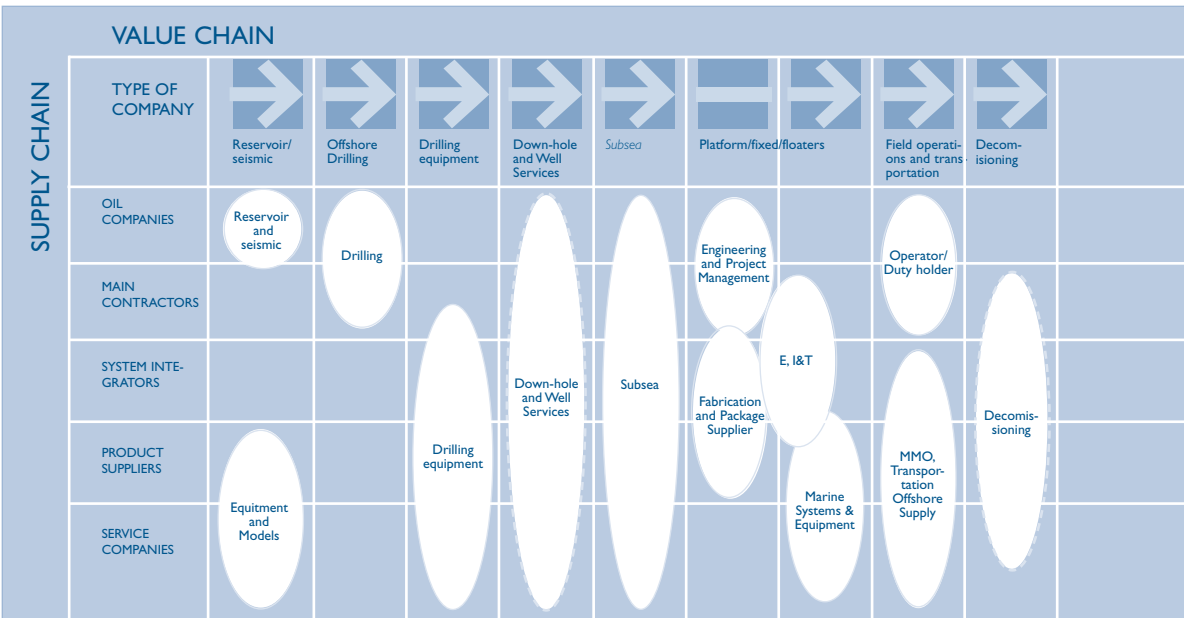
Gas Days took place in Paris during 2003, when the Norwegian oil industry got an opportunity to meet the French oil industry in order to discuss business opportunities in west and north Africa as well the Middle East, where the French companies have a strong position, and to discuss gas supplies to Europe from the NCS.

Efforts aimed at Russia were intensified in 2003. The fast-growing Russian oil and gas market offers new opportunities, and an increasing number of Intsok partners are active in this emerging market. Projects off Sakhalin, in the Russian Far East, are among the largest in the world and several Norwegian companies are involved. The level of activity in the Barents Sea is also growing, and the Russian sector of the Caspian could become an interesting area for new projects in coming years. Intsok surveyed partner interest and organised matchmaking meetings and

workshops with Russian companies in 2003. A new initiative was launched together with Trade Partners UK in 2003. The UK-Norway Share Fair took place in Stavanger, Aberdeen and Newcastle during the year and became a major success. It can be seen as one result of the increased UK-Norwegian cross-border cooperation launched in 2002 by the petroleum ministers of these two countries.

The Norwegian Day was held as usual in Baku on the day before the Caspian Oil and Gas Week and attracted all the major customers in Azerbaijan. The Intsok event during the Iranian Oil and Gas Exhibition in Tehran was also very well attended.

Almost 200 participants from the Intsok partners attended Intsok's International Oil and Gas Business Days outside Oslo in August. Market challenges and



“Intsok has strengthened its focus on the main customers internationally”

Significant achievements in international markets



Sincor refinery and oil terminal in Venezuela.
(Picture: Øyvind Hagen, Statoil)

Girassol field off Angola.
(Picture: Øyvind Hagen, Statoil)



Norwegian suppliers and service companies have demonstrated their competitiveness in international markets during recent years, and again succeeded in winning a number of major foreign contracts during 2003.

Companies from Norway consolidated their market positions over the past year in one of the world's most exciting oil and gas provinces, the deepwater part of Angola's continental shelf, winning major contracts for the Dalia and Plutonia fields. Another example is Iran, where more than 50 Norwegian companies – from research institutes to highly specialised technology providers – have penetrated a fast-growing market with a wide range of products.

The Norwegian **subsea cluster** continues to win major contracts in the UK, west Africa, the Gulf of Mexico and Australia. Norway's subsea sector occupies a leading position internationally, with close to 80 per cent of the market. Its skills, experience and

technology are continuously expanding through involvement in complex projects such as Snøhvit in the Barents Sea, Ormen Lange in the Norwegian Sea, and deepwater developments off Angola and Nigeria.

Norwegian **concrete technology** was developed through a number of major projects on the NCS from the 1970s until well into the 1990s. The Troll A platform and the Heidrun TLP were the last concrete substructures to be installed in these waters. At present, the Sakhalin II gas and oil field off Russia's Sakhalin Island are being developed with two platforms supported by concrete gravity base structures (GBSs).

Operated by Shell, the Sakhalin II development is the largest single foreign direct investment project in Russia, requiring the investment of some USD 10 billion. The project also embraces a gas liquefaction plant. Aker Kvaerner's contract includes engineering,

“Norwegian companies with **niche products and technologies** are breaking into international markets”

Shipbuilding and Marine Engineering. Kongsberg is currently responsible for deliveries to 28 vessels on order or under construction, whilst Technor has a 70 per cent market share for its valves.

The **drilling cluster** is increasingly exploring business opportunities internationally with success. Odfjell Drilling has been selected as the contractor for platform drilling and maintenance services on Talisman Energy (UK) Limited's platforms on the UKCS. This represents Odfjell Drilling's first British platform drilling contract. Odfjell is also providing drilling services to NIOC's offshore drilling operations in Iran. Ocean Rig is well positioned in Angola and Canada. One of its rigs, Leiv Eriksson, has drilled a large number of exploration and appraisal wells for most of the major companies off Angola, whilst Smedvig's West Navigator drillship will move to Mauritania in west Africa in 2004.

Norwegian-based companies also continue to hold a major share of the international drilling equipment market. Maritime Hydraulics, a subsidiary of Aker Kvaerner, has become the leading supplier of drilling packages and modules to the large BP-operated projects off Azerbaijan, delivering to three platforms, whilst Nymo won the tender for the drilling module to the Shah Deniz gas development project in the same waters. The Global Technology Group, owned by four Norwegian investors, acquired Anzett during 2003. This company won the contract for delivering wellhead control systems and hydraulic power units

to Buzzard on the UKCS in the same year. The market for maintenance, modification and operation (MMO) is growing fast. This is a long-term sustainable market, but also requires local knowledge and presence. ABB Offshore Systems is well positioned in a number of the growth markets globally and has concluded contracts with both national and international oil companies in Brazil, west Africa, Australia, Egypt, Iran and Kazakhstan. Norwegian competitiveness is based on effective implementation models and on systems and philosophies developed through long-term contracts on the NCS.

A large number of small and medium-sized Norwegian companies with **niche products and technologies** are breaking into international markets. ClampOn's ultrasonic sand monitoring systems are just one example. One of the largest orders for subsea sensors ever placed was awarded to ClampOn for the Dalia project off Angola. Another example is Uniteam, which became Intsok partner number 100 in 2003 and is a leading supplier of hydrogen sulphide gas-safe shelters and other enclosures for extreme environments. Uniteam has significant production in the former Soviet Union and is therefore well positioned to meet local content requirements in an increasing number of international projects. Leirvik Module Technology has become the leading supplier of living quarters in aluminium and has been awarded a contract in Brazil on the basis of its advanced technology, whilst Easy Well Solutions has had a number of successes internationally in 2003 and won contracts in Azerbaijan, Nigeria and Malaysia. The company specialises in reservoir completion products which can improve well efficiency.

Norwegian **research organisations** are expanding into international oil and gas markets. Sintef Petroleum Research is doing extensive work in Iran, including a field development study of Azadegan, one of the largest oil discoveries in recent years. A consortium of Sintef, Reinertsen Engineering and two

Hydro is involved at the Kharyaga field in Russia. (Picture: Kåre Foss, Hydro Media)



A growing global offshore market offers opportunities

The oil and gas business is one of the world's most global industries, producing oil and gas in some 94 countries. It is now seeing a significant shift to natural gas. The major international oil companies will therefore increasingly ensure that they are well-positioned with respect to this commodity. Declining positions in the OECD countries are being replaced by the industry with new projects, often infrastructure-led, in:

- the deepwater areas off west Africa, Brazil and the Gulf of Mexico
- Russia, where major projects such as Sakhalin are under way
- the Caspian, where large projects are moving forward in Azerbaijan and Kazakhstan
- the Middle East, where major gas developments are taking place in Iran, Qatar and Saudi Arabia
- the LNG sector, where major investments are being made along the whole value chain.

Major investments are being made in the LNG sector. Here a scene from the Snøhvit project. (Picture: Øyvind Hagen, Statoil)

The market outlook changed considerably during 2003. The industry faces less uncertainty than it did a year ago. The war in Iraq had a limited impact on the oil market and did not affect the wider Middle East region. Opec has been able to ensure that the oil market is fully supplied, and has demonstrated the will and ability to stabilise the oil market and to sustain oil prices within its desired price band.

Since Opec introduced this price band four years ago, the average oil price has been above USD 26 per barrel compared to an average of USD 18 during the 1990s.

Non-Opec supplies are still increasing, but there should be room for the Opec countries to increase their market share in coming years.

Most experts expect a higher oil price in the years to come, and some of the major oil companies have therefore adjusted the oil price assumptions they use in reaching investment decisions. This could stimulate higher levels of exploration and investment world-wide.

The growth in global demand for natural gas is even stronger than the rise in oil consumption. According to the International Energy Agency (IEA), gas consumption could double between 2000 and 2030. But the world has plenty of this commodity – more than 60 years of consumption on the basis of proven reserves. Most gas reserves are located in the Russian Federation and the Middle East, but major new gas projects have also been launched in north and west Africa, Latin America, the Caspian and the Far East. Indigenous European and US gas reserves are being depleted whilst demand continues to grow. The result is increased import dependency, but remote gas sources from around the world can now be brought to market at competitive costs, thanks to technological developments over the past decade. Costs in the LNG chain have declined significantly



Transferring technology, expertise and experience

"The Norwegian government supports Statoil, Hydro and the Norwegian supply industry when they engage in business abroad. But we expect them to take political, social and environmental issues into account when doing so."

This message was delivered by Einar Steensnæs, the Norwegian minister of petroleum and energy, at Intsok's annual conference in December 2002, and was repeated frequently by Norwegian officials throughout 2003.

Transforming oil and gas wealth into economic growth while also alleviating poverty and combating corruption presents a challenge in several of Intsok's markets. But a clear trend can also be seen towards governments wanting to maximise the benefits of oil and gas activities, create employment and build a competent and capable local industry. Foreign companies are asked to meet targets for local content in Africa, Latin America, the Middle East and the former Soviet Union.

Intsok has continued to organise workshops, seminars and activities where Norwegian experience, technology and expertise are presented to local companies by its partners. Three technology seminars were organised in Nigeria during 2003, attracting almost 200 interested Nigerians. A similar technology transfer programme was organised for Iranian participants visiting Norway in 2003 to provide a better understanding of Norwegian experience with and technologies for maintenance, modification and operation. Iranian deputy oil minister Dr Nejad Hosseini recently told the local Shana news agency that "Norwegian companies have done better than other foreign enterprises in transferring technology to the country". Many Intsok partners have also initiated major training programmes for local staff as part of their business activities in west Africa, Iran and the Caspian.

Norwegian companies have been able to secure a number of contracts from the fast-growing deep-

water development sector off Angola, and appreciate the need to develop competent local employees. FMC Kongsberg Subsea, ABB Offshore Systems, Aker Kvaerner and Intsok have therefore joined forces with the Norwegian Agency for Development Cooperation (Norad) to sponsor a major project called Train the Trainers. This provides a subsea training course at the National Petroleum Institute in Angola. Four teachers from the institute have had extensive language training in South Africa before taking a 10-week training course in Norway. They will be responsible for training Angolan students from

"The Norwegian government supports Statoil, Hydro and the Norwegian supply industry when they engage in business abroad. But the government expect them to take political, social and environmental issues into account when doing so."

the summer of 2004. Intsok is also seeking financial support from Norad for a two year on-the-job training programme for Angolan companies in quality management and HIV/Aids prevention.

Intsok has also been instrumental in establishing a project to examine measures which could enhance industrial development in Nigeria. Carried out by the Institute for Research in Economics and Business Administration (SNF) in Bergen, Rogaland Research (RF) in Stavanger and Kragha & Associates (K&A) in Nigeria, this study was commissioned by Norad and



Oil sample on a deep-water drilling ship off Nigeria. (Picture: B.V. Lerøen, Statoil)



Iranians on their way to a mosque. (Picture: L.G. Dahle, Statoil)

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Outlook

The NCS has been a laboratory for developing new solutions and technologies, and thereby provides a unique base for the internationalisation of Norway's offshore industry. A strong home base is very important for competitiveness in the international market. Many of the large contracts won internationally by Norwegian supply and service companies during 2003 were the result of an excellent track record on the NCS.

With the NCS maturing, exploration activity is at a low level. Discoveries are decreasing in size, and oil and gas production is not being fully replaced by exploration. Other than Ormen Lange, there are few planned development projects. Investment in petroleum activities is set to decline considerably over the next five years.

The major challenges are to stimulate increased exploration activity, develop smaller fields and increase output from fields in production. New measures are urgently needed to safeguard employment, promote expertise development and stimulate internationalisation.

Norway's petroleum industry is at a crossroad. However, the global offshore market is growing fast. Norwegian industry currently holds 10 per cent of the global offshore market, and is well positioned to take its share of growth in this sector.

A significant potential is perceived for expanding internationally, and the industry's ambition is to double its international turnover to some NOK 80 billion by 2010. But this goal cannot be met unless the industry has competitive terms.

Through purposeful efforts, the Norwegian petroleum industry has managed to overcome many technological challenges and barriers on the NCS. There is an urgent need to reinforce technology develop-

ments in these waters, but the perspective must extend beyond the NCS alone. The industry's competitiveness in international markets must also be strengthened through increased financial support to commercialise good ideas and pursue pilot projects outside the NCS. In the 2010 study, the idea of a Demo International 2010 was launched. This would build on the success of Demo 2000.

The board's top priority will be to improve the terms for internationalising the Norwegian petroleum industry, and Intsok will work closely with Innovation Norway, relevant ministries and research institutions to ensure that companies enjoy competitive terms as they expand internationally. Innovation Norway was founded in 2003. Intsok regards close cooperation with the new organisation as a major success factor for achieving the ambition of substantial growth in international markets.

In recent years, Intsok has forged closer ties with Norad and implemented projects in Angola and Nigeria. Intsok will further strengthen its dialogue with Norad.

Petrad was established 10 years ago to transfer knowledge and expertise from the Norwegian oil and gas sector to governments and national oil companies in Africa, Asia, Latin America and the former Soviet Union. It organises seminars and training courses, and a number of Intsok partners contribute to these programmes. Intsok will go on working closely with Petrad.

Intsok will continue to focus its attention on markets where the Norwegian oil and gas industry has a competitive edge, and will intensify its marketing efforts on the large oil companies and contractors as well as national oil companies.

Oslo, 31 March, 2004



Construction site in Assaluyeh in Iran. (Picture: Statoil)

Drilling rig in Venezuela. (Picture: Statoil)



Intsok partners at December 2003

- ABB Oil and Gas
- Advanced Production and Loading AS (APL)
- Air Products AS
- Aker Kværner
- Amitec AS
- Anzett
- Atlantis Deepwater Technology
- Autronica Oil & Gas
- Barlindhaug Consult AS
- Blom Maritime
- Bredero Shaw Norway AS
- Crystal Production ASA
- ClampOn AS
- CorrOcean ASA
- Det Norske Veritas
- Draka Norsk Kabel AS
- Drilling Support Systems AS
- Easy Well Solutions
- Eide Marine Tech A/S
- Eksporthfinans ASA
- EMGS Electromagnetic Geoservices
- Envira Ltd
- Epcon Offshore as
- Fabcon Management AS
- Fire Security AS
- FMC Kongsberg Subsea
- Framo Engineering A/S
- Frank Mohn Flatøy AS
- GANN Mekaniske A/S
- Glamox International AS
- Grenland Offshore
- GS – Hydro Norge A/S
- Hartmark Consulting AS
- Hitec Framnæs AS
- Holta & Haaland A/S
- IFE
- IKM Testing A.S.
- In Seis Terra AS
- Imenco Engineering AS
- Ipres Norway as
- JM Consult A/S
- Kaefer IKM
- Kongsberg Simrad
- Leirvik Module Technology AS
- LMG Marin
- Marintek
- Minox Technology AS
- MPU Enterprise AS
- Multiconsult AS
- Nexans Norway
- NGI
- Norconsult AS
- NORFASS AS
- Norsafe AS
- Norsesea AS
- Norse Cutting & Abandonment AS
- Norsk Hydro ASA, E&P
- Nortech Inc.
- NUTEC beredskap og kriseledelse AS
- AS Nymo
- Ocean Rig ASA
- OCEANOR
- Odffell Well Services AS
- Offshore & Marine ASA
- OilCamp a.s.
- ONS (Offshore Northern Seas)
- Peder Halvorsen Industrier AS
- Plugging Specialists International AS
- Prosafe Drilling Services
- Proserv Group
- Pro-Vision
- Rapp Bomek A/S
- Read Group A/S
- Reinertsen
- Remora Technology
- ResLab, Reservoir Laboratories AS
- Reslink AS
- Rogalandsforskning
- Rogaland Training and Education Center
- Safran Software Solutions AS
- Scandpower AS
- ScanRope Subsea Cables AS
- SeaFlex AS
- Siemens A/S, Olje og Gass
- SINTEF Petroleumforskning AS
- SINTEF Solutions AS
- Smedvig Offshore
- SM Steinsvik Maskinindustri AS
- Stavanger-partner.com
- Statoil ASA
- Stolt Offshore AS
- Storvik & Co. AS
- Structural Engineering AS
- Sørco AS
- Team Møkster AS
- Technor ASA
- The Bridge Group AS
- Tranberg AS
- Trelleborg Viking
- Triangle Equipment
- Tromsø Skipsverft AS
- Valiant Industrier AS
- Vector International AS
- Uniteam International
- York Novenco AS

Pride Africa drilling off Angola.
(Picture: Kåre Foss, Hydro Media)

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