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INTERIM REPORT 3<sup>RD</sup> QUARTER 2014 OCEANTEAM SHIPPING ASA



**OCEANTEAM SHIPPING**



## OCEANTEAM SHIPPING ASA – Q3 2014 INTERIM REPORT

Issue date 6th November 2014

# STRONG PROGRESS

During the third quarter Oceanteam Shipping ASA saw a strong operational performance and made some significant steps forward, securing the long-term development and growth of the Company.

The operational performance resulted in an operating profit of USD 5.5 million and a net result of USD 1.8 million. The quarter also saw both one-year options exercised at the same time by Oceaneering for the charter for CSV Bourbon Oceanteam 101, securing a firm contract backlog into 2017.

Newly founded DOT Shipping, the joint venture with Grupo Diavaz, took an interest in a new large Offshore Support Vessel for the fast developing Mexican market against long-term backlog. For this vessel DOT Shipping closed a partnership agreement with Pacific Radiance Ltd based in Singapore. The initial interest of DOT Shipping is 50% with an option to buy the remaining 50% after a period of 7 years against agreed terms.

DOT Shipping currently has three vessels under construction of which the first two vessels will be delivered in December 2014 and start on long-term time charters in Q1 2015.

RentOcean, the Company's marine asset services division, strengthened its position in both the offshore renewables and oil and gas markets. RentOcean is continuously expanding its level of services and delivered solutions to clients worldwide. Backlog increased from USD 35 million in Q2 to USD 37 million in Q3 2014. RentOcean's two new 4000T demountable turntable systems delivered to LS Cable were successfully used to load and transport 2 x 50 km of power cable on the Hanjin Pioneer from Donghae, South Korea to Qatar. The Hanjin Pioneer is currently the largest cable transport vessel in the world.

Oceanteam is an offshore shipping company and solutions provider. Besides owning, chartering and managing deep-water Offshore Construction Vessels, the Company has increased its focus in combining marine asset services with complementary engineering services to deliver full service solutions for our clients.

For more information about the company: [www.oceanteam.no](http://www.oceanteam.no) / [www.rentocean.com](http://www.rentocean.com) / [www.kci.nl](http://www.kci.nl)

## HIGHLIGHTS FOR THE QUARTER

- Revenue from operations USD 18.4 million.
- EBITDA from operations is positive USD 8.1 million.
- Operating profit of USD 5.5 million.
- Net finance negative USD 3.7 million.
- Net profit for the quarter is positive USD 1.8 million.
- Oceaneering exercised both one year options on CSV Bourbon Oceanteam 101 extending the charter to February 2017.
- DOT Shipping ordered two FSV's. Both vessels have a 6 year contract, are fully financed and will start operations in Q1 2015.
- DOT Shipping announced 50% interest in a new large build Offshore Support Vessel for Mexico.
- RentOcean awarded a contract by Van Oord for a 3000T onshore modular turntable for storage of cable in Eemshaven for the Gemini Offshore Wind Farm project and sold some of its existing burial equipment.
- RentOcean and OceanWind were awarded a contract by Eneco for long-term storage of spare cables at its facilities in Velsen Noord.
- Oceanteam Bourbon 4 AS, the owner of CSV Southern Ocean, is 100% consolidated from 2014.

## KEY FIGURES FOR THE GROUP

### GROUP Figures in USD '000

	Q3 2014	Q3 2013**	2013*	2012*	2011*	2010*
Revenue	15 386	7 034	60 090	64 269	61 208	46 988
Net income of joint ventures & associates	3 022	4 304	2 561	2 268		
Operating costs	(4 926)	(3 475)	(19 268)	(23 384)	(24 651)	(21 797)
General & administration	(5 415)	(3 913)	(18 398)	(14 423)	(11 795)	(8 139)
<b>EBITDA</b>	<b>8 068</b>	<b>3 950</b>	<b>24 983</b>	<b>28 730</b>	<b>24 762</b>	<b>17 052</b>
<b>EBITDA percentage of revenue</b>	<b>44%</b>	<b>35%</b>	<b>40%</b>	<b>43%</b>	<b>40%</b>	<b>36%</b>

\* Joint venture companies and associates reported by using proportionate consolidation.

\*\* Joint venture companies and associates reported by using equity consolidation.

The shipping segment currently consists of interests in three multipurpose Construction Support Vessels, one Pipe Lay Vessel and one large Construction Support Vessel under construction. In addition the Company owns two Fast Support Vessels operational in Venezuela and two Fast Support Vessels are under construction due to start operations in Q1 2015 in Mexico. All vessels have been fully employed, including the CSV Southern Ocean. The vessel has been fully utilised for the quarter and has a strong backlog until the end of 2018 plus options for extension with Fugro TS Marine Australia.

The division Oceanteam Solutions consists of KCI and RentOcean.

KCI designs and engineers complete platforms and infrastructure for the oil and gas and renewables

industry, deck layouts, cable & pipelay solutions and HSE procedures.

RentOcean, marine asset services, rents out a pool of lay and burial equipment, lay and storage turntables and offshore service personnel.

USD million	Q3 14	Q3 13**	%	2013**
<b>Revenue</b>	<b>18,4</b>	<b>11,3</b>	<b>62%</b>	<b>62,7</b>
Operating costs	(4,9)	(3,5)	42%	(19,3)
<b>EBITDA</b>	<b>8,1</b>	<b>4,0</b>	<b>147%</b>	<b>25,0</b>

\*\* Joint venture companies and associates reported by using equity consolidation.

## 2014 OPERATIONS

- CSV Bourbon Oceanteam 101 is on a time charter with Oceaneering / and BP Angola and the vessel has had full utilisation. During the quarter Oceaneering exercised both one year options on CSV Bourbon Oceanteam 101 extending the charter into February 2017.
- CSV North Ocean 102 has been on bareboat charter with J. Ray McDermott S.A. and has had full utilisation. McDermott has a purchase option for the vessel in the fourth quarter 2014.
- CSV Southern Ocean has had, with exception of the 3 weeks in July, full utilisation for the quarter.
- Lay Vessel North Ocean 105 has been on time charter with J. Ray McDermott S.A. and has had full utilisation.
- Two Fast Support Vessels have been working in Venezuela and have had full utilisation. The charters have been extended to 30 June 2015.
- RentOcean, marine asset services, have been working on multiple contracts during the quarter and has increased its backlog for 2014.
  - Delivered for a second long-term contract a 4000T turntable to LS Cable.
  - Operated a long-term contract consisting of a 2000T modular turntable, loading tower and new 15T tensioner for Ceona.
  - Awarded contract and started construction of 3000T onshore turntable for Van Oord.
  - Through OceanWind, awarded multiple storage contracts.

KCI, design engineering services, has been working on various contracts for clients in both the oil and gas and offshore renewables markets. Utilisation has not been wholly satisfactory but is improving now. 'The Next Step' programme, initiated in October 2013, is coming to an end. The project aimed to strengthen significantly the Company's engineering and project management capabilities and management of the Company. KCI has had an average of 140 engineers working on the following multi discipline projects:

- Engineering and procurement services for new field developments in the Netherlands, the greenfield developments are onshore.
- Engineering and procurement for several small brownfield projects are ongoing in the Netherlands (both onshore and offshore).
- Basic design of gas sweetening unit has been finalized successfully and detail design and procurement phases are being started.

- KCI has done a study review for pre start-up audit of Corrib in Ireland.
- Under a service agreement, several brownfield/ maintenance offshore activities are proceeding in structural, piping and subsea departments.
- Successful start-up of the Q16 Maas plant.
- Design of innovative quadrant handler system.
- Concept design for drill system substructure, skid table and pipe rack.
- Design of 3000T onshore carousel.
- Design of new carousel drive system.
- Completion of detailed design of foundation jacket for a sub-station in the German part of the Baltic Sea.

The Next Step programme currently active within KCI, will be rolled out through the rest of the associated Oceanteam companies, starting with RentOcean.

## MARKET AND FUTURE OUTLOOK

The oil price has decreased significantly and fluctuations in oil prices may affect the demand for the Company's services going forward. We maintain positive on the fundamentals of the relevant industries. In the longer term exploration and production activities are likely to increase, and consequently the demand for large construction support vessels and services, are likely to grow. The Company has a strong long-term backlog with full utilisation of its major CSV's. In certain regions, in particular Latin America, Australia and West Africa, exploration and production activities are experiencing stronger growth. Geopolitical tension will make certain regions develop faster or slower and therefore the Company has chosen to focus on stable regions or to team up with strong local partners.

In Western Europe many offshore wind parks have been delayed due to lack of funding, supply chain problems, cost overruns and changes in countries policies. During 2014 and for the years to come, the Company expects demand for Offshore Renewable related services to increase. The exact timing of the existing pipeline of projects in development remains uncertain, but overall the market is expected to grow, resulting in an increased demand for support vessels and associated services. The focus of the industry is on cutting installation and maintenance costs and using flexible solutions, which Oceanteam believes it can provide.

Larger wind farms allow improved fixed cost allocation but also increase project complexity and demand for engineering services.

Oceanteam spends significant resources on market research and intelligence and adapts its strategy and risk profiles when its analyses confirm these to be prudent.

The oil and gas prices influences oil companies' priorities and choices between new developments, upgrades of existing facilities and commitments to recovery from producing fields. Fluctuations in oil and gas prices also affect the offshore renewables market. Hence oil and gas prices affect activity in both of Oceanteam's main markets.

Oceanteam Shipping is confident and has secured sufficient projects in both the oil and gas market and the offshore renewables market to maintain a high level of utilization of its assets and engineers.

An important step in 2014 has been the establishment of a joint venture with Grupo Diavaz in Mexico named DOT Shipping. The Company is to provide, in this captive market, vertical integration fleet engineering solutions in Mexico. Through this joint venture Oceanteam operations are expected to grow in the coming years.



The shipping segment is based on long-term contracts and the Company has a long track record of securing such contracts. During the third quarter further extensions were received from Oceaneering for CSV Bourbon Oceanteam 101.

KCI, design engineering services is built on a 27 year track record of multiple short term contracts of different sizes and durations.

RentOcean started in 2014 with its first two major oil and gas contracts supplying services to companies in Korea and Brazil, in addition to the historically strong offshore renewables market for the business.

The current backlog for our equipment is USD 37 million and several major projects have started up in 2014. The Company continues to experience strong interest for its vessels and services from globally leading companies.

Contract backlog		2014 Q1-2	2014 Q3-4	2015 Q1-2	2015 Q3-4	2016 Q1-2	2016 Q3-4	2017 Q1-2	2017 Q3-4	2018 Q1-2	2018 Q3-4	2019 Q1-2	2019 Q3-4	2020 Q1-2	2020 Q3-4
Shipping	Type of contract														
CSV BO 101	time charter														
CSV North Ocean 102*	bareboat														
CSV Southern Ocean	bareboat														
LV North Ocean 105	time charter														
FSV Mantaraya	bareboat														
FSV Tiburon	bareboat														
FSV Cobos	time charter														
FSV Icacos	time charter														
CSV Large	time charter														

<span style="display:inline-block; width:15px; height:15px; background-color:blue; border:1px solid black;"></span> Dry Dock	<span style="display:inline-block; width:15px; height:15px; background-color:orange; border:1px solid black;"></span> Contract	<span style="display:inline-block; width:15px; height:15px; background-color:blue; border:1px solid black;"></span> Option	<span style="display:inline-block; width:15px; height:15px; background-color:darkorange; border:1px solid black;"></span> Under construction
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\* McDermott is expected to exercise the purchase on North Ocean 102 in the fourth quarter 2014. For further details, please see note 5

## FINANCIAL RISK

The Company is exposed to financial risk in different areas. Financial risks include interest rate risk and currency risks, investment and trading risks in general, borrowing and leverage risks and risks in connection with the vessels built under the Spanish tax lease system. The Lay Vessel North Ocean 105 will be under the Spanish tax lease structure until 28 February 2015.

The Company has revenues and liabilities in foreign currencies and is exposed to currency risks. The revenue is divided equally between USD and EUR. Since the reporting currency is in USD the foreign currency exposure is for liabilities in the EURO and its fluctuations with the USD.

The Company is exposed to changes in interest rates as the bulk of its debt has floating rates. In the loan agreement for the CSV Bourbon Oceanteam 101 and CSV Southern Ocean 50 percent of the Libor interest rates are fixed. This protects the Company from volatile interest rate fluctuations. The USD bond loan and the loan for the North Ocean 102 have a floating quarterly Libor. With the new debt maturity secured in 2012 and the forward interest curves, the Company sees a satisfactory risk level. The objective of the Company is to reduce financial risk as much as possible. Current strategy includes the use of financial instruments but is largely based on natural hedging where income streams and costs are matched for the various projects. This however is continuously being assessed by the management and the Board of Directors.

Oceanteam Shipping's balance sheet is leveraged with USD 156 million in non-current liabilities, including its first year's installments. USD 35 million is due in April 2015 according to the terms of the bond loan of USD 92.5 million.

## LIQUIDITY RISK

At quarter end the working capital and liquidity position of the Company is satisfactory. The Group is working to support its growth in RentOcean, DOT Shipping & KCI by securing external equipment financing and selling underutilised assets. The first half year was effected by the start-up of significant projects within RentOcean requiring investments and working capital. The parent Company, Oceanteam Shipping ASA, depends on liquidity flows from subsidiaries and the joint venture companies owned with its joint venture partners. An estimated amount of NOK 145 million will be paid up to Oceanteam Shipping ASA in 2014.

As of 30th September 2014 the Company still had some legal cases pending but the probability of a positive outcome of the cases is high according to our legal advisors. The Company filed a lawsuit against Sawicon AS for the infringement of the Company's right to the North Ocean 100 series. Gulating Court of Appeal has invalidated Bergen City Court's previous verdict in favour of Sawicon AS. Gulating Court of Appeal released Oceanteam from the obligation to pay the legal costs incurred by Sawicon AS and North Sea Shipping AS in connection with the Bergen City Court case. As a consequence of the ruling there no longer exists an applicable court decision regarding the rights to the North Ocean 100-series design and the case will have to be re-opened in Bergen District Court. Oceanteam Shipping ASA is pleased that Gulating Court of Appeal has recognized Oceanteam's objections to the application of the procedural rules by Bergen City Court. Sawicon has brought an appeal against this decision in High Court which will be handled by end 2014. The court case against Sawicon and North Sea Shipping will continue in 2015 and all costs are recorded as they occur.

The partial repayment of the bond loan, due in April 2015, is linked to the likeliness that McDermott will execute their purchase option for the vessel North Ocean 102. In case McDermott will not execute the purchase option during Q4 2014, Oceanteam Shipping ASA has the right to execute the purchase option. The Group is reviewing refinancing alternatives in case this scenario would become effective.

Trade receivables for shipping segment are USD 2.9 million per quarter end where USD 0.3 million has been received in Q4. For RentOcean and KCI, of the USD 4.1 million of outstanding trade receivables at the quarters end, USD 2.4 million has been received in Q4.

## INVESTMENTS

- RentOcean is in the process of expanding its equipment pool with new turntables, loading towers, reels and associated services. Three major projects have been initiated requiring investments and increased working capital.
- KCI, design engineering services, has been working on various contracts for multiple clients in both the oil and gas and offshore renewables market. In addition significant resources have been allocated to 'The Next Step' restructuring and investment programme which was initiated in October 2013. Oceanteam has underwritten the programme and expects to complete the program by the end of 2014.

## TAX LOSSES

The Company has a deferred tax asset on the balance sheet in total of USD 6.0 million. In addition to this the Company has received confirmation from the tax authorities of a deferred tax loss of NOK 1.1 billion in October 2014 for the Norwegian entities which are not on the balance sheet. The deferred tax losses for operations outside Norway are EUR 54 million.

## EVENTS AFTER THE BALANCE SHEET DATE

- DOT Shipping closes subsequent conditions on 50% stake in new large Offshore Support Vessel.
- DOT Shipping's two new builds FSV's started sea trials in Q3 and will be delivered before year end. Operations are planned to start in Q1 2015.
- RentOcean was awarded a contract by a new client in the offshore renewable market and initiates the building of two new turntables
- Oceanteam announces a stronger focus on providing solution driven services by combining its engineering and equipment capabilities into a single service in accordance with the clients request.

To support the Company in its key growth areas the company has engaged RS Platou to assist in the process of unlocking strategic values and optimize the Company's capital structure to accommodate future growth plan. This work is still ongoing.

## GOING CONCERN

In accordance with the Accounting Act § 3-3a Oceanteam Shipping confirms that the financial statements have been prepared under the assumption of going concern. This assumption is based on income forecasts for the years 2014 - 2016 and the group's long-term strategic forecasts. The annual report for 2013 is available on [www.oceanteam.no](http://www.oceanteam.no)



CSV Southern Ocean laying umbilical at GWF field, Australia

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### GROUP Figures in USD '000

	Notes	Unaudited Q3 2014	Unaudited Q3 2013*	Unaudited Cum Q3 2014	Unaudited Cum Q3 2013*
Revenue		15 386	7 034	42 482	22 649
<b>Total operating revenues</b>	<b>4,11</b>	<b>15 386</b>	<b>7 034</b>	<b>42 482</b>	<b>22 649</b>
<b>Net income of associates/Joint Ventures</b>		<b>3 022</b>	<b>4 304</b>	<b>8 756</b>	<b>12 390</b>
Operating costs		(4 926)	(3 475)	(13 404)	(11 632)
General & administration		(5 415)	(3 913)	(16 135)	(12 168)
Depreciation	2	(2 541)	(1 136)	(7 477)	(3 440)
Write off			(5)	(94)	(48)
<b>Total operating expenses</b>		<b>(12 881)</b>	<b>(8 529)</b>	<b>(37 110)</b>	<b>(27 288)</b>
<b>Operating profit (loss)</b>		<b>5 528</b>	<b>2 809</b>	<b>14 129</b>	<b>7 751</b>
Financial income		4	15	30	39
Financial costs	5	(3 877)	(3 224)	(11 651)	(9 473)
Foreign exchange results (loss)		128	(174)	51	92
<b>Net finance</b>		<b>(3 745)</b>	<b>(3 383)</b>	<b>(11 571)</b>	<b>(9 342)</b>
<b>Ordinary profit (loss) before taxes</b>		<b>1 782</b>	<b>(574)</b>	<b>2 558</b>	<b>(1 591)</b>
Income tax	6		1 457	227	1 571
<b>Net result</b>		<b>1 782</b>	<b>883</b>	<b>2 785</b>	<b>(20)</b>

\* Figures for Q3 2013 and Cum 2013 are restated to equity consolidation for all joint venture companies in Group



**GROUP Figures in USD '000**

	Unaudited	Unaudited	Unaudited	Unaudited
Condensed consolidated statement of comprehensive income	Q3 2014	Q3 2013*	Cum Q3 2014	Cum Q3 2013*
Total net result	1 782	883	2 785	(20)
<b>Other comprehensive income</b>				
<b>Items that will never be reclassified to profit or loss</b>				
Changes in revaluation model	2	20 924	(450)	10 500
		<b>20 924</b>	<b>(450)</b>	<b>10 500</b>
<b>Items that may be reclassified subsequently to profit or loss</b>				
Translation differences		1	633	(21)
		<b>1</b>	<b>633</b>	<b>(21)</b>
<b>Other comprehensive income, net of tax</b>		<b>20 925</b>	<b>(450)</b>	<b>11 133</b>
<b>Total comprehensive income for the year**</b>		<b>22 707</b>	<b>433</b>	<b>13 918</b>
<b>Profit (loss) attributable to:</b>				
Owners of the company	533	851	(947)	(441)
Non controlling interests	1 250	32	3 732	421
<b>Profit (loss)</b>	<b>1 782</b>	<b>883</b>	<b>2 785</b>	<b>(20)</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	21 458	401	10 186	(3 792)
Non controlling interests	1 250	32	3 732	421
<b>Total comprehensive income for the year</b>	<b>22 707</b>	<b>433</b>	<b>13 918</b>	<b>(3 371)</b>
<b>Earnings per share (in USD)</b>				
Basic earnings per share (in USD)	0,06	0,03	0,10	(0,00)

\* Figures for Q3 2013 and Cum 2013 are restated to equity consolidation for all joint venture companies in Group

\*\* Change in non-controlling interest had wrongly been included in other comprehensive income in Q1 2014 report but corrected in Q2 2014 report and onwards

## CONDENSED CONSOLIDATED FINANCIAL STATEMENT OF FINANCIAL POSITION

### GROUP Figures in USD '000

	Notes	Unaudited 30.09.2014	Unaudited 31.12.2013*	Audited 31.12.2013
<b>Assets</b>				
Deferred tax assets	6	6 000	6 000	6 000
Customer relations and other intangible assets		1 190	1 737	1 737
Goodwill		12 987	12 987	12 987
<b>Intangible assets</b>	<b>3</b>	<b>20 177</b>	<b>20 724</b>	<b>20 724</b>
Investment in associates and Joint Ventures	2, 9	75 605	116 933	17 852
Vessels and equipment	2	200 252	22 088	220 109
<b>Tangible assets</b>	<b>2, 9</b>	<b>275 857</b>	<b>139 021</b>	<b>237 961</b>
<b>Total non current assets</b>		<b>296 034</b>	<b>159 745</b>	<b>258 685</b>
<b>Asset held for sale</b>				<b>1 233</b>
Trade receivables		6 251	4 639	6 315
Other receivables		25 713	43 890	4 777
<b>Receivables</b>		<b>31 964</b>	<b>48 529</b>	<b>11 092</b>
<b>Cash and cash equivalents</b>		<b>15 262</b>	<b>6 240</b>	<b>19 945</b>
<b>Total current assets</b>		<b>47 226</b>	<b>54 769</b>	<b>32 270</b>
<b>Total assets</b>		<b>343 260</b>	<b>214 515</b>	<b>290 954</b>
<b>Equity and liabilities</b>				
Share capital		2 595	2 595	2 595
Treasury shares		(257)	(257)	(257)
Reserves		(1 057)	4 760	4 758
Revaluation reserve	2	105 530	97 944	97 944
<b>Equity attributable to owners of the Company</b>		<b>106 811</b>	<b>105 041</b>	<b>105 041</b>
Non-controlling interests		58 899	3 274	3 274
Revaluation reserve		2 913		
<b>Total non-controlling interests</b>	<b>9</b>	<b>61 813</b>	<b>3 274</b>	<b>3 274</b>
<b>Total equity</b>		<b>168 625</b>	<b>108 315</b>	<b>108 315</b>
Loans and borrowings		112 785	86 840	157 421
<b>Total non current liabilities</b>	<b>5</b>	<b>112 785</b>	<b>86 840</b>	<b>157 421</b>
First year installments	5	43 100	101	9 701
Trade payables		5 289	5 098	6 072
Tax payable		38	58	182
Other current liabilities		13 423	14 104	9 263
<b>Total current liabilities</b>		<b>61 850</b>	<b>19 361</b>	<b>25 218</b>
<b>Total liabilities</b>		<b>174 635</b>	<b>106 201</b>	<b>182 639</b>
<b>Total equity and liabilities</b>		<b>343 260</b>	<b>214 515</b>	<b>290 954</b>

\* Figures per 31.12.2013 in this column is restated to equity consolidation for all joint venture companies in Group.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### GROUP Figures in USD '000

	Notes	Unaudited Cum Q3 2014	Unaudited Cum Q3 2013	Audited 2013
<b>Equity at period opening balance (Number of shares: 29,593,259)</b>		<b>108 315</b>	<b>112 068</b>	<b>112 068</b>
Profit after taxes majority		(947)	(441)	(3 299)
Profit after taxes minority		3 732	421	14
Revaluation of assets		10 500	(3 330)	2 363
Tax on revaluation reserve				604
Translation differences		633	(21)	(1 195)
Adjustments prior period		136		
<b>Transactions with owners of the Company, recognised directly to equity</b>				
Changes in non-controlling interests		51 893	(295)	(767)
Investments		(5 637)		
Equity issue				
Purchase of own shares			(1 472)	(1 472)
<b>Equity at period end (Number of shares: 29,593,259)</b>		<b>168 625</b>	<b>106 931</b>	<b>108 315</b>

### Condensed consolidated statement of changes in equity

	Share capital	Treasury shares	Share premium	Trans- lation reserve	Other equity	Total other equity	Re- valuation reserve	Non controlling interests	Total equity
<b>Equity at 31 December 2013</b>	<b>2 595</b>	<b>(257)</b>	<b>1 304</b>	<b>(2 203)</b>	<b>5 659</b>	<b>3 457</b>	<b>97 944</b>	<b>3 274</b>	<b>108 315</b>
Profit and loss					(947)	(947)		3 732	2 785
Coverage of previous losses									
<b>Other comprehensive income</b>									
Changes in revaluation model							7 586	2 913	10 500
Tax on revaluation reserve									
Translation differences				633		633			633
<b>Total comprehensive income</b>				<b>633</b>	<b>(947)</b>	<b>(314)</b>	<b>7 586</b>	<b>6 646</b>	<b>13 918</b>
<b>Contributions by and distributions to owners</b>									
Change in non controlling interests								51 893	51 893
Dividends to non-controlling interests									
Investments					(5 637)	(5 637)			(5 637)
Adjustments prior period					136	136			136
Issue of ordinary shares									
Change in treasury shares									
<b>Equity per 30 September 2014</b>	<b>2 595</b>	<b>(257)</b>	<b>1 304</b>	<b>(1 570)</b>	<b>(789)</b>	<b>(2 357)</b>	<b>105 530</b>	<b>61 813</b>	<b>168 625</b>

**GROUP Figures in USD '000**

Condensed consolidated statement of changes in equity

	Share capital	Treasury shares	Share premium	Translation reserve	Other equity	Total other equity	Re-valuation reserve	Non controlling interests	Total equity
<b>Equity at 31 December 2012</b>	<b>2 595</b>	<b>(87)</b>	<b>1 304</b>	<b>(1 008)</b>	<b>10 260</b>	<b>9 252</b>	<b>94 977</b>	<b>4 027</b>	<b>112 068</b>
Profit and loss									
Coverage of previous losses					(441)	(441)		421	(20)
<b>Other comprehensive income</b>									
Changes in revaluation model							(3 330)		(3 330)
Tax on revaluation reserve									
Translation differences				(21)		(21)			(21)
<b>Total comprehensive income</b>				<b>(21)</b>	<b>(441)</b>	<b>(462)</b>	<b>(3 330)</b>	<b>421</b>	<b>(3 371)</b>
<b>Contributions by and distributions to owners</b>									
Change in non-controlling interests								(295)	(295)
Issue of ordinary shares									
Change in treasury shares		(170)			(1 305)	(1 305)			(1 472)
<b>Equity per 30 September 2013</b>	<b>2 595</b>	<b>(257)</b>	<b>1 304</b>	<b>(1 029)</b>	<b>8 514</b>	<b>7 485</b>	<b>91 647</b>	<b>4 153</b>	<b>106 931</b>

**GROUP Figures in USD '000**

Condensed consolidated statement of changes in equity

	Share capital	Treasury shares	Share premium	Translation reserve	Other equity	Total other equity	Re-valuation reserve	Non controlling interests	Total equity
<b>Equity at 31 December 2012</b>	<b>2 595</b>	<b>(87)</b>	<b>1 304</b>	<b>(1 008)</b>	<b>10 260</b>	<b>9 252</b>	<b>94 977</b>	<b>4 027</b>	<b>112 068</b>
Profit and loss					(3 299)	(3 299)		14	(3 285)
Coverage of previous losses									
Decrease in non-controlling interests								(767)	(767)
<b>Other comprehensive income</b>									
Changes in revaluation model							2 363		2 363
Tax on revaluation reserve							604		604
Translation differences				(1 195)		(1 195)			(1 195)
<b>Total comprehensive income</b>				<b>(1 195)</b>	<b>(3 299)</b>	<b>(4 494)</b>	<b>2 967</b>	<b>(753)</b>	<b>(2 279)</b>
<b>Contributions by and distributions to owners</b>									
Issue of ordinary shares									
Change in treasury shares		(170)			(1 302)	(1 302)			(1 472)
<b>Equity per 31 December 2013</b>	<b>2 595</b>	<b>(257)</b>	<b>1 304</b>	<b>(2 203)</b>	<b>5 659</b>	<b>3 457</b>	<b>97 944</b>	<b>3 274</b>	<b>108 315</b>



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

GROUP Figures in USD '000

	Notes	Unaudited Cum Q3 2014	Cum Q3 2013
<b>Ordinary profit (loss) before taxes</b>		<b>2 558</b>	<b>(1 591)</b>
Depreciation and amortization of tangible assets	2	7 477	3 440
Tax paid		(22)	29
Write off assets		94	48
Net income of associates		4 576	(2 144)
Change in trade receivables		(2 108)	(242)
Change in other receivables		(6 143)	5 797
Change in trade payables		(96)	22
Change in other accruals		(139)	(1 410)
Items classified as investing activities		5 161	(830)
Interest expense without cash effect		971	623
<b>Net cash flow from operating activities</b>		<b>12 329</b>	<b>3 742</b>
Cash out due to investments		(9 982)	(5 970)
Cash in due to investments		3 971	46
<b>Net cash flow from investing activities</b>		<b>(6 011)</b>	<b>(5 924)</b>
Issuing of debt			
Borrowing cost			
Repayment of debt		(6 998)	(775)
<b>Net cash flow from financing activities</b>	<b>5</b>	<b>(6 998)</b>	<b>(775)</b>
Equity issue			
Purchase of own shares			(1 472)
<b>Net cash flow from share issue</b>			<b>(1 472)</b>
Effect of changes to exchange rates on cash and cash equivalents		274	1 212
<b>Net change in cash and equivalents</b>		<b>(405)</b>	<b>(3 217)</b>
<b>Cash and equivalents at start of period**</b>		<b>15 667</b>	<b>15 759</b>
<b>Cash and equivalents at end of period*</b>		<b>15 262</b>	<b>12 542</b>

\* restricted cash is USD 0.5 million, in addition the Group has an overdraft facility of EUR 0.5 million and treasury shares estimated to USD 3 million in fair market value.

\*\* Cash and cash equivalents at start of period for Cum Q3 2014 is different from restated balance per 31.12.2013 due to the net cash effect of the 100% consolidation of Oceanteam Bourbon 4 AS amounting up to USD 9.4 milion.

## SELECTED EXPLANATORY NOTES

Oceanteam is an offshore shipping company and solutions provider. Besides owning, chartering and managing deep-water Offshore Construction Vessels, the Company has increased its focus on combining marine asset services with complementary engineering services to deliver full service solutions for our Clients.

### NOTE 1 – FINANCIAL STATEMENTS

The condensed set of Financial Statements for Q3 2014 has been prepared in accordance with IAS 34 Interim Financial Statements and it has been prepared in accordance with the same accounting principles as the Financial Statements for 2013, unless otherwise stated.

**Oceanteam have applied the following standards from Q1 2014:**

- IFRS 10 Consolidated Financial Statements
- IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 28 Investment in Associates and Joint Ventures

Due to the implementation of the standards above, two of the joint venture companies are now equity accounted compared to proportional consolidation previously. A third company, Oceanteam Bourbon 4 AS, has been fully consolidated due to change in shareholders agreement since the Group has gained control over this company. Also due to the change in shareholders agreement, Bourbon Offshore Norway AS has gained control over Oceanteam Bourbon 101 AS and therefore this company has been classified its interest in this company as an associate.

There have been changes in the income statement and balance sheet since Q4 2013 report and Annual report 2013. In the Q4 2013 report, investments in joint ventures and associates have been equity accounted and Oceanteam Bourbon 4 AS has been fully consolidated.

Since the change of control not being effective in 2013, the balance sheet has been restated and Oceanteam Bourbon 4 AS is equity accounted in the restated balance sheet per 31.12.2013.



FSV's Icacos and Cobos in Vung Tau, Vietnam

## NOTE 2 – TANGIBLE ASSETS

GROUP Figures in USD '000

Q3 2014	Investment in associates and Joint Ventures	Participation in LV 105	Construction and Support Vessels (CSV)	Fast Support Vessels, Machinery & other	Total
Historical Cost 30 June 2014	14 363	11 816	104 501	53 911	184 591
Additions	2 483	506		4 138	7 127
Disposals				(11 240)	(11 240)
<b>Historical Cost 30 September 2014</b>	<b>16 846</b>	<b>12 322</b>	<b>104 501</b>	<b>46 808</b>	<b>180 477</b>
Accumulated depreciation 30 June 2014			(17 206)	(20 878)	(38 084)
Depreciation			(1 242)	(1 078)	(2 319)
Disposals depreciation				8 419	8 419
<b>Accumulated depreciation 30 September 2014</b>			<b>(18 448)</b>	<b>(13 537)</b>	<b>(31 984)</b>
Accumulated impairments 30 June 2014				(8 553)	(8 553)
Impairments/reversals					
<b>Accumulated impairments 30 September 2014</b>				<b>(8 553)</b>	<b>(8 553)</b>
<b>Carrying amount 30 September if CSV's were stated at historical cost</b>	<b>16 846</b>	<b>12 322</b>	<b>86 053</b>	<b>24 719</b>	<b>139 940</b>
<b>Revaluation reserve 30 June 2014</b>	<b>43 698</b>	<b>6 672</b>	<b>81 952</b>		<b>132 322</b>
Change in revaluation	4 941	999	14 984		20 924
<b>Revaluation reserve 30 September 2014</b>	<b>48 639</b>	<b>7 671</b>	<b>96 936</b>		<b>153 246</b>
Accumulated depreciation premium values 30 June 2014	(9 225)	(401)	(6 896)		(16 523)
Depreciation premium values	(190)	(56)	(560)		(807)
<b>Revaluation reserve 30 September 2014</b>	<b>39 224</b>	<b>7 213</b>	<b>89 480</b>		<b>135 917</b>
<b>Carrying amount 30 September 2014</b>	<b>56 070</b>	<b>19 535</b>	<b>175 533</b>	<b>24 719</b>	<b>275 857</b>
Depreciation rates			5-25 years	3-15 years	
Depreciation method		none	linear	linear	

When internal resources are used to engineer and construct a fixed asset, the relevant costs are added to the historical cost. All construction financing costs are capitalized. The Construction Support Vessels (CSV's), the Lay Vessel (LV) and the Fast Support Vessels (FSV's) are financed and held for security, see note 5 loans and borrowings.

## OPERATING LEASE

In February 2014, the first 4000T turntable was delivered to the lessee in accordance with the agreement to lease out the equipment. Among other factors, the lease period is for 2 years and the lessee has the option to purchase the equipment at an agreed price. In July 2014, a second 4000T turntable was delivered to the same lessee, but with no purchase option connected to this lease agreement. The Company considers these two turntables as one large project and has made an assessment of the different elements of the contracts, including the commercial aspects of the contracts, and as to whether or not there are a substantial risks or rewards when ownership is transferred to the lessee. Since the lease period is for a limited period of time compared to the economic life of the assets and the Company retains the majority of the risk related to the asset, therefore it has been classified as an operating lease.

## FAIR VALUE MEASUREMENTS

### Fair value measurement of vessels

A valuation of the group's vessels and the participation in LV 105 was performed by the company to determine the fair value of the vessels and the interest in LV 105 as at 30 September 2014. All vessels are equity accounted except the Oceanteam Bourbon 4 AS which is 100 percent consolidated. The revaluation surplus net of applicable deferred income taxes were credited to other comprehensive income and is shown in 'Revaluation reserves' in shareholders equity. The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

### GROUP Figures in USD '000

Fair value measurements at 30 September 2014	Level 1	Level 2	Level 3
<b>Recurring fair value measurements</b>			USD 000'
Construction support vessels			175 533
Investment in associates			19 535
Investment in joint ventures			56 070
<b>Total carrying amount 30.09.14</b>			<b>251 138</b>

There were no transfers between levels 1 and 2 during the year.

### Fair value measurements using significant unobservable inputs (Level 3)

	USD '000
Opening balance 30.06.2014	229 273
Transfers to/(from) Level 3	
Additions	2 989
Disposals	
Depreciation	(2 048)
Gains and losses recognised in other comprehensive income	20 924
<b>Closing balance 30.09.2014</b>	<b>251 138</b>



### Valuation processes of the Group

The group's finance department includes a team that performs the valuations of the vessels and the interest in LV 105, measured at fair value required for financial reporting purposes, including level 3 fair values. This team reports directly to the CFO. Discussions of valuation processes and results are held between the CFO, and the valuation team at least once every quarter, in line with the group's quarterly reporting dates.

On an annual basis, the group engages external, independent and qualified valuers to review the group's fair value measurements models.

### The assumptions in the revaluation model are the following:

The valuations of the level 3 vessels and interest in LV 105 have been performed using a combination of a market approach and an income approach. The model for the calculation of the revaluation has the following features:

- Oceanteam Shipping ASA updates the model quarterly
- Two external valuations from independent brokers where the Construction Support Vessel (CSV) and Lay Vessel (LV) is traded between a willing buyer and a willing seller in an active market
  - the Brokers' opinions of recent newbuilding quotes of similar tonnage
  - the Brokers are evaluating the replacement costs of comparable vessels
  - the Brokers are evaluating if any recent sales of comparable vessels in the market

The three assumptions stated above form the Brokers' joint opinion of the fair market value of any asset in the prevailing market as between a willing seller and a willing buyer, charter free. The Brokers' valuations are done quarterly at the end of the quarter.

- The average of two brokers' valuations on a charter free CSV and Lay vessel with prompt delivery.
- The estimated economical lifetime is 25 years from delivery of the vessel.
- The calculated cash flow from the time charter on the revaluated CSV / Lay Vessel is being compared with the estimated brokers' charter.
- The premium values of the vessels are depreciated linearly over the useful life of the assets.
- The cash flow from the charter is discounted with a WACC of 8.96%. The calculation of the WACC has the following assumptions:
  - 10 year state USD
  - a 40/60 ratio of equity / debt
- When Oceanteam Shipping has signed a building contract, financing is secured, construction costs and fair value can be measured reliably. Oceanteam Shipping is applying the revaluation model for the CSV / Lay Vessels. The accounting impact when applying the revaluation model is that the CSV / Lay Vessel are measured at fair value in the balance sheet. The lines on the balance sheet "Vessels and equipment" on the asset side under tangible assets and the line "Revaluation reserve" are affected by the revaluation method. The historical costs for the CSV / Lay Vessels are shown in the table above for tangible assets under the column "Construction and Support Vessels" and also the revaluation surplus under the line revaluation reserve in the table.
- Per balance sheet date the CSV 101, CSV 102, CSV 104 and LV 105 were revaluated.
- The option prices for the CSV North Ocean 102 and LV North Ocean 105 are included in the cash flow connected to the vessel and the option can be called in Q4 2014 and Q2 2017. When the relevant option period commences, McDermott will have 60 days to call the option. If the option is not exercised within the option period, the call option will go to Oceanteam Shipping. The call option price for the CSV 102 is USD 120 million at the initial transaction date 19th December 2009 depreciated over 20 years with adjustments for the working capital. The call option price for vessel LV 105 is USD 95.9 million at the initial transaction date 20th April 2012 depreciated over 20 years with adjustments for the working capital (excluding inventories and spares). The initial value of the JRM Equipment is USD 22.1 million.

According to IAS 39 this is a financial liability for Oceanteam Shipping to be recognized in the financial statements. When there is uncertainty related to such liabilities, the liability must be estimated. The option value for the CSV North Ocean 102 is included in the cash flow connected to the vessel, is based on the management's best estimate.

## NOTE 3 – INTANGIBLE ASSETS

### GROUP Figures in USD '000

Q3 2014	Goodwill	Customer relations	Deferred tax	Other	Intangible assets
Historical cost 30 June 2014	12 987	4 400	6 000	1 243	24 630
Additions				(51)	(51)
Disposals					
<b>Historical cost 30 September 2014</b>	<b>12 987</b>	<b>4 400</b>	<b>6 000</b>	<b>1 192</b>	<b>24 579</b>
Accumulated amortisation 30 June 2014		(4 400)			(4 400)
Amortisation					
<b>Amortisation 30 September 2014</b>		<b>(4 400)</b>			<b>(4 400)</b>
Accumulated impairments 30 June 2014					
Impairments/reversals					
<b>Accumulated impairments 30 September 2014</b>					
<b>Book value 30 September 2014</b>	<b>12 987</b>		<b>6 000</b>	<b>1 192</b>	<b>20 177</b>

## NOTE 4 – SEGMENT INFORMATION

The Group has two segments, Shipping and Oceanteam Solutions, which are the Group's strategic divisions. The segment Oceanteam Solutions consists of KCI and RentOcean.

The strategic divisions offer different products and services, and are managed separately as they require different technology and marketing strategies. For each of the strategic divisions, the Group's CEO (the chief operating decision maker) reviews internal management reports on a monthly basis.

The total Group revenue for the Q3 2014 is USD 18.4 million, of which USD 9.2 million was distributed to the Shipping segment and USD 9.2 million to Oceanteam Solutions.

## NOTE 5 – LOANS AND BORROWINGS

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows including interests representing nominal value at payment date.

	0 to 1 year	1 to 2 years	2 to 5 years	over 5 years	Total
<b>At 30 September 2014</b>					
Bank/ bond borrowings incl. interest	54 965	17 201	111 383		183 549
Other current liabilities	13 423				13 423
<b>Total liabilities</b>	<b>68 388</b>	<b>17 201</b>	<b>111 383</b>		<b>196 972</b>
<b>At 30 June 2014</b>					
Bank/ bond borrowings incl. interest	56 446	17 190	115 776		189 413
Other current liabilities	18 227				18 227
<b>Total liabilities</b>	<b>74 673</b>	<b>17 190</b>	<b>115 776</b>		<b>207 640</b>

Loans/ Currency of loan	True rate of interest	30 September 2014	30 June 2014
CSV 104 (USD) Secured	LIBOR + margin*	65 887	68 222
Bond loan (USD)	LIBOR + margin	91 031	90 912
Other long term debt		2 837	2 837
<b>Total long-term debt</b>		<b>159 755</b>	<b>161 971</b>
**1st year principal repayments		43 100	43 100
***Borrowing costs		3 870	4 197
<b>Total long-term debt</b>		<b>112 785</b>	<b>114 674</b>

\* 50% of the LIBOR interest rate is fixed

\*\* 1<sup>st</sup> year principal installments are related to vessel 104 and bond loan

\*\*\* Borrowing costs related to refinancing goes to reduction of long-term debt according to IFRS.

The CSV vessels are collateral for the loans.

Borrowing costs are considered to be the difference between fair value and nominal value for the secured loans for the vessels.

### LIQUIDITY RISK, FINANCIAL RISK AND MARKET RISK

The Board of Directors has an overall responsibility for the establishment and overseeing of the Group's risk management framework. The Board has established the Management Committee, which a.o. has responsibility for developing and monitoring the Group's risk management policies.

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure and plan for that the company will always have sufficient liquidity to meet its obligations.

The Group uses project - based costing to price its services, which assists in monitoring cash flow requirements.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations. This policy is seen as sufficient to ensure that the Group is able to manage the potential liquidity impact of circumstances that can reasonably be predicted, such as delays in the execution of projects. Such delays can either be caused by Oceanteam Shipping or the client involved in the contract.

Per Q3 2014 the Group has overdraft facilities of EUR 36.730 in addition to the cash balance of USD 15.3 million. The Group also has control of treasury shares estimated to USD 3 million in fair market value.

The repayment of the bond loan, due in April 2015, is linked to the likelihood that McDermott is executing their purchase option for the CSV North Ocean 102. McDermott is most likely to complete the exercise of the purchase option of the CSV North Ocean 102 in the fourth quarter 2014.

### **Currency risk**

The Group is exposed to currency fluctuations on sales, purchases, cash deposits and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the US Dollar (USD), but also Euro (EUR) and Norwegian Kroner (NOK).

The major currency risk for the Group has until mid Q4 2012 been the nominal bond loan of NOK 400 million and the call premium and the timing of the refinancing of the bond loan. In Q4 2012 Oceanteam Shipping ASA has completed a USD 92.5 million issue where the net proceeds were used to refinance the current bond loan. After this refinancing process, the currency risk has decreased significantly. The total loan amount in USD is 91 million per 30 September 2014 and the accrued call premium is USD 913.013. Incurred interest costs are from now on in USD for all loans. Provisions and other items are all in EUR, USD and GBP.

### **Financial risk**

The company is exposed to financial risk in different areas. Financial risks include interest rate and currency fluctuations, investment and trading risks in general, borrowing and leverage and risk in connection with the vessels under construction / Spanish Tax Lease.

The company has sales revenues and liabilities in foreign currencies and is exposed to currency risks. This risk is particularly relevant for the revenue and liabilities in the USD and EUR.

The company is exposed to changes in interest rates as the bulk of its debt has floating rates.

The objective of the Company is to reduce the financial risk as much as possible. Current strategy does not include the use of financial instruments, but is largely based on natural hedging. Natural hedging means to have revenue and cost in the same currency for each project. This is, however, continuously being monitored by the Board of Directors.

The booked equity ratio is 49 percent.

### **Interest risk**

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to fluctuation in interests, Oceanteam Shipping has quarterly fixed interests. The company has also the opportunity to use longer periods as for instance 6 or 9 months. Due to the previous uncertainties in the liquidity situation of the company, Oceanteam Shipping has used quarterly roll over.

### **Market risk**

The company has invested 25% in the Lay Vessel North Ocean 105. The vessel was delivered 20th April 2012 and has commenced a five year charter at delivery. This investment has risk connected to charterer, complex offshore operations and risk connected to owners guarantees in case of the project needs more funding. The company's equity contribution is USD 5.3 million, but the fair market value from two independent brokers indicate a significant premium value for the vessel.



### **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which arises principally from the Group's receivables. The free liquidity is placed in bank accounts with banks of acceptable credit quality. Oceanteam Shipping's clients are primarily large companies with high credit rating. The need for bank guarantee and pre-invoicing are considered on individual basis.

### **Operational risk**

Operational risks include charters, service life and technical risk of vessels, the Group's limited operating history, risk for substantial responsibilities, the Group's ability to retain senior management and key personnel, risk for legal proceedings and contractual disputes, construction risk and employment risk for the vessels and equipment. Oceanteam Shipping ASA is involved in an on-going law suit against naval architect Sawicon for the infringement of Oceanteam's rights to the North Ocean Series under the Norwegian Marketing Act. Legal costs are recorded as they occur.

### **Contract backlog:**

- CSV 101: BP Angola until February 2017.
- CSV 102: McDermott International Inc. firm until 1 August 2015 (+2 x 1 year option). McDermott will most likely exercise a purchase option in Q4 2014.
- CSV Southern Ocean: Fugro TSMarine Australia until 31 December 2018 (2x1 year option)
- LV 105: McDermott International Inc. firm until 30 June 2017 (+1 year option + 1 further additional year provided the Charterers give advance written notice according to details in charter agreement.
- FSV Mantaraya and FSV Tiburon: Contracts extended until end June 2015
- Engineering & equipment: the level of secured work / tenders out are satisfactory for the season
- RentOcean: increased backlog during 2014.

## **NOTE 6 – TAX IN Q3 2014**

Taxes in the income statement are estimated on the basis of the average tax rates for each of the companies that constitute the Group. In companies that apply for the Norwegian Tonnage Tax system the tax rate is set at zero.

Oceanteam Shipping has one Construction Support Vessel which is under the normal tax regime in Norway where the nominal tax percentage is 27%. However, the Group has major tax losses to be carried forward due to losses on contracting business. Confirmation from the tax authorities of a deferred tax loss of NOK 1.1 billion has been received in October 2014. The Group is analyzing how to utilise the nominal deferred losses of NOK 1.1 billion or USD 173 million. The deferred losses for abroad operations are EUR 54 million.

The deferred tax balance USD 6.0 million in the balance sheet includes tax losses on operations in the Netherlands.

## NOTE 7 – CONTINGENT ASSETS

The company is disputing a claim from a former creditor of a liquidated former UK entity for hire of a tugboat. The case was rejected by the Bergen Court in January 2012 and is now back in Bergen Main Court for a Court hearing in January 2015. The total claim is EUR 695.581, and late interest calculation will come as an addition. If the claim for payment against Oceanteam Shipping ASA is dismissed, the opposing party will pay all legal fees related to this case. Judgment to be given in favour of Oceanteam Shipping ASA is estimated to be significantly high by our legal advisors.

## NOTE 8 – CONTINGENT LIABILITIES

In Oceanteam Shipping ASA's legal dispute with Sawicon AS and North Sea Shipping AS concerning rights and use of the North Ocean 100-series design under the Norwegian Marketing Act, Gulating Court of Appeal, by verdict of 7 March 2014, has upheld Oceanteam's appeal. Gulating Court of Appeal has invalidated Bergen City Court's previous verdict in favor of Sawicon AS and North Sea Shipping AS. With this ruling Gulating Court of Appeal releases Oceanteam from the obligation to pay the legal costs incurred by Sawicon AS and North Sea Shipping AS in conjunction with the Bergen City Court case. As a consequence of the ruling there no longer exists an applicable court decision regarding the rights to the North Ocean 100-series design and the case will have to be restarted in Bergen District Court.

Sawicon has brought an appeal against this decision in High Court which will be handled by end 2014. The outcome is expected to be positive.

Oceanteam Shipping ASA has invited Sawicon to settle on amicable terms.

Legal costs are booked as they occur in the relevant period.

## NOTE 9 – INVESTMENT IN JOINT VENTURES, ASSOCIATES AND SUBSIDIARIES

### JOINT VENTURES

North Ocean II KS is an unlisted joint arrangement which the Group has joint control and a 50% ownership. The company is founded in May 2006. The Group has classified its interest in North Ocean II KS as a joint venture.

Oceanteam Bourbon Spares & Equipment AS is an unlisted joint arrangement in which the Group has joint control and a 50% ownership interest. This company is founded in October 2012 by Oceanteam Shipping ASA and Bourbon Offshore Norway AS. The Group has classified its interest in Oceanteam Bourbon Spares & Equipment AS as a joint venture.

The following is summarised financial information for Oceanteam Bourbon Spares & Equipment and North Ocean II KS based on its financial statements prepared in accordance with Norwegian GAAP. Both companies are equity accounted in the Group.

	North Ocean II KS	Oceanteam Bourbon Spares & Equipment AS
Nature of relationship with the Group	Vessel CSV North Ocean 102	Equipment business
Principal place of business	Bergen, Norway	Bergen, Norway
Ownership interest	50%	50%
Voting rights held	50%	50%

The following is summarised financial information for Oceanteam Bourbon Spares & Equipment AS and North Ocean II KS, based on their respective financial statements prepared according to Norwegian GAAP, modified for fair value adjustments and differences in the Group's accounting policies.

### Figures in NOK '000 000

	North Ocean II KS		Oceanteam Bourbon Spares & Equipment AS	
	Cum Q3 2014	2013	Cum Q3 2014	2013
Revenue	77,9	101,0		11,3
Profit before tax	27,1	53,6	0,5	0,6
Tax				0,6
<b>Net result</b>	<b>27,1</b>	<b>53,6</b>	<b>0,5</b>	<b>1,3</b>
Current assets	14,0	57,2	0,5	1,0
Non current assets	535,4	556,9	1,1	13,7
Current liabilities	(185,8)	(271,7)	(0,3)	(0,6)
Non-current liabilities	(157,9)	(163,9)	(0,3)	(13,6)
<b>Net assets</b>	<b>205,8</b>	<b>178,4</b>	<b>1,0</b>	<b>0,5</b>

### GROUP Figures in USD '000

	North Ocean II KS		Oceanteam Bourbon Spares & Equipment AS	
	Cum Q3 2014	2013	Cum Q3 2014	2013
Group's interest in net assets of investee at beginning of year	19 521	37 267	144	195
Total comprehensive income attributable to the Group	3 711	5 431	(64)	(51)
Total other comprehensive income attributable to the Group	(959)	(4 719)		
Dividends received during the year		(18 458)		
<b>Carrying amount of interest in investee at 30 September 2014</b>	<b>22 273</b>	<b>19 521</b>	<b>80</b>	<b>144</b>

## ASSOCIATES

The Group has two associates that are material to the Group, both of which are equity accounted.

Oceanteam Bourbon 101 AS is an unlisted company which the Group has 50% ownership interest but our partner has 60% control. This company is founded in June 2009 by Oceanteam Shipping ASA and Bourbon Offshore Norway AS.

North Ocean 105 AS is an unlisted company which the Group has 25% ownership interest. The remaining 75% ownership interest is owned by McDermott International Inc.

The Group has classified its interest in Oceanteam Bourbon 101 AS and North Ocean 105 AS as associates, both of which are equity accounted.

	Oceanteam Bourbon 101 AS	North Ocean 105 AS
Nature of relationship with the Group	Vessel CSV Bourbon Oceanteam 101	Vessel LV 105
Principal place of business	Bergen, Norway	Bergen, Norway
Ownership interest	50%	25%
Voting rights held	40%	25%

The following is summarised financial information for Oceanteam Bourbon 101 AS and North Ocean 105 AS, based on their respective financial statements prepared according to Norwegian GAAP, modified for fair value adjustments on acquisition and differences in Group's accounting policies.

### Figures in NOK '000 000

	Oceanteam Bourbon 101 AS		North Ocean 105 AS	
	Cum Q3 2014	2013	Cum Q3 2014	2013
Revenue	113,2	126,1	108,4	137,9
Profit before tax	24,3	10,6	(1,3)	0,5
Tax				
<b>Net result</b>	<b>24,3</b>	<b>10,5</b>	<b>(1,3)</b>	<b>0,5</b>
Current assets	63,9	91,0	58,6	59,3
Non current assets	382,3	421,2	621,2	643,8
Current liabilities	(58,3)	(124,6)	(76,8)	(63,0)
Non-current liabilities	(360,9)	(383,4)	(433,1)	(468,9)
<b>Net assets</b>	<b>26,9</b>	<b>4,2</b>	<b>169,9</b>	<b>171,2</b>



**GROUP Figures in USD '000**

	Oceanteam Bourbon 101 AS		North Ocean 105 AS	
	Cum Q3 2014	2013	Cum Q3 2014	2013
Group's interest in net assets of investee at beginning of year	27 594	31 639	17 852	14 071
Total comprehensive income attributable to the Group	3 604	2 594	976	2 560
Total other comprehensive income attributable to the Group	2 580	(1 133)	644	1 221
Dividends received during the year		(5 507)		
<b>Carrying amount of interest in investee at 30 September 2014</b>	<b>33 778</b>	<b>27 594</b>	<b>19 472</b>	<b>17 852</b>

**SUBSIDIARIES**

The Company has 18 subsidiaries in the Group in 2014 and 2013.

- The following subsidiaries are material to the Group:  
Oceanteam Shipping BV, Oceanteam Bourbon 4 AS and Oceanteam Mexico SA de CV
- Oceanteam Bourbon 4 AS has a material non-controlling interests.

	Oceanteam Bourbon 4 AS
Operating segment	CSV Southern Ocean
Principal place of business	Bergen, Norway
Ownership interest held by non-controlling interests	50%
Voting rights held by non-controlling interests	40%

The following is summarised financial information for Oceanteam Bourbon 4 AS based on the company's financial statements prepared according to Norwegian GAAP. The information is before inter-company eliminations with other companies in the Group.

**Figures in NOK '000 000**

	Oceanteam Bourbon 4 AS	
	Cum Q3 2014	2013
Revenue	92	117
Profit	33	29
Other comprehensive income		
Total comprehensive income	33	29
Profit attributable to non-controlling interest	17	15
<b>Total comprehensive income attributable to non-controlling interests</b>	<b>17</b>	<b>15</b>
Current assets	54	57
Non current assets	517	539
Current liabilities	(55)	(93)
Non-current liabilities	(401)	(391)
Net assets	115	112
<b>Net assets attributable to non-controlling interests (in NOK '000 000)</b>	<b>58</b>	<b>56</b>
<b>Net assets attributable to non-controlling interests (in USD '000 000)</b>	<b>12</b>	<b>10</b>

**Figures in USD '000**

	Oceanteam Bourbon 4 AS	
	Cum Q3 2014	2013
Cash flows from operating activities	8 979	18 658
Cash flows from dividend payment	(5 546)	
Cash flows from financing activities	(6 838)	(23 944)
Net increase in cash and cash equivalents	(3 405)	(5 287)
<b>Dividends paid to non-controlling interests during the year/period</b>	<b>(2 773)</b>	

## NOTE 10 – BUSINESS COMBINATIONS

### OCEANTEAM BOURBON 4 AS

Oceanteam Shipping ASA has gained control over the company Oceanteam Bourbon 4 AS. The control over Oceanteam Bourbon 4 AS is defined in an agreement with Bourbon Offshore Norway AS and is effective from 1 January 2014.

Equity interests still remains 50% but voting shares in Oceanteam Bourbon 4 AS is 51% after control is gained.

Oceanteam Bourbon 4 AS operates the vessel CSV Southern Ocean which is currently on bareboat charter with Fugro TSMarine Australia until December 2018.

Non-controlling interests hold USD 62.0 million of equity in the Group accounts.

Revenue from company cumulative Q3 2014 is USD 15.0 million and profit is USD 9.1 million.

### KCI THE ENGINEERS B.V.

On 20 February 2014, Oceanteam Shipping ASA purchased the remaining 30% shares of KCI BV.

Primary reasons for buying the remaining 30% shares in KCI are that Oceanteam sees the advantages by fully implementing the engineering business within the Group and make use of the synergy that arises by this business combination.

100% goodwill has been taken into account when Oceanteam increased its ownership from 50% to 70% in April 2010 through a conversion of debts. Goodwill is therefore not affected for this acquisition.

Consideration is not reported in this interim report due to commercial reasons.



RentOcean's 4000T Turntable being built up at LS Cable quayside in South Korea

## NOTE 11 – INITIAL APPLICATION OF NEW IFRS STANDARDS

Oceanteam have applied the following standards from Q1 2014.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 11 Joint Arrangements

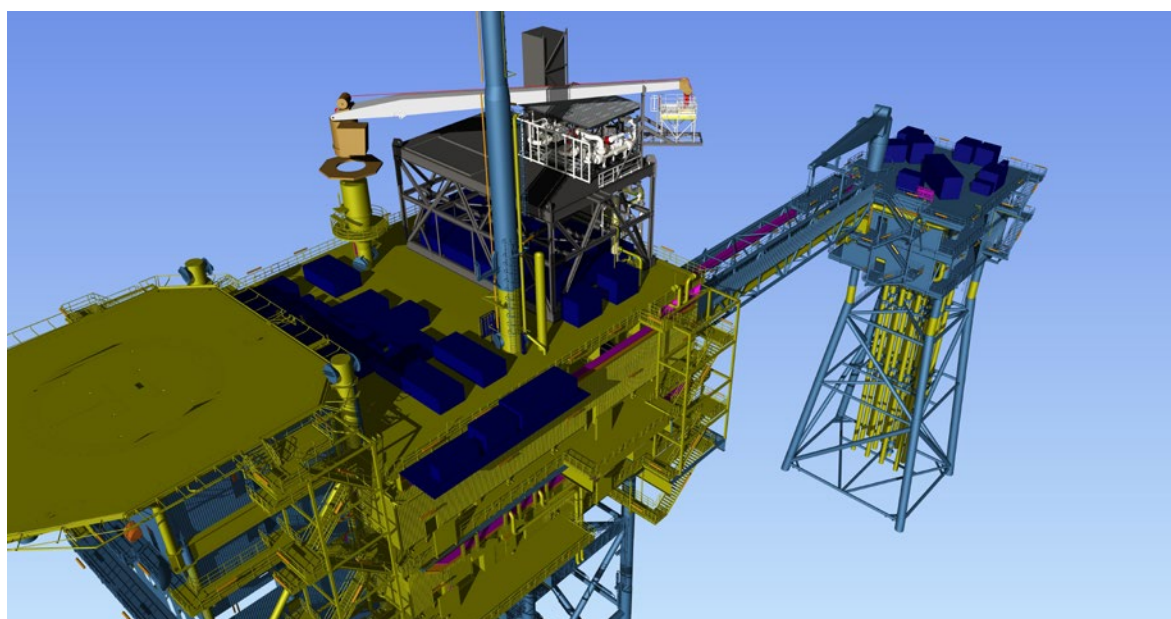
IFRS 12 Disclosure of Interests in Other Entities

AND IAS 28 Investment in Associates and Joint Ventures

The following shows comparison between the reported figures for this interim report and figures from previous figures before applying the new standards.

	Cum Q3 2014	Cum Q3 2014	Cum Q3 2014
	Equity accounting for joint venture companies and 100% consolidation of Oceanteam Bourbon 4 AS	Effect of implementation	Proportionate consolidation and 100% consolidation of Oceanteam Bourbon 4 AS
Revenue	42 482	(15 601)	58 083
Net income from associates	8 756	6 630	2 126
<b>Total operating revenues</b>	<b>51 238</b>	<b>(8 971)</b>	<b>60 209</b>
Operating costs	(13 404)	2 792	(16 196)
Other administrative expense	(16 135)	151	(16 286)
Depreciation	(7 477)	4 572	(12 049)
Write off assets	(94)	38	(132)
<b>Total operating expenses</b>	<b>(37 110)</b>	<b>7 553</b>	<b>(44 663)</b>
<b>Results from operating activities</b>	<b>14 129</b>	<b>(1 417)</b>	<b>15 546</b>
Financial income	30	(13)	43
Financial costs	(11 651)	1 733	(13 384)
Foreign exchange results (loss)	51	(282)	333
<b>Net finance profit /(loss)</b>	<b>(11 571)</b>	<b>1 437</b>	<b>(13 008)</b>
<b>Ordinary profit (loss) before taxes</b>	<b>2 558</b>	<b>20</b>	<b>2 538</b>
Tax expense	227	(0)	227
<b>Net result</b>	<b>2 784</b>	<b>19</b>	<b>2 765</b>

	Cum Q3 2013		Cum Q3 2013
	Equity accounting for joint venture companies	Effect of implementation	Proportionate consolidation and 100% consolidation of Oceanteam Bourbon 4 AS
Revenue	22 649	(35 434)	58 083
Net income from associates	12 390	10 264	2 126
<b>Total operating revenues</b>	<b>35 039</b>	<b>(25 170)</b>	<b>60 209</b>
Operating costs	(11 632)	4 564	(16 196)
Other administrative expense	(12 168)	2 435	(14 603)
Depreciation	(3 440)	8 609	(12 049)
Write off assets	(48)	84	(132)
<b>Total operating expenses</b>	<b>(27 288)</b>	<b>15 692</b>	<b>(42 980)</b>
<b>Results from operating activities</b>	<b>7 751</b>	<b>(9 478)</b>	<b>17 229</b>
Financial income	39	(4)	43
Financial costs	(9 473)	3 911	(13 384)
Foreign exchange results (loss)	92	(241)	333
<b>Net finance profit /(loss)</b>	<b>(9 342)</b>	<b>3 667</b>	<b>(13 008)</b>
<b>Ordinary profit (loss) before taxes</b>	<b>(1 592)</b>	<b>(5 813)</b>	<b>4 221</b>
Tax expense	1 571	1 344	227
<b>Net result</b>	<b>(21)</b>	<b>(4 469)</b>	<b>4 448</b>



KCI's Educator project for Shell/NAM

	Balance per Q3 2014		Balance per Q3 2014
	Equity accounting for joint venture companies and 100% consolidation of Oceanteam Bourbon 4 AS	Effect of implementation	Proportionate consolidation and 100% consolidation of Oceanteam Bourbon 4 AS
<b>Assets</b>			
Deferred tax assets	6 000		6 000
Customer relations & Design	1 190		1 190
Goodwill	12 987		12 987
<b>Intangible assets</b>	<b>20 177</b>		<b>20 177</b>
Investments in joint ventures and associates	75 605	57 001	18 604
Vessels and equipment	200 252	(112 786)	313 038
<b>Tangible assets</b>	<b>275 857</b>	<b>(55 785)</b>	<b>331 642</b>
<b>Total non current assets</b>	<b>296 034</b>	<b>(55 785)</b>	<b>351 819</b>
Trade receivables	6 251	(1 318)	7 569
Other receivables	25 713	16 868	8 845
<b>Receivables</b>	<b>31 964</b>	<b>15 550</b>	<b>16 414</b>
<b>Cash and cash equivalents</b>	<b>15 262</b>	<b>(3 780)</b>	<b>19 042</b>
<b>Total current assets</b>	<b>47 226</b>	<b>11 770</b>	<b>35 456</b>
<b>Total assets</b>	<b>343 260</b>	<b>(44 017)</b>	<b>387 275</b>

	Balance per Q3 2014	Effect of implementation	Balance per Q3 2014
<b>Equity and liabilities</b>			
Share capital	2 595		2 595
Treasury shares	(257)		(257)
Other equity	(1 057)		(1 057)
Revaluation reserve	105 530		105 530
<b>Equity attributable to owners of the Company</b>	<b>106 811</b>		<b>106 811</b>
Non-controlling interest	58 899		58 899
Revaluation reserve	2 913		2 913
<b>Total equity</b>	<b>168 625</b>		<b>168 625</b>
Loans and borrowings	112 785	(23 838)	136 623
<b>Total non-current liabilities</b>	<b>112 785</b>	<b>(23 838)</b>	<b>136 623</b>
First year installments	43 100	(17 487)	60 587
Trade payables	5 289	(2 774)	8 063
Tax payable	38	(6)	44
Other current liabilities	13 423	89	13 334
<b>Total current liabilities</b>	<b>61 850</b>	<b>(20 178)</b>	<b>82 028</b>
<b>Total liabilities</b>	<b>174 635</b>	<b>(44 016)</b>	<b>218 651</b>
<b>Total equity and liabilities</b>	<b>343 260</b>	<b>(44 016)</b>	<b>387 275</b>

	01.01.2013		01.01.2013
	Equity accounting for joint venture companies	Effect of implementation	Proportionate consolidation and 100% consolidation of Oceanteam Bourbon 4 AS
<b>Assets</b>			
Deferred tax assets	3 831		3 831
Customer relations & design	1 688		1 687
Goodwill	12 987		12 987
<b>Intangible assets</b>	<b>18 506</b>		<b>18 506</b>
Investments in joint ventures and associates	126 371	112 378	13 993
Vessels and equipment	15 333	(286 496)	301 829
<b>Tangible assets</b>	<b>141 704</b>	<b>(174 118)</b>	<b>315 822</b>
<b>Total non current assets</b>	<b>160 210</b>	<b>(174 118)</b>	<b>334 327</b>
Trade receivables	3 945	(4 605)	8 550
Other receivables	28 878	21 025	7 853
<b>Receivables</b>	<b>32 823</b>	<b>16 420</b>	<b>16 403</b>
<b>Cash and cash equivalents</b>	<b>15 759</b>	<b>(27 088)</b>	<b>42 847</b>
<b>Total current assets</b>	<b>48 582</b>	<b>(10 668)</b>	<b>59 250</b>
<b>Total assets</b>	<b>208 790</b>	<b>(184 786)</b>	<b>393 578</b>
<b>Equity and liabilities</b>			
Share capital	2 595		2 595
Treasury shares	(257)		(257)
Other equity	10 727	(4 130)	14 857
Revaluation reserve	94 977		94 977
<b>Equity attributable to owners of the Company</b>	<b>108 041</b>	<b>(4 130)</b>	<b>112 172</b>
Non-controlling interest	4 027	(720)	4 747
Revaluation reserve		(37 462)	37 462
<b>Total equity</b>	<b>112 068</b>	<b>(42 312)</b>	<b>154 382</b>
Loans and borrowings	85 305	(118 227)	203 532
<b>Total non-current liabilities</b>	<b>85 305</b>	<b>(118 227)</b>	<b>203 532</b>
First year installments	1 089	(14 388)	15 477
Trade payables	4 788	(1 480)	6 268
Tax payable	52	(1)	53
Other current liabilities	5 489	(8 376)	13 865
<b>Total current liabilities</b>	<b>11 418</b>	<b>(24 246)</b>	<b>35 664</b>
<b>Total liabilities</b>	<b>96 723</b>	<b>(142 473)</b>	<b>239 196</b>
<b>Total equity and liabilities</b>	<b>208 790</b>	<b>(184 786)</b>	<b>393 578</b>



## OCEANTEAM SHIPPING ASSETS

### VESSELS

#### CSV BOURBON OCEANTEAM 101



Upon delivery in December 2007, this DP2 Construction Support Vessel has been operating as a field support vessel with BP Angola for the Company's Greater Plutonium Field development (in Block 18 and 31). The first of the standard design North Ocean 100 series is jointly owned by Oceanteam Shipping and Bourbon Offshore Norway. The ship is 125 meters at length with a 27 meter beam. It has excellent seafaring capabilities, one 150 tonnes and one 100 tonnes fully heave compensated cranes, moon pool, 2000m<sup>2</sup> free deck space and 120 accommodation enables CSV Bourbon Oceanteam 101 to be utilised for field support, construction, installation and IRM support.

#### CSV NORTH OCEAN 102



This DP2 Construction Support Vessel was delivered in Q4 2008. This vessel has been working for ABB High Voltage AB since its delivery and has been mobilised with a 7000 tonnes, 2 x 120 tonnes tensioners flexible product installation spread. CSV North Ocean 102 is equipped with one 100 ton heave compensated crane. The second of the standard design North Ocean 100 series has been converted in one of the largest flexible product installation vessel in the world suitable for both subsea power cables and umbilicals. The ship is 137 meter in length and has a 27 meter beam and can accommodate up to 199. The vessel is jointly owned by Oceanteam Shipping and McDermott. The vessel has secured a 5 year charter with McDermott.

#### CSV SOUTHERN OCEAN



The vessel was delivered in Q4 2010 and immediately commenced its first project for Fugro-TSMarine Australia. This DP2 Construction Support / Flexible Product Installation vessel combines a moon pool, two large cranes (1 x 250 tonnes and 1 x 110 tonnes, heave compensated), 2500m<sup>2</sup> deck space, 120 accommodation and excellent seafaring capabilities, enabling her to be utilised for field support, construction, installation and IRM.

### LAY VESSEL NORTH OCEAN 105



High-capacity, rigid-reeled vertical pipelay vessel, with 33000T payload reel capacity for subsea construction and installation, and deepwater moorings installation; which has been delivered the 20<sup>th</sup> April 2012. The vessel began its 5 year charter contract at delivery.

### FSV ICACOS/ FSV COBOS



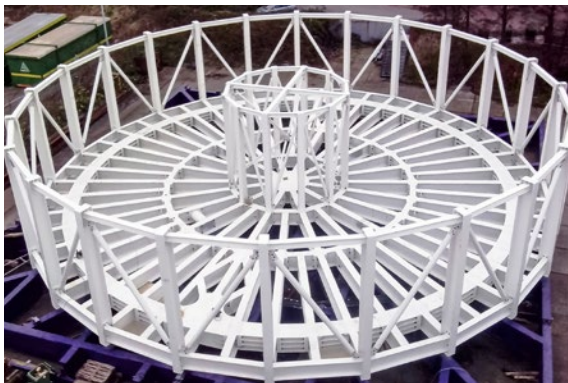
These innovative Fast Support Vessels (FSV's) are into their sea trials. The vessels are capable of transporting 96 p.o.b. and cargo at a cruising speed of 25 knots with largely improved fuel efficiency.

### FSV MANTARAYA / FSV TIBURON



These innovative Fast Support Vessels (FSV's) are operational. The vessels are capable of transporting 75 p.o.b. and cargo at a cruising speed of 25 knots with largely improved fuel efficiency.

### UP TO 4000T DEMOUNTABLE TURNTABLES



The new patented turntable series is designed for flexibility and quick mobilisation on standard psv/csv with limited deck load. The modular systems are delivered to the mobilisation site in 40 ft containers. All system components are "plug and play" and interchangeable.



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