



INTERIM REPORT 4<sup>TH</sup> QUARTER 2013 OCEANTEAM SHIPPING ASA



**OCEANTEAM SHIPPING**



## OCEANTEAM SHIPPING ASA – Q4 2013 INTERIM REPORT

ISSUE DATE 13<sup>TH</sup> FEBRUARY 2014

# BUILDING STRONG BACKLOG FOR 2014 AND BEYOND

**Oceanteam Shipping is an offshore shipping company. Oceanteam's business is the owning, chartering and managing of Deep-water Offshore Construction Service and Pipe Lay Vessels, Engineering Services and Equipment Rental.**

During the fourth quarter Oceanteam Shipping ASA increased its backlog significantly. First it extended its successful charter for the Southern Ocean until the end of 2018 plus options. Second, after completion of an extensive investment program in 2013, the company was awarded land mark contracts both within Oil & Gas and Offshore Renewables for its equipment division RentOcean.

With recent award of multiple cable storage and handling contracts and the strong order book the Management sees that the company is well positioned to grow, show strong performance and profitability going forward in the different market.

### HIGHLIGHTS FOR THE QUARTER

- Revenue from operations USD 13.8 million for the quarter, and USD 60.3 million for the year 2013.
- EBITDA from operations is positive USD 5.0 million for the quarter, and USD 27.3 million for the year 2013.
- Operating profit of USD 2.7 million
- Net finance negative USD 3.6 million
- CSV Southern Ocean is consolidated from the fourth quarter according to the latest changes in IFRS.
- CSV Southern Ocean in standby mode from November 2013 up to end February 2014.
- RentOcean delivered a certified 4.000 Ton modular carousel plus support equipment to LS Cable South Korea.
- KCI, design engineering services, took a first step in an extensive investment program to upgrade its capacity and capabilities by installing a new management team.



## KEY FIGURES FOR THE GROUP

GROUP Figures in USD '000

	Q4 2013	Q4 2012	2013	2012	2011*	2010*
Revenue	10 716	13 022	49 321	48 788	61 208	46 988
Net income of associates	3 125	2 839	10 941	11 488		
Operating costs	(3 286)	(4 898)	(15 230)	(16 317)	(24 651)	(21 797)
General & administration	(5 538)	(4 917)	(17 741)	(15 234)	(11 795)	(8 139)
<b>EBITDA</b>	<b>5 017</b>	<b>6 046</b>	<b>27 291</b>	<b>28 725</b>	<b>24 762</b>	<b>17 052</b>
<b>EBITDA percentage of revenue</b>	<b>36 %</b>	<b>38 %</b>	<b>45 %</b>	<b>48 %</b>	<b>40 %</b>	<b>36 %</b>

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

The shipping segment consists of interests in three multi-purpose Construction Support Vessels, one Pipe Lay Vessel and two Fast Support Vessels. All vessels have been fully employed, except for the CSV Southern Ocean which has been on a reduced stand by rate during most of the quarter.

KCI, designs and engineers complete platforms and infrastructure for the Oil & Gas and Renewables Industry, Deck layouts, Cable & Pipelay solutions and HSE procedures.

RentOcean, rents out a pool of lay and burial equipment, lay and storage carousels and personnel, in addition, the company participates in a joint venture called OceanWind BV for cable transport and storage solutions.

USD million	Q4 13	Q4 12	%	2013
<b>Revenue</b>	<b>13,8</b>	<b>15,9</b>	<b>-13 %</b>	<b>60,3</b>
Operating costs	(3,3)	(4,9)	-33 %	(15,2)
<b>EBITDA</b>	<b>5,0</b>	<b>6,0</b>	<b>-17 %</b>	<b>27,3</b>

## 2013 OPERATIONS

- CSV Southern Ocean has been in Singapore for the period on a stand-by rate with Fugro TS Marine Australia. The vessel is booked until end 2018 plus 2 x 1 year options.
- CSV Bourbon Oceanteam 101 on time charter with Oceaneering/BP Angola. In the second quarter 2013 a 5 year period dry docking was completed. In Q3 and Q4 the vessel has been fully utilized.
- CSV North Ocean 102 has been on bareboat charter with J. Ray McDermott S.A.
- Lay Vessel North Ocean 105 has been on time charter with J. Ray McDermott S.A.
- Oceanteam's Fast Support Vessels have been working in Venezuela for the full period.
- RentOcean, equipment rental, has been working on multiple contracts during the quarter and has been awarded significant back log for 2014 from Reef Subsea, CEONA, EON and LS Cable.

KCI, design engineering services, has been working on various contracts for multiple clients in both the Oil & Gas and Offshore renewables market. In addition significant resources have been allocated to The Next Step program initiated in October 2013 started off by significantly strengthening the company's management team and structure.

KCI has had an average of 150 engineers working on the following multi discipline projects:

- Assistance in field development plan for Oil & Gas operator on the Dutch on-shore sector.
- Concept design J-Lay tower off-shore pipe line contractor.
- Concept development of a deck-layout for a cable laying vessel.
- Basic of foundation jackets for a sub-station on the English sector of the North Sea.
- Completed concept and feasibility studies for WSB platform (UK).

- Detailed Engineering for the relocation of an off-shore Multi Purpose Platform in the Dutch Sector of the North Sea.
- Completed the Detailed Design and provided Fabrication Assistance for a Pile Gripper.
- Detailed Design for hydraulic piping for a top-side lifting systems.
- Design for a process upgrade of an offshore topside production platform on the Dutch Sector of the North Sea.

### MARKET AND FUTURE OUTLOOK

Oceanteam Shipping observes strong market activity in both the Offshore Oil and Gas- and Renewable Energy Market for certain regions and management expects this trend to continue.

Oceanteam Shipping is confident, and has secured sufficient projects in both the oil and gas and the Renewable Energy Markets to maintain a high level of utilization for its assets and engineers.

In addition the company has spent significant resources in 2013 on preparing the company to focus further on the Latin American Market. Oceanteam is confident that during the first half of 2014 the first significant contracts will be awarded as the basis to further develop the company.

The company shipping segment is based on long term contracts and the company has a long track record on securing such contracts.

The current back log on a 100% basis is: USD 137 million without options.

KCI, design engineering services, nature of the business is such that it is built on a 25 year track record and multiple short term contracts of different sizes and durations.

RentOcean, equipment rental services, through a significant EUR 10 million investment program in 2013 and with it an extension of its scope services, the company has made the transformation from short term seasonal contracts to a more stable model having a healthy mix of of long-, medium and short term contracts. The first two major Oil & Gas contracts have been awarded for supply to Korea and Brasil in addition to the historically strong Offshore Renewables market for the business.

The current back log of RentOcean is: EUR 13 million. The company's strategy is to focus on the provision of

"state of the art" construction support, flex lay vessels plus engineering and equipment services for the Oil and Gas - and Offshore Renewable Energy Market.

This strategy will provide the company with excellent opportunities in the near future. The company is experiencing strong interests for its vessels from globally leading companies.

### FINANCIAL RISK

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 Euros. A bond loan denominated in USD issued on 24th October 2012 reduced the company's foreign currency exposure significantly. Financial covenants as debt service coverage ratio and gearing ratio are applicable and they are further described in the 2012 annual report.

The company is exposed to changes in the LIBOR, as some of its debt has floating LIBOR rates.

In the loan agreement for the CSV Bourbon Oceanteam 101 and CSV Southern Ocean 50 percent of the LIBOR interest rate has been fixed. For the Lay Vessel North Ocean 105 and for the FSV's, the interest rate is fixed. This protects the company from volatile interest rate fluctuations which can affect the Debt Service Coverage Ratio covenant. The new bond loan denominated in USD and the loan for the North Ocean 102 has a floating LIBOR. With the new debt maturities secured in 2012 and the forward interest curves, the company sees a satisfactory risk level.

The objective of the Company is to reduce the financial risk as much as possible. Current foreign exchange strategy does not include the use of financial instruments, but is largely based on natural hedging where income streams and costs are matched for the various projects. This is, however, continuously being monitored by management and the Board of Directors. The Shipping segment is mainly in USD while the Engineering segment is in EUR.

The currency development between the US dollar and the Euro, will reduce (increase) the equity for the company with USD 0.3 million if the exchange rate moves from 1.35 to 1.25 (1.45).

Contract backlog		2012 Q1-2	2012 Q3-4	2013 Q1-2	2013 Q3-4	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
Shipping	Type of contract														
CSV BO 101	time charter	Contract	Contract	Dry Dock	Contract	Contract	Contract	Option	Option	Option	Option				
CSV North Ocean 102	bareboat	Contract	Contract	Contract	Contract	Contract	Contract	Option	Option	Option					
CSV Southern Ocean	bareboat	Contract	Contract	Contract	Contract	Contract	Contract	Contract	Contract	Contract	Contract	Contract	Contract	Contract	Contract
LV North Ocean 105	time charter	Under construction	Contract	Contract	Contract	Contract	Contract	Contract	Contract	Contract	Contract				
Mantarraya	bareboat	Contract	Contract	Contract	Contract	Contract	Option								
Tiburón	bareboat	Contract	Contract	Contract	Contract	Contract	Option								

■ Dry Dock  
 ■ Contract  
 ■ Option  
 ■ Under construction  
 ■ No contract

Contract backlog		2013 Q1-2	2013 Q3-4	2014 Q1-2	2014 Q3-4	2015 Q1-2	2015 Q3-4	2016 Q1-2	2016 Q3-4
Equipment key assets									
HD Plough/60T A-Frame		Contract		Contract	Contract				
MD3 Plough		Contract			Option			Option	
Tensioner 1		Contract	Contract	Contract					
Tensioner 2		Contract	Contract	Option	Contract	Option			
Tensioner 3		Contract	Contract	Option		Option	Option	Option	
Tensioner 4		Contract	Contract	Contract	Contract	Contract	Contract	Contract	
Tensioner 5				Contract	Contract	Contract	Option		
Carousel 750te		Contract	Contract	Contract	Contract	Contract	Contract	Contract	Contract
Carousel 1.250te		Contract	Contract	Contract		Option	Option		
Carousel 2.000te				Contract	Contract	Contract	Option		
Carousel 4.000te				Contract	Contract	Contract	Contract	Contract	

■ Contract  
 ■ Option

## 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. Refinancing transactions in 2012 have significantly increased the liquidity buffer and reduced the liquidity risk for the company.

## INVESTMENTS

- In the second quarter a new 4.000 Ton modular carousel system was ordered to fulfill a two year contract starting in 2014 with LS Cable Korea. The carousel was delivered in the fourth quarter 2013.
- KCI, design engineering services, has been working on various contracts for multiple clients in both the Oil & Gas and Offshore renewables market. In the addition significant resources have been allocated to The Next Step program initiated in October 2013 started off by significantly strengthening the company's management team and structure. Oceanteam has underwritten the program with a convertible loan facility.

## TAX LOSSES

The deferred tax assets will be utilized where possible and is significantly larger than the booked deferred tax asset of USD 6.0 million. The company aims to increase the booked deferred tax asset by securing new contracts and increasing the profit in the engineering segment. During 2013, Oceanteam Shipping secured some new contracts to this end.

## EVENTS AFTER THE BALANCE SHEET DATE

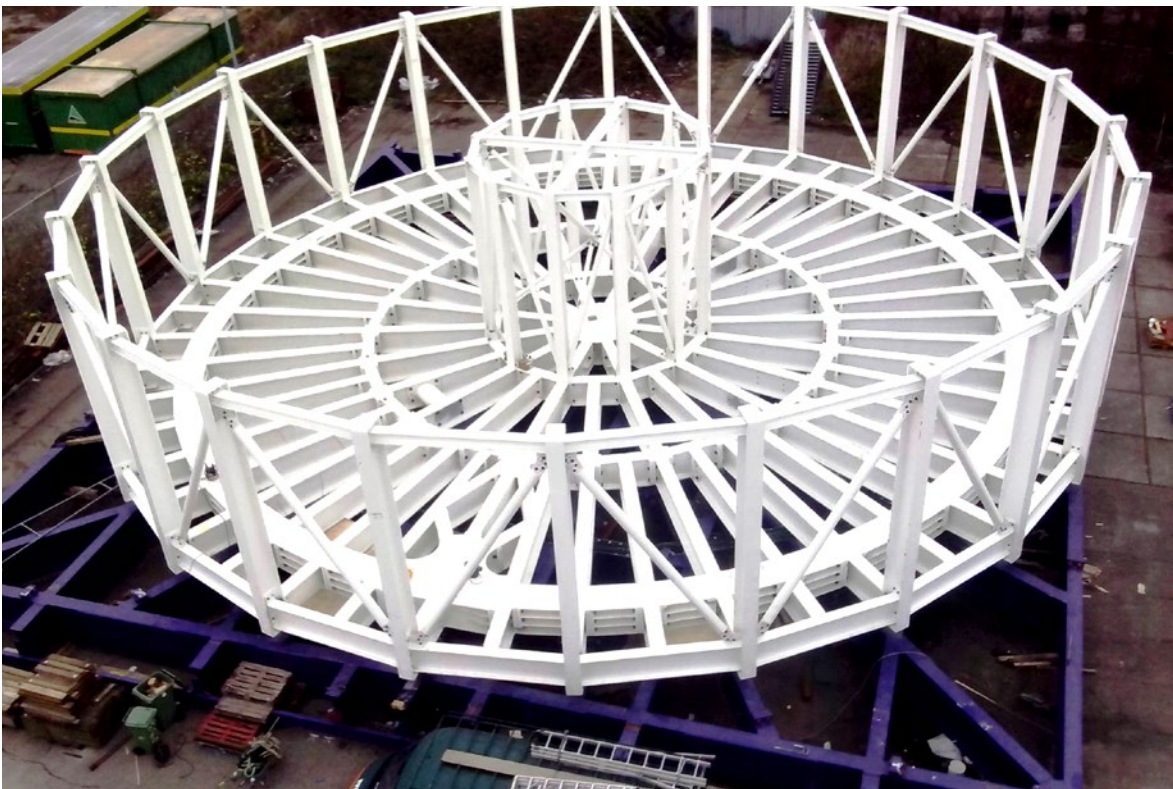
- OceanWind, an Oceanteam joint venture company, has been awarded a 20 year contract with E.ON for cable storage & handling services.
- OceanWind, has been awarded a contract from Vattenfall for cable storage & handling services
- RentOcean, equipment rental services, has been awarded a contract to supply Ceona for a 2.000 Ton certified modular carousel system and a newly designed loading tower with a built-in 15 Ton tensioner for a one-year project plus option for one additional year (1+1 year) in Brazil. RentOcean will also supply technicians to ensure smooth operations as it does now with most of its contracts.
- Oceanteam Shipping has the option to buy out minority shareholders in KCI during 2014.

## 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 2012 is available on [www.oceanteam.no](http://www.oceanteam.no)



CSV Southern Ocean, Russia



4.000 Ton Modular Carousel

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.

GROUP Figures in USD '000

	Notes	Unaudited Q4 2013	Unaudited Q4 2012	Unaudited Cum 2013	Cum 2012
Revenue		10 716	13 022	49 321	48 788
<b>Total operating revenues</b>		<b>10 716</b>	<b>13 022</b>	<b>49 321</b>	<b>48 788</b>
<b>Net income of associates</b>		<b>3 125</b>	<b>2 839</b>	<b>10 941</b>	<b>11 488</b>
Operating costs		(3 286)	(4 898)	(15 230)	(16 317)
General & administration		(5 538)	(4 917)	(17 741)	(15 234)
Depreciation	2	(2 438)	(2 808)	(10 849)	(10 948)
Write off assets		146	197	99	825
<b>Total operating expenses</b>		<b>(11 116)</b>	<b>(12 426)</b>	<b>(43 722)</b>	<b>(41 674)</b>
<b>Operating profit (loss)</b>		<b>2 725</b>	<b>3 434</b>	<b>16 540</b>	<b>18 602</b>
Financial income		(5)	23	(60)	370
Financial costs	4	(3 933)	(9 153)	(16 024)	(20 924)
Foreign exchange results (loss)		335	156	976	(457)
<b>Net finance</b>		<b>(3 603)</b>	<b>(8 974)</b>	<b>(15 108)</b>	<b>(21 011)</b>
<b>Ordinary profit (loss) before taxes</b>		<b>(878)</b>	<b>(5 540)</b>	<b>1 433</b>	<b>(2 409)</b>
Income tax	5	61	(4 509)	1 630	(4 762)
<b>Net result</b>		<b>(817)</b>	<b>(10 049)</b>	<b>3 063</b>	<b>(7 170)</b>



**GROUP Figures in USD '000**

Condensed consolidated statement of comprehensive income	Unaudited		Unaudited	
	Q4 2013	Q4 2012	Cum 2013	Cum 2012
Total net result	(817)	(10 049)	3 063	(7 170)
Changes in revaluation model	2 7 950	643	4 597	20 848
Other comprehensive income		500		(3 373)
Translation differences	(171)	794	(192)	(955)
Treasury shares			(3 629)	(8 050)
Tax on comprehensive income	242	4 320	242	4 342
<b>Total comprehensive income for the year</b>	<b>7 204</b>	<b>(3 792)</b>	<b>4 081</b>	<b>5 642</b>

**Profit (loss) attributable to:**

Owners of the company	(1 696)	(11 339)	935	(11 954)
Non controlling interests	880	1 290	2 128	4 783
<b>Profit (loss)</b>	<b>(817)</b>	<b>(10 049)</b>	<b>3 063</b>	<b>(7 170)</b>

**Total comprehensive income attributable to:**

Owners of the company	6 324	(5 082)	1 954	5 132
Non controlling interests	880	1 290	2 128	510
<b>Total comprehensive income for the year</b>	<b>7 204</b>	<b>(3 792)</b>	<b>4 081</b>	<b>5 642</b>

**Earnings per share (in USD)**

Basic earnings per share (in USD)	(0,03)	(0,34)	0,10	(0,24)
Diluted earnings per share (in USD)	(0,02)	(0,22)	0,07	(0,16)

**Earnings per share - continuing operations**

Basic earnings per share (in USD)	(0,03)	(0,34)	0,10	(0,24)
Diluted earnings per share including warrants II (in USD)	(0,02)	(0,22)	0,07	(0,16)
Number of shares in the period	29 593	29 593	29 593	29 593
Number of shares in the period, diluted warrants II	44 679	44 679	44 679	44 679

## CONDENSED CONSOLIDATED FINANCIAL STATEMENT OF FINANCIAL POSITION

GROUP Figures in USD '000

	Notes	Unaudited	
		31.12.2013	31.12.2012
<b>Assets</b>			
Deferred tax assets	5	6 000	3 831
Customer relations and other intangible assets		1 737	1 688
Goodwill		12 987	12 987
<b>Intangible assets</b>	<b>3</b>	<b>20 724</b>	<b>18 506</b>
Investment in associates and Joint Ventures		88 296	85 035
Vessels and equipment		192 651	182 639
<b>Tangible assets</b>	<b>2</b>	<b>280 947</b>	<b>267 673</b>
<b>Total non current assets</b>		<b>301 671</b>	<b>286 179</b>
Trade receivables		4 092	5 791
Other receivables		5 190	7 159
<b>Receivables</b>		<b>9 282</b>	<b>12 950</b>
<b>Cash and cash equivalents</b>		<b>15 743</b>	<b>31 762</b>
<b>Total current assets</b>		<b>25 024</b>	<b>44 712</b>
<b>Total assets</b>		<b>326 695</b>	<b>330 892</b>
<b>Equity and liabilities</b>			
Share capital		2 595	2 595
Treasury shares		(257)	(87)
Retained earnings		7 284	13 270
Revaluation reserve	2	95 565	96 185
<b>Equity attributable to owners of the Company</b>		<b>106 145</b>	<b>111 963</b>
<b>Non-controlling interests</b>		<b>50 844</b>	<b>42 419</b>
<b>Total equity</b>		<b>156 989</b>	<b>154 382</b>
Loans and borrowings		155 474	164 382
<b>Total non current liabilities</b>	<b>4</b>	<b>155 474</b>	<b>164 382</b>
First year installments	4	8 201	9 189
Trade payables		5 684	5 285
Tax payable		60	52
Other current liabilities		288	(2 396)
<b>Total current liabilities</b>		<b>14 234</b>	<b>12 129</b>
<b>Total liabilities</b>		<b>169 708</b>	<b>176 511</b>
<b>Total equity and liabilities</b>		<b>326 695</b>	<b>330 892</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP Figures in USD '000

	Notes	Unaudited Cum 2013	Cum 2012
<b>Equity at period opening balance</b>			
<b>(Number of shares: 29,593,259)</b>		<b>154 382</b>	<b>146 824</b>
Profit after taxes majority		935	(11 954)
Profit after taxes minority		2 128	4 783
Revaluation of assets		4 597	20 848
Tax on revaluation reserve		242	4 342
Translation differences		(193)	(4 328)
Other comprehensive income			
Decrease in non- controlling interests		(3 629)	(8 050)
<b>Share issue</b>			
Equity issue			2 608
Purchase of own shares		(1 472)	(691)
<b>Equity at period end (Number of shares: 29,593,259)</b>		<b>156 989</b>	<b>154 382</b>

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>(4 328)</b>	<b>15 797</b>	<b>11 469</b>	<b>108 437</b>	<b>30 664</b>	<b>154 382</b>
Profit and loss					935	935		2 128	3 063
Coverage of previous losses									
Decrease in non-controlling interests								(3 629)	(3 629)
<b>Other comprehensive income</b>									
Changes in revaluation model							4 597		4 597
Tax on revaluation reserve							242		242
Translation differences				(193)		(193)			(193)
<b>Total comprehensive income</b>				<b>(193)</b>	<b>935</b>	<b>742</b>	<b>4 839</b>	<b>(1 501)</b>	<b>4 081</b>
<b>Contributions by and distributions to owners</b>									
Issue of ordinary shares									
Change in treasury shares		(170)			(1 305)	(1 305)			(1 472)
<b>Equity per 31 December 2013</b>	<b>2 595</b>	<b>(257)</b>	<b>1 304</b>	<b>(4 521)</b>	<b>15 427</b>	<b>10 906</b>	<b>113 276</b>	<b>29 163</b>	<b>156 989</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 2011</b>	<b>1 291</b>				<b>28 355</b>	<b>28 355</b>	<b>83 247</b>	<b>33 931</b>	<b>146 824</b>
Profit and loss					(11 954)	(11 954)		4 783	(7 171)
Coverage of previous losses									
Decrease in non-controlling interests								(8 050)	(8 050)
<b>Other comprehensive income</b>									
Changes in revaluation model							20 848		20 848
Tax on revaluation reserve							4 342		4 342
Translation differences				(4 328)		(4 328)			(4 328)
<b>Total comprehensive income</b>				<b>(4 328)</b>	<b>(11 954)</b>	<b>(16 282)</b>	<b>25 190</b>	<b>(3 267)</b>	<b>5 641</b>
<b>Contributions by and distributions to owners</b>									
Issue of ordinary shares	1 304		1 304						2 608
Change in treasury shares		(87)			(604)	(604)			(691)
<b>Equity per 31 December 2012</b>	<b>2 595</b>	<b>(87)</b>	<b>1 304</b>	<b>(4 328)</b>	<b>15 797</b>	<b>11 469</b>	<b>108 437</b>	<b>30 664</b>	<b>154 382</b>



CSV North Ocean 102, Singapore

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

GROUP Figures in USD '000

	Notes	Cum Q4 2013	Cum Q4 2012
		Unaudited	
<b>Ordinary profit (loss) before taxes</b>		<b>1 433</b>	<b>(2 409)</b>
Depreciation and amortization of tangible assets	2	10 849	10 948
Tax paid		(508)	(420)
Write off assets		(99)	(825)
Net income of associates		(10 941)	(11 488)
Change in trade receivables		1 699	411
Change in other receivables		1 969	(3 104)
Change in trade payables		400	(478)
Change in other accruals		2 692	(5 329)
Items classified as financing activities			14 961
Items classified as investing activities			500
Interest expense without cash effect			237
<b>Net cash flow from operating activities</b>		<b>7 494</b>	<b>3 004</b>
Net cash flow from investing activities		(9 238)	(6 209)
<b>Net cash flow from investing activities</b>		<b>(9 238)</b>	<b>(6 209)</b>
Issuing of debt			171 198
Repayment of debt		(10 473)	(139 823)
<b>Net cash flow from financing activities</b>	<b>4</b>	<b>(10 473)</b>	<b>31 374</b>
Equity issue			2 608
Purchase of own shares		(1 472)	(691)
<b>Net cash flow from share issue</b>		<b>(1 472)</b>	<b>1 917</b>
Effect of changes to exchange rates on cash and cash equivalents		(2 330)	(3 320)
<b>Net change in cash and equivalents</b>		<b>(16 019)</b>	<b>26 766</b>
<b>Cash and equivalents at start of period</b>		<b>31 762</b>	<b>4 996</b>
<b>Cash and equivalents at end of period</b>		<b>15 743</b>	<b>31 762</b>

\* restricted cash is USD 0.5 million

Contract backlog		2012 Q1-2	2012 Q3-4	2013 Q1-2	2013 Q3-4	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
Shipping	Type of contract														
CSV BO 101	time charter														
CSV North Ocean 102	bareboat														
CSV Southern Ocean	bareboat														
LV North Ocean 105	time charter														
Mantarraya	bareboat														
Tiburón	bareboat														

■ Dry Dock  
 ■ Contract  
 ■ Option  
 ■ Under construction  
 ■ No contract

## SELECTED EXPLANATORY NOTES

Oceanteam Shipping ASA is a public limited company registered in Norway with its corporate headquarter situated in Bergen. The ticker code at the Oslo Stock Exchange ([www.ose.no](http://www.ose.no)) is "OTS".

Oceanteam Shipping is an offshore shipping company. Oceanteam's business is the owning, chartering and managing of Deepwater Offshore Constructive Service - and Pipe Lay Vessels.

In addition, Oceanteam Shipping provides complementary Engineering Services consisting of both Engineering & Design Services and Equipment to support our clients.

### NOTE 1 - FINANCIAL STATEMENTS

The condensed set of Financial Statements for Q4 2013 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 2012, unless otherwise is stated.

#### IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS

IFRS 10 replaces parts of IAS 27 Consolidated and Separate Financial Statements which among other factors relates to the definition of control. Oceanteam Shipping ASA has gained control over CSV Southern Ocean according to the definitions in IFRS 10 and have consolidated the investment in fourth quarter.

#### IFRS 11 JOINT ARRANGEMENTS

In Q4 2013, Oceanteam Shipping ASA have started using the new standard IFRS 11 joint arrangements, where joint venture companies must be accounted for by using equity method. Three of the vessels have previously been implemented by using the proportional consolidation method. When reporting according to equity method instead of the proportional method, the total capital and equity in Q4 2013 report have changed significantly. Comparable figures have also been done according to equity method.

#### SELECTED ACCOUNTING PRINCIPLES

The accounting policies applied are consistent with those of the Annual Financial Statements for the year ended 31 December 2012.

#### IFRSs effective for Interim Financial Statements that are produced for periods beginning on or after 1 January 2013

##### IFRS 7 Financial Instruments – Disclosure

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

Assessments have been done and the Group finds no material impacts for Q4 2013.

##### IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 becomes effective for annual periods beginning on or after 1<sup>st</sup> January 2013.

Assessments have been done and the Group finds no material impacts for Q4 2013.

## NOTE 2 - TANGIBLE ASSETS

GROUP Figures in USD '000

Q4 2013	Investment in associates and Joint Ventures	Participation in LV 105	Construction and Support Vessels (CSV)	Fast Support Vessels, Machinery & other	Total
Historical Cost 30 September 2013	32 307	10 943	104 722	46 722	194 694
Additions	1 641	319		3 134	5 094
Disposals					
<b>Historical Cost 31 December 2013</b>	<b>33 948</b>	<b>11 262</b>	<b>104 722</b>	<b>49 856</b>	<b>199 788</b>
Accumulated depreciation 30 September 2013			(13 680)	(17 842)	(31 522)
Depreciation			(1 175)	(745)	(1 920)
Disposals depreciation					
<b>Accumulated depreciation 31 December 2013</b>			<b>(14 856)</b>	<b>(18 587)</b>	<b>(33 442)</b>
Accumulated impairments 30 September 2013				(8 553)	(8 553)
Impairments/reversals					
<b>Accumulated impairments 31 December 2013</b>				<b>(8 553)</b>	<b>(8 553)</b>
<b>Historical Cost 31 December 2013</b>	<b>33 948</b>	<b>11 262</b>	<b>89 866</b>	<b>22 716</b>	<b>157 793</b>
<b>Revaluation reserve 30 September 2013</b>	<b>48 375</b>	<b>6 858</b>	<b>74 879</b>		<b>130 112</b>
Change in revaluation	(1 645)	(1 369)	10 964		7 950
<b>Revaluation reserve 31 December 2013</b>	<b>46 730</b>	<b>5 489</b>	<b>85 843</b>		<b>138 062</b>
Accumulated depreciation 30 September 2013	(8 609)	(217)	(5 356)		(14 182)
Depreciation premium values	(235)	(72)	(420)		(728)
<b>Revaluation reserve 31 December 2013</b>	<b>37 886</b>	<b>5 200</b>	<b>80 066</b>		<b>123 152</b>
<b>Carrying amount 31 December 2013</b>	<b>71 834</b>	<b>16 462</b>	<b>169 933</b>	<b>22 717</b>	<b>280 947</b>
Depreciation rates			5-25 years	3-15 years	
Depreciation method	none	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.

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

- The model for the calculation of the revaluation has been developed in cooperation with external experts and 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 between a willing seller and a willing buyer, charter free. The Brokers' valuations are done quarterly at the end of the quarter.

In the market for CSV / Lay Vessels there are few transactions of similar tonnage and charter rates often are adjusted to specific projects. The valuation is mostly based on Brokers' opinion of recent newbuilding quotes of similar tonnage and equipment.

In general the Brokers state that they cannot give any assurance that the valuation can be sustained or realizable in any actual transactions. The vessels are also valued individually. If any or all of them were placed on the market at the same time, no assurance can be given that the amount realized would be equal to the total of the individual valuations.

- The average of two brokers' valuations on a charter free CSV / 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. The calculation of the WACC has the following assumptions:
  - 10 year state USD
  - a 40/60 ratio of equity / debt
- When Oceanteam Shipping has a signed 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, based on the management's best estimate.

#### Investment in 4.000 Ton modular carousel system:

In Q2 2013 Oceanteam Shipping was awarded a contract to supply LS Cable Korea a certified 4.000 Ton modular carousel system, a 10 Ton tensioner and accompanying equipment. On December 20<sup>th</sup> 2013 RentOcean, a 100% owned subsidiary of Oceanteam Shipping ASA, delivered the certified 4.000 Ton modular carousel system which was built within 14 weeks and completed the Factory Acceptance Test successfully.

#### Investment in 15 Ton Caterpillar Cable Tensioner:

In November 2013 RentOcean, a 100% owned subsidiary of Oceanteam Shipping ASA, committed to invest in a 15 Ton Caterpillar Cable Tensioner. The building progresses according to schedule and will be delivered early 2014.

## NOTE 3 - INTANGIBLE ASSETS

### GROUP Figures in USD '000

Q4 2013	Goodwill	Customer relations	Deferred tax	Other	Intangible assets
Historical cost 30 September 2013	12 987	4 400	6 000	694	24 081
Additions				1 045	1 045
Disposals					
<b>Historical cost 31 December 2013</b>	<b>12 987</b>	<b>4 400</b>	<b>6 000</b>	<b>1 739</b>	<b>25 126</b>
Accumulated amortisation 30 September 2013		(4 020)			(4 020)
Amortisation		(380)			(380)
<b>Amortisation 31 December 2013</b>		<b>(4 400)</b>			<b>(4 400)</b>
Accumulated impairments 30 September 2013					
Impairments/reversals					
<b>Accumulated impairments 31 December 2013</b>					
<b>Book value 31 December 2013</b>	<b>12 987</b>	<b>0</b>	<b>6 000</b>	<b>1 739</b>	<b>20 724</b>

## NOTE 4 - LOANS AND BORROWINGS

### GROUP Figures in USD '000

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 31 December 2013</b>					
Bank/ bond borrowings incl. interest	22 323	54 362	124 576		201 261
Other current liabilities	288				288
<b>Total liabilities</b>	<b>22 611</b>	<b>54 362</b>	<b>124 576</b>		<b>201 549</b>
<b>At 30 September 2013</b>					
Bank/ bond borrowings incl. interest	22 837	55 467	129 047		207 351
Other current liabilities	7 193				7 193
<b>Total liabilities</b>	<b>30 030</b>	<b>55 467</b>	<b>129 047</b>		<b>214 544</b>

Loans/ Currency of loan		True rate of interest	31 December 2013	30 September 2013
CSV Southern Ocean (USD)	Secured	LIBOR + margin*	72 900	75 112
Two FSV's (USD)	Secured	LIBOR + margin	101	402
Bond loan (USD)	Secured	LIBOR + margin	90 674	90 555
<b>Total long-term debt</b>			<b>163 675</b>	<b>166 069</b>
1 <sup>st</sup> year principal repayments			8 201	9 189
<b>Total long-term debt</b>			<b>155 474</b>	<b>156 879</b>

\* 50% of the LIBOR interest rate is fixed

The CSV vessels and the FSV vessels are collateral for the loans. Latest valuation conclude that real value of the secured CSV vessels and the two FSV boats are significantly higher than the loan amount per 31 December 2013.

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 oversight of the Group's risk management framework. The Board has established the Management Committee, which a.o. is responsible 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 in question.

Per Q4 2013 the Group has overdraft facilities of EUR 500.000 in addition to the cash balance of USD 15.7 million.

### **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 90.7 million per 31 December 2013 and accrued call premium is USD 555.758. 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 48 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 etc. 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 20<sup>th</sup> 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 6.4 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, and arises principally from the Group's receivables from customers. 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 back log:

- CSV 101: BP Angola until 1 March (+2 x 1 year option)
- CSV 102: changed from Time charter to Bareboat charter from 1 October 2012. McDermott firm until 1 August 2015 (+2 x 1 year option)
- CSV 104: Fugro TSMarine Australia until 31 December 2018
- LV 105: McDermott until 30 June 2017 (delivered April 2012)
- FSV Mantarraya: Inversiones until 30 June 2014
- FSV Tiburon: Inversiones until 30 June 2014
- Engineering & equipment: the level of secured work / tenders out are satisfactory for the season
- RentOcean: increased back-log during 2013 and early 2014

## NOTE 5 - TAX IN Q4 2013

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 28 %. 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 1 017 million has been received in October 2013. The Group is analyzing how to utilize the nominal deferred losses of NOK 1 017 million or USD 169 million. The deferred losses for abroad operations are EUR 45 million.

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

## NOTE 6 - RELATED PARTIES

### Oceanteam Holding BV

Oceanteam Holding BV is controlled by chairman Hessel Halbesma and Haico Halbesma, CEO.

Oceanteam Holding BV acts as guarantor for Oceanteam II BV on the Amstel Lease financing of the Mexican Fast Support Vessels. Oceanteam Shipping ASA pays a fee for this guarantee equal to 5% of the outstanding guarantee amount.

### Feastwood Holding Ltd

Feastwood Holding Ltd is controlled by Hessel Halbesma, chairman of Oceanteam Shipping ASA. Transactions consist mainly of invoicing of Board Services at hourly rates and recharges related to disbursements.

### Cenzo

Cenzo is controlled by Catharina Petronella Johanna Pos, director of Oceanteam Shipping ASA. Transactions consists mainly of invoicing of Board Services at hourly rates and recharges related to disbursements.

### Groom Hill

Groom Hill is 33% owned by James Wingett Hill, director of Oceanteam Shipping ASA. Transactions consist mainly of invoicing of Board services at hourly rates and recharges related to disbursements.

## 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 and a decision of venue is expected early 2014. 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.

The company is pursuing a claim on the 2009 Alpha Ventus project for unpaid remedial cost. A positive outcome is expected.

The company has initiated court actions against a former insurance broker for wrong advice/incorrect premiums, expecting settlement in the end of 2013.

The company incurred damages through delays caused by incorrect advice from our external consultants, where a settlement to receive EUR 100.000 is in progress.

## NOTE 8 - CONTINGENT LIABILITIES

Oceanteam Shipping ASA has initiated a Court Case in Bergen for injunction and damages against Sawicon AS naval architect for infringement on OTS rights on original North Ocean Series vessel design under the Marketing Practices Act section 28. The main case commenced in April 2013. Oceanteam Shipping ASA has received the judgement in part one of the case where the court has found in favour of Sawicon AS. The judgement only decides upon some of the claims that were brought forward by the parties. Important parts of the case have not yet been decided upon. Payment has been done for this court case and the payment has been expensed.

Oceanteam Shipping ASA has appealed the verdict based on a thorough analysis of the case together with its external advisors.

Legal costs are booked as they occur and periodized to relevant period.

## 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. Its 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. The vessel has been working for ABB High Voltage AB since its delivery and 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 250tonnes 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.

## VESSELS

### LAY VESSEL NORTH OCEAN 105



High-capacity, rigid-reeled vertical pipelay vessel, with 3000-ton payload reel capacity for subsea construction and installation, and deepwater moorings installation; which has been delivered the 20th April 2012. The vessel has started a 5 year charter contract at delivery.

### FSV MANTARRAYA / 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 compared to similar vessel available.



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