



INTERIM REPORT 3RD QUARTER 2013 OCEANTEAM SHIPPING ASA



OCEANTEAM SHIPPING



OCEANTEAM SHIPPING ASA – Q3 2013 INTERIM REPORT

ISSUE DATE 7TH NOVEMBER 2013

STEADY OPERATIONS

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, Design Engineering and Equipment Rental Services.

"During the third quarter Oceanteam Shipping ASA saw the full utilization of all vessels and in the engineering division the company increased its marketing and investment activity. The investment programme for the supply of modular carousel systems, towers and tensioning systems is proceeding as planned. Management anticipates strong markets in all segments and will continue to focus on performance and profitability going forward."

HIGHLIGHTS FOR THE QUARTER

- Revenue from operations USD 15.6 million
- EBITDA from operations is positive USD 7.2 million
- Operating profit of USD 3.8 million
- Net finance negative USD 4.4 million
- Completion of dry docking for Bourbon Oceanteam 101
- New contracts awarded for the Equipment & storage division
- Equipment division renamed to RentOcean



KEY FIGURES FOR THE GROUP

GROUP Figures in USD '000

	Q3 2013	Q3 2012	Cum 2013	2012	2011	2010
Revenue	14 848	17 441*	45 443	64 269	61 208	46 988
Net income of associates	734	1 048	1 840	2 268		
Operating costs	(4 514)	(5 902)	(14 618)	(23 384)	(24 651)	(21 797)
General & administration	(3 914)	(3 192)	(12 258)	(14 423)	(11 795)	(8 139)
EBITDA	7 155	9 395	20 406	28 730	24 762	17 052
EBITDA percentage of revenue	46 %	51 %	43 %	43 %	40 %	36 %

* Q3 2012 includes an insurance claim settlement of USD 2.4 million.

The shipping segment consists of three multi-purpose Construction Support Vessels, one Pipe Lay Vessel and two Fast Support Vessels. All vessels have been fully employed, except for the planned dry dock period for Bourbon Oceanteam 101 referred to in the report for the second quarter as well.

The Engineering segment designs and engineers complete platforms and infrastructure for the Oil & Gas and Renewables Industry, Deck layouts, Cable & Pipe lay solutions and HSE procedures.

The Engineering segment, RentOcean, rents out a pool of lay and burial equipment, in addition to lay and storage carousels and reels. The company also participates in a joint venture called OceanWind BV for cable transportation and storage solutions.

USD million	Q3 13	Q3 12	%	2012
Operating revenues	15,6	18,5*	-16 %	66,5
Operating costs	(4,5)	(5,9)	(0,2)	(23,4)
EBITDA	7,2	9,4	-24 %	28,7

2013 OPERATIONS

- CSV Bourbon Oceanteam 101 on time charter with Oceaneering/ BP Angola. In the second quarter a 5 year dry docking and vessel upgrade was completed.
- CSV North Ocean 102 has been on bareboat charter with J. Ray McDermott S.A. Oceanteam reduced the operational risk further by converting the time charter into a bareboat charter in Q4 2012.
- CSV Southern Ocean has been on bareboat charter with Fugro TSMarine Australia
- Lay Vessel North Ocean 105 has been on time charter with J. Ray McDermott S.A.
- Oceanteam Shipping's Fast Support Vessels have been working on bareboat contracts in Venezuela

KCI Engineering, servicing the Oil & Gas and Offshore Renewable sector with engineering and design services has had an average of 150 engineers working on the following projects:

- Concept review jacking systems in the Chinese market
- Detailed design platform access system
- Tie in of A18 at the A12 platform
- Owners engineering and engineering assistance German HVDC platform
- Concept study WSB platform (UK)
- Started change programme to develop KCI further into a true multi-disciplinary engineering company

Oceanteam Shipping ASA - 29.593.259 shares were tradable per 24th January 2013.

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 Renewable Energy Markets to maintain a high level of utilization of its assets and engineers.

The company's strategy is to focus on the provision of "state of the art" construction support and flex lay vessels plus engineering and equipment services for the Oil and Gas Market, as well as the Offshore Renewable Energy Market.

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

FINANCIAL RISK

Financial risks include interest rate and currency fluctuations, investment and trading risks in general, borrowing and leverage risks and risks in connection with one vessel under the Spanish Tax Lease, Lay Vessel North Ocean 105.

On 17th July 2013 the European Commission concluded that a Spanish scheme for purchase of ships involving leasing and financing through tax relief is

partly incompatible with EU rules on state aid. The verdict concludes that Spanish authorities must now determine, in accordance with the Commission decision, the amounts of incompatible aid to be recovered from economic interest groupings and their investors. The Commission's decision does not allow the beneficiaries to pass on the repayment obligations to third parties (such as shipyards), even under existing contracts. In Oceanteam's Spanish Tax Lease contracts the ship yard is responsible for the tax lease risk. The full press release and Decision on the aid scheme implemented by Spain from the European Commission can be found under:

http://europa.eu/rapid/press-release_IP-11-825_en.htm?locale=en

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 Euro. A bond loan denominated in USD settled at 24th October 2012 has reduced the company's foreign currency exposure significantly. Financial covenants like the debt service coverage ratio and the gearing ratio are applicable and they are further described in the 2012 annual report.

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

The loan agreement for the CSV Bourbon Oceanteam 101 and CSV Southern Ocean, 50% of the LIBOR interest rate has been fixed. For the Lay Vessel

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
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	Contract	Contract		
CSV Southern Ocean	bareboat	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					
Tiburón	bareboat	Contract	Contract	Contract	Contract						

Dry Dock
 Contract
 Option
 Under construction
 No contract

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 have a floating LIBOR. With the new debt maturities secured in 2012 and the forward interest curves, the company sees a satisfactory risk level.

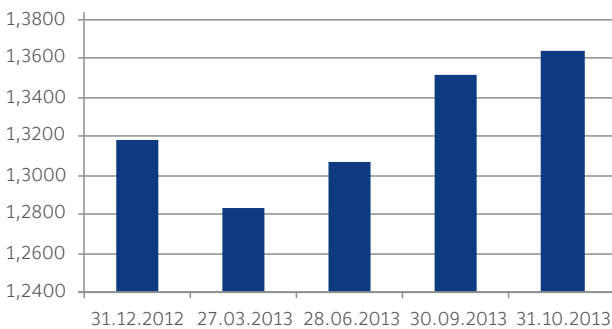
The objective of the company is to reduce the financial risk as much as possible. Current foreign currency exchange strategy does not include the use of financial instruments but is largely based on natural hedging where income streams and costs are matched for the various projects. This is, however,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

In the currency graphs the currency development between US dollar and Euro is presented. For the company it will reduce (increase) the equity with USD 0,3 million if the exchange rate moves from 1.35 to 1.25 (1.45).

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 so that the company will always have sufficient liquidity to meet its obligations. The refinancing transactions in 2012 significantly increased the liquidity buffer and reduced the liquidity risk for the company.

USD / EUR



INVESTMENTS

- In the second quarter a new 4.000 Ton modular carousel system was ordered to fulfill a two years contract starting in 2014 with LS Cable Korea
- The company completed the 5 year dry docking and upgrade of Bourbon Oceanteam 101
- Oceanteam Shipping ASA continued its share buyback program and purchased 1.9 million treasury shares
- KCI 2.0, the next step, programme started

TAX LOSSES

Deferred tax assets will be utilized where possible and are 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

- Oceanteam Shipping ASA is involved in an on-going court case against naval architect Sawicon AS for the infringement of the company's rights to the North Ocean 100 series. The verdict in favour of Sawicon AS was appealed by Oceanteam Shipping ASA. The company will continue to stand by its commitment to protect the company's intellectual property rights against infringement on behalf of itself and its shareholders.
- As of 8 October 2013 the board of directors has appointed Herman J. Goverse as Managing Director of KCI.
- Oceanteam Equipment division, RentOcean, has been awarded a contract to supply Reef Subsea a SMD built HD 3M Plough and A-frame for long-term hire starting in Q2 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 2013 - 2015 and the Group's long-term strategic forecasts. The annual report for 2012 is available on www.oceanteam.no



CSV Southern Ocean, Malaysia

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.

GROUP Figures in USD '000

	Notes	Unaudited Q3 2013	Q3 2012	Unaudited Cum 2013	Cum 2012
Revenue		14 848	17 441	45 443	48 229
Total operating revenues	4	14 848	17 441	45 443	48 229
Net income of associates		734	1 048	1 840	1 721
Operating costs		(4 514)	(5 902)	(14 618)	(17 473)
General & administration		(3 914)	(3 192)	(12 258)	(9 680)
Depreciation	2	(3 315)	(3 627)	(10 046)	(10 645)
Write off assets				(57)	(16)
Total operating expenses		(11 743)	(12 721)	(36 979)	(37 814)
Operating profit (loss)		3 840	5 768	10 305	12 136
Financial income		12	70	74	403
Financial costs	5	(4 162)	(4 573)	(12 310)	(12 126)
Foreign exchange results (loss)		(264)	(270)	342	(422)
Net finance		(4 414)	(4 773)	(11 894)	(12 145)
Ordinary profit (loss) before taxes		(574)	995	(1 589)	(9)
Income tax	6	1 457	(182)	1 569	(252)
Net result		884	813	(19)	(261)



GROUP Figures in USD '000

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Unaudited		Unaudited	
	Q3 2013	Q3 2012	Cum 2013	Cum 2012
Total net result	884	813	(19)	(261)
Changes in revaluation model	2 (450)	962	(3 330)	6 991
Other comprehensive income		(3 834)		(40)
Translation differences		(880)	(21)	(1 560)
Total comprehensive income for the year	433	(2 939)	(3 370)	5 130
Profit (loss) attributable to:				
Owners of the company	852	588	(440)	(389)
Non controlling interests	32	225	421	127
Profit (loss)	884	813	(19)	(261)
Total comprehensive income attributable to:				
Owners of the company	401	(3 120)	(3 791)	5 002
Non controlling interests	32	181	421	127
Total comprehensive income for the year	433	(2 939)	(3 370)	5 130
Earnings per share (in USD)				
Basic earnings per share (in USD)	0,03	0,03	(0,00)	(0,01)
Diluted earnings per share (in USD)	0,02	0,02	(0,00)	(0,01)
Earnings per share - continuing operations				
Basic earnings per share (in USD)	0,03	0,03	(0,00)	(0,01)
Diluted earnings per share including warrants II (in USD)	0,02	0,02	(0,00)	(0,01)
Number of shares in the period	29 593 259	29 593 259	29 593 259	29 593 259

CONDENSED CONSOLIDATED FINANCIAL STATEMENT OF FINANCIAL POSITION

GROUP Figures in USD '000

	Notes	Unaudited	
		30.09.2013	31.12.2012
Assets			
Deferred tax assets	6	6 000	3 831
Customer relations and other intangible assets		693	1 688
Goodwill		12 987	12 987
Intangible assets	3	19 680	18 506
Investment in associates		17 584	14 071
Vessels and equipment		215 877	219 010
Tangible assets	2	233 461	233 081
Total non current assets		253 140	251 587
Trade receivables		5 499	7 658
Other receivables		7 414	7 321
Receivables		12 914	14 979
Cash and cash equivalents		25 655	34 846
Current assets		38 568	49 825
Total assets		291 707	301 412
Equity and liabilities			
Share capital		2 595	2 595
Treasury shares		(257)	(87)
Retained earnings		11 738	13 375
Revaluation reserve	2	92 855	96 185
Total equity		106 931	112 068
Loans and borrowings		163 906	171 894
Total non current liabilities	5	163 906	171 894
First year installments	5	10 740	11 427
Trade payables		7 090	5 326
Tax payable		73	53
Other current liabilities		2 966	644
Total current liabilities		20 869	17 450
Total liabilities		184 775	189 344
Total equity and liabilities		291 707	301 412

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP Figures in USD '000

	Notes	Unaudited Cum 2013	2012
Equity at period opening balance			
(Number of shares: 29,593,259)		112 068	112 958
Profit after taxes majority		(440)	(11 954)
Profit after taxes minority		421	537
Revaluation of assets		(3 330)	8 596
Tax on revaluation reserve			4 342
Translation differences		(21)	(4 328)
Other comprehensive income			
Decrease in non- controlling interests		(295)	
Share issue			
Equity issue			2 608
Purchase of own shares		(1 472)	(691)
Equity at period end (Number of shares: 29,593,259)		106 931	112 068

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
Equity at 31 December 2012	2 595	(87)	1 304	(1 008)	9 052	8 044	96 185	4 027	112 068
Profit and loss					(440)	(440)		421	(19)
Coverage of previous losses									
Decrease in non-controlling interests								(295)	(295)
Other comprehensive income									
Changes in revaluation model							(3 330)		(3 330)
Translation differences				(21)		(21)			(21)
Total comprehensive income				(21)	(440)	(461)	(3 330)	126	(3 665)
Contributions by and distributions to owners									
Issue of ordinary shares									
Change in treasury shares		(170)			(1 305)	(1 305)			(1 472)
Equity per 30 September 2013	2 595	(257)	1 304	(1 029)	7 307	6 279	92 855	4 153	106 931

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
Equity at 31 December 2011	1 291			2 745	21 610	24 355	83 247	4 065	112 958
Profit and loss					(11 954)	(11 954)		537	(11 417)
Coverage of previous losses									
Other comprehensive income									
Changes in revaluation model							8 596		8 596
Tax on revaluation reserve							4 342		4 342
Translation differences				(3 753)		(3 753)		(575)	(4 328)
Total comprehensive income				(3 753)	(11 954)	(15 707)	12 938	(38)	(2 807)
Contributions by and distributions to owners									
Issue of ordinary shares	1 304		1 304						2 608
Change in treasury shares		(87)			(604)	(604)			(691)
Equity per 31 December 2012	2 595	(87)	1 304	(1 008)	9 052	8 044	96 185	4 027	112 068



CSV North Ocean 102, lay system being installed, Indonesia

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

GROUP Figures in USD '000

	Notes	Unaudited Cum Q3 2013	Cum Q3 2012
Ordinary profit (loss) before taxes		(1 589)	(9)
Depreciation and amortization of tangible assets	2	10 046	10 645
Tax paid		(354)	
Write off assets		57	16
Net income of associates		(1 840)	(1 721)
Change in trade receivables		2 159	389
Change in other receivables		(93)	(3 114)
Change in trade payables		1 764	(4 918)
Change in other accruals		2 342	1 891
Net cash flow from operating activities		12 491	3 179
Net cash flow from investing activities		(10 881)	(3 666)
Net cash flow from investing activities		(10 881)	(3 666)
Issuing/ - repayment of debt		(9 034)	32 126
Net cash flow from financing activities	5	(9 034)	32 126
Purchase of own shares		(1 472)	(691)
Net cash flow from share issue		(1 472)	(691)
Effect of changes to exchange rates on cash and cash equivalents		(296)	(5 891)
Net change in cash and equivalents		(9 191)	25 058
Cash and equivalents at start of period		34 846	11 638
Cash and equivalents at end of period		25 655	36 696

* restricted cash is USD 4.0 million

Contract backlog		2012	2012	2013	2013	2014	2014	2015	2015	2016	2016
		Q1-2	Q3-4	Q1-2	Q3-4	Q1-2	Q3-4	Q1-2	Q3-4	Q1-2	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 is an offshore shipping company. Oceanteam's business is the owning, chartering and managing of Deep-water Offshore Constructive Service and Pipe Lay Vessels, Design Engineering and Equipment Rental Services.

NOTE 1 - FINANCIAL STATEMENTS

The condensed set of Financial Statements for Q3 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.

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 Q3 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 1st January 2013.

Assessments have been done and the Group finds no material impacts for Q3 2013.

NOTE 2 - TANGIBLE ASSETS

GROUP Figures in USD '000

Q3 2013	Participation in LV 105	Construction and Support Vessels (CSV)	Fast Support Vessels, Machinery & other	Total
Historical Cost 30 June 13	7 868	159 041	40 877	207 786
Additions	3 075	891	2 353	6 319
Disposals				
Historical Cost 30 September 2013	10 943	159 932	43 230	214 105
Accumulated depreciation 30 June 2013		(27 638)	(17 116)	(44 754)
Depreciation		(1 706)	(727)	(2 432)
Disposals depreciation				
Accumulated depreciation 30 September 2013		(29 344)	(17 842)	(47 185)
Accumulated impairments 30 June 2013			(8 553)	(8 553)
Impairments/reversals				
Accumulated impairments 30 September 2013			(8 553)	(8 553)
Historical Cost 30 September 2013	10 943	130 588	16 836	158 366
Revaluation reserve 30 June 2013	5 912	86 124		92 036
Change in revaluation	946	(1 396)		(450)
Revaluation reserve 30 September 2013	6 858	84 728		91 586
Accumulated depreciation 30 June 2013	(145)	(15 831)		(15 976)
Depreciation premium values	(72)	(446)		(518)
Revaluation reserve 30 September 2013	6 641	68 452		75 093
Carrying amount 30 September 2013	17 584	199 040	16 836	233 461
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.

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. The building is progressing well and planned delivery is within Q4 2013.

NOTE 3 - INTANGIBLE ASSETS

GROUP Figures in USD '000

Q3 2013	Goodwill	Customer relations	Deferred tax	Other	Intangible assets
Historical cost 30 June 2013	12 987	4 400	4 500	680	22 567
Additions			1 500	14	1 514
Disposals					
Historical cost 30 September 2013	12 987	4 400	6 000	694	24 081
Accumulated amortisation 30 June 2013		(4 020)			(4 020)
Amortisation		(380)			(380)
Amortisation 30 September 2013		(4 400)			(4 400)
Accumulated impairments 30 June 2013					
Impairments/reversals					
Accumulated impairments 30 September 2013					
Book value 30 September 2013	12 987	0	6 000	694	19 680

NOTE 4 - SEGMENT INFORMATION

The Group has two segments, shipping and engineering, which are the Group's strategic divisions. 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.

NOTE 5 - 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
At 30 September 2013					
Bank/ bond borrowings incl. interest	25 289	67 090	123 687		216 066
Other current liabilities	10 129				10 129
Total liabilities	35 418	67 090	123 687		226 196

At 30 June 2013					
Bank/ bond borrowings incl. interest	25 743	69 406	128 592		223 741
Other current liabilities	5 488				5 488
Total liabilities	31 231	69 406	128 592		229 229

Loans/ Currency of loan		True rate of interest	30 September 2013	30 June 2013
CSV 101 (USD)	Secured	LIBOR + margin*	29 700	30 525
CSV 102 (USD)	Secured	LIBOR + margin	16 434	17 181
CSV 104 (USD)	Secured	LIBOR + margin*	37 555	38 694
Two FSV's (USD)	Secured	LIBOR + margin	402	697
Bond loan (USD)		LIBOR + margin	90 555	90 436
Total long-term debt			174 646	177 533
1 st year principal repayments			10 740	11 559
Total long-term debt			163 906	165 973

* 50% of the LIBOR interest rate is fixed

The CSV vessels and the FSV vessels are collateral for the loans. Latest valuations conclude that real values of the secured CSV vessels and the two FSV boats are significantly higher than the loan amount per 30th September 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 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 so that the company will always have sufficient liquidity to meet its obligations. The refinancing transactions in 2012 has significantly increased the liquidity buffer and reduced the liquidity risk for the company. The negative verdict in the Sawicon case resulted in decreasing the company's liquidity for second quarter.

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 Q3 2013 the Group has overdraft facilities of EUR 500.000 in addition to the cash balance of USD 25.7 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 was until mid Q4 2012 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 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 90.5 million per 30 September 2013 and accrued call premium is USD 436.667. 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 much 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 management and the Board of Directors.

The booked equity ratio is 36.7 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 interest, Oceanteam Shipping has quarterly fixed interest. 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 20th April 2012 and commenced a five year charter at delivery. This investment has risk connected to the charterer, complex offshore operations and risk connected to owners guarantees in case the project needs more funding. The company's equity contribution is USD 6.8 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 firm, Sawicon AS, 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 28th February 2015 (+2 x 1 year option)
- CSV 102: changed from Time charter to Bareboat charter from 1 October 2012. McDermott firm until 1st August 2015 (+2 x 1 year option)
- CSV 104: Fugro TSMarine Australia until 31st December 2015
- LV 105: McDermott until 30th June 2017 (delivered April 2012)
- FSV Mantarraya: Inversiones until 30th June 2014
- FSV Tiburon: Inversiones until 30th June 2014
- Engineering- & equipment: the level of secured work / tenders out are satisfactory for the season

NOTE 6 - TAX IN Q3 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 of USD 6.0 million in the balance sheet includes deferred tax losses on operations in the Netherlands.

NOTE 7 - CONTINGENT LIABILITIES

The company disputes a claim of EUR 350.000 from a creditor of a liquidated former UK entity. The company has provided a bank guarantee of the same amount as the claim. Final settlement is estimated to take place end 2014.

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 end of 2013. The total claim is estimated to be EUR 600.000 and the risk is estimated to be significantly low by our legal advisors.

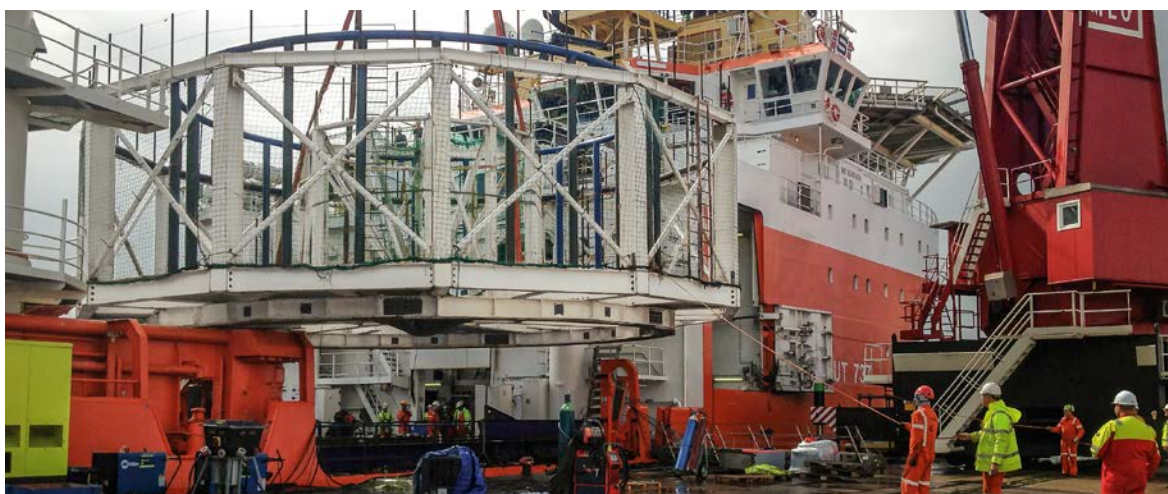
NOTE 8 - CONTINGENT ASSETS

The company is pursuing a claim against 2009 Alpha Ventus project for unpaid remedial costs. A positive outcome is expected.

Oceanteam Shipping ASA has initiated a Court Case in Bergen on injunction and damages against Sawicon AS naval architect for infringement of OTS rights on the 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.

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.



Demobilisation of the Normand Flower and 1250T Carousel, Velsen Noord - The Netherlands

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, 2000m² 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 and will be utilised world wide for cable and umbilical installation works.

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), 2500m² 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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