
**INTERIM REPORT 1ST QUARTER 2013** OCEANTEAM SHIPPING ASA

# OCEANTEAM SHIPPING

**OCEANTEAM SHIPPING ASA – Q1 2013 INTERIM REPORT**

ISSUE DATE 23RD MAY 2013

# STEADY OPERATIONS AND NEW EQUIPMENT INVESTMENT

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

"During the first quarter Oceanteam Shipping ASA saw the full utilization of all vessels. Oceanteam also continued its investment program in 2.000 Ton/ 4.000 Ton modular carousel systems. Equipment rental and new modular carousels represent a high-value segment for Oceanteam and the demand displayed for our innovative, proprietary cable solutions is promising. This was most recently demonstrated by an order placed from LS Cable Korea for a number of our solutions for a two year period building a healthy back log."

For more information: **www.oceanteam.no**

## HIGHLIGHTS FOR THE QUARTER

- Revenue from operations USD 16.5 million
- EBITDA from operations is positive USD 7.2 million
- Operating profit of USD 3.8 million
- Net finance costs USD 3.9 million
- Net profit of USD 0.2 million
- After exercising 14.6 million warrants the total number of shares tradable as from 24th January 2013 on Oslo Stock Exchange are 29.593.259 shares.

## KEY FIGURES FOR THE GROUP

**GROUP Figures in USD '000**

| | Q1 2013 | Q1 2012 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| Revenue | 15 922 | 15 356 | 15 922 | 64 269 | 61 208 | 46 988 |
| Net income of associates | 575 | | 575 | 2 268 | | |
| Operating costs | (5 463) | (6 174 | (5 463) | (23 384) | (24 651) | (21 797) |
| General & administration | (3 824) | (3 034) | (3 824) | (14 423) | (11 795) | (8 139) |
| **EBITDA** | **7 210** | **6 148** | **7 210** | **28 730** | **24 762** | **17 052** |
| | | | | | | |
| **EBITDA percentage of revenue** | **44 %** | **40 %** | **44 %** | **43 %** | **40 %** | **36 %** |

The Shipping segment consists of three multi purpose Construction Support Vessels, one Pipe Lay Vessel and two FSV`s which have been fully employed the first quarter 2013.

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.

In addition the Engineering segment rents out a pool of lay and burial equipment, lay and storage carousels and the company participates in a joint venture called OceanWind together with WIND BV for cable transport and storage solutions.

| USD million | Q1 13 | Q1 12 | % | 2012 |
|---|---|---|---|---|
| **Operating revenues** | **16,5** | **15,4** | **7%** | **66,5** |
| Operating costs | (5,5) | (6,2) | (12%) | (23,4) |
| **EBITDA** | **7,2** | **6,1** | **17%** | **28,7** |

## 2013 OPERATIONS

- CSV Bourbon Oceanteam 101 on charter with Oceaneering/ BP Angola
- CSV North Ocean 102 has been on charter with J. Ray McDermott S.A.
- CSV Southern Ocean has been on charter with Fugro TSMarine Australia
- Lay Vessel North Ocean 105 has been on charter with J. Ray McDermott S.A.
- Oceanteam Shipping's fast support vessels have been on charter in Venezuela
- KCI Engineering, servicing the Oil & Gas - and Offshore Renewable sector with engineering and design services has had an average of 170 engineers working on the following projects:
  - Detailed design of an onshore plant Q16 Maas, the Netherlands
  - Detailed designs for TAQA's (booster) compressors at P15 and L11 platforms in the Dutch sector
  - Topside lift system design for Allseas owned platform decommissioning and pipe lay vessel Pieter Schelte
  - Design for tower crane installation on NAM's K14 platform in the Dutch sector
  - Basic design of jacket support structure for OSS Wikinger
- Oceanteam Equipment rents out carousels, subsea ploughs and tensioning equipment to numerous clients. Due to the seasonal nature of the equipment rental segment, having its low season in the first quarter, the company expects to see an increase in activity in the second quarter.
- Oceanteam Shipping ASA - 29.593.259 shares were tradable per 24th January 2013 after the exercising of the "Warrants I".

## MARKET AND FUTURE OUTLOOK

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

Oceanteam Shipping is confident, and has secured sufficient projects in both the Offshore Oil and Gas and the 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, 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 leading companies in the world.

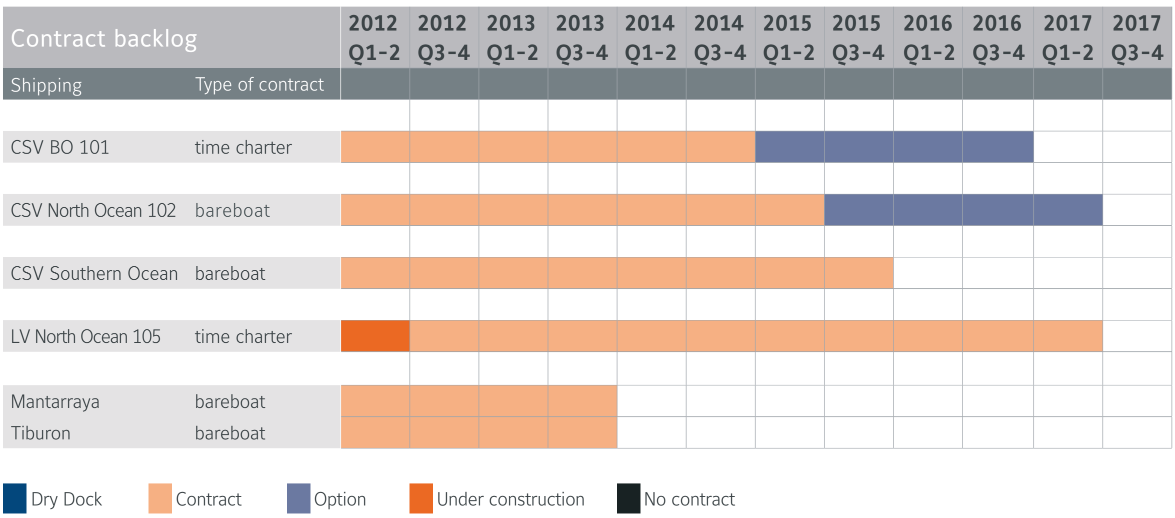
## FINANCIAL RISK

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

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 Euro. A new USD denominated bond loan settled at 24th October 2012 has reduced the company's foreign currency exposure significantly.

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

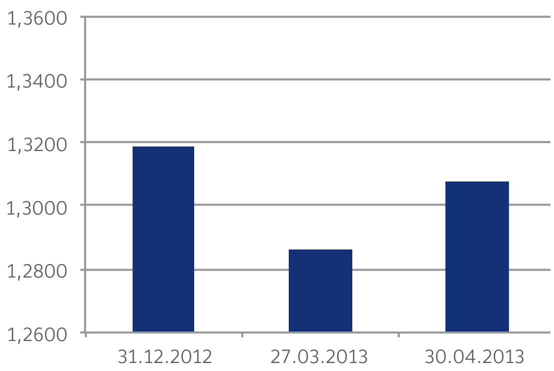
In the loan agreement for the CSV Bourbon Oceanteam 101 and CSV Southern Ocean 50% of the LIBOR interest rate has been fixed. For the Lay Vessel North Ocean 105 and for the FSV's vessels, the interest rate is fixed. This protects the company from volatile interest rate fluctuations. The new USD bond loan 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 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 assessed by the management and the Board of Directors. The Shipping segment is mainly in USD while the Engineering segment is in EUR.

In the currency graphs the currency development between the US dollar and the Euro is presented. For the company it will reduce (increase) the equity with USD 0.4 million if the exchange rate moves from 1.30 to 1.20 (1.40).

## USD/EUR




## 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 refinancing transactions in 2012 has significantly increased the liquidity buffer and reduced the liquidity risk for the company.

## INVESTMENTS

- Oceanteam Shipping ASA ordered a new 2.000 Ton /4.000 Ton modular carousel with delivery April 2013.
- Oceanteam Shipping ASA continued its share buy-back program and purchased 2.0 million treasury shares.

## TAX LOSSES

The deferred tax assets will be utilized where possible and is significantly larger than the booked deferred tax asset of USD 4.5 million. The company aims to increase the booked deferred tax asset by securing new contracts and increasing the profit in the engineering segment. During the second quarter 2013, Oceanteam Shipping secured some new long term contracts.

## EVENTS AFTER THE BALANCE SHEET DATE

- Oceanteam Shipping ASA announced on the 24th of April that the company was selected by LS Cable Korea for supply of a 4.000 Ton modular carousel system for a period of 2 years.
- 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.
- A dry dock period has been scheduled for the vessel Bourbon Oceanteam 101 in the second quarter 2013.

## 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 North Ocean 102

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**GROUP Figures in USD '000**

| | Notes | Unaudited Q1 2013 | Q1 2012 | Unaudited Cum 2013 | Cum 2012 |
|---|---|---|---|---|---|
| Revenue | | 15 922 | 15 356 | 15 922 | 64 269 |
| **Total operating revenues** | **4** | **15 922** | **15 356** | **15 922** | **64 269** |
| **Net income of associates** | | **575** | | **575** | **2268** |
| Operating costs | | (5 463) | (6 174) | (5 463) | (23 384) |
| General & administration | | (3 824) | (3 034) | (3 824) | (14 423) |
| Depreciation | 2 | (3 363) | (3 420) | (3 363) | (14 331) |
| Write off assets | | | (8) | | (16) |
| **Total operating expenses** | | **(13 050)** | **(12 636)** | **(13 050)** | **(52 154)** |
| **Operating profit (loss)** | | **3 848** | **2 720** | **3 848** | **14 383** |
| Financial income | | 12 | 217 | 12 | 439 |
| Financial costs | 5 | (4 081) | (4 137) | (4 081) | (21 352) |
| Foreign exchange results (loss) | | 137 | (685) | 137 | (124) |
| **Net finance** | | **(3 932)** | **(4 606)** | **(3 932)** | **(21 037)** |
| **Ordinary profit (loss) before taxes** | | **(84)** | **(1 886)** | **(84)** | **(6 654)** |
| Income tax | 6 | 316 | (203) | 316 | (4 763) |
| **Net result** | | **233** | **(2 090)** | **233** | **(11 417)** |

**GROUP Figures in USD '000**

| CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | Notes | Q1 2013 | Q1 2012 | Cum 2013 | Cum 2012 |
|---|---|---|---|---|---|
| Total net result | | 233 | (2 090) | 233 | (11 417) |
| Changes in revaluation model | 2 | (1 277) | 4 706 | (1 277) | 8 596 |
| Other comprehensive income | | | (3 873) | | |
| Translation differences | | (6) | (1 748) | (6) | (4 328) |
| Tax on comprehensive income | | | | | 4 342 |
| **Total comprehensive income for the year** | | **(1 051)** | **(3 005)** | **(1 051)** | **(2 807)** |
| | | | | | |
| **Profit (loss) attributable to:** | | | | | |
| Owners of the company | | 3 | (2 288) | 3 | (11 954) |
| Non controlling interests | | 230 | 198 | 230 | 537 |
| **Profit (loss)** | | **233** | **(2 090)** | **233** | **(11 417)** |
| | | | | | |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the company | | (1 281) | (3 203) | (1 281) | (3 344) |
| Non controlling interests | | 230 | 198 | 230 | 537 |
| **Total comprehensive income for the year** | | **(1 051)** | **(3 005)** | **(1 051)** | **(2 807)** |
| | | | | | |
| **Earnings per share (in USD)** | | | | | |
| Basic earnings per share (in USD) | | 0,01 | (0,07) | 0,01 | (0,75) |
| Diluted earnings per share (in USD) | | 0,01 | (0,05) | 0,01 | (0,19) |
| | | | | | |
| **Earnings per share - continuing operations** | | | | | |
| Basic earnings per share (in USD) | | 0,01 | (0,07) | 0,01 | (0,75) |
| Diluted earnings per share including warrants II (in USD) | | 0,01 | (0,05) | 0,01 | (0,19) |
| | | | | | |
| Number of shares in the period | 7 | 29 593 259 | 29 593 259 | 29 593 259 | 29 593 259 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**GROUP Figures in USD '000**

| | Notes | Unaudited 31.03.2013 | 31.12.2012 |
|---|---|---|---|
| **Assets** | | | |
| Deferred tax assets | 6 | 4 500 | 3 831 |
| Customer relations and other intangible assets | | 1 416 | 1 688 |
| Goodwill | | 12 987 | 12 987 |
| **Intangible assets** | **3** | **18 903** | **18 506** |
| Investment in associates | | 13 244 | 14 071 |
| Vessels and equipment | | 218 117 | 219 010 |
| **Tangible assets** | **2** | **231 361** | **233 081** |
| **Total non current assets** | | **250 264** | **251 587** |
| Trade receivables | | 8 647 | 7 658 |
| Other receivables | | 6 616 | 7 321 |
| **Receivables** | | **15 263** | **14 979** |
| **Cash and cash equivalents** | | **30 050** | **34 846** |
| **Current assets** | | **45 313** | **49 825** |
| **Total assets** | | **295 577** | **301 412** |

| | | 31.03.2013 | 31.12.2012 |
|---|---|---|---|
| **Equity and liabilities** | | | |
| Share capital | 8 | 2 595 | 2 595 |
| Treasury shares | 8 | (255) | (87) |
| Retained earnings | | 12 298 | 13 375 |
| Revaluation reserve | 2 | 94 908 | 96 185 |
| **Total equity** | | **109 546** | **112 068** |
| Loans and borrowings | | 169 036 | 171 894 |
| **Total non current liabilities** | **5** | **169 036** | **171 894** |
| First year installments | 5 | 11 427 | 11 427 |
| Trade payables | | 5 167 | 5 326 |
| Tax payable | | 93 | 53 |
| Other current liabilities | | 308 | 644 |
| **Total current liabilities** | | **16 995** | **17 450** |
| **Total liabilities** | | **186 031** | **189 344** |
| **Total equity and liabilities** | | **295 577** | **301 412** |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**GROUP Figures in USD '000**

| | Notes | Unaudited 2013 | 2012 |
|---|---|---|---|
| **Equity at period opening balance (Number of shares: 29,593,259)** | **7** | **112 068** | **112 958** |
| Profit after taxes majority | | 3 | (11 954) |
| Profit after taxes minority | | 230 | 537 |
| Revaluation of assets | | (1 277) | 8 596 |
| Tax on revaluation reserve | | | 4 342 |
| Translation differences | 6 | (6) | (4 328) |
| **Share issue** | | | |
| Equity issue | | | 2 608 |
| Purchase of own shares | | (1 472) | (691) |
| **Equity at period end (Number of shares: 29,593,259)** | **7** | **109 546** | **112 068** |

Condensed consolidated statement of changes in equity

| | Share capital | Treasury shares | Share premium | Translation reserve | Other equity | Total other equity | Revaluation 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 | | | | | 3 | 3 | | 230 | 233 |
| Coverage of previous losses | | | | | | | | | |
| **Other comprehensive income** | | | | | | | | | |
| Changes in revaluation model | | | | | | | (1 277) | | (1 277) |
| Tax on revaluation reserve | | | | | | | | | |
| Translation differences | | | | (6) | | (6) | | | (6) |
| **Total comprehensive income** | | | | **(6)** | **3** | **(3)** | **(1 277)** | **230** | **(1 051)** |
| **Contributions by and distributions to owners** | | | | | | | | | |
| Issue of ordinary shares | | | | | | | | | |
| Change in treasury shares | | (168) | | | (1 304) | (1 304) | | | (1 472) |
| **Equity per 31 March 2013** | **2 595** | **(255)** | **1 304** | **(1 014)** | **7 750** | **6 737** | **94 908** | **4 257** | **109 546** |

**GROUP Figures in USD '000**

| 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 con-trolling 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 Dec. 2012** | **2 595** | **(87)** | **1 304** | **(1 008)** | **9 052** | **8 044** | **96 185** | **4 027** | **112 068** |

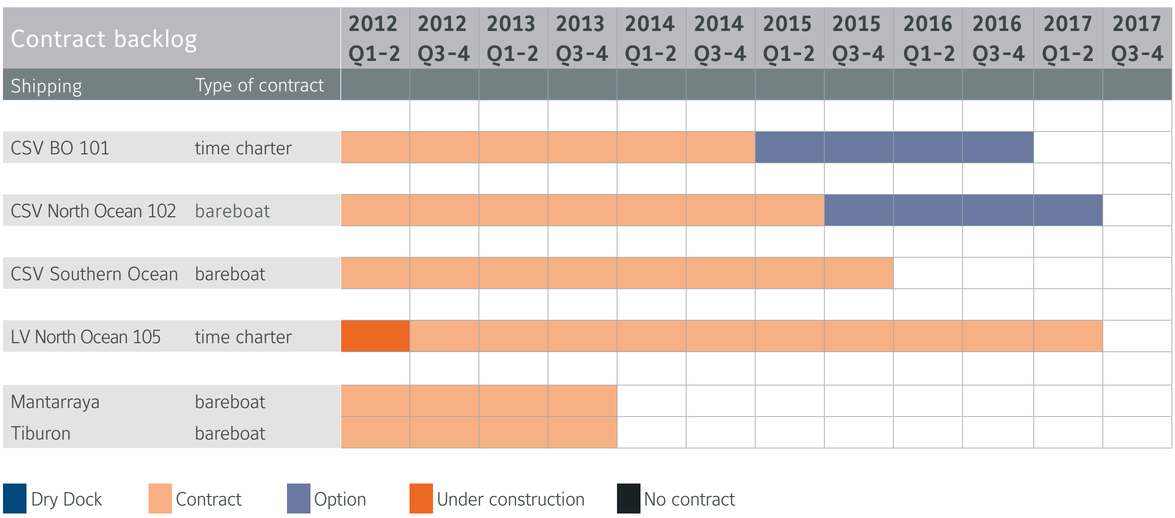
Wintershall - Relocation of KCI Design MPP P6-S to Q1-D

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

**GROUP Figures in USD '000**

| | Notes | Unaudited Q1 2013 | Q1 2012 |
|---|---|---|---|
| **Ordinary profit (loss) before taxes** | | **(84)** | **(1 886)** |
| Depreciation and amortization of tangible assets | 2 | 3 363 | 3 420 |
| Tax paid | | (353) | |
| Write off assets | | | 8 |
| Net income of associates | | (575) | |
| Change in trade receivables | | (989) | (2 069) |
| Change in other receivables | | 705 | (3 576) |
| Change in trade payables | | (159) | 6 742 |
| Change in other accruals | | (296) | 5 319 |
| **Net cash flow from operating activities** | | **1 612** | **7 958** |
| | | | |
| Net cash flow from investing activities | | (2 073) | (2 189) |
| **Net cash flow from investing activities** | | **(2 073)** | **(2 189)** |
| | | | |
| Issuing/ – repayment of debt | | (2 857) | (2 355) |
| **Net cash flow from financing activities** | 5 | **(2 857)** | **(2 355)** |
| | | | |
| Purchase of own shares | | (1 472) | |
| **Net cash flow from share issue** | 8 | **(1 472)** | |
| | | | |
| Effect of changes to exchange rates on cash and cash equivalents | | (7) | (711) |
| **Net change in cash and equivalents** | | **(4 796)** | **2 703** |
| | | | |
| **Cash and equivalents at start of period** | | **34 846** | **11 638** |
| | | | |
| **Cash and equivalents at end of period** | | **30 050** | **14 341** |

* restricted cash is USD 4.0 million



# SELECTED EXPLANATORY NOTES

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, Design Engineering and Equipment Rental services.

# NOTE 1 - FINANCIAL STATEMENTS

The condensed set of Financial Statements for Q1 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. The annual report for 2012 is available on **www.oceanteam.no**


CSV Southern Ocean

# NOTE 2 - TANGIBLE ASSETS

**GROUP Figures in USD '000**

| Q1 2013 | Participation in LV 105 | Construction and Support Vessels (CSV) | Fast Support Vessels, Machinery & other | Total |
|---|---|---|---|---|
| Historical Cost 31 December 2012 | 6 839 | 145 365 | 37 844 | 190 048 |
| Additions | 575 | 201 | 1 801 | 2 577 |
| Disposals | | | (36) | (36) |
| **Historical Cost 31 March 2013** | **7 414** | **145 566** | **39 609** | **192 589** |
| Accumulated depreciation 31 December 2012 | | (24 228) | (15 650) | (39 878) |
| Depreciation | | (1 704) | (701) | (2 405) |
| Disposals depreciation | | | 14 | 14 |
| **Accumulated depreciation 31 March 2013** | | **(25 932)** | **(16 337)** | **(42 269)** |
| Accumulated impairments 31 December 2012 | | | (8 553) | (8 553) |
| Impairments/reversals | | | | |
| **Accumulated impairments 31 March 2013** | | | **(8 553)** | **(8 553)** |
| **Historical Cost 31 March 2013** | **7 414** | **119 634** | **14 719** | **141 767** |
| | | | | |
| **Revaluation reserve 31 December 2012** | **7 232** | **87 684** | | **94 916** |
| Change in revaluation | (1 330) | 53 | | (1 277) |
| **Revaluation reserve 31 March 2013** | **5 902** | **87 737** | | **93 639** |
| | | | | |
| Accumulated depreciation 31 December 2012 | | (3 452) | | (3 452) |
| Depreciation premium values | (72) | (521) | | (593) |
| **Revaluation reserve 31 March 2013** | **5 830** | **83 764** | | **89 594** |
| | | | | |
| **Carrying amount 31 March 2013** | **13 244** | **203 398** | **14 719** | **231 361** |
| | | | | |
| 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 opinion 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 above 3 assumptions form Brokers sole opinion of the fair market value any asset in the prevailing market as between a willing seller and a willing buyer, charter free. The Brokers valuation are done quarterly at end of 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 all or any 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 valuation 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 value of the vessel is depreciated linear 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 Vessels 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 price 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 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 shall be 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 best estimate of the management.

### Investment in 2.000 Ton modular carousel system:

In the first quarter 2013 Oceanteam Shipping has taken up one of its options and ordered a new, OTS design, 2.000 Ton modular carousel system, which was delivered in April 2013.

### Investment in 10 Ton tensioner:

In the current quarter Oceanteam Shipping has ordered a new, OTS design, 10 Ton tensioner, which is being bulit and will be delivered in June 2013 for immediate hire with the client.

### Investment in 4.000 Ton modular carousel system:

After balance sheet date, 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 in progress and planned delivery is within the fourth quarter this year.

# NOTE 3 - INTANGIBLE ASSETS

**GROUP Figures in USD '000**

| Q1 2013 | Goodwill | Customer relations | Deferred tax | Other | Intangible assets |
|---|---|---|---|---|---|
| Historical cost 31 December 2012 | 12 987 | 4 400 | 3 831 | 577 | 21 795 |
| Additions | | | 669 | 93 | 762 |
| Disposals | | | | | |
| **Historical cost 31 March 2013** | **12 987** | **4 400** | **4 500** | **670** | **22 557** |
| Accumulated amortisation 31 December 2012 | | (3 288) | | | (3 288) |
| Amortisation | | (366) | | | (366) |
| **Amortisation 31 March 2013** | | **(3 654)** | | | **(3 654)** |
| Accumulated impairments 31 December 2012 | | | | | |
| Impairments/reversals | | | | | |
| **Accumulated impairments 31 March 2013** | | | | | |
| | | | | | |
| **Book value 31 March 2013** | **12 987** | **746** | **4 500** | **670** | **18 903** |

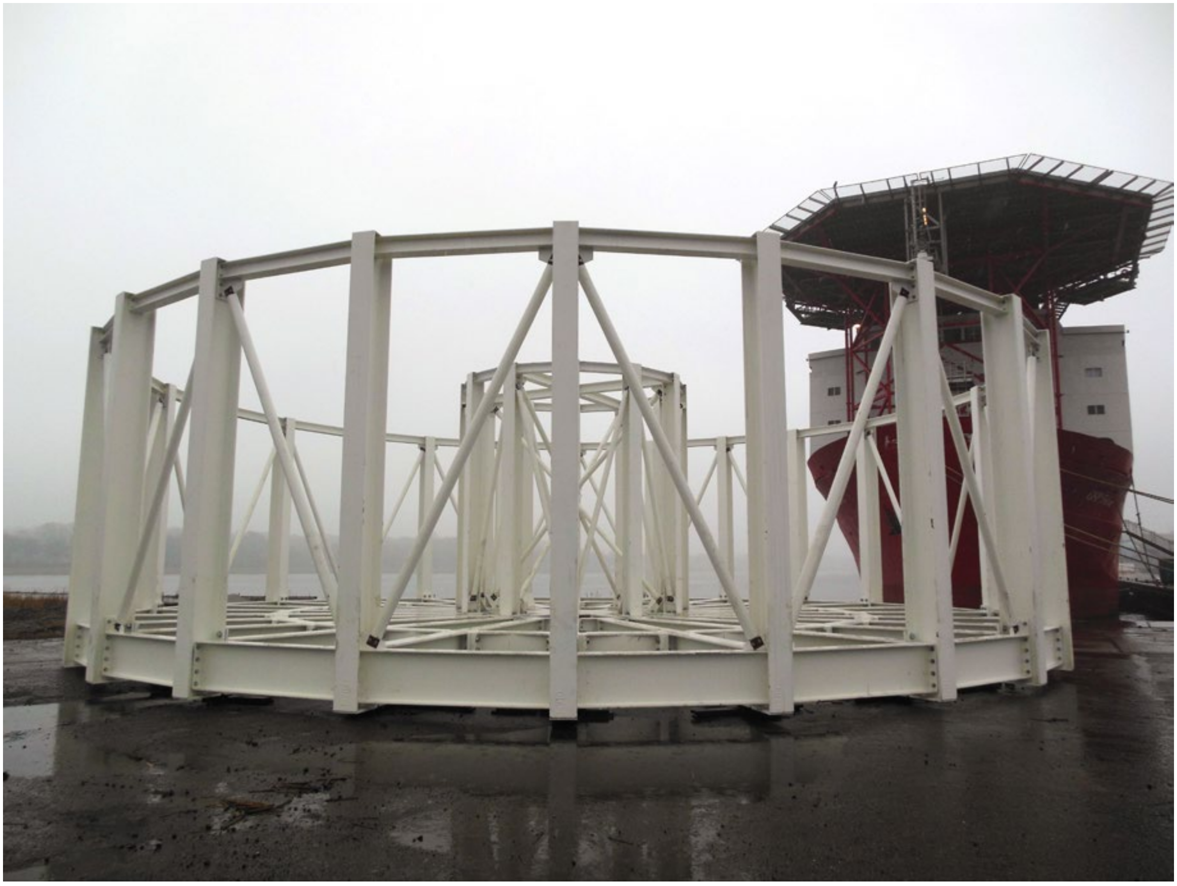

LV North Ocean 105

# NOTE 4 - SEGMENT INFORMATION

**GROUP Figures in USD '000**

"The Group has two segments, shipping and engineering as described below, 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. The following summary describes the operations in each of the Group's reportable segments:

| Segment information | Shipping | | Engineering | | Total | Total |
|---|---|---|---|---|---|---|
| | **Q1 2013** | **Q1 2012** | **Q1 2013** | **Q1 2012** | **2013** | **2012** |
| Revenue | 8 027 | 8 952 | 7 895 | 6 404 | 15 922 | 15 356 |
| Net income of associates | 575 | | | | 575 | |
| Operating costs | (1 164) | (2 505) | (4 299) | (3 669) | (5 463) | (6 174) |
| General & administration | (1 703) | (1 324) | (2 121) | (1 710) | (3 824) | (3 034) |
| **EBITDA** | **5 735** | **5 123** | **1 475** | **1 025** | **7 210** | **6 148** |



2000T Carousel

# 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 31 March 2013** | | | | | |
| Bank/ bond borrowings incl. interest | 26 113 | 25 752 | 165 379 | | 217 244 |
| Other current liabilities | 5 568 | | | | 5 568 |
| **Total liabilities** | **31 681** | **25 752** | **165 379** | | **222 812** |
| | | | | | |
| **At 31 December 2012** | | | | | |
| Bank/ bond borrowings incl. interest | 26 212 | 25 742 | 186 047 | | 238 001 |
| Other current liabilities | 6 022 | | | | 6 022 |
| **Total liabilities** | **32 234** | **25 742** | **186 047** | | **244 023** |

| Loans/ Currency of loan | | True rate of interest | 31 Mar 2013 | 31 Dec 2012 |
|---|---|---|---|---|
| CSV 101 (USD) | Secured | LIBOR + margin* | 31 350 | 32 175 |
| CSV 102 (USD) | Secured | LIBOR + margin | 17 928 | 18 675 |
| CSV 104 (USD) | Secured | LIBOR + margin* | 39 883 | 41 098 |
| Two FSV's (USD) | Secured | LIBOR + margin | 987 | 1 177 |
| Bond loan (USD) | | LIBOR + margin | 90 317 | 90 197 |
| **Total long-term debt** | | | **180 464** | **183 322** |
| 1st year principal repayments | | | 11 427 | 11 427 |
| **Total long-term debt** | | | **169 036** | **171 894** |

* 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 31st March 2013.

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

## LIQUIDITY RISK, FINANCIAL RISK AND MARKET RISK

The Board of Directors has 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 liabilities when due, under both normal and stressed conditions, without incurring unacceptabe losses or risking damage to the Group's reputation.

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 Q1 2013 the Group has overdraft facilities of EUR 500.000 in addition to the cash balance of USD 30.1 million.

### Currency risk

The Group is exposed to currency risk 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 90.3 million per 31st March 2013 and accrued call premium is USD 119.091. 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 assessed by the Board of Directors.

The booked equity ratio is 37 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 percent 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 4.6 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 acounts 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 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 end 2013
- FSV Tiburon: Inversiones until end 2013
- Engineering- & equipment: the level of secured work / tenders out are satisfactory for the season.

# NOTE 6 - TAX IN Q1 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 percent is 28 percent. 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 917 million has been received in October 2012. The Group is analyzing how to utilize the nominal deferred losses of NOK 917 million or USD 160 million. The deferred losses for abroad operations is EUR 45 million.

The deferred tax balance USD 4.5 million in the balance sheet refers to abroad operations in the Netherlands.

# NOTE 7 - NUMBER OF SHARES IN THE PERIOD

At the Annual General Meeting of Oceanteam Shipping on 31 May, it was resolved to consolidate (reverse split) the shares of the company so that 10 old shares shall give 1 new share. After the share consolidation, the nominal value of the shares shall be NOK 0.50, up NOK 0.45 from NOK 0.05. Further, in order to ensure a number of shares dividable by 10 prior to consolidation, a share capital increase of 7 new shares at a subscription price of NOK 0.05 was resolved. Following consolidation the number of shares will thus be reduced from 150,788,393 to 15,078,840.

As the company for the time has outstanding warrants, it was resolved to carry out a similar consolidation as with the shares so that 10 warrants are consolidated into 1. The new face value per warrant is with same ratio 10:1, hence NOK 1.00.

When the existing bond loan will be redeemed the 23rd November, the potential exercise of up to 14,898,607 warrants type I will be triggered, which gives the holder the right to subscribe for one new share at a price of NOK 1.00, per warrant. If all warrants type I are exercised, the new number of outstanding shares will be 29,977,400 and the company will no longer have any warrants outstanding.

In the Consolidated Statement of Comprehensive Income, the previous number of shares have been restated for the ex-reverse split at the ratio 10:1, hence previous earnings per share (in USD) are also restated for the previous periods.

The bond loan was repaid the 23rd November 2012 and triggered the exercising of 14.5 million warrants which cleaned up the share capital and resulted in a total number of shares of 29,593,259 for the company in Q4 2012. With capital paid in 2012 and the new shares registered in January 2013.

# NOTE 8 - SHARE CAPITAL AND PURCHASE OF OWN SHARES

In Q3 2012 Oceanteam Shipping ASA purchased own shares in the market. Following these transactions Oceanteam Shipping ASA owns a total of 1,007,524 treasury shares which equals 6.68% of the total number of shares.

Oceanteam Shipping ASA has registered the new share capital of NOK 14,796,629.50 divided into 29,593,259 shares, each with a nominal value of NOK 0.50 per 24 January 2013.

On 22 February 2013 Oceanteam Shipping ASA purchased 1,951,798 own shares at NOK 4.30 per share. After this transaction Oceanteam owns a total of 2,959,324 own shares representing 9.99% of the company's shares. The purpose of the buy-back was to secure the company's obligations related to its incentive plan for executives and employees.

# 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 in 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 worked for ABB High Voltage AB from its delivery and was mobilised with a 7000 tonnes, 2 x 120 tonnes tensioners flexible product installation spread. CSV North Ocean 102 is equipped with one 100 tonnes heave compensated crane. The second of the standard design North Ocean 100 series has been converted into one of the largest flexible product installation vessels in the world suitable for both subsea power cables and umbilicals. The ship is 137 meters 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. 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$^2$ 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 Pipe Lay Vessel, with 3000-ton payload reel capacity for subsea construction and installation, and deepwater moorings installation; which was delivered on 20th April 2012. The vessel has started a 5 year charter contract with McDermott 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 vessels available. Both these vessels are on bareboat contracts in Venezuela.

OCEANTEAM SHIPPING

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