



Q3

INTERIM REPORT 3<sup>RD</sup> QUARTER 2012 OCEANTEAM SHIPPING ASA



**OCEANTEAM SHIPPING**



## OCEANTEAM SHIPPING ASA – Q3 2012 INTERIM REPORT

ISSUE DATE 8<sup>TH</sup> NOVEMBER 2012

# BOND LOAN REFINANCED

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, Engineering and Equipment services.

During the third quarter the company had full utilisation of Pipe Lay Vessel North Ocean 105 and completed the refinancing of CSV Bourbon Oceanteam 101 and CSV Southern Ocean. Following the third quarter the company carried out the successful placement of a USD 92.5 million bond to replace its current bond loan.

"The third quarter, and subsequent events, marked the successful completion of refinancing the company. With the successful placement of a USD 92.5 million bond and the refinancing of CSV Bourbon Oceanteam 101 and CSV Southern Ocean, the company has significantly increased financial flexibility. The improved financial platform represents a very significant step for the company and will enable Oceanteam Shipping to fully focus on growth opportunities in an attractive market", says CEO of Oceanteam Shipping, Haico Halbesma.

For more information: [www.oceanteam.no](http://www.oceanteam.no)

## HIGHLIGHTS FOR THE QUARTER

- Revenue from operations USD 18.5 million
- EBITDA from operations is positive USD 9.4 million
- Operating profit of USD 5.8 million
- Net finance negative USD 4.8 million incl. an increased bond call premium of USD 2.0 million
- Net result from operations positive USD 0.8 million
- Completion of the refinancing of CSV Bourbon Oceanteam 101 and CSV Southern Ocean
- Oceanteam Shipping refinanced a bond loan on 24<sup>th</sup> October 2012.
- The company purchased 1 million shares which is 6.68% of total outstanding shares.

**KEY FIGURES FOR THE GROUP**

GROUP Figures in USD '000

	Q3 12	Q2 12	Q1 12	Cum 2012
<b>Operating revenues</b>	<b>18,5</b>	<b>16,1</b>	<b>15,4</b>	<b>50,0</b>
Operating costs	(5,9)	(5,4)	(6,2)	(17,5)
<b>EBITDA</b>	<b>9,4</b>	<b>7,3</b>	<b>6,1</b>	<b>22,8</b>

"The financial performance in the third quarter 2012 has been satisfactory. The total operating profit increased with 66% and EBITDA increased with 29% compared to the same quarter last year. The shipping segment has delivered a very strong quarter. The engineering department improved its financial performance. The equipment rental side of the business continues to grow with the introduction of OTS developed equipment solutions for flexible product installation and storage. Our "state of the art" construction vessels have performed well during the quarter, says CFO of Oceanteam Shipping, Torbjørn Skulstad."

Segment information	Shipping		Engineering		Total	Total
	Q3 2012	Q3 2011	Q3 2012	Q3 2011	Q3 2012	Q2 2012
Revenue	10 065	9 622	7 376	7 116	17 441	15 432
Net income of associates	1 048				1 048	673
Operating costs	(2 317)	(2 481)	(3 585)	(3 657)	(5 902)	(5 397)
General & administration	(1 155)	(1 542)	(2 037)	(1 801)	(3 192)	(3 454)
<b>EBITDA</b>	<b>7 642</b>	<b>5 600</b>	<b>1 753</b>	<b>1 658</b>	<b>9 395</b>	<b>7 254</b>
<b>EBITDA percentage of revenue</b>	<b>69 %</b>	<b>58 %</b>	<b>24 %</b>	<b>23 %</b>	<b>51 %</b>	<b>45 %</b>

In the Shipping segment three Construction Support Vessels, one Pipe Lay Vessel and two FSV Vessels have been working in the third quarter 2012.

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 solutions.

In addition the Engineering segment rents out a pool of lay, burial and storage equipment and includes a new joint venture that was started called OCEANWIND together with Wind BV. OceanWind business is storage and handling of cables, flexible pipeline and umbilicals both onshore and offshore.

## 2012 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 operational from October 2010 on a bareboat charter with Fugro TSMarine.
- Lay Vessel North Ocean 105 has been on a time charter with J. Ray McDermott S.A.
- Oceanteam’s fast support vessels have been working on bareboat contracts in Venezuela.
- Oceanteam equipment rented out carousels, subsea ploughs and tensioning equipment to various clients.
- KCI Engineering, servicing the Oil & Gas – and Offshore Renewable sector with engineering and design services has performed with an average of 165 engineers working on the following projects:
  - Start detailed design onshore gas plant the Netherlands
  - FEED study for additional compressor capacity UK offshore sector
  - Detailed piping and structural design compressor modules FPSO offshore Brasil
  - Field engineering support for turbine foundations for the Global Tech 1 project
  - Continuation of Installation engineering for Bard 1 turbines, phase 2
- Oceanteam Shipping ASA - The unsecured bond loan has increased its next step up in the call premium with NOK 40 million. The accrued call

amount in the quarter was USD 2.0 million. The bond loan is due to be refinanced before 19<sup>th</sup> June 2014 which the company has called to early redeem on 23<sup>rd</sup> November 2012.

## MARKET AND FUTURE OUTLOOK

Oceanteam Shipping sees that the market activity remains strong in both the Offshore Oil and Gas – and Renewable Market for certain regions and the management expect 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 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 market.

This strategy is providing the company with excellent opportunities in the near future. The company experiences strong interest for its vessels from leading companies in its markets.

## FINANCIAL RISK

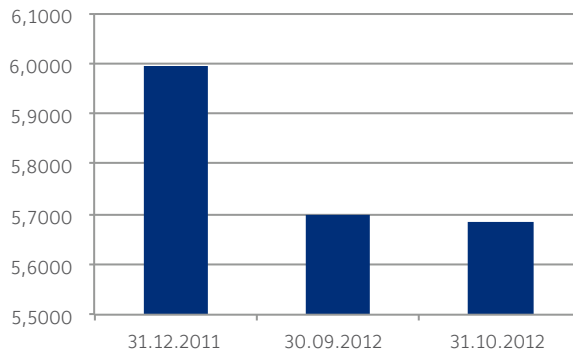
Financial risk includes interest rate and currency fluctuations, investment and trading risks in general, borrowing and leverage and risk in connection with

Contracts schedule		2011 Q1-2	2011 Q3-4	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	Contract	Contract	Contract	Contract	Contract	Contract	Option	Option	Option	Option
CSV North Ocean 102	time charter	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	Contract	Contract	Contract	Contract	Contract	Contract	Contract	Contract	Contract	Contract	Contract	Contract
Mantarraya	bareboat	Contract	Contract	Contract	Contract	Contract	Contract						
Tiburón	bareboat	Contract	Contract	Contract	Contract	Contract	Contract						

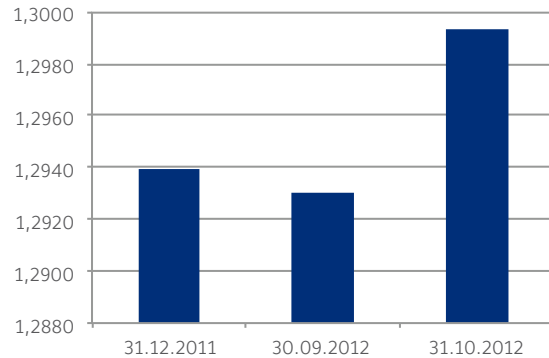
■ Dry Dock   
 ■ Contract   
 ■ Option   
 ■ Under construction   
 ■ No contract



### USD/NOK



### EUR/USD



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 liabilities in Norwegian Kroner and revenue and liabilities in the Euro. The new USD bond loan settled at 24<sup>th</sup> October will reduce the company's foreign exposure significantly.

The company is exposed to changes in interest rates as the bulk of its debt has had floating rates. Lay Vessel North Ocean 105 was financed in USD for the construction costs hedged in EUR. Long term post construction finance has been secured in USD where the interest rate is fixed. In the new loan agreement for the CSV Bourbon Oceanteam 101 and CSV Southern Ocean 50% of the interest rate has been fixed. This is securing the company from volatile interest movements.

The objective of the Company is to reduce its 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 Board of Directors.

During the third quarter 2012 the decreased value of NOK against the USD and the strengthening of USD compared to the EUR, has had a negative equity effect of USD 3.8 million. The booked equity ratio is 37.6 percent.

In the currency graphs the currency development between the US dollars and the Norwegian Kroner and the Euro is presented. For the company it will reduce (increase) the equity with USD 1.3 million if the exchange rate moves from 5.70 to 5.60 (5.80).

### 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.

### INVESTMENTS

- Oceanteam Shipping ASA took delivery of its new OTS 1.250T modular carousel system in March 2012. The system is on contract with Visser & Smit Marine Contracting in the Netherlands on board Solstad Offshore ASA's CSV Normand Flower for offshore renewable operations in the Southern North Sea.
- Oceanteam Shipping ASA took delivery of a new OTS design 10T tensioning system which went on hire with Bohlen & Doyen Germany.
- Oceanteam Shipping is planning to continue its investment program in equipment and high specification offshore construction support – and lay vessels.
- Pipe Lay Vessel North Ocean 105 was delivered 20th April 2012 on time and within budget.

### TAX LOSSES

Oceanteam Shipping has completed the consolidation of its business and has brought the organization in line with its new focus as Oceanteam Shipping. The deferred tax assets will be utilized where possible and is significantly larger than the booked deferred tax asset of USD 3.8 million. The company aims to increase the booked deferred tax asset by securing new contracts and increasing the profit in the engineering segment.

### EVENTS AFTER THE BALANCE SHEET DATE

- Oceanteam Shipping ASA has completed a new bond loan of USD 92.5 million per 24<sup>th</sup> October 2012.
- Oceanteam Shipping ASA has secured the foreign exchange tranche for replacing the existing NOK bond loan with the new USD bond loan at satisfactory levels.

When the existing bond loan is repaid the 23<sup>rd</sup> November, 14.9 million warrants will be live to be exercised.

The company expects the warrants to be executed and that the total number of shares year end 2012 will amount to 29.9 million shares.

### 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 - 2014 and the group's long - term strategic forecasts.

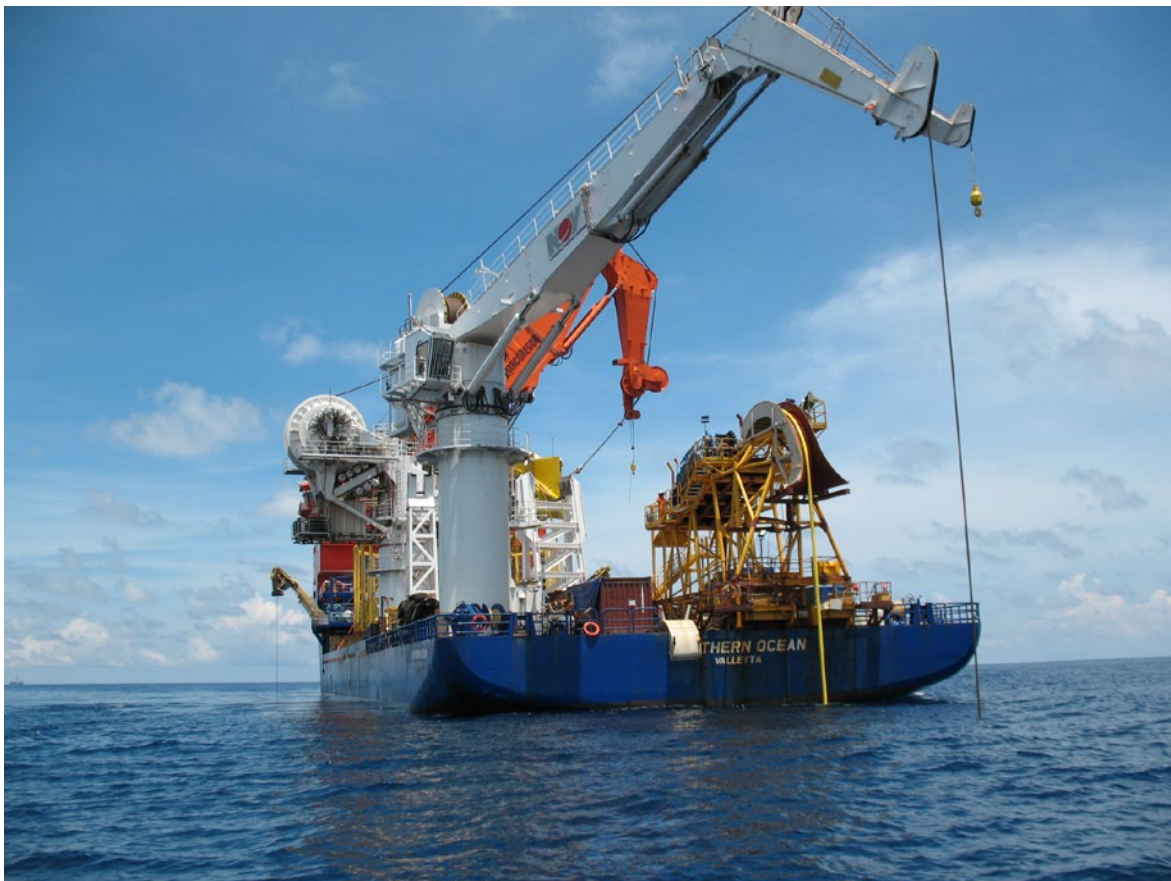


Photo: CSV Southern Ocean, China

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

GROUP Figures in USD '000

	Notes	Unaudited Q3 2012	Unaudited Q3 2011	Unaudited Cum 2012	Cum 2011
Revenue		17 441	16 738	48 229	45 735
<b>Total operating revenues</b>	<b>4</b>	<b>17 441</b>	<b>16 738</b>	<b>48 229</b>	<b>45 735</b>
<b>Net income of associates</b>		<b>1 048</b>		<b>1 721</b>	
Operating costs		(5 902)	(6 137)	(17 473)	(18 317)
General & administration		(3 192)	(3 342)	(9 680)	(9 043)
Depreciation	2	(3 627)	(3 782)	(10 645)	(11 602)
Write off assets				(16)	2 098
<b>Total operating expenses</b>		<b>(12 721)</b>	<b>(13 261)</b>	<b>(37 814)</b>	<b>(36 864)</b>
<b>Operating profit (loss)</b>		<b>5 768</b>	<b>3 477</b>	<b>12 136</b>	<b>8 871</b>
Financial income		70	80	403	285
Financial costs	5	(4 573)	(3 342)	(12 126)	(9 910)
Foreign exchange results (loss)		(270)	2 910	(422)	507
<b>Net finance</b>		<b>(4 773)</b>	<b>(352)</b>	<b>(12 145)</b>	<b>(9 118)</b>
<b>Ordinary profit (loss) before taxes</b>		<b>995</b>	<b>3 125</b>	<b>(9)</b>	<b>(247)</b>
Income tax	6	(182)	(185)	(252)	(348)
<b>Net result from operations</b>		<b>813</b>	<b>2 939</b>	<b>(261)</b>	<b>(595)</b>

**GROUP Figures in USD '000**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME					
	Notes	Q3 2012	Q3 2011	Cum 2012	Cum 2011
Total net result		813	2 939	(261)	(595)
Changes in revaluation model	2	962	(785)	7 953	4 863
Other comprehensive income		(3 834)	6 194	(3 874)	(6 412)
Translation differences		(880)		(2 439)	(699)
Tax on comprehensive income					
<b>Total comprehensive income for the year</b>		<b>(2 939)</b>	<b>8 348</b>	<b>1 378</b>	<b>(2 843)</b>
<b>Profit (loss) attributable to:</b>					
Owners of the company		588	2 710	(614)	(965)
Non-controlling interests		225	229	352	370
<b>Profit (loss)</b>		<b>813</b>	<b>2 939</b>	<b>(261)</b>	<b>(595)</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the company		(3 120)	8 119	1 070	(3 213)
Non-controlling interests		181	229	309	370
<b>Total comprehensive income for the year</b>		<b>(2 939)</b>	<b>8 348</b>	<b>1 378</b>	<b>(2 843)</b>
<b>Earnings per share (in USD)</b>					
Basic earnings per share (in USD)		0,05	0,19	(0,02)	(0,04)
Diluted earnings per share (in USD)		0,02	0,07	(0,01)	(0,01)
<b>Earnings per share - continuing operations</b>					
Basic earnings per share (in USD)		0,05	0,19	(0,02)	(0,04)
Diluted earnings per share including warrants II (in USD)		0,02	0,07	(0,01)	(0,01)
Number of shares in the period	7	15 078 840	15 078 840	15 078 840	15 078 840
Number of shares in the period, diluted warrants I		29 977 400	29 977 400	29 977 400	29 977 400



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

GROUP Figures in USD '000

	Notes	Unaudited 30.09.2012	31.12.2011
<b>Assets</b>			
Deferred tax assets	6	3 831	3 831
Customer relations and other intangible assets		1 888	2 831
Goodwill		12 987	12 987
<b>Intangible assets</b>	<b>3</b>	<b>18 707</b>	<b>19 649</b>
Investment in associates		14 049	5 964
Vessels and equipment		219 912	224 360
<b>Tangible assets</b>	<b>2</b>	<b>233 961</b>	<b>230 324</b>
<b>Total non current assets</b>		<b>252 667</b>	<b>249 973</b>
Trade receivables		6 869	7 258
Other receivables		7 650	4 536
<b>Receivables</b>		<b>14 519</b>	<b>11 794</b>
<b>Cash and cash equivalents</b>		<b>36 696</b>	<b>11 638</b>
<b>Current assets</b>		<b>51 215</b>	<b>23 432</b>
<b>Total assets</b>		<b>303 883</b>	<b>273 405</b>
<b>Equity and liabilities</b>			
Share capital		1 291	1 291
Treasury shares	8	(691)	
Retained earnings		21 777	28 420
Revaluation reserve	2	91 959	83 247
<b>Total equity</b>		<b>114 336</b>	<b>112 958</b>
Loans and borrowings		166 796	123 315
<b>Total non-current liabilities</b>	<b>5</b>	<b>166 796</b>	<b>123 315</b>
First year installments	5	11 427	22 782
Trade payables		5 264	10 182
Tax payable		160	100
Other current liabilities		5 900	4 068
<b>Total current liabilities</b>		<b>22 751</b>	<b>37 132</b>
<b>Total liabilities</b>		<b>189 546</b>	<b>160 447</b>
<b>Total equity and liabilities</b>		<b>303 883</b>	<b>273 405</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP Figures in USD '000

	Notes	Unaudited Cum Q3 2012	Cum Q3 2011	2011
<b>Equity at period opening balance (Number of shares: 15,078,840)</b>	<b>7</b>	<b>112 958</b>	<b>102 078</b>	<b>102 078</b>
Profit after taxes majority		(614)	(965)	2 166
Profit after taxes minority		352	370	463
Revaluation of assets		7 953	4 863	9 228
Tax on revaluation of assets				(1 223)
Other comprehensive income		(3 874)	89	
Translation differences		(1 173)	(699)	245
Decreases in non-controlling interests		(575)		
<b>Share issue</b>				
Equity issue		0		
Purchase of own shares	8	(691)		
<b>Equity at period end (Number of shares: 15,078,840)</b>		<b>114 336</b>	<b>105 736</b>	<b>112 958</b>

### Subscription rights issued:

Warrants I - become active when bond loan is repaid 23<sup>rd</sup> November 2012: 14,898,607 - subscription price NOK 1.0

### Condensed consolidated statement of changes in equity

	Share capital	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>2 745</b>	<b>21 610</b>	<b>24 355</b>	<b>83 247</b>	<b>4 065</b>	<b>112 958</b>
Profit and loss				(614)	(614)		352	(261)
Coverage of previous losses								
<b>Other comprehensive income</b>								
Currency adjustment bond loan				(3 874)	(3 874)			(3 874)
Changes in revaluation model						7 953		7 953
Decreases in non-controlling interests							(575)	(575)
Purchase of own shares	(691)							(691)
Translation differences			24	(1 153)	(1 129)		(44)	(1 173)
<b>Total comprehensive income</b>	<b>(691)</b>		<b>24</b>	<b>(5 641)</b>	<b>(5 617)</b>	<b>7 953</b>	<b>(266)</b>	<b>1 378</b>
<b>Contributions by and distributions to owners</b>								
Issue of ordinary shares	0							0
<b>Equity per 30 September 2012</b>	<b>600</b>		<b>2 769</b>	<b>15 969</b>	<b>18 738</b>	<b>91 959</b>	<b>3 799</b>	<b>114 336</b>

**GROUP Figures in USD '000**

Condensed consolidated statement of changes in equity								
	Share capital	Share premium	Translation reserve	Other equity	Total other equity	Re-valuation reserve	Non controlling interests	Total equity
<b>Equity at 31 December 2010</b>	<b>1 291</b>	<b>61 254</b>	<b>2 500</b>	<b>(41 810)</b>	<b>(39 310)</b>	<b>75 242</b>	<b>3 602</b>	<b>102 078</b>
Profit and loss				2 166	2 166		463	2 629
Coverage of previous losses								
<b>Other comprehensive income</b>								
Changes in revaluation model						9 228		9 228
Tax on revaluation reserve						(1 223)		(1 223)
Decreases in non-controlling interests								
Decrease share premium to other equity		(61 254)		61 254	61 254			
Translation differences			245		245			245
<b>Total comprehensive income</b>		<b>(61 254)</b>	<b>245</b>	<b>63 420</b>	<b>63 665</b>	<b>8 005</b>	<b>463</b>	<b>10 879</b>
<b>Contributions by and distributions to owners</b>								
Issue of ordinary shares related to restructuring of debts								
<b>Equity per 31 December 2011</b>	<b>1 291</b>		<b>2 745</b>	<b>21 610</b>	<b>24 355</b>	<b>83 247</b>	<b>4 065</b>	<b>112 958</b>

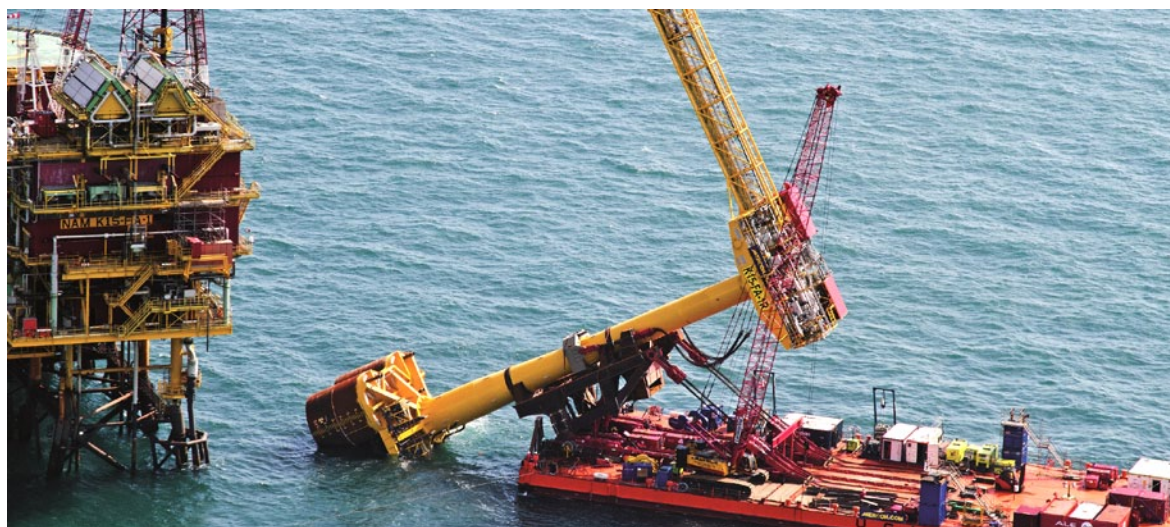


Photo: KCI, Riser Access Tower for Shell

## CONSOLIDATED STATEMENT OF CASH FLOW

GROUP Figures in USD '000

	Notes	Unaudited Cum Q3 2012	Cum Q3 2011
<b>Ordinary profit (loss) before taxes</b>		<b>(9)</b>	<b>(247)</b>
Depreciation and amortization of tangible assets	2	10 645	11 602
Write off assets		16	(2 098)
Net income of associates		(1 721)	
Change in trade receivables		389	988
Change in other receivables		(3 114)	(2 494)
Change in trade payables		(4 918)	1 163
Change in other accruals		1 891	(1 679)
<b>Net cash flow from operating activities</b>		<b>3 179</b>	<b>7 235</b>
Net cash flow from investing activities		(3 666)	(3 239)
<b>Net cash flow from investing activities</b>		<b>(3 666)</b>	<b>(3 239)</b>
Issuing of debt		43 481	5 283
Repayment of debt		(11 355)	(8 301)
<b>Net cash flow from financing activities</b>	<b>5</b>	<b>32 126</b>	<b>(3 018)</b>
Equity issue		0	
Purchase of own shares	8	(691)	
<b>Net cash flow from share issue</b>		<b>(691)</b>	
Effect of changes to exchange rates on cash and cash equivalents		(5 891)	(4 700)
<b>Net change in cash and equivalents</b>		<b>25 058</b>	<b>(3 722)</b>
<b>Cash and equivalents at start of period</b>		<b>11 638</b>	<b>13 501</b>
<b>Cash and equivalents at end of period</b>		<b>36 696</b>	<b>9 779</b>

\* restricted cash is USD 3.5 million.

Contracts schedule	Type of contract	2011	2011	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	Q1-2	Q3-4
Shipping	Type of contract												
CSV BO 101	time charter	■											
CSV North Ocean 102	time charter												
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 Deepwater Offshore Constructive Service and Pipe Lay Vessels, Engineering and Equipment services.

### NOTE 1 - FINANCIAL STATEMENTS

The condensed set of Financial Statements for Q3 2012 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 2011, 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 2011.



Photo: CSV North Ocean 102, China



## NOTE 2 - TANGIBLE ASSETS

GROUP Figures in USD '000

Q3 2012	Participation in LV 105	Construction and Support Vessels (CSV)	Fast Support Vessels, Machinery & other	Total
Historical Cost 30 June 2012	5 501	145 928	35 328	186 757
Additions	1 048	127	318	1 494
Disposals				
<b>Historical Cost 30 September 2012</b>	<b>6 549</b>	<b>146 055</b>	<b>35 647</b>	<b>188 251</b>
Accumulated depreciation 30 June 2012		(20 770)	(14 253)	(35 023)
Depreciation		(1 721)	(677)	(2 398)
Disposals depreciation				
<b>Accumulated depreciation 30 September 2012</b>		<b>(22 491)</b>	<b>(14 930)</b>	<b>(37 421)</b>
Accumulated impairments 30 June 2012			(8 553)	(8 553)
Impairments/reversals				
<b>Accumulated impairments 30 September 2012</b>			<b>(8 553)</b>	<b>(8 553)</b>
<b>Historical Cost 30 September 2012</b>	<b>6 549</b>	<b>123 565</b>	<b>12 164</b>	<b>142 277</b>
<b>Revaluation reserve 30 June 2012</b>	<b>7 500</b>	<b>84 948</b>		<b>92 448</b>
Change in revaluation		962		962
<b>Revaluation reserve 30 September 2012</b>	<b>7 500</b>	<b>85 910</b>		<b>93 410</b>
Accumulated depreciation 30 June 2012		(863)		(863)
Depreciation premium values		(863)		(863)
<b>Revaluation reserve 30 September 2012</b>	<b>7 500</b>	<b>84 184</b>		<b>91 684</b>
<b>Carrying amount 30 September 2012</b>	<b>14 049</b>	<b>207 748</b>	<b>12 164</b>	<b>233 961</b>
Depreciation rates	25 years	5-25 years	3-15 years	
Depreciation method	linear	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) & Pipe Lay Vessel and the Crew Boats 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 is updating the model quarterly
- Two external valuations from independent brokers where the Construction Support Vessel (CSV) / Pipe Lay Vessel 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:
  - 5 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

#### **Investment in 1.250T Carousel:**

In March 2012 Oceanteam Shipping purchased a new 1.250T modular carousel system, to further expand the existing equipment pool according to plan. The 1.250T modular carousel system has been on hire with VSMC for a minimum of 200 days, which started the 6<sup>th</sup> of April 2012.

#### **Investment in 10T Tensioner:**

In June 2012 Oceanteam Shipping purchased a new 10T tensioner, to further expand the existing equipment pool according to plan. The 10T tensioner has been on hire with Bohlen & Doyen Bauunternehmung, which started August 2012.

#### **Options secured on additional equipment:**

In addition, Oceanteam Shipping has secured options on 10 new 1.250T carousels- and on 10 new 10T tensioners, for which great interest has been shown among clients.

## NOTE 3 - INTANGIBLE ASSETS

GROUP Figures in USD '000

Q3 2012	Goodwill	Customer relations	Deferred tax	Other	Intangible assets
Historical cost 30 June 2012	12 987	4 400	3 831	339	21 557
Additions				73	73
Disposals					
<b>Historical cost 30 September 2012</b>	<b>12 987</b>	<b>4 400</b>	<b>3 831</b>	<b>413</b>	<b>21 630</b>
Accumulated amortisation 30 June 2012		(2 557)			(2 557)
Amortisation		(366)			(366)
<b>Amortisation 30 September 2012</b>		<b>(2 922)</b>			<b>(2 922)</b>
Accumulated impairments 30 June 2012					
Impairments/reversals					
<b>Accumulated impairments 30 September 2012</b>					
<b>Book value 30 September 2012</b>	<b>12 987</b>	<b>1 478</b>	<b>3 831</b>	<b>413</b>	<b>18 707</b>



Photo: LV North Ocean 105, Spain

## 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
	Q3 2012	Q3 2011	Q3 2012	Q3 2011	Q3 2012	Q2 2012
Revenue	10 065	9 622	7 376	7 116	17 441	15 432
Net income of associates	1 048				1 048	673
Operating costs	(2 317)	(2 481)	(3 585)	(3 657)	(5 902)	(5 397)
General & administration	(1 155)	(1 542)	(2 037)	(1 801)	(3 192)	(3 454)
<b>EBITDA</b>	<b>7 642</b>	<b>5 600</b>	<b>1 753</b>	<b>1 658</b>	<b>9 395</b>	<b>7 254</b>
<b>EBITDA percentage of revenue</b>	<b>69 %</b>	<b>58 %</b>	<b>24 %</b>	<b>23 %</b>	<b>51 %</b>	<b>45 %</b>



Photo: KCI, Valemon project for Hertel



## 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
<b>At 30 September 2012</b>					
Bank/ bond borrowings incl. interest	23 728	124 647	36 678	46 359	231 412
Other current liabilities	11 323				11 323
<b>Total liabilities</b>	<b>35 052</b>	<b>124 647</b>	<b>36 678</b>		<b>242 735</b>
<b>At 31 December 2011</b>					
Bank/ bond borrowings incl. interest	32 788	16 071	128 788		177 647
Other current liabilities	16 422				16 422
<b>Total liabilities</b>	<b>49 210</b>	<b>16 071</b>	<b>128 788</b>		<b>194 069</b>

Loans/ Currency of loan		True rate of interest	30 Sept 2012	31 Dec 2011
CSV 101 (USD)	Secured	LIBOR + margin	33 000	16 525
CSV 102 (USD)	Secured	LIBOR + margin	19 422	21 662
CSV 104 (USD)	Secured	LIBOR + margin	42 210	31 832
Two FSV's (USD)	Secured	LIBOR + margin	1 551	2 361
Bond loan (NOK)		NIBOR + margin	82 040	73 717
<b>Total long-term debt</b>			<b>178 223</b>	<b>146 097</b>
1 <sup>st</sup> year principal repayments			11 427	22 782
<b>Total long-term debt</b>			<b>166 796</b>	<b>123 315</b>

In the current quarter Oceanteam Shipping ASA has completed the refinance of two offshore construction vessels CSV Bourbon Oceanteam 101 and CSV Southern Ocean. The refinanced amount is in total USD 147 million for the jointly owned vessels with Bourbon Offshore Norway AS.

After balance sheet date Oceanteam Shipping ASA has successfully completed a USD 92.5 million senior bond issue. The net proceeds shall be used to refinance the current bond loan. A successful refinancing of the existing bond loan will trigger a potential exercise of the warrants type I, where, if all exercised, the company will have no warrants outstanding. With this Oceanteam Shipping has completed the cleaning up of its capital structure, which will provide the company with a significantly improved liquidity and debt maturity profile.



## **LIQUIDITY RISK, FINANCIAL RISK AND MARKET RISK.**

Risk management is carried out by a central treasury function under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

### **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 Q3 2012 the Group has overdraft facilities of EUR 500.000 in addition to the cash balance of USD 36.7 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 is the nominal bond loan of NOK 400 million and the call premium and the timing of the refinancing of the bond loan. The total loan amount in USD is 82 million per 30 September 2012. Incurred interest costs are for the bond loan in NOK and for the other loans in USD. Provisions are all in EUR and USD.

### **Financial risk**

Financial risk 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 liabilities in Norwegian Kroner and revenue and liabilities in the Euro. The new USD bond loan settled at 24th October will reduce the company's foreign exposure significantly.

The company is exposed to changes in interest rates as the bulk of its debt has floating rates. Lay Vessel North Ocean 105 was refinanced in USD for the construction costs hedged in EUR. Long term post construction finance has been secured in USD where the interest rate is fixed. In the new loan agreement for the CSV Bourbon Ocean-team 101 and CSV Southern Ocean 50% of the interest rate is fixed.

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 Board of Directors.

### **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 business going forward is shipping operations with a few time charter/ bare boat agreements, and one new Lay Vessel delivered in April 2012. Oceanteam Shipping's expectations for the future is reduced market risk connected to lower risk in renting out assets.

The diversification of risks for the engineering risks are divided into three different markets; Oil & Gas, Complex Structures and Renewable Energy.

### **Credit risk**

The credit risks in the Company are regarding clients who are on a long term charter for the CSV vessels and the client's credit risk is evaluated before a charter agreement is signed. The experience with the clients is very good. The payment terms for chartering out equipment is prepayments of charter or very short credit periods. Engineering services are invoiced when the service is provided.

### **Operational risk**

Operational risks include time 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.

### **Construction and Support Vessels contract schedule:**

- CSV 101: BP Angola until 28<sup>th</sup> February 2015 (+2 x 1 year option)
- CSV 102: McDermott until 1<sup>st</sup> August 2015
- CSV 104: Fugro TSMarine until 31<sup>st</sup> December 2015
- LV 105: McDermott until 30<sup>th</sup> June 2017 (delivered April 2012)
- FSV Mantarraya: Inversiones until end 2013
- FSV Tiburon: Inversiones until end 2013

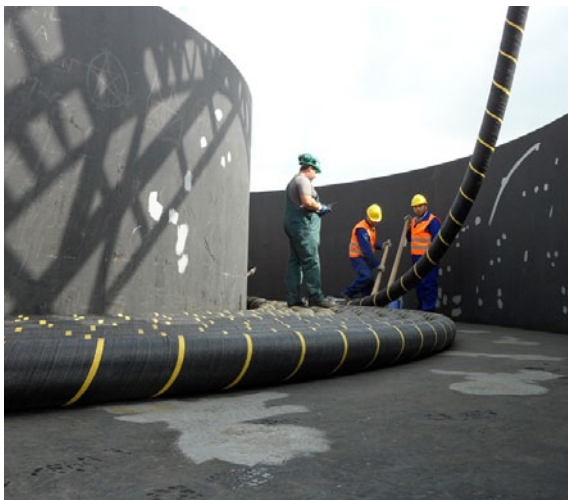


Photo: 750T Carousel / 10T Tensioner

## NOTE 6 - TAX IN Q3 2012

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 3.8 million on 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 times 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 1.0.

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.

## NOTE 8 - 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 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). The first of the standard design North Ocean 100 series is jointly owned by Oceanteam Shipping and Bourbon Offshore Norway. The ship is 122,5 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 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 vessel 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<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 Pipe Lay Vessel, with 3000-ton payload reel capacity for subsea construction and installation, and deepwater moorings installation; which has been delivered the 20<sup>th</sup> April 2012. The vessel 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 vessels available.





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