

Q2



INTERIM REPORT 2<sup>ND</sup> QUARTER 2015



**OCEANTEAM SHIPPING**

## Oceanteam Shipping ASA - Q2 2015 interim report

Issue date 27<sup>th</sup> August 2015

# Steering through challenging markets

The prolonged downturn and the volatility in the oil and gas market has put pressure on our sector and has broadened our focus to different key areas. Recent announcements from major players and clients regarding restructurings, lay-ups and lay-offs have changed the market sentiment significantly and affected asset values. Even though the oil and gas market is challenging, other sectors, like Offshore Wind, show a continuous growth. Our competitors' focus has shifted towards the latter, increasing the general competition in the Offshore Wind market. The players in our operating markets have an increased focus on reducing costs and increasing their efficiency. This opens up several possibilities for Oceanteam to provide innovative solutions for both new and existing clients.

With a long term contract coverage on all assets, supported by the performance of the engineering and equipment service segment, Oceanteam continues to deliver solid results in its targeted geographical offshore and onshore markets.

The Company demonstrates that it has a scalable and flexible business model, yet remaining conservative. Oceanteam will have a steady capital discipline in order to deleverage and create financial flexibility, allowing the Company to seize new project opportunities.

The Company's diversification strategy allows Oceanteam to expand its services in challenging market conditions while maintaining a solid performance.

In April a USD 35 million installment was amortized to the Company's bondholders. The transaction is a part of the Company's long-term strategy to optimize and strengthen the balance sheet, improve financial ratios and credit ratings. A strict capital and cost discipline combined with reduced leverage will allow the company to replace its high cost of capital with a more flexible capital structure that increases earnings and reduces financial costs going forward.

To show our strong commitment to Oceanteam's shareholders, the Company will retain its capital and cost discipline in order to establish a dividend policy, latest payable in 2018.

### Highlights for the quarter

- Revenue from operations USD 19 million
- EBITDA from operations USD 9 million
- Operating profit of USD 6.1 million
- Net finance negative USD 2.9 million
- Net result for the quarter before revaluation changes is positive USD 3.1 million
- The prolonged downturn in the oil and gas market is affecting our asset values negatively, but the Company is now reaping the benefit of a modern fleet with strong contract coverage.
- To complete its value chain, Oceanteam has acquired the remaining 48% stake in OCEANWIND BV. The company is renamed to Oceanteam Cable Solutions and will be a full services provider focusing on transport, handling and storage of power and fiber optic cables and umbilicals globally.
- To support this growth Oceanteam / RentOcean secured a EUR 15 million revolving term loan facility.
- Oceanteam / RentOcean has been awarded a strategic contract in Germany for the supply and engineering of a cable lay spread in combination with a frame agreement for future equipment, transport and storage services.
- The construction of a large offshore construction support vessel for DOT Shipping is progressing as planned and the two newly delivered FSV's are in operation in Mexico. All vessels are fully financed and have secured long term time charters upon delivery.
- KCI design engineering has been awarded various contracts and maintains a healthy back log of projects in oil and gas, Offshore Renewables and Innovative Equipment & Structure both offshore and onshore.
- Oceanteam Shipping's CSV and FSV fleet is fully operational and all vessels have contract coverage until early 2017 or longer.



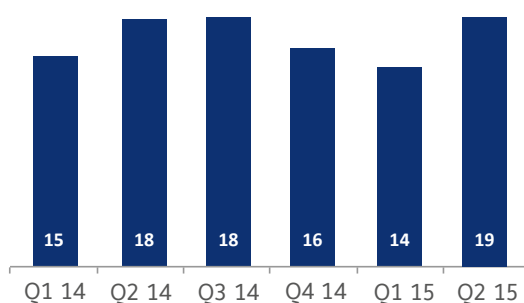
Installation of gas export flexible in The Netherlands

## Key figures for the group

### Revenue

19 mill.

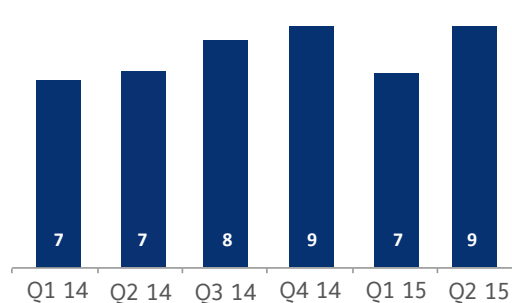
USD in million



### Ebitda

9 mill.

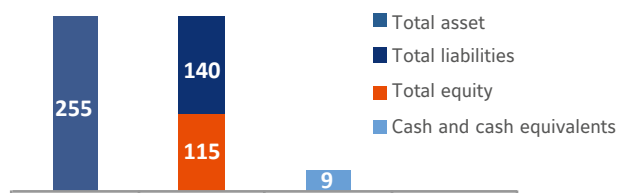
USD in million



### Asset overview

Balance

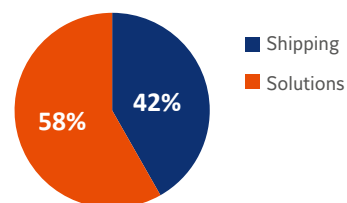
USD in million



### Segment Revenue

Revenue split Cum Q2 2015

USD in million



USD	Q2 2015	Q2 2014	Cum Q2 2015	Cum Q2 2014	2014
Revenue	19,0	17,7	33,3	32,8	66,9
Operating cost	5,5	4,9	9,3	8,5	15,2
General & administration	4,6	5,9	8,2	10,7	21,3
EBITDA	9,0	7,0	15,9	13,6	30,3
EBITDA percentage	47%	39%	48%	42%	45%

### Who we are

Oceanteam Shipping owns, charters and manages deepwater offshore support vessels and fast support vessels. Oceanteam Solutions provides its clients with complete offshore solutions to support their projects, reduce operational risks and costs.

Oceanteam Solutions' proportion of the Company's earnings has increased significantly during 2014 and 2015. It is now a key contributor to the Company's future growth together with the stable long-term focus of the shipping business.

### Corporate structure

#### Oceanteam Shipping

##### North Ocean fleet

Owns and manages three high-end large Deepwater Offshore Construction Service Vessels (CSV's), and two Fast Support Vessels (FSV's), all on long-term contracts with solid counterparties.

##### DOT Shipping

Provides vertically integrated high-end vessel solutions and marine asset services. DOT Shipping is currently operating two fast support vessels (FSV's) and has a large Offshore Construction Service Vessel CSV named Tampamacho under construction, for the fast developing Mexican offshore market.

#### Oceanteam Solutions

##### RentOcean

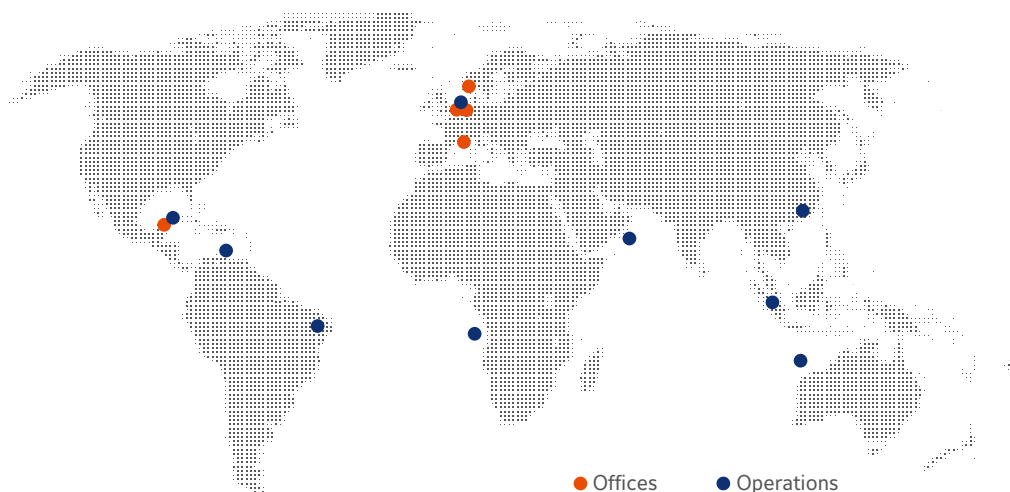
Designs, builds and owns a large pool of demountable turntables of various sizes and additional equipment for a variety of cables, umbilicals, pipes or flowlines. These assets and solutions support clients' offshore cable, pipeline and umbilical installations and their transportation and storage projects worldwide.

##### KCI The Engineers

A 120 person strong engineering and support company that designs complete platforms infrastructure for the oil and gas, and the renewables industry and innovative equipment based on 28 years of in house experience and expertise.

### Our global reach

Oceanteam Shipping has offices in Amsterdam, Velsen and Schiedam in the Netherlands, in Monaco and in Mexico. The corporate headquarter is in Bergen, Norway. The Company is well positioned in growth basins including the Gulf of Mexico, Latin America, West Africa, Asia-Pacific and the North Sea.



## Our partners

Establishing (local) partnerships and strategic alliances for continuity in the growth of assets and services is something Oceanteam has always focused on. The Company has teamed up with strong partners with proven track records in their respective markets, amongst them:

### Bourbon Offshore

Among the market leaders in marine services for offshore oil and gas, Bourbon offers the most demanding oil and gas companies a wide range of marine services for offshore oil and gas fields and wind farms. Together with Bourbon Oceanteam manages the CSV's Bourbon Oceanteam 101 and the Southern Ocean.

### Grupo Diavaz

Grupo Diavaz has positioned itself as one of the most experienced companies in Mexico in the oil and gas market and has developed a sound knowledge of the energy sector. The company is active in the marine operations, gas and exploration and production. Oceanteam has founded together with Grupo Diavaz DOT Shipping. The company focuses on providing high-end vessel solutions for the Mexican market and successfully delivered two FSV new builds end 2014.

### McDermott

McDermott is a leading provider of integrated engineering, procurement, construction and installation (EPCI) services for upstream field developments worldwide. Their locally focused and globally integrated resources include approximately 11,700 employees, a diversified fleet of specialty marine construction vessels, fabrication facilities and engineering offices. Together with McDermott Oceanteam manages the LV North Ocean 105.

### Pacific Radiance Group

The Pacific Radiance Group of Companies is an established owner and operator of offshore vessels and a provider of subsea services, shipyard services, marine equipment as well as project logistics to the global oil and gas industry. Through this partnership Oceanteam / DOT Shipping have a large new build Offshore Support Vessel under construction which is expected to be delivered by the end of 2016.



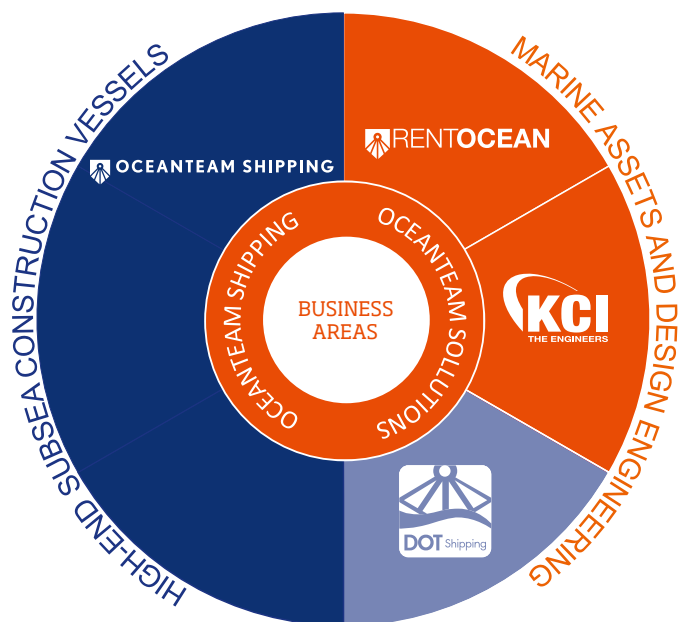
## How we create value

Oceanteam Shipping's mission is creating value through:

- Combining engineering know-how and a pool of special purpose equipment with our fleet to operate in different markets and geographical areas
- Providing complex offshore support by building and operating a fleet of large and advanced offshore vessels
- Providing solution driven services by combining our engineering and equipment capabilities into a single service to support our clients' offshore cable, pipeline and umbilical installations, transportation and storage projects
- Establishing strong (local) partnerships and strategic alliances for continuity in the growth of assets and services.

Our ambition is to be a preferred partner in offshore solutions for economically and technically challenging projects in the oil and gas and offshore renewables markets.

## Business areas



### Operations North Ocean fleet

CSV Bourbon Oceanteam 101 has been on a time charter in Angola since its delivery in 2007. The current contract started 1<sup>st</sup> of February 2012 for three years firm with two one year options for extension. Oceaneering exercised both one year options in the third quarter of 2014, extending the charter to February 2017. In first and second quarter 2015 the ship has been fully utilized.

CSV Southern Ocean has been on a contract since its delivery in October 2010, operating in Australia and the Far East. The vessel is on a bareboat charter until the end of 2018 with additional two, one year options for the extension. At the end of December 2014, the Southern Ocean began its five year maintenance period to be upgraded, which was completed early 2015.

Lay Vessel North Ocean 105 was delivered in 2012 and has since been on a 5 year contract with McDermott International and operates globally as a pipe layer. In first quarter 2015 the vessel has been fully utilized, mainly operating in the Far East. From March 2015 its original time charter contract was converted into a bareboat agreement.

Oceanteam operates two fast support vessels (FSVs), Tiburon and Mantaraya, which have been fully utilized in 2015 working in Venezuela on bare boat contracts with Inversiones Setin 2010 CA. The charters were extended from mid-2014 to 31 December 2015.

### DOT Shipping

In March 2014 Oceanteam took a 40 percent stake in the newly founded joint venture DOT Shipping together with Grupo Diavaz. DOT Shipping successfully delivered two FSV new builds in Q4 2014 that immediately began operating in Mexico. Both vessels are fully financed and have been operational in the fast developing Mexican market since 4<sup>th</sup> of March 2015, where they both have commenced a seven year firm time charter contract with three one year options.

DOT Shipping has a 50 percent interest in a new large build construction support vessel which is currently under construction and is expected to be delivered end of 2016. This vessel is owned through a joint venture between DOT Shipping and Pacific Radiance out of Singapore. The vessel has already secured a long term charter and will be fully financed at delivery. The newbuild construction process is progressing as planned.

### KCI The Engineers

In February 2014, Oceanteam became a 100 percent strategic owner in the design engineering firm KCI. In line with Oceanteam's strategy and strong focus on growth going forward, Oceanteam initiated a company program named "The Next Step" in October 2014. KCI was the first company in the group to undergo the changes set out in "The Next Step" program. The program is designed to enhance KCI's project management capabilities and to accommodate future growth and profitability. The program is rolled out into the whole group with the aim to set the same high standards of project management and cost control, improve the level of service and quality delivered to our clients.

KCI had an average of 120 engineers who worked on multi discipline service contracts during the first half year.

New awarded projects:

- Floating solar panels project
- Tender assistance and feed studies stations for several offshore wind projects
- Additional engineering scope for a large observation wheel in the Middle East

### Double slip joint design ready

During the first half year KCI introduced its new developed intelligent property, KCI's double slip joint (DSJ). The research & development is a result of efforts from an international research team and in cooperation with Delft University of Technology. The DSJ is an evolution of monopile – transition piece connections which can be greatly appealing to the offshore wind industry. The technology will reduce installation time with 30 percent, resulting in a sharp decrease of installation costs for our clients. Also safety is enhanced by using this concept as there are less manual handling activities offshore during installation and no maintenance is required in the monopile connection.



KCI will increase the marketing of its research & development products to strengthen its position in the offshore wind market.

#### Operational projects during the quarter:

- Concept development and basic design of a deck-layout for a cable laying vessel
- Basic design of foundation jackets for a power substation for Offshore Wind
- Process upgrade of offshore topside oil and gas production platform
- Educator skid design, engineering, procurement and manufacturing support
- Riser and J-tube detailed design of a platform in North Sea
- Several brown field maintenance studies
- Basic and detailed design of foundation jackets for power substation
- Detailed design of topside for power substation
- Concept, basic and detail design of a major innovative landmark project in Middle East
- Feasibility and appraisal studies
- Redesign of two walk to work systems for mono hull vessels
- Design of foundation for a 4000T modular turntable
- Onshore gas field development for three well sites
- Development of a quadrant flexible pipe and cable handling system

#### RentOcean

Oceanteam's marine asset division increased its level of activity with several new contracts.

##### New awarded projects:

- Secured EUR 15 million revolving term loan facility. Proceeds of drawdowns under the facility will be used for investments in new rental equipment and services
- Has been awarded a strategic contract for supplying a lay spread for a cable laying project together with a frame agreement for future equipment, transport and storage deliverables
- Contract to supply umbilical laying equipment, transpooling services and offshore operators jobs
- Successfully completed LS Cable power cable project with demobilization of 2x 4000T demountable turntables in Middle East
- Completed contract for design and build of loading portal and powered quadrant for major cable installer. KCI and RentOcean provided the complete package

##### Operational projects during the quarter:

- Operating a long-term contract consisting of a modular 2000T turntable, loading tower with a built in 15T tensioner
- A contract consisting of cable laying deck spread for a project in Mexico
- Execution of a long-term cable storage and cable handling contract for key offshore wind operators

## Market outlook

The main change in the market outlook is a result of the turmoil in the oil price. In the first half of 2015 the oil price increased with almost 50 percent in the beginning of the year, then decreased back to levels around \$40 per barrel. The volatile environment for oil prices and activity, has created significant market challenges for our industry, but also opportunities.

## Backlog

To mitigate the market risk, the Company has secured superior backlog for both 2015, 2016 and well into 2017 for its CSV assets. There is considerable uncertainty as to how long it will take before demands picks up. The Company is still positive and believes that the long-term fundamentals of the relevant markets and regions it operates in to remain strong and that its diversification strategy supports this. To meet the macro challenges the Company emphasises its strong capital and cost discipline, the strength of its balance sheet, reduction of capital costs and the recent "capital on call" revolver loan to grow its business against backlog.

## Lean organisation and strong partners

The Company's view is that in the long-term, exploration and production activities are likely to increase and consequently the demand for large construction support vessels and services is likely to grow. The Company has a strong and lean organisation and a proven scalable business model with a seasoned management team and board to achieve the Company's target.

The Company has always focused on strong long term backlog seeking full utilization of its high-end deepwater assets, a proven strategy that gives long-term stable cash flow. The diversification of the Company's global business units and working segments makes us robust against decreasing oil prices. Geopolitical tension will make certain regions develop faster or slower and therefore the Company has chosen to focus on stable regions and to team up with strong local partners with proven track records in their respective markets. Diversification of clients also helps the Company to increase its knowledge and to develop in different markets.

## Firm position in offshore wind market

In Western Europe several offshore wind parks have been sanctioned and are being on an increasing scale. The Company's continued belief is that demand for services related to the offshore renewable industry will increase in 2016 and beyond which is also supported by increased leads. The Company remains in a strong position to meet the future demands and requirements in this market. Limited space and environmental laws are causing large wind farms to be constructed further from shore. The projects are in deeper waters, more complex and on a larger scale. With over 28 years of experience, KCI have the competence to meet demands of the industry. Rentocean also has its deep water base in Velsen, The Netherlands and supplies and rents to a broad client base around the world to support their offshore cable, pipeline and umbilical installations, transport and storage projects.

Larger wind farms allow improved fixed cost allocation, but also increase project complexity and demand for engineering services. Oceanteam Solutions uses the current platform to focus on combining the different disciplines and resources into cost effective solutions which creates new opportunities. All with the aim to reduce risks and improve the economics, both running costs and installation costs, for our clients.

## Solution driven services

The exact timing of existing projects currently in the development stage remains uncertain, but overall the market is expected to grow, resulting in an increased demand for support vessels and associated services like engineering and marine assets. The focus of the industry is on reducing installation and maintenance costs and using flexible solutions, which Oceanteam can provide with its solution driven services.

Oceanteam spends significant resources on market research and intelligence. It adapts its strategy and risk profiles when the analysis deems this to be prudent.

## Secured projects

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

Oceanteam is confident and has to date secured sufficient projects in both the oil and gas market and the offshore renewable market to maintain a high to good level of utilization of its assets and engineers for the coming period.

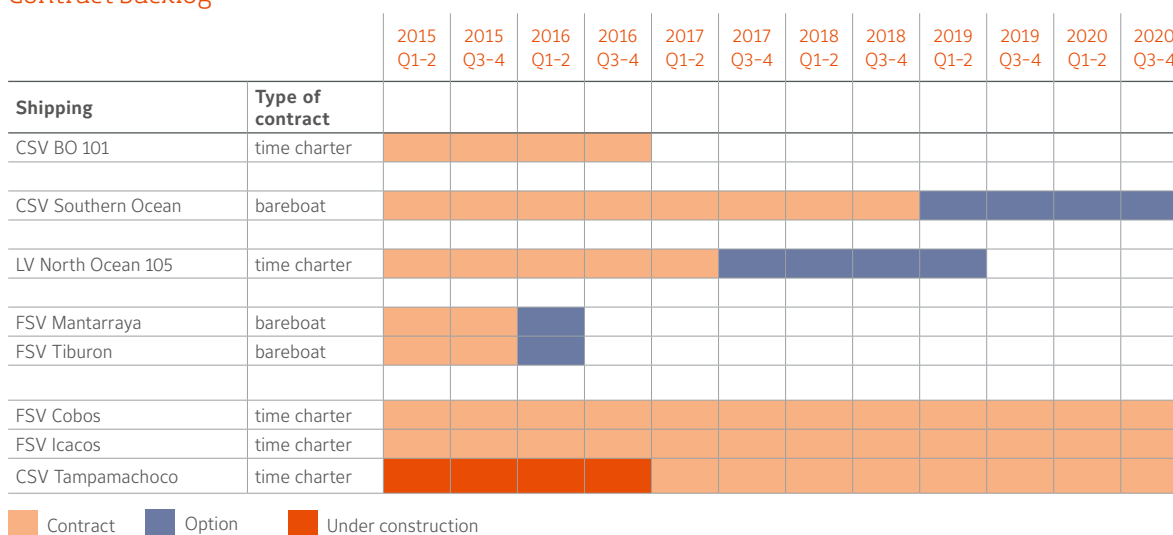
## Milestone

An important milestone in 2014 has been the establishment of DOT Shipping, a joint venture with Grupo Diavaz in Mexico. In this captive market the Company's goal is to provide the complete vertical supply chain through cutting edge engineering solutions and high end quality vessels. Through this joint venture Oceanteam's operations are expected to grow significantly in the coming years.

KCI the engineers is built on a 28 year track record of multiple short term contracts of different sizes and durations.

In 2015 RentOcean succeeded finalization of its first three oil and gas contracts supplying services for South Korea, Qatar and Brazil. The Company continues to experience strong interest for its vessels and services from globally leading companies. The Company has the knowledge, skills and financial platform to grow.

## Contract backlog



## Financing and company capital structure

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 risk. The Lay Vessel North Ocean 105 was under the Spanish tax lease structure until 28 February 2015, after which no vessels remain under this structure.

The Company has sales revenues and liabilities in foreign currencies and is exposed to currency risks. Approximately 50 percent of the revenue is in USD while the remaining 50 percent is in EUR. Since the reporting currency is in USD the foreign exposure is for liabilities in the EUR and its fluctuations with USD. On the other hand, the Company has some costs also in NOK, MXN and EUR which have been depreciating compared to the USD.

The Company is exposed to changes in interest rates as the bulk of its debt has 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 loan agreement for the CSV Bourbon Oceanteam 101 and CSV Southern Ocean 50 percent of the Libor interest rate is fixed. This protects the Company from volatile interest rate fluctuations. The USD bond loan has a floating quarterly LIBOR. With the current maturity schedule and the forward interest curves, the Company sees a satisfactory risk level. The objective of the Company is to reduce financial risk as much as possible.

Current strategy includes the use of interest swap agreements for the loans in Oceanteam Bourbon 101 AS and Oceanteam Bourbon 4 AS as financial instruments. Otherwise the strategy 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 management and by the Board of Directors.

Post balance sheet first half 2015, the Company has secured new contracts in the Solutions segment.

## Liquidity risk

At quarter end the working capital and liquidity position of the Company is low due to repayment of USD 39.5 million of debt. The parent company depends on liquidity flows from subsidiaries and the joint venture companies that are owned with its joint venture partners. The Company aims to increase this going forward through increased profitability from its business areas.

All outstanding trade receivables for the shipping segment per Q2 2015 were received per reporting date. For the solutions segment, there is an USD 2.6 million of outstanding receivables per quarter end of which USD 2.0 million has already been received to date.

## Investments

DOT Shipping has one large Construction Support Vessel under construction which is due for delivery end 2016. The second installment for this newbuild has been completed during the first quarter 2015 and the construction progresses as scheduled, with delivery end of 2016.

RentOcean is in the process of expanding its equipment pool with new turntables, loading towers, reels and associated services, and the business has secured financing for its planned growth.

## Tax losses

The Company has a booked deferred tax asset on the balance sheet of USD 6.0 million which the Company is utilizing through increased profits and securing new contracts. In addition there is more from abroad activities to be utilized up to the amount of total USD 17 million.

In addition to the abroad tax losses, the Company has received confirmation from the Norwegian tax authorities of a deferred tax loss of NOK 1 billion. This deferred tax asset is from the Norwegian entities which are not yet on the balance sheet. The tax losses arise from losses in 2008 and 2009, since then the Company has continued to be profitable.

## Events after the balance sheet date

- The Company has been awarded a strategic contract for supplying a lay spread for a cable laying project with a frame agreement for future equipment, transport and storage deliverables
- Oceanteam Shipping ASA has acquired the remaining 48% stake in OCEANWIND BV and is now the sole owner of Oceanwind Cable Storage & Handling Solutions

## 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 2015 to 2017 and the Group's long-term strategic financial forecasts.

The consolidated financial statement of Oceanteam Shipping has been prepared in accordance with International Financial Reporting Standards (IFRS), while the parent company Oceanteam Shipping ASA has been prepared by Norwegian General Accepting Accounting Principles (NGAAP). For further reference about the Company, please review the Annual Report 2014 available on the Company's website [www.oceanteam.no](http://www.oceanteam.no)

## Confirmation from the Board of Directors and CEO

We confirm that, to the best of our knowledge, that the financial statements for the period from the 1st of January to the 30th of June 2015 have been prepared in accordance with current applicable standards, and give a true and fair view of the assets, liabilities, financial position and profit and loss of the entity and the group as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and group, together with a description of the principal risks and uncertainties facing the entity and the group.

Bergen / Norway, 27 August 2015

**The Board of Directors for Oceanteam Shipping ASA**



**Hessel Halbesma**  
Chairman



**Catharina Pos**  
Director



**James Hill**  
Director



**Haico Halbesma**  
CEO



## Condensed consolidated statement of comprehensive income

### GROUP Figures in USD '000

	Notes	Unaudited Q2 2015	Unaudited Q2 2014	Unaudited Cum Q2 2015	Unaudited Cum Q2 2014
Revenue		17 509	14 493	30 150	27 100
Net income from associates/ joint ventures	2,9	1 522	3 249	3 165	5 730
<b>Total operating revenues</b>	4	<b>19 031</b>	<b>17 742</b>	<b>33 315</b>	<b>32 830</b>
Operating cost		(5 479)	(4 897)	(9 299)	(8 478)
General & administration		(4 594)	(5 884)	(8 183)	(10 721)
Depreciation	2,3	(2 866)	(2 525)	(5 547)	(4 936)
Write off			3		(94)
<b>Total operating expenses</b>		<b>(12 939)</b>	<b>(13 302)</b>	<b>(23 029)</b>	<b>(24 229)</b>
<b>Operating profit (loss)</b>		<b>6 092</b>	<b>4 439</b>	<b>10 286</b>	<b>8 601</b>
Financial income		177	4	184	26
Financial costs	5	(3 229)	(3 904)	(6 975)	(7 775)
Foreign exchange results (loss)		118	(192)	225	(77)
<b>Net finance</b>		<b>(2 935)</b>	<b>(4 091)</b>	<b>(6 567)</b>	<b>(7 825)</b>
<b>Ordinary profit (loss) before taxes</b>		<b>3 157</b>	<b>348</b>	<b>3 717</b>	<b>775</b>
Tax expense	6	(39)	46	(39)	227
<b>Net result before increase (decrease) of carrying amount from revaluation of vessels</b>		<b>3 118</b>	<b>394</b>	<b>3 678</b>	<b>1 003</b>
Increase (decrease) of carrying amount from revaluation of vessels		(3 952)		(4 916)	
<b>Net result after increase (decrease) of carrying amount from revaluation of assets.</b>	2	<b>(834)</b>	<b>394</b>	<b>(1 238)</b>	<b>1 003</b>

**GROUP Figures in USD '000**

Condensed consolidated statement of comprehensive income	Q2 2015	Q2 2014	Cum Q2 2015	Cum Q2 2014
Total net result	(834)	394	(1 238)	1 003
<b>Items that will never be reclassified to profit or loss</b>				
Other comprehensive income				
Changes in revaluation model	2 (3 641)	(4 316)	(7 394)	(10 424)
	<b>(3 641)</b>	<b>(4 316)</b>	<b>(7 394)</b>	<b>(10 424)</b>
<b>Items that may be reclassified subsequently to profit or loss</b>				
Translation differences		5		632
<b>Total</b>		<b>5</b>		<b>632</b>
<b>Other comprehensive income, net of tax</b>	<b>(3 641)</b>	<b>(4 311)</b>	<b>(7 394)</b>	<b>(9 792)</b>
<b>Total comprehensive income for the year</b>	<b>(4 475)</b>	<b>(3 917)</b>	<b>(8 632)</b>	<b>(8 789)</b>
<b>Profit (loss) attributable to:</b>				
Owners of the Company	(1 539)	(756)	(3 167)	(1 480)
Non-controlling interests	704	1 150	1 928	2 483
<b>Profit (loss)</b>	<b>(834)</b>	<b>394</b>	<b>(1 238)</b>	<b>1 003</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	(3 849)	(5 067)	(10 561)	(11 272)
Non-controlling interests	(626)	1 150	598	2 483
<b>Total comprehensive income for the year</b>	<b>(4 475)</b>	<b>(3 917)</b>	<b>(8 632)</b>	<b>(8 789)</b>
<b>Earnings per share (in USD)</b>				
Basic earnings per share (in USD)	(0,03)	0,01	(0,04)	0,04

## Condensed consolidated financial statement of financial position

### GROUP Figures in USD '000

	Notes	Unaudited 30.06.2015	Audited 31.12.2014
<b>Assets</b>			
Deferred tax assets	6	6 000	6 000
Intangible assets		1 896	1 757
Goodwill		12 987	12 987
<b>Intangible assets</b>	3	<b>20 883</b>	<b>20 744</b>
Investment in associates and joint ventures	2, 9	33 940	42 884
Vessels and equipment	2	175 200	183 761
<b>Tangible assets</b>	2, 9	<b>209 140</b>	<b>226 645</b>
<b>Total non current assets</b>		<b>230 023</b>	<b>247 389</b>
Trade receivables		5 691	8 871
Other receivables		10 442	9 464
<b>Receivables</b>		<b>16 134</b>	<b>18 335</b>
Cash and cash equivalents		8 603	44 547
<b>Total current assets</b>		<b>24 737</b>	<b>62 882</b>
<b>Total assets</b>		<b>254 759</b>	<b>310 271</b>
		30.06.2015	31.12.2014
<b>Equity and liabilities</b>			
Share capital		2 595	2 595
Treasury shares		(257)	(257)
Share premium		1 304	1 304
Reserves		48 782	51 856
Revaluation reserve	2	19 685	27 079
<b>Equity attributable to owners of the Company</b>		<b>72 109</b>	<b>82 578</b>
Non-controlling interests		49 957	57 975
Revaluation reserve		(7 162)	(4 704)
<b>Total non-controlling interests</b>	10	<b>42 795</b>	<b>53 271</b>
<b>Total equity</b>		<b>114 905</b>	<b>135 850</b>
Loans and borrowings		106 874	110 764
<b>Total non current liabilities</b>	5	<b>106 874</b>	<b>110 764</b>
First year installments	5	8 100	43 100
Trade payables		5 746	5 893
Tax payable		(28)	139
Public charges		812	125
Other current liabilities		18 350	14 400
<b>Total current liabilities</b>		<b>32 980</b>	<b>63 657</b>
<b>Total liabilities</b>		<b>139 854</b>	<b>174 421</b>
<b>Total equity and liabilities</b>		<b>254 759</b>	<b>310 271</b>

## Condensed consolidated statement of changes in equity

GROUP Figures in USD '000

	Notes	Unaudited Cum Q2 2015	Unaudited Cum Q2 2014	Audited 2014
<b>Equity at period opening balance (Number of shares: 29,593,259)</b>		<b>135 850</b>	<b>104 877</b>	<b>104 877</b>
Profit after taxes majority		(3 167)	(1 480)	(6 771)
Profit after taxes minority		1 928	2 483	493
Revaluation of assets		(7 394)	(10 424)	(9 336)
Tax on revaluation reserve				595
Translation differences			632	640
Adjustments prior period		61	136	146
<b>Transactions with owners of the Company, recognised directly to equity</b>				
Changes in non-controlling interests		(12 404)	51 893	49 504
Investments		32	(5 155)	(4 300)
<b>Equity at period end (Number of shares: 29,593,259)</b>		<b>114 905</b>	<b>142 962</b>	<b>135 850</b>

	Share capital	Treasury shares	Share premium	Trans- lation reserve	Other equity	Total other equity	Re- valuation reserve	Non controlling interests	Total equity
<b>Equity at 31 December 2014</b>	<b>2 595</b>	<b>(257)</b>	<b>1 304</b>	<b>(1 563)</b>	<b>53 419</b>	<b>51 856</b>	<b>27 079</b>	<b>53 271</b>	<b>135 848</b>
Profit and loss					(3 167)	(3 167)		1 928	(1 238)
Coverage of previous losses									
<b>Other comprehensive income</b>									
Changes in revaluation model							(7 394)		(7 394)
Tax on revaluation reserve									
Translation differences									
<b>Total comprehensive income</b>					<b>(3 167)</b>	<b>(3 167)</b>	<b>(7 394)</b>	<b>1 928</b>	<b>(8 632)</b>
<b>Contributions by and distributions to owners</b>									
Change in non controlling interests								(7 154)	(7 154)
Dividends to non-controlling interests								(5 250)	(5 250)
Investments/Revaluation					32	32			32
Adjustments prior period					61	61			61
Issue of ordinary shares									
Change in treasury shares									
<b>Equity per 30 June 2015</b>	<b>2 595</b>	<b>(257)</b>	<b>1 304</b>	<b>(1 563)</b>	<b>50 345</b>	<b>48 782</b>	<b>19 685</b>	<b>42 795</b>	<b>114 905</b>

**GROUP Figures in USD '000**

	Share capital	Treasury shares	Share premium	Translation reserve	Other equity	Total other equity	Re-valuation reserve	Non controlling interests	Total equity
<b>Equity at 1 January 2014</b>	<b>2 595</b>	<b>(257)</b>	<b>1 304</b>	<b>(2 203)</b>	<b>2 220</b>	<b>17</b>	<b>97 944</b>	<b>3 274</b>	<b>104 877</b>
Profit and loss					(2 067)	(2 067)	(4 704)	493	(6 278)
Coverage of previous losses									
<b>Other comprehensive income</b>									
Changes in revaluation model							(9 336)		(9 336)
Tax on revaluation reserve							595		595
Translation differences				640		640			640
<b>Total comprehensive income</b>				<b>640</b>	<b>(2 067)</b>	<b>(1 427)</b>	<b>(13 445)</b>	<b>493</b>	<b>(14 379)</b>
<b>Contributions by and distributions to owners</b>									
Change in non controlling interests								51 893	51 893
Dividends to non-controlling interests								(2 389)	(2 389)
Investments/Revaluation					(4 300)	(4 300)			(4 300)
Adjustments prior period					146	146			146
Issue of ordinary shares									
Business combinations					57 420	57 420	(57 420)		
<b>Equity per 31 December 2014</b>	<b>2 595</b>	<b>(257)</b>	<b>1 304</b>	<b>(1 563)</b>	<b>53 419</b>	<b>51 856</b>	<b>27 079</b>	<b>53 271</b>	<b>135 850</b>



Lay Vessel North Ocean 105

## Condensed consolidated statement of cash flow

GROUP Figures in USD '000

	Notes	Unaudited Cum Q2 2015	Cum Q2 2014
<b>Net result after increase (decrease) of carrying amount from revaluation of assets</b>		<b>(1 238)</b>	<b>1 003</b>
Decrease of carrying amount from revaluation of vessels		4 916	
Tax		39	(227)
<b>Ordinary profit (loss) before taxes</b>		<b>3 717</b>	<b>775</b>
Depreciation and amortization of tangible assets	2	5 436	4 936
Tax paid		(113)	(18)
Write off assets			94
Net income of associates		(295)	1 874
Change in trade receivables		3 180	(3 489)
Change in other receivables		(3 848)	(507)
Change in trade payables		(147)	1 536
Change in other accruals		6 989	(3 368)
Items classified as investing activities		(7 154)	2 674
Interest expense without cash effect		829	595
<b>Net cash flow from operating activities</b>		<b>8 593</b>	<b>5 102</b>
Cash out due to investments	2,3	(3 602)	(6 597)
Cash in due to disinvestments		600	
<b>Net cash flow from investing activities</b>		<b>(3 002)</b>	<b>(6 597)</b>
Issuing of new debt		3 000	
Repayment of debt		(39 458)	(4 663)
Dividend paid out to non-controlling interests		(5 250)	
<b>Net cash flow from financing activities</b>	5	<b>(41 708)</b>	<b>(4 663)</b>
Effect of changes to exchange rates on cash and cash equivalents		173	428
<b>Net change in cash and equivalents</b>		<b>(35 944)</b>	<b>(5 729)</b>
<b>Cash and equivalents at start of period **</b>		<b>44 547</b>	<b>15 667</b>
<b>Cash and equivalents at end of period*</b>		<b>8 603</b>	<b>9 938</b>

\* restricted cash is USD 0.5 million

\*\* In addition to the cash and cash equivalent per 30 June 2015, the Group holds treasury shares of approximately USD 2.2 million in current market value. To support the equipment growth the Group has EUR 15 million in undrawn revolver loan per balance sheet- and reporting date



## Selected explanatory notes

The Company is comprised of two operating segments, Oceanteam Shipping and Oceanteam Solutions. Oceanteam Shipping owns, charters and manages deep-water offshore support vessels and fast support vessels. Oceanteam Solutions' focus is to provide its client with complete offshore solutions.

With the in-house engineering experience and expertise we ensure that our clients find the most effective vessel solution for their projects. We can provide integrated services and a pro-active assistance, both operational and technical, in every aspect of the project we manage in the value chain.

Oceanteam Shipping has offices in Amsterdam, Velsen and Schiedam in the Netherlands, in Monaco and in Ciudad del Carmen in Mexico. The corporate headquarter is in Bergen, Norway.

The Company is listed at the Oslo Stock Exchange and is traded under the ticker code "OTS".

### Note 1 - Financial statements

The condensed set of Financial Statements for Q2 2015 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 2014, unless otherwise stated.

There has not been applied new standards in Q2 2015.

#### Market Outlook

The main change in the market outlook ending 2014 is the shock in the oil prices. In the first half 2015 the oil price has increased with almost 50 percent in the start of the year and later on decreased back to levels around \$40 per barrel. The more volatile environment for oil prices and activity, has created significant market challenges for our industry, but also opportunities. To mitigate the market risk, the Company has secured superior backlog for both 2015, 2016 and partly into 2017 for its CSV assets. There is considerable uncertainty as to how long it will take before demands picks up. The Company is still positive and believes in the long-term fundamentals of the relevant markets and regions it operates in to remain strong and that its diversification strategy supports this. To meet the macro challenges the Company emphasises its strong capital and cost discipline, the strength of its balance sheet, reduction of capital costs and the recent "capital on call" revolver loan to grow its business against backlog.

#### Fair Market Value developments in volatile markets

There is a relative lack of liquidity in the Sale and Purchase market for offshore units and information on comparable Sale and Purchase transaction and market demand has, where available, been very limited or not available. In addition the recent oil price change has made the assesment of values more uncertain.

## Note 2 - Tangible assets

### GROUP Figures in USD '000

#### Investments in joint ventures and associates

	Investment in Oceanteam Bourbon 101 AS	Partici- pation in LV 105	DOT Shipping GROUP	Investment in Oceanteam Bourbon Spares & Equipment AS	Total
Carrying amount of investment per 31 Dec 2014	26 829	13 043	2 949	63	42 884
Change in investments		(600)	1 740		1 140
Dividend	(5 500)				(5 500)
Net result from investment Cum Q2 2015	2 126	1 104	(53)	(12)	3 165
Change in net revaluation Cum Q2 2015	(7 571)	(177)			(7 748)
<b>Total carrying amount 30 June 2015</b>	<b>15 883</b>	<b>13 370</b>	<b>4 636</b>	<b>51</b>	<b>33 940</b>

#### Vessels and Equipment

	Construction and Support Vessels (CSV)	Fast Support Vessels, Machinery & other	Total
Historical Cost 31 December 2014	175 239	45 598	220 837
Additions		1 649	1 649
Disposals			
<b>Historical Cost 30 June 2015</b>	<b>175 239</b>	<b>47 247</b>	<b>222 486</b>
Accumulated depreciation 31 December 2014	(7 330)	(11 930)	(19 260)
Depreciation	(4 030)	(1 344)	(5 374)
Disposals depreciation			
<b>Accumulated depreciation 30 June 2015</b>	<b>(11 360)</b>	<b>(13 274)</b>	<b>(24 634)</b>
Accumulated impairments 31 December 2014		(8 553)	(8 553)
Impairments/reversals			
<b>Accumulated impairments 30 June 2015</b>		<b>(8 553)</b>	<b>(8 553)</b>
<b>Carrying amount 31 December if CSV's were stated at historical cost</b>	<b>163 880</b>	<b>25 420</b>	<b>189 299</b>
Revaluation per 30 June 2015	(14 100)		(14 100)
<b>Total carrying amount 30 June 2015</b>	<b>149 780</b>	<b>25 420</b>	<b>175 200</b>
Depreciation rates	5-25 years	3-15 years	
Depreciation method	none	linear	linear

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

**GROUP Figures in USD '000**

**Revaluation reserves**

	Revaluation for Bourbon Oceanteam 101	Revaluation for North Ocean 105	Revaluation for Southern Ocean	Revaluation Non controlling interests	Total
<b>Gross Revaluation reserve 31 December 2014</b>	<b>28 561</b>	<b>3 222</b>	<b>(4 704)</b>	<b>(4 704)</b>	<b>22 375</b>
Change in revaluation	(7 276)	(118)	(2 458)	(2 458)	(12 310)
Tax effect					
<b>Gross Revaluation reserve 30 June 2015</b>	<b>21 285</b>	<b>3 104</b>	<b>(7 162)</b>	<b>(7 162)</b>	<b>10 065</b>
Accumulated depreciation premium values 31 Dec 2014	(5 325)	(515)			(5 840)
Depreciation premium values	(295)	(59)	112	112	(130)
<b>Total depreciation premium values</b>	<b>(5 620)</b>	<b>(574)</b>	<b>112</b>	<b>112</b>	<b>(5 970)</b>
<b>Net revaluation reserve 30 June 2015</b>	<b>15 665</b>	<b>2 530</b>	<b>(7 050)</b>	<b>(7 050)</b>	<b>4 095</b>
<b>Accumulated depreciation 30.06.2015 over P&amp;L</b>					<b>8 428</b>
<b>Total Revaluation Reserve 30 June 2015</b>					<b>12 523</b>

**Fair value measurements**

**Fair value measurement of vessels**

A valuation of the group's vessels and the participation in LV 105 was performed by the Company to determine the fair value of the vessels and the interest in LV 105 as at 30 June 2015. All vessels are equity accounted except the Oceanteam Bourbon 4 AS which is 100 percent consolidated. The revaluation surplus net of applicable deferred income taxes were credited to other comprehensive income and is shown in 'Revaluation reserves' in shareholders equity. The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

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

## GROUP Figures in USD '000

Fair value measurements at 30 June 2015	Level 1	Level 2	Level 3
<b>Recurring fair value measurements</b>			USD 000'
Construction support vessels			149 780
Investment in associates			13 370
Investment in joint ventures			15 883
<b>Total carrying amount 30.06.2015</b>			<b>179 033</b>

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

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

	USD '000
Opening balance 31.12.2014	205 703
Transfers to/(from) Level 3	
Additions	3 230
Disposals	(6 100)
Depreciation	(11 490)
Gains and losses recognised in other comprehensive income	(12 310)
<b>Closing balance 30.06.2015</b>	<b>179 033</b>

### Valuation processes of the Group

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

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

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

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

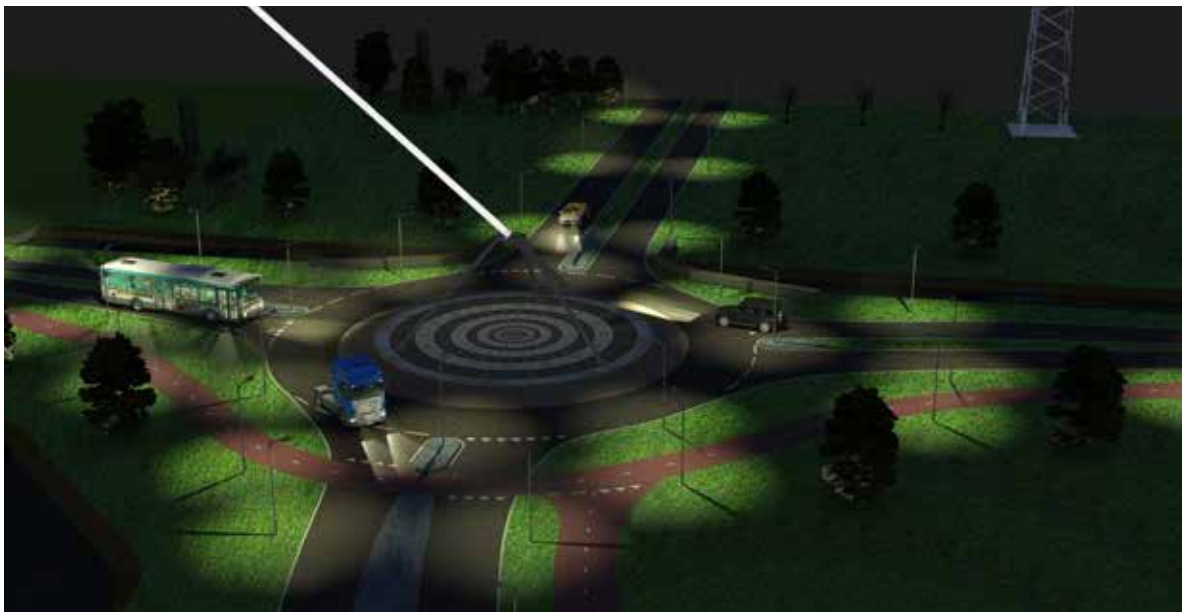
- Oceanteam Shipping ASA updates the model quarterly
- Two external valuations from independent brokers where the Construction Support Vessel (CSV) and Lay Vessel (LV) is traded between a willing buyer and a willing seller in an active market
  - the Brokers' opinions of recent newbuilding quotes of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

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

- The average of two brokers' valuations on a charter free CSV and LV vessels with prompt delivery
- The estimated economical lifetime is 25 years from delivery of the vessel.

- The calculated cash flow from the time charter on the revaluated CSV / Lay Vessel is being compared with the estimated brokers' charter
- The premium values of the vessels are depreciated linearly over the useful life of the assets
- The cash flow from the charter is discounted with a WACC of 7.7 percent. The calculation of the WACC has the following assumptions:
  - 10 year state USD
  - a 40/60 ratio of equity / debt
- When Oceanteam Shipping has signed a building contract, financing is secured, construction costs and fair value can be measured reliably. Oceanteam Shipping is applying the revaluation model for the CSV / Lay Vessels. The accounting impact when applying the revaluation model is that the CSV / Lay Vessel are measured at fair value in the balance sheet. The lines on the balance sheet "Vessels and equipment" on the asset side under tangible assets and the line "Revaluation reserve" are affected by the revaluation method. The historical costs for the CSV / Lay Vessels are shown in the table above for tangible assets under the column "Construction and Support Vessels" and also the revaluation surplus under the line revaluation reserve in the table.
- Per balance sheet date the CSV 101, CSV 104 and LV 105 were revaluated.
- The option price for the LV North Ocean 105 is included in the cash flow connected to the vessel and the option can be called in 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 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 LV North Ocean 105 is included in the cash flow connected to the vessel, is based on the management's best estimate.



KCI's wind vane design

## Note 3 - Intangible assets

### GROUP Figures in USD '000

Q2 2015	Deferred tax	Goodwill	Customer relations	IP licences, concept etc	OTS Designs	Intangible assets
Historical cost 31 December 2014	6 000	12 987	4 400	632	1 222	25 241
Additions-Internally developed						
Additions - Acquired separately				177	36	213
Disposals						
<b>Historical cost 30 June 2015</b>	<b>6 000</b>	<b>12 987</b>	<b>4 400</b>	<b>809</b>	<b>1 258</b>	<b>25 454</b>
Accumulated amortisation 31 December 2014			(4 400)	(51)	(45)	(4 496)
Amortisation				(74)		(74)
<b>Amortisation 30 June 2015</b>			<b>(4 400)</b>	<b>(125)</b>	<b>(45)</b>	<b>(4 570)</b>
Accumulated impairments 31 December 2014						
Impairments/reversals						
<b>Accumulated impairments 30 June 2015</b>						
<b>Book value 30 June 2015</b>	<b>6 000</b>	<b>12 987</b>		<b>684</b>	<b>1 213</b>	<b>20 883</b>

## Note 4 - Segment information

The Group has two segments, Oceanteam Shipping and Oceanteam Solutions. Oceanteam Solutions consist of engineering and equipment business. The current segments 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 total Group revenue for the Q2 2015 is USD 19 million, of which USD 7,3 million was distributed to the Shipping Segment and USD 11,7 million to Oceanteam Solutions.

Segment information	Shipping		Oceanteam Solutions		Total	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014	Q2 2015	Q2 2014
Revenue	5 771	8 954	11 737	8 788	17 509	17 742
Net income from associates and joint ventures	1 522	3 249			1 522	3 249
Operating costs	(337)	(639)	(5 142)	(4 258)	(5 479)	(4 897)
General & administration	(1 784)	(2 475)	(2 810)	(3 409)	(4 594)	(5 884)
<b>EBITDA</b>	<b>5 173</b>	<b>9 090</b>	<b>3 784</b>	<b>1 120</b>	<b>8 957</b>	<b>10 210</b>
<b>EBITDA %</b>	<b>71%</b>	<b>74%</b>	<b>32%</b>	<b>13%</b>	<b>47%</b>	<b>49%</b>
<b>Reportable segment profit</b>	<b>(2 289)</b>	<b>(176)</b>	<b>3 122</b>	<b>570</b>	<b>834</b>	<b>394</b>
<b>Reportable segment assets</b>	<b>213 617</b>	<b>171 244</b>	<b>44 584</b>	<b>45 087</b>	<b>258 201</b>	<b>216 331</b>
<b>Reportable segment liabilities</b>	<b>(121 659)</b>	<b>(87 629)</b>	<b>(18 194)</b>	<b>(24 913)</b>	<b>(139 854)</b>	<b>(112 542)</b>

\* Note: In 2014 the CSV North Ocean 102 was included in the numbers, while 2015 is the first year its out.



## Note 5 - Loans and borrowings

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

	0 to 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
<b>At 30 June 2015</b>					
Bank/ bond borrowings incl. interest	17 118	17 003	98 472		132 593
Other current liabilities	17 898				17 898
<b>Total liabilities</b>	<b>35 017</b>	<b>17 003</b>	<b>98 472</b>		<b>150 492</b>
<b>At 31 December 2014</b>					
Bank/ bond borrowings incl. interest	67 180	17 761	104 423		189 364
Other current liabilities	11 609				11 609
<b>Total liabilities</b>	<b>78 789</b>	<b>17 761</b>	<b>104 423</b>		<b>200 973</b>

Loans/ Currency of loan		True rate of interest	30 June 2015	31 December 2014
CSV Southern Ocean (USD)	Secured	LIBOR + margin*	58 725	62 775
Bond loan (USD)		LIBOR + margin	56 389	91 150
Other long term debt			2 911	3 368
<b>Total long-term debt</b>			<b>118 024</b>	<b>157 294</b>
**1st year principal repayments			8 100	43 100
***Borrowing costs			3 050	3 324
<b>Total long-term debt</b>			<b>106 874</b>	<b>110 870</b>

\* 50 % of the LIBOR interest rate is fixed.

\*\* 1st year principal installments are related to vessel Southern Ocean.

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

The CSV vessels are collateral for the loans.

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

## Liquidity risk, financial risk and market risk

The Board of Directors has an overall responsibility for the establishment and 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

At quarter end the working capital and liquidity position of the Company is lower than average due to large repayment of debt in the period where USD 39.5 million were repaid. The Group has secured external equipment finance to support its growth in the Oceanteam Solution business. The parent company depends on liquidity flows from subsidiaries and the joint venture companies that are owned with its joint venture partners. The Company aims to increase this going forward through increased profitability from its business areas. These transfer covers the financial instruments in Oceanteam Shipping ASA and its operational cost to be a listed company.

As of 30 June 2015 the Company has limited the number of previous claims to one outstanding from the past. The Company sued Sawicon AS and North Sea Shipping for the infringement of the Company's rights for the development of the North Ocean 100 series. Gulating Court of Appeal has invalidated Bergen City Court's previous verdict in favour of Sawicon AS. Gulating Court of Appeal released Oceanteam from the obligation to pay the legal costs incurred by Sawicon AS and North Sea Shipping AS in connection with the Bergen City Court case. As a consequence of the ruling there no longer exists an applicable court decision regarding the rights to the North Ocean 100-series design and the case will have to be restarted in Bergen District Court. Oceanteam Shipping ASA is pleased that Gulating Court of Appeal has recognized Oceanteam's objections to the application of the procedural rules by Bergen City Court.

The court case against Sawicon and North Sea Shipping will continue in 2015 and all costs are recorded as they occur.

All outstanding trade receivables for the shipping segment per Q2 2015 were received per reporting date. For the solution segment, USD 2.6 million of outstanding trade receivables per Q2 end of which USD 2.0 million has already been received to date.

### 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 until 28 February 2015 risk in connection with the vessels built under the Spanish tax lease system.

The Lay Vessel North Ocean 105 was under the Spanish tax lease structure until 28 February 2015, after which no vessels remain under the structure. After that all the Companies Spanish Tax lease structures are ended.

The Company has sales revenues and liabilities in foreign currencies and is exposed to currency risks. Approximately 50 percent of the revenue is in USD while the remaining 50 percent is in EURO. Since the reporting currency is in USD the foreign exposure is for liabilities in the EURO and its fluctuations with USD.

The Company is exposed to changes in interest rates as the bulk of its debt has floating rates. Lay Vessel North Ocean 105 was financed in USD for the construction costs hedged in EURO. Long term post construction finance has been secured in USD where the interest rate is fixed. In the loan agreement for the CSV Bourbon Oceanteam 101 and CSV Southern Ocean 50 per cent of the Libor interest rate is fixed. This protects the Company from volatile interest rate fluctuations. The USD bond loan has a floating quarterly LIBOR. With the current maturity schedule and the forward interest curves, the Company sees a satisfactory risk level. The objective of the Company is to reduce financial risk as much as possible.

The overall strategy to reduce currency risk is largely based on natural hedging. Natural hedging means to have revenue and cost in the same currency per project. For Oceanteam Bourbon 101 AS and Oceanteam Bourbon 4 AS current interests strategy includes the use of interest swap agreement for the loans in as financial instruments. The risk mitigation is however continuously being assessed by the management and the Board of Directors.

Oceanteam Shipping's balance sheet is leveraged with USD 115 million in non-current liabilities including its first year's installments.

### 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 also has the opportunity to use longer periods as for instance 6 or 9 months etc. Due to the strategy of the Company and also based on low interest curves and with the liquidity situation in the market, Oceanteam has used quarterly roll over for its interests period.

### Market risk

Market risk includes risk of fluctuation in oil prices, political, economic risk and other uncertainties, increased competition and risk of war, other armed conflicts and terrorist attacks. The deteriorated financial climate has led to delays in projects in both the oil and gas and renewable energy industries which might make it more difficult to obtain attractive contracts for the construction support vessels and fast support vessels. Also the demand for cable installation equipment and engineering services may be affected by the economic circumstances. Reference is also made to the text paragraph earlier in the interim report.

### 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 and it is monitored if any changes in credit risks during the contracts. The volatility in the Company's market has increased the credit risk among its clients due to macro changes especially in the oil and gas Industry.

### Operational risk

Operational risks include time charter and bare boat contracts, service life and technical risk of vessels, the Company's operating history, risk for substantial responsibilities, the Company'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.

By securing long term contracts for the main assets for the Group, the operational risk for the Group decreases significantly.

### Contract backlog:

- CSV 101: BP Angola until February 2017.
- CSV Southern Ocean: Fugro TS Marine Australia until 31 December 2018 (+2 x 1 year option).
- LV 105: McDermott International Inc. firm until 30 June 2017 (+1 year option + 1 further additional year provided the Charteres give advance written notice according to details in charter agreement.
- FSV Mantarraya and FSV Tiburon: Contracts extended until end December 2015.
- Engineering: the level of secured work / tenders out are satisfactory for the season.
- RentOcean: Backlog of USD 5.8 millions, and tender positons of USD 18.2 millions.

## Note 6 – Tax in Q2 2015

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.

However, the Group has major tax losses to be carried forward due to losses on contracting business. Confirmation from the tax authorities of a deferred tax loss of NOK 1.1 billion has been received in October 2014. The Group is analyzing how to utilize the nominal deferred losses of NOK 1.1 billion or USD 169 million for the Norwegian entities and EUR 55 million for abroad operations.

Deferred tax balance USD 6.0 million in the balance sheet includes tax losses on operations in the Netherlands and the Company is in process of increasing this asset due to increased profitability and securing new contracts in the Oceanteam Solution segment.

## Note 7 – Contingent liabilities

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

Sawicon has brought an appeal against this decision in High Court which will be handled in August 2015. The outcome is expected to be positive.

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

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

## Note 8 – Investment in joint ventures, associates and subsidiaries

### Joint ventures

DOT Shipping, a joint venture with Grupo Diavaz, consisting of DOT Holdings AS, DOT Shipping AS, DOT Shipping BV, DOT S.A. DE C.V. and DOT Radiance PTE LTD. These entities will be presented together under DOT Shipping companies.

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

The following is summarised financial information for DOT Shipping companies and Oceanteam Bourbon Spares & Equipment AS, its financial statements prepared in accordance with Norwegian GAAP. All companies mentioned above are equity accounted in the Group.

	DOT Shipping companies	Oceanteam Bourbon Spares & Equipment AS
Nature of relationship with the Group	FSV Icacos FSV Cobos CSV large under construction	Equipment business
Principal place of business	Mexico	Bergen, Norway
Ownership interest	40%	50%
Voting rights held	50%	50%

The following is summarised financial information for DOT Shipping companies and Oceanteam Bourbon Spares & Equipment AS, based on their respective financial statements prepared with USD as the functional currency, modified for fair value adjustments and differences in the Group's accounting policies.

### GROUP Figures in USD '000

	DOT Shipping Companies		Oceanteam Bourbon Spares & Equipment AS	
	Cum Q2 2015	2014	Cum Q2 2015	2014
Revenue	1 379			103
Profit before tax	(153)		(24)	(136)
Tax				(23)
<b>Net result</b>	<b>(153)</b>		<b>(24)</b>	<b>(159)</b>
Current assets	3 056	10 799	24	24
Non current assets	29 078	15 738	166	177
Current liabilities	(3 300)	(549)	(12)	
Non-current liabilities	(20 265)	(13 048)	(82)	(82)
<b>Net assets</b>	<b>8 569</b>	<b>12 940</b>	<b>96</b>	<b>119</b>

**GROUP Figures in USD '000**

	DOT Shipping Companies		Oceanteam Bourbon Spares & Equipment AS	
	Cum Q2 2015	2014	Cum Q2 2015	2014
Group's interest in net assets of investee at beginning of year	2 949		63	144
Investments	1 740	3 017		
Total comprehensive income attributable to the Group	(53)	(68)	(12)	(81)
<b>Carrying amount of interest in investee</b>	<b>4 636</b>	<b>2 949</b>	<b>51</b>	<b>63</b>

**Associates**

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

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

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

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

The following is summarised financial information for Oceanteam Bourbon 101 AS and North Ocean 105 AS based on the USD as their functional currency, modified for fair value adjustments on acquisition and differences in Group's accounting policies.

\*In December 2013 the owning parties agreed to change the shareholders' agreement for Oceanteam Bourbon 101 AS. Oceanteam Shipping ASA have two of total five directors in the board, which is the base for calculation of voting rights given above. The owner companies, Bourbon Offshore Norway AS and Oceanteam Shipping ASA have equal voting shares in general meetings. The changes were implemented from 1 January 2014.

**In USD '000**

	Oceanteam Bourbon 101 AS		North Ocean 105 AS	
	Cum Q2 2015	2014	Cum Q2 2015	2014
Revenue	11 750	23 072	8 902	23 777
Profit before tax	4 252	10 096	4 018	8 214
Tax		(2)		(4)
<b>Net result</b>	<b>4 252</b>	<b>10 094</b>	<b>4 018</b>	<b>8 210</b>
Current assets	7 261	8 741	2 216	8 792
Non current assets	60 402	63 132	105 265	107 783
Current liabilities	(10 043)	(20 185)	(6 769)	(12 194)
Non-current liabilities	(52 067)	(50 386)	(55 489)	(63 177)
<b>Net assets</b>	<b>5 553</b>	<b>1 302</b>	<b>45 223</b>	<b>41 203</b>

**GROUP Figures in USD '000**

	Oceanteam Bourbon 101 AS		North Ocean 105 AS	
	Cum Q2 2015	2014	Cum Q2 2015	2014
Group's interest in net assets of investee at beginning of year	26 829	27 433	13 043	17 852
Change in investment			(600)	
Total comprehensive income attributable to the Group	2 126	5 047	1 104	2 252
Total other comprehensive income attributable to the Group	(7 571)	(5 651)	1 597	(3 884)
Wrongly booked from previous year				(3 177)
<b>Carrying amount of interest in investee at 30 June 2015</b>	<b>21 383</b>	<b>26 829</b>	<b>15 144</b>	<b>13 043</b>

**Subsidiaries**

The Company has 18 subsidiaries to the Group in 2015.

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

**Oceanteam Bourbon 4 AS**

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

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

\* For further information about voting rights, ref note 9.

**Figures in USD '000**

	Cum Q2 2015	Oceanteam Bourbon 4 AS 2014
Revenue	9 256	20 582
Profit	5 467	13 404
Other comprehensive income		
Total comprehensive income	5 467	13 404
Profit attributable to non-controlling interest	2 733	6 702
<b>Total comprehensive income attributable to non-controlling interests</b>	<b>2 733</b>	<b>6 702</b>
Current assets	6 419	11 245
Non current assets	82 814	85 165
Current liabilities	(29 820)	(23 783)
Non-current liabilities	(50 136)	(54 798)
<b>Net assets</b>	<b>9 277</b>	<b>17 829</b>
<b>Net assets attributable to non-controlling interests</b>	<b>4 638</b>	<b>8 914</b>



CSV Southern Ocean



## Note 9 - Business combinations

### **Oceanteam Bourbon 4 AS**

In December 2013 the owning parties agreed to change the shareholders' agreement for Oceanteam Bourbon 4 AS and Oceanteam Bourbon 101 AS. This resulted in Bourbon Offshore Norway AS gaining control over Oceanteam Bourbon 101 AS and Oceanteam Shipping ASA gaining control over Oceanteam Bourbon 4 AS. The effect was from 1 January 2014 and both parties have implemented changes accordingly to agreement.

Equity interests still remains 50 percent but voting shares in Oceanteam Bourbon 4 AS is 60 percent control is gained. This is based on Oceanteam Shipping ASA having three of total five directors in the board. But in general, the owner companies, Bourbon Offshore Norway AS and Oceanteam Shipping AS have equal voting shares in general meetings.

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

Per 30.06.15 non-controlling interests held USD 49.4 million of equity in the Group accounts which include revaluation reserve of negative USD 5.1 million.

Revenue from company Cum Q2 2015 is USD 9.3 million and profit is USD 5,5 million, revaluation reserve for the company is amounted to negative USD 10.2 million per balance sheet date.

### **KCI the engineers B.V.**

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

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

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

There is a contingent consideration related to the purchase of shares in KCI BV. Consideration is not reported in this annual report due to commercial reasons. Oceanteam owns 70% of the shares before acquisition on 20 February 2014 and the latest calculations shows a premium for value in use compared to booked value for the ownership in KCI per balance sheet date.

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

#### CSV Southern Ocean



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

#### Lay vessel North Ocean 105



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

**FSV Icacos/ FSV Cobos**



These innovative Fast Support Vessels (FSV's) have been delivered and started operation in Mexico in March 2015. The vessels are capable of transporting 96 POB and cargo at a cruising speed of 25 knots with largely improved fuel efficiency.

**FSV Mantarraya / FSV Tiburon**



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

**Up to 5000T demountable turntables**



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



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