

Q2

INTERIM REPORT 2ND QUARTER 2016



OCEANTEAM



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Oceanteam ASA - Q2 2016 interim report

Issue date 25th August 2016

Oceanteam builds backlog and deals with new realities

During the second quarter of 2016, Oceanteam made excellent progress towards achieving its long-term goals, including sustaining occupancy and the revenues of our shipping business unit under very challenging market circumstances. In addition, the Company opened up new worldwide market opportunities in markets such as the renewable energy and telecom industries, by further diversifying and accelerating our service-driven solutions, including engineering.

Oceanteam's Q2 results were once again solid, continuing the trend seen in the first quarter of 2016. In the second half of 2016, Oceanteam will continue its efforts to find new financial structures to lower the company's cost of capital employed, freeing up resources to fund future activities and create room for a dividend pay-out to shareholders.

We entered into long-term charter agreements for our vessels CSV Southern Ocean and CSV Bourbon Oceanteam 101. Although at significantly lower rates than usual, due to market circumstances, the management team is very happy that it has been able to secure long-term revenue and charter occupancy.

In addition, Oceanteam Solutions' operations and service mix are growing as expected. In the second quarter, the Company managed to extend a number of existing contracts and was awarded several new contracts. Some of these contracts have attracted worldwide attention, in turn leading to increased traction on new inquiries. This segment of the Company has grown from a small unit into a solid source of revenues for the Company and a significant part of our business strategy. Oceanteam Solutions' operations are growing steadily and this is helping Oceanteam to deal effectively with the harsh environment that is defining both the oil and gas and offshore industries.

Since 2014, Oceanteam Solutions has expanded into four business pillars that are marketed worldwide. In addition to solutions for the renewables and oil and gas industries, Oceanteam has given the recently-launched Wheels division a kick-start. This new unit has already underscored its market presence by carrying out the installation engineering for the heaviest onshore lift in history for Dubai-I, the world's largest Observation Wheel. This is just one of the multiple projects and works in progress within the recently launched Wheels division.

The first half of 2016 saw our entire industry confronted with various obstacles and challenges. Market research still shows that the oil and gas industry will continue to be troubled. This shift in market equilibrium has rocked the boats of most players in the industry, including Oceanteam. While market conditions are throwing numerous barriers and even more hurdles for industry players to overcome, it also offers value-creating opportunities within several niche segments. We identified these opportunities years ago, and Oceanteam's investments and its efforts to open up those niche segments are now paying off. Q2 revenues were up 7 percent compared to Q1, proving that we are moving in the direction we are targeting.

With the renewables market showing strong growth and a positive outlook, Oceanteam is also expanding its geographical focus. Oceanteam Solutions recently signed a long-term agreement for consultancy and market representation in China with a firm that has a unique track record in Chinese offshore oil and gas and renewables activities. The cooperation covers projects related to offshore wind installations and support for power cable projects in China. This is a very exciting opportunity, as we are entering the Chinese market, which has enormous potential.

In addition to strengthening our revenue driven pillars, Oceanteam has also been working continuously to rationalise its operational cost base and structure and therefore the cost of its capital employed. Due to the sentiments in the industry, the financial markets and the Company's structure, Oceanteam is now stepping up its efforts to explore a possible change in its capital structure.

Oceanteam's performance in this second quarter was solid again. However, as communicated in our Q1 report, the company has been exploring alternatives to refinance its current bond to reduce finance costs, fund future growth and establish a favourable dividend policy. As a consequence of the continued deterioration in market condition in the offshore oil and gas sector, Oceanteam has not yet succeeded in obtaining satisfactory alternative funding sources that will enable the Company to refinance its bond.

The Board of Directors has therefore initiated a process to review all alternatives available to the Company, to secure sustainable financing. Such alternatives may include new debt and/or equity, restructuring the current bond, but we are also exploring other strategic options. The Board is planning to present further details and, if possible, a preliminary plan to shareholders, bondholders and other stakeholders by the end of 2016.

While new opportunities and increased and diversified business activities are creating unparalleled opportunities and therefore a positive outlook and good entrepreneurship, the Company is still faced with serious financial restraints. Falling asset values, regular liquidity squeezes and negative sentiment in the financial markets are forcing the management to continuously trim the Company's cost base, to deleverage in a disciplined manner and to use our resources carefully.

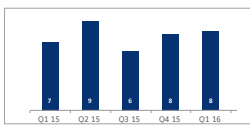
Oceanteam's stable operational performance and solid EBITDA reflect the viability of both the Company and its team. We believe that we have all the elements in place that will enable us to take full advantage when the oil and gas market recovers, and to grasp opportunities in new markets.



On behalf of the Board of Directors
Haico Halbesma, Chief Executive Officer

Highlights for the quarter

- Revenue from operations USD 16.8 million.
- EBITDA from operations USD 7.8 million.
- Operating profit of USD 5.3 million.
- Net finance negative USD 3.9 million.
- Net result for the quarter USD 2.4 million.



Strong EBITDA due to sustainable business operations, solid contribution from Solutions and Shipping.



The construction of a large offshore construction support vessel, the Tampamachoco 1 for DOT Shipping, is progressing and is scheduled to start operations early 2017. The Mexican market develops slower than expected, but the Company remains positive on its future development and potential.



Oceanteam Solutions won a contract to supply 4000T and 1100T turntables and auxiliary equipment for the storage, splicing and multiple loadouts of cables to a client at Oceanteam's own base in Velsen Noord, The Netherlands.



Oceanteam Solutions has extended a contract with one of their clients by supplying a 1500T cable basket and accompanying equipment for a storage and cable loadout project in Velsen Noord, The Netherlands.



Oceanteam Solutions successfully delivered a cable lay spread in Poland, which included a 4000t demountable turntable and loading tower with built-in tensioner.



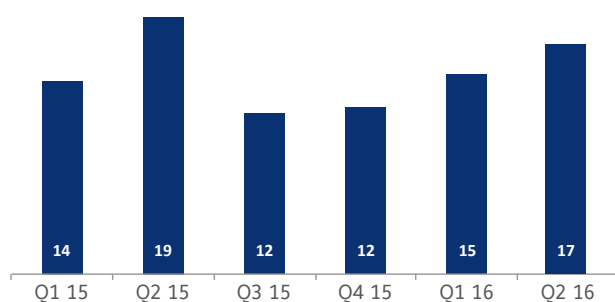
Oceanteam Solutions carried out the installation engineering for the heaviest onshore lift in history for the Dubai-I, world's largest Observation Wheel.

Subsequent events

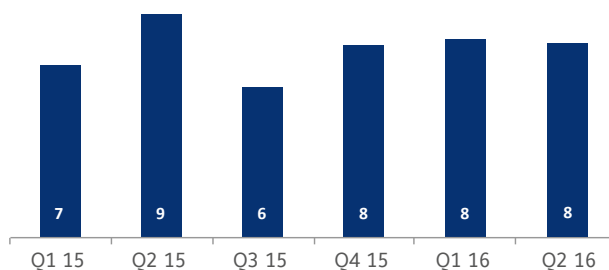
- CFO Torbjorn Skulstad to leave company as of November 2016.
- Owners Oceanteam and Bourbon Offshore have started a three year time charter plus options for CSV Bourbon Oceanteam 101 in Angola at significantly reduced rates. The project started in late August 2016, upon completion of a dry docking and maintenance period.
- Owners Oceanteam and Bourbon Offshore have entered into a five year bare-boat agreement with Shelf Subsea Australia at a significantly reduced rate for CSV Southern Ocean.
- Oceanteam Solutions has performed several cable loadouts in Asia. The scope is part of a contract that includes multiple cable transports.
- Oceanteam Solutions has signed an agreement to enter the Chinese market.

Key figures for the group

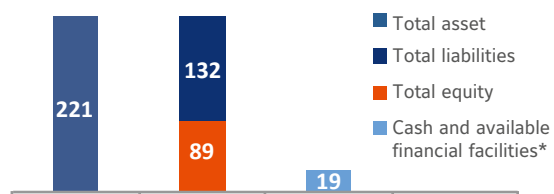
Revenue
16.8 mill.
USD in million



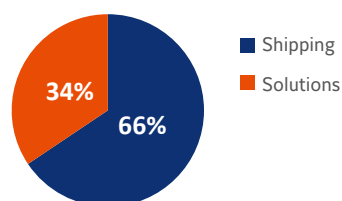
Ebitda
7.8 mill.
USD in million



Asset overview
Balance
USD in million



Segment Revenue
Revenue split 2016



USD	Q2 2016	Q2 2015	Cum Q2 2016	Cum Q2 2015	2015
Revenue	16.8	19.0	31.6	33.3	57.0
Operating cost	4.9	5.5	8.3	9.3	14.7
General & administration	4.2	4.6	7.5	8.2	13.2
EBITDA	7.8	9.0	15.7	15.8	29.1
EBITDA percentage	46%	47%	50%	48%	51%

*3.8 million in cash and 14.9 million in financial overdraft and revolver facilities.

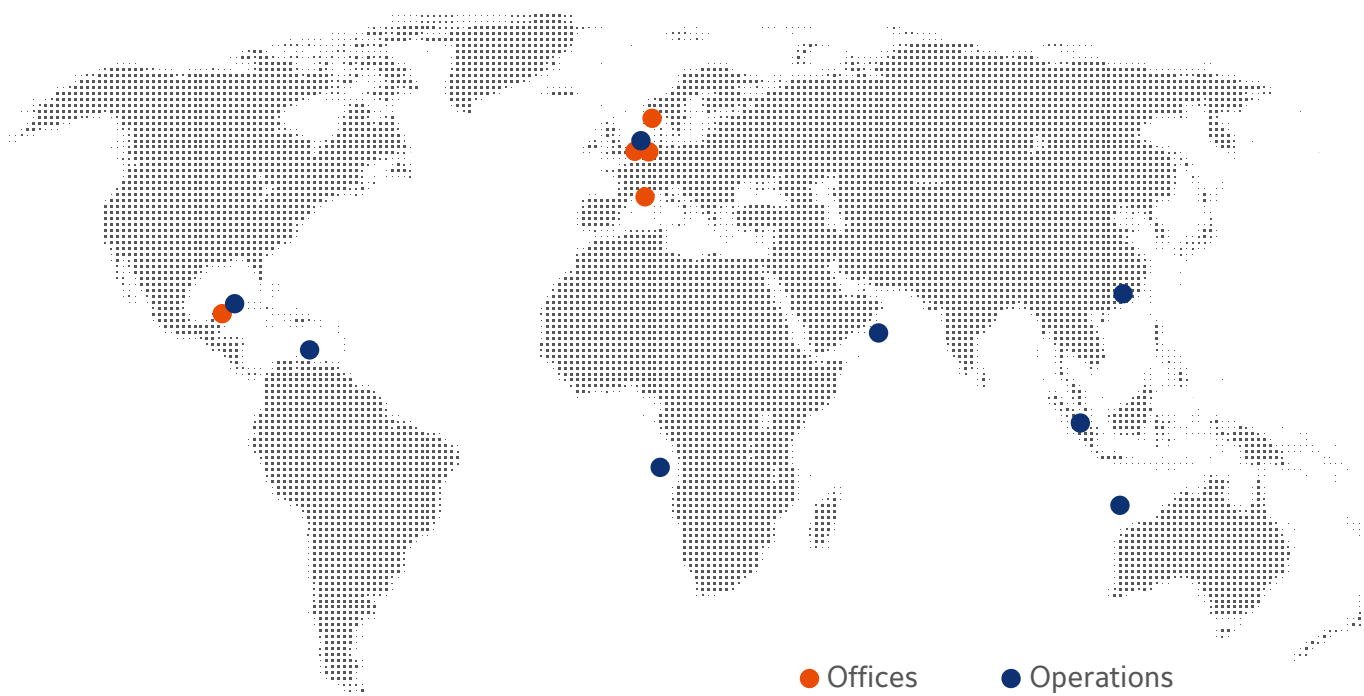
Who we are and what we do

Oceanteam is an offshore service provider. Oceanteam provides high quality support to offshore contractors all over the world through its fleet of large and advanced offshore vessels (Oceanteam Shipping), and its expertise in marine equipment, cable logistics and design engineering (Oceanteam Solutions).

Oceanteam focuses on economically and technically challenging projects for clients in the oil and gas and renewables industries. In addition, we are among the few companies in the world to combine high-end engineering know-how, DNV GL certified shipping and expertise, DNV ISO certified solutions and special purpose equipment in a single 'one-stop shop' service, if required.

Our global reach

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



Corporate structure

North Ocean fleet

Owns and provides two high-end large Deepwater Offshore Construction Service vessels (CSV's), one Pipe Lay vessel and two Fast Support vessels (FSV's) on long term contracts with solid subsea construction companies.

Oceanteam Solutions

In addition to a full package of engineering services, Oceanteam Solutions provides a complete range of high quality equipment suitable for offshore cable laying, umbilical installations, onshore and offshore cable storage and cable transport. Oceanteam Solutions owns numerous reels and seven large turntables based on its own patented design and has all related auxiliary equipment in stock.

KCI, as part of Oceanteam Solutions, designs and engineers complete platforms and infrastructures for the oil and gas and renewables industry. More than a hundred professionals offer a unique range of in-house experience and expertise. In addition, we are the lead engineer on the largest Ferris wheel ever built and have launched a separate division to serve this market. All engineering services within the Group are done in-house. Furthermore, we designed the majority of our equipment that is already operational or due to be built.

DOT Shipping

Provides vertically integrated high-end vessel solutions and marine asset services for the rapidly developing Mexican offshore market. The current fleet consists of two Fast Support vessels and one large Deepwater Offshore Construction Service vessel (CSV), the Tampamachoco 1, which is currently under construction. The company provides marine management, crewing, engineering and construction management.

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 Bourbon and Oceanteam own the CSV's Bourbon Oceanteam 101 and Southern Ocean.

Diavaz

Diavaz has positioned itself as one of the most experienced companies in Mexico's oil and gas market and has developed a sound knowledge of the energy sector. The company is active in marine operations, exploration and production. Oceanteam founded DOT Shipping together with Diavaz. The company focuses on providing high-end vessel solutions for the Mexican market and successfully delivered two FSV new builds in 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 McDermott and Oceanteam manage 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, CSV Tampamachoco 1.

How we create value

Oceanteam's mission is to create maximum value for its clients worldwide. We operate in different markets and geographical areas, combining engineering know-how and a pool of special-purpose equipment with our fleet of large and advanced offshore vessels. This enables us to deliver complex offshore support (cable, pipeline and umbilical installations, transportation and storage projects) as a single service (one-stop shop).

We establish strong (local) partnerships and strategic alliances. Our ambition is to be a preferred partner in offshore solutions for economically and technically challenging projects in the oil and gas as well as the offshore renewables industry.

Oceanteam has a disciplined financial strategy. We have long-term relationships with our banks and apply diverse sources of financing. We continually work to improve our credit rating and focus on reducing our cost of capital.



CSV Southern Ocean at work in Australian waters

Business areas

Operations North Ocean fleet

CSV Bourbon Oceanteam 101, after successfully completing a long term charter with Oceaneering and BP Angola, has just completed a dry dock period and has started a new time charter contract in Angola. The contract is for a period of three years plus options. The terms remain confidential, but the new charter rate reflects the current rate levels within the market.

CSV Southern Ocean, which has been on long term bare boat charter with Fugro TSM Australia since its delivery in 2010, has been transferred to Shelf Subsea. Our client recently concluded a buy-out with Fugro NV in The Netherlands. The vessel contract has been extended for five years until 2021. The terms remain confidential, but the new charter rate reflects the current rate levels within the market.

Lay Vessel North Ocean 105 was delivered in 2012 and has since been on a five-year contract with McDermott International and operates globally as a pipe layer.

Oceanteam Mexico SA de CV operates two Fast Support Vessels (FSV's), the Tiburon and Mantaraya. The contracts have been extended to mid-2016 in Venezuela with two one-year options for extension which remain pending.

DOT Shipping

In March 2014 Oceanteam took a 40 percent stake in the newly founded joint venture DOT Shipping together with Diavaz. DOT Shipping successfully delivered two FSV new builds, named Icacos and Cobos, in Q4 2014 that immediately began operating in Mexico. Both vessels are fully financed and have been operational in the Mexican market since March 2015, where they operate under a seven year firm time charter contract with three one-year options for extension.

DOT Shipping has a 50 percent stake in a large new-build construction support vessel, named Tampamachoco 1, which is currently under construction and is expected to be delivered early 2017. This vessel is owned through a joint venture owned by DOT Shipping and Pacific Radiance out of Singapore.

Oceanteam Solutions

Oceanteam Solutions is specialised in building demountable turntable systems that easily can be delivered in 40ft containers to all ports globally. The company designs and produces turntables in various sizes, for onshore and offshore use and for a variety of cables, umbilicals, pipes or flowlines. The Company provides full engineering design and consultancy services to clients in the oil and gas and renewables industries. Oceanteam Solutions can also provide services for complex structures both onshore and offshore. With the in-house engineering experience and expertise, clients can contract the most effective vessel and equipment solutions for their projects.

Over the years Oceanteam Solutions has built up a broad client base worldwide, to which the company successfully rents out equipment and supports the client's offshore cable, pipeline and umbilical installations, transport and storage projects. From our base with deep-water quayside facilities in Velsen-Noord, the Netherlands, the company can accommodate all sizes of vessels for mobilisation and demobilisation with easy access to the North Sea.

Oceanteam Solutions had an average of 100 engineers who worked on multi discipline service contracts during the quarter.

Newly awarded projects marine equipment and cable logistics:

- Contract awarded for supplying a cable manufacturer demountable turntables and auxiliary equipment for the multiple transport of cables from Asia to Europe in 2016. Under this contract this quarter the company performed several mobilisations of equipment and cable loadouts in Asia.
- Contract awarded for supplying 4000T and 1100T turntables and auxiliary equipment for the storage, splicing and multiple loadouts of cables to a client at Oceanteam's own base in Velsen Noord, The Netherlands.
- Extension of a contract with one of Oceanteam's clients by supplying a 1500T cable basket and accompanying equipment for a storage and cable loadout project in Velsen Noord, The Netherlands.
- Delivery of a cable lay spread in Poland, which included a 4000t demountable turntable and loading tower with built-in tensioner.

Newly awarded projects design engineering:

- Tender assistance and feed studies for sub stations and WTG foundations for several offshore wind projects for multiple new clients in addition to assistance provided for existing clients.
- Additional engineering scope for a large observation wheel in Dubai.
- Performing mooring analyses for an offshore construction vessel.
- Design of a new series of turntables and reels.
- Decommissioning study for the removal of several assets in the southern part of the North Sea.
- Design review of an offshore substation in China.

Double slip joint design ready

During the first half year 2015 the Company introduced its new developed intellectual property, a 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 by 30 percent, resulting in a sharp decrease in 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.

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

Operational projects marine equipment and cable logistics during the quarter:

- Executing 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.
- Executing a contract for supplying several cable baskets and accompanying equipment for a storage and cable loadout project in Velsen Noord, The Netherlands
- Executing several small contracts for supplying tensioners and chutes for clients in the UK.
- Execution of long-term cable storage and cable handling contracts for key offshore wind operators.

Operational projects design engineering during the quarter:

Oil&Gas

- Detailed design of a gas jumper between PLEM and pipeline.
- Decommissioning analysis for several platforms.
- CFD study on exhaust of equipment on existing platform.
- Detailed design of hook-up well on existing platform.
- Brownfield modifications for tie-in of new platform.
- Concept development for minimum facility development.
- Detailed design of new CI system on existing platform.
- Detailed design for modification to upgrade power generation on existing platform.
- NOX reduction study.

Renewables

- Concept design of windturbine jacket foundations.
- Concept design of windturbine monopole foundations.
- Detailed design of topside for power substation.
- Detailed design of jacket for power substation.
- Detailed design for secondary steel of substation.
- Concept & Basic engineering of offshore switch yard in Belgium.

Equipment

- Several engineering activities related to modular cable installation equipment.
- Cable lay installation procedures & analysis.
- Detailed design of Pile gripper modifications.
- Feasibility study for new pile gripper design.
- Concept design and prototyping of an alternative propeller with a much higher efficiency.
- Basic and detail design as well as construction management of a prototype for the Q-rotor, a new energy technology (heat pump).

Observation Wheels

- Detailed design of drive & restraint system of an observation wheel in New York.
- Full detailed design and installation engineering for largest observation wheel in the world.
- Finalization of basic design of a major innovative landmark project in Qatar.

Market outlook

The main change in the market outlook is a result of the turmoil in the oil price. The volatile environment for oil and gas prices and activity has created significant market challenges for our industry, but also opportunities. With the Company's expertise in combining engineering, shipping and equipment, the Company is ready to add more value for our clients.

Backlog and finance

To mitigate the market risk, the Company has secured superior backlog for 2016 and well into 2019 for its CSV assets adding up to pro rata USD 95 million. There is considerable uncertainty as to how long it will take before demands pick up and market conditions are expected to remain challenging for several years. The Company is still positive and believes that the long-term fundamentals of the relevant markets and regions it operates in remain strong and that its diversification strategy supports utilization for its assets and ride the next upturn in our cyclical markets. To meet the macro challenges the Company emphasizes its strong capital and cost discipline, the strength of its balance sheet.

The performance of the company in the quarter has been solid however, as communicated in our Q1 report, the Company has been exploring alternatives to refinance its current bond in order to reduce finance costs, fund future growth and establish a favorable dividend policy.

As a consequence of the continued deteriorating market within the offshore oil and gas industry, the Company has, so far, not been successful in obtaining alternative funding sources that would enable the Company to refinance its bond.

The Company has therefore initiated a process to review all alternatives available to the Company in order to secure a sustainable financing solution. Such alternatives may include new debt and/or equity, restructuring of its current bond, as well as exploring other strategic options with the intention to present further details and a preliminary plan to shareholders, bondholders and other stakeholders by the end of 2016.

Lean organisation and strong partners

The Company's view is that in the long-term, exploration and production activities are likely to increase again 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 more 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 and to spread its operational risk.

Firm position in offshore wind market

In Western Europe several offshore wind parks have been sanctioned and are being realised 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, this is also supported by increased leads and the building of future backlog. 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 29 years of experience, KCI has the competence to meet demands of the industry. Oceanteam Solutions 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.

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 of reducing risks and improving 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. 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. The Company aims to steer profitably through this challenging period and ride the next upturn in our cyclical markets.

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 as available resources flow into this market. Hence oil and gas prices affect activity and asset 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 utilisation of its assets and engineers for the coming period.

Vessel contract backlog

		2016 Q1-2	2016 Q3-4	2017 Q1-2	2017 Q3-4	2018 Q1-2	2018 Q3-4	2019 Q1-2	2019 Q3-4	2020 Q1-2	2020 Q3-4	2021 Q1-2
Shipping	Type of contract											
CSV BO 101	time charter											
CSV Southern Ocean	bareboat											
LV North Ocean 105	bareboat											
CSV Tampamachoco 1	time charter											
FSV Mantarraya	bareboat											
FSV Tiburon	bareboat											
FSV Cobos	time charter											
FSV Iacos	time charter											

Contract
 Option
 Under construction

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 Company has been exploring alternatives to refinance its current bond in order to reduce finance costs, fund future growth and establish a favorable dividend policy.

As a consequence of the continued deteriorating market within the offshore oil and gas sector, the Company has, so far, not been successful in obtaining alternative funding sources that would enable the Company to refinance its bond.

The Company has therefore initiated a process to review all alternatives available to the Company in order to secure a sustainable financing solution. Such alternatives may include new debt and/or equity, restructuring of its current bond, as well as exploring other strategic options with the intention to present further details and a preliminary plan to shareholders, bondholders and other stakeholders by the end of 2016.

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. The Company has some costs in NOK and MXN which have been fluctuating against the USD. Currency fluctuations may affect our business, but due to the Company's strategy and managing of the currencies, the effect is limited.

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. For the new-build, CSV Tampamachoco 1, it has not yet been decided when to secure the interest rate due to volatile market conditions. 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 CSV Bourbon Oceanteam 101 and CSV Southern Ocean as financial instruments. Otherwise, the strategy is largely based on natural hedging. Natural hedging means having revenue and costs in the same currency for each project. This is, however, continuously being assessed by the management and by the Board of Directors.

The equity ratio is 40 percent of total assets of 221 million USD.

Liquidity risk

At quarter end, the working capital and liquidity position of the Company is low due to repayment of debt and high financial costs, maintenance and mobilisation costs due to start of new projects.

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 the dividend flow going forward through increased profitability from its business areas. Solutions' new planned capital structure is under development and the Company is progressing positively with regards to its financial sources.

All outstanding trade receivables for the shipping segment per Q2 2016 were received per reporting date. For the Solutions segment, there is an USD 3.1 million of outstanding receivables per quarter end of which USD 1.3 million have already been received to date.

Investments and yard risk

DOT Shipping has one large Construction Support Vessel, named Tampamachoco 1, under construction which is due for delivery early 2017. The second installment for this new-build has been completed during the first quarter of 2015. All costs concerning construction are funded by the owners and is progressing as scheduled. Among the most critical risk factors in relation to the construction of the vessel is the risk for not receiving the vessel on time, at budget and with agreed specification. In addition, there is a risk that the yard will experience financial or operational difficulties affecting the construction process. The decrease of CSVs fair market value of the last period is also a risk that needs to be taken into account. However, this is Oceanteam's sixth building project of deepwater high-end CSV vessels for which the Company has built up significant in-house experience and engineering capabilities.

Oceanteam Solutions is still expanding its equipment pool with new turntables, loading towers, reels and associated services when applicable. Oceanteam Solutions has also made payment on milestones for new equipment needed to secure new contracts.

Tax losses

The Company has a booked deferred tax asset on the balance sheet of USD 5.3 million which the Company is utilising through increased profits and securing new contracts in the Netherlands. In addition, there is more from abroad activities to be utilised up to the amount of total USD 16 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 1.2 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.

Going concern

In accordance with the Accounting Act § 3-3a Oceanteam confirms that the financial statements have been prepared under the assumption of going concern. This assumption is based on income forecasts for the years 2016 to 2017 and the Group's long-term strategic financial forecasts.

The consolidated financial statement of Oceanteam has been prepared in accordance with International Financial Reporting Standards (IFRS), while the parent company Oceanteam ASA has been prepared by Norwegian General Accepting Accounting Principles (NGAAP). For further reference about the Company, please review the Annual Report 2015 available on the Company's website www.oceanteam.no

Condensed consolidated statement of comprehensive income

GROUP Figures in USD '000

	Notes	Unaudited Q2 2016	Unaudited Q2 2015	Unaudited Cum Q2 2016	Unaudited Cum Q2 2015
Revenue		12 264	17 509	21 727	30 150
Net income from associates/ joint ventures	2,9	4 564	1 522	9 862	3 165
Total operating revenues	4	16 828	19 031	31 589	33 315
Operating costs		(4 880)	(5 479)	(8 341)	(9 299)
General & administration		(4 164)	(4 594)	(7 527)	(8 183)
Depreciation	2,3	(2 476)	(2 866)	(4 771)	(5 547)
Write off		6		27	
Total operating expenses		(11 514)	(12 939)	(20 612)	(23 029)
Operating profit (loss)		5 314	6 092	10 977	10 286
Financial income		1	177	0	184
Financial costs	5	(2 927)	(3 229)	(5 825)	(6 975)
Foreign exchange results (loss)		(91)	118	(785)	225
Net finance		(3 017)	(2 935)	(6 610)	(6 567)
Ordinary profit (loss) before taxes		2 296	3 157	4 367	3 717
Tax expense	6	83	(39)	9	(39)
Net result before increase (decrease) of carrying amount from revaluation of vessels		2 379	3 118	4 376	3 678
Increase (decrease) of carrying amount from revaluation of vessels	2	(1 680)	(3 952)	(8 488)	(4 916)
Net result after increase (decrease) of carrying amount from revaluation of assets	2	699	(834)	(4 112)	(1 238)

GROUP Figures in USD '000

Condensed consolidated statement of comprehensive income	Q2 2016	Q2 2015	Cum Q2 2016	Cum Q2 2015
Total net result	699	(834)	(4 112)	(1 238)
Items that will never be reclassified to profit or loss				
Other comprehensive income				
Changes in revaluation model	2 (4 905)	(3 641)	(5 858)	(7 394)
Items that will never be reclassified to profit or loss	(4 905)	(3 641)	(5 858)	(7 394)
Items that may be reclassified subsequently to profit or loss				
Translation differences				
Items that may be reclassified subsequently to profit or loss				
Other comprehensive income, net of tax	(4 905)	(3 641)	(5 858)	(7 394)
Total comprehensive income for the year	(4 206)	(4 475)	(9 970)	(8 632)
Profit (loss) attributable to:				
Owners of the Company	94	(1 539)	(2 734)	(3 167)
Non-controlling interests	605	704	(1 378)	1 928
Profit (loss)	699	(834)	(4 112)	(1 238)
Total comprehensive income attributable to:				
Owners of the Company	(4 811)	(5 180)	(8 592)	(10 560)
Non-controlling interests	605	704	(1 378)	1 928
Total comprehensive income for the year	(4 206)	(4 475)	(9 970)	(8 632)
Earnings per share (in USD)				
Basic earnings per share (in USD)	0,03	(0,03)	(0,15)	(0,05)

Condensed consolidated financial statement of financial position

GROUP Figures in USD '000

	Notes	Unaudited 30.06.2016	Audited 31.12.2015
Assets			
Deferred tax assets	6	5 250	5 250
Intangible assets		1 025	1 050
Goodwill		13 000	13 000
Intangible assets	3	19 275	19 300
Investment in associates and joint ventures	2, 9	38 006	34 300
Vessels and equipment	2	143 353	153 856
Tangible assets	2, 9	181 359	188 155
Total non-current assets		200 634	207 455
Trade receivables		3 184	5 782
Other receivables		12 971	14 054
Receivables		16 155	19 836
Cash and cash equivalents		3 758	4 733
Total current assets		19 913	24 570
Total assets		220 547	232 026
Equity and liabilities			
Share capital		2 595	2 595
Treasury shares		(257)	(257)
Share premium		1 304	1 304
Reserves		50 621	49 175
Revaluation reserve	2	(917)	9 185
Equity attributable to owners of the Company		53 346	62 003
Non-controlling interests		53 279	50 413
Revaluation reserve		(17 733)	(13 489)
Total non-controlling interests		35 546	36 924
Total equity		88 892	98 928
Loans and borrowings		98 006	101 038
Total non-current liabilities	5	98 006	101 038
First year installments	5	8 100	8 100
Trade payables		6 843	4 880
Tax payable		(151)	(87)
Public charges		863	770
Other current liabilities		17 994	18 396
Total current liabilities		33 649	32 059
Total liabilities		131 655	133 097
Total equity and liabilities		220 547	232 026

Condensed consolidated statement of changes in equity

GROUP Figures in USD '000

	Notes	Unaudited 2016	Audited 2015
Equity at period opening balance (Number of shares: 29,593,259)		98 928	133 773
Profit after taxes majority		(2 734)	(10 559)
Profit after taxes minority		(1 378)	(3 043)
Revaluation of assets		(5 858)	(9 109)
Tax on revaluation reserve			
Translation differences		(66)	(233)
Adjustments prior period			503
Transactions with owners of the Company, recognised directly to equity			
Changes in non-controlling interests			(12 404)
Investments			
Equity at period end (Number of shares: 29,593,259)		88 892	98 928

	Share capital	Treasury shares	Share premium	Trans- lation reserve	Other equity	Total other equity	Re- valuation reserve	Non controlling interests	Total equity
Equity at 31 December 2015	2 595	(257)	1 304	4	49 173	49 177	9 185	36 924	98 928
Profit and loss					1 510	1 510	(4 244)	(1 378)	(4 112)
Coverage of previous losses									
Other comprehensive income									
Changes in revaluation model							(5 858)		(5 858)
Tax on revaluation reserve									
Translation differences				(66)		(66)			(66)
Total comprehensive income				(66)	1 510	1 444	(10 102)	(1 378)	(10 036)

Contributions by and distributions to owners

Change in non controlling interests									
Dividends to non-controlling interests									
Investments/Revaluation									
Adjustments prior period									
Issue of ordinary shares									
Change in treasury shares									
Equity per 30 June 2016	2 595	(257)	1 304	(62)	50 683	50 621	(917)	35 546	88 893

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
Equity at 1 January 2015	2 595	(257)	1 304	(1 563)	51 344	49 781	27 079	53 271	133 773
Profit and loss					(2 674)	(2 674)	(7 885)	(3 043)	(13 602)
Coverage of previous losses									
Other comprehensive income									
Changes in revaluation model							(9 109)		(9 109)
Tax on revaluation reserve									
Translation differences				1 567		1 567	(900)	(900)	(233)
Total comprehensive income				1 567	(2 674)	(1 107)	(17 894)	(3 943)	(24 051)
Contributions by and distributions to owners									
Change in non controlling interests								(7 154)	(7 154)
Dividends to non-controlling interests								(5 250)	(5 250)
Investments/Revaluation									(4 300)
Adjustments prior period					503	503			503
Issue of ordinary shares									
Business combinations									
Equity per 31 December 2015	2 595	(257)	1 304	4	49 173	49 177	9 185	36 924	98 928



Oceanteam Solutions performing a cable loadout in Asia.

Condensed consolidated statement of cash flow

GROUP Figures in USD '000

	Notes	Unaudited 2016	Audited 2015
Net result after increase (decrease) of carrying amount from revaluation of assets.		(4 112)	(13 602)
Decrease of carrying amount from revaluation of vessels		8 488	15 770
Tax		(9)	751
Ordinary profit (loss) before taxes		4 367	2 920
Depreciation and amortization of tangible assets	2	4 771	11 113
Tax paid		(64)	(226)
Write off assets			3 065
Net income of associates		(9 337)	(4 532)
Change in trade receivables		2 598	3 089
Change in other receivables		1 083	(4 590)
Change in trade payables		1 963	(1 013)
Change in other accruals		(1 650)	4 641
Interest expense without cash effect		863	1 650
Others		53	(614)
Net cash flow from operating activities		4 647	15 503
Cash out due to investments	2,3	(2 723)	(5 470)
Cash in due to disposals		339	2 895
Cash in due to disinvestments			600
Cash in due to sale of shares			
Net cash flow from investing activities		(2 384)	(1 975)
Issuing of new debt		981	5 540
Repayment of debt		(4 215)	(46 117)
Dividend paid out to non-controlling interests			(12 404)
Net cash flow from financing activities	5	(3 234)	(52 981)
Effect of changes to exchange rates on cash and cash equivalents		(4)	(322)
Net change in cash and equivalents		(975)	(39 814)
Cash and equivalents at start of period*		4 733	44 547
Cash and equivalents at end of period**		3 758	4 733

* restricted cash is USD 0.5 million

** In addition to the cash and cash equivalent per 30 June 2016, the Group holds treasury shares of approximately USD 1.3 million in current market value. To support the equipment growth the Group has a EUR 15 million revolver loan of which 1.4 million was drawn per balance sheet day.

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 2016 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 2015, unless otherwise stated.

No new standards have been applied in 2016.

Market Outlook

The main change in the market outlook is a result of the turmoil in oil prices. The volatile environment for oil prices and market activity has created significant market challenges for our industry, but it is also creating opportunities. Given Oceanteam's expertise in combining engineering, shipping and equipment, the Company is ready to add more value for our clients.

The Company's view is that in the long-term, exploration and production activities are likely to increase again 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.

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 at all. 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 2015	17 817	12 182	4 316	(16)	34 300
Change in investments					
Net result from investment Cum Q2 2016	8 514	1 151	195	2	9 862
Change in net revaluation Cum Q2 2016	(6 607)	451			(6 156)
Total carrying amount 30 June 2016	19 724	13 784	4 512	(14)	38 006

Vessels and Equipment

	Construction and Support Vessels (CSV)	Fast Support Vessels, Machinery & other	Total
Historical Cost 31 December 2015	169 355	48 336	217 691
Additions		2 723	2 723
Disposals	(202)	(137)	(339)
Historical Cost 30 June 2016	169 153	50 922	220 075
Accumulated depreciation 31 December 2015	(10 193)	(15 382)	(25 575)
Depreciation	(1 842)	(1 573)	(3 415)
Disposals depreciation	202		202
Accumulated depreciation 30 June 2016	(11 833)	(16 955)	(28 788)
Accumulated impairments 31 December 2015		(8 553)	(8 553)
Impairments/reversals			
Accumulated impairments 30 June 2016		(8 553)	(8 553)
Carrying amount 30 June 2016 if CSV's were stated at historical cost	157 320	25 414	182 734
Revaluation per 30 June 2016	(39 380)		(39 380)
Total carrying amount per 30 June 2016	117 940	25 414	143 354
Depreciation rates	5-25 years	3-15 years	
Depreciation method	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
Gross Revaluation reserve 31 December 2015	29 152	3 340	(13 489)	(13 489)	5 514
Change in revaluation	(6 350)	492	(4 244)	(4 244)	(14 346)
Tax effect					
Gross Revaluation reserve 30 June 2016	22 802	3 832	(17 733)	(17 733)	(8 832)
Accumulated depreciation premium values 31 Dec 2015	(5 916)	(633)	(1 455)	(1 455)	(9 459)
Depreciation premium values	(257)	(41)	(502)	(502)	(1 302)
Total depreciation premium values	(6 173)	(673)	(1 957)	(1 957)	(10 761)
Net revaluation reserve 30 June 2016	16 629	3 158	(19 690)	(19 690)	(19 593)
Accumulated depreciation 30.06.2016 over P&L					10 761
Total Revaluation Reserve 30 June 2016					(8 832)

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 of 30 June 2016. All vessels are equity accounted except for 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 2016	Level 1	Level 2	Level 3
Recurring fair value measurements			USD 000'
Construction support vessels			117 940
Investment in associates			13 784
Investment in joint ventures			19 724
Total carrying amount 30.06.2016			151 448

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 31.12.2015	159 274
Transfers to/(from) Level 3	
Additions	9 665
Disposals	
Depreciation	(3 145)
Gains and losses recognised in other comprehensive income	(14 346)
Closing balance 30.06.2016	151 448

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, the board and the valuation team at least once every quarter, in line with the Group's quarterly reporting dates. Results are presented for board approval.

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 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 vessel with prompt delivery.
- The estimated economical lifetime is 25 years from delivery of the vessel.
- The calculated cash flow from the time charter on the revaluated CSV / Lay Vessel is being compared with the estimated brokers' charter.

- The premium values of the vessels are depreciated linearly over the useful life of the assets.
- The cash flow from the charter is discounted with a WACC of 9.00 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 Vessel. 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 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 to be recognised 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, and is based on the management's best estimate.



World's largest Observation Wheel Dubai-I.

Note 3 - Intangible assets

GROUP Figures in USD '000

Q2 2016	Deferred tax	Goodwill	Customer relations	IP licences, concept etc	OTS Designs	Intangible assets
Historical cost 31 December 2015	6 000	13 000	4 400	1 005	1 228	25 633
Additions-Internally developed						
Additions - Acquired separately				84	59	143
Disposals						
Historical cost 30 June 2016	6 000	13 000	4 400	1 090	1 287	25 776
Accumulated amortisation 31 December 2015			(4 400)	(678)	(505)	(5 583)
Amortisation				(44)	(125)	(169)
Amortisation 30 June 2016			(4 400)	(722)	(630)	(5 752)
Accumulated impairments 31 December 2015	(750)					(750)
Impairments/reversals						
Accumulated impairments 30 June 2016	(750)					(750)
Book value 30 June 2016	5 250	13 000		368	657	19 275

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 of Q2 2016 is USD 16.8 million, of which USD 10.2 million was distributed to the Shipping Segment and USD 6.6 million to Oceanteam Solutions.

Segment information	Shipping		Oceanteam Solutions		Total	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Revenue	5 667	5 771	6 597	11 737	12 264	17 509
Net income of associates	4 564	1 522			4 564	1 522
Operating costs	(683)	(337)	(4 197)	(5 142)	(4 880)	(5 479)
General & administration	(2 718)	(1 784)	(1 447)	(2 810)	(4 164)	(4 594)
EBITDA	6 830	5 173	953	3 784	7 784	8 957
EBITDA%	67%	71%	14%	32%	63%	47%
Reportable segment profit	1 215	(2 289)	(516)	3 122	699	834
Reportable segment assets	175 963	213 617	49 068	44 584	220 547	258 201
Reportable segment liabilities	(113 461)	(121 659)	(29 711)	(18 194)	(131 655)	(139 854)

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
At 30 June 2016					
Bank/ bond borrowings incl. interest	16 734	98 450			115 184
Other current liabilities	17 994				17 994
Total liabilities	22 351	98 450			133 178
At 31 December 2015					
Bank/ bond borrowings incl. interest	16 865	106 810			123 674
Other current liabilities	18 396				18 396
Total liabilities	35 261	106 810			142 070

Loans (Currency of loan)		True rate of interest	30 June 2016	31 December 2015
CSV Southern Ocean (USD)	Secured	LIBOR + margin*	50 655	54 675
Bond loan (USD)		LIBOR + margin	56 865	56 627
Other long term debt			383	259
Total long-term debt			107 903	111 561
**1st year principal repayments			8 100	8 100
***Borrowing costs			1 797	2 422
Total long-term debt			98 006	101 038

* 50 percent 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 low due to repayment of debt, working capital and vessel docking.

After the balance date the Oceanteam closed contracts for new employment of the CSV Bourbon Oceanteam 101 and the Southern Ocean. New charters will most likely trigger a successful refinance from its bank and bond refinance due by October 2017. However, with a difficult and volatile market, refinancing may take more time than expected. Oceanteam is in good dialogue with its banks and bondholders to consider future solutions with the aim to reduce its cost of capital.

For Oceanteam Solutions the Company is looking for growth capital, Oceanteam is negotiating term sheets which can improve the capital and liquidity structure of this part of the business. This is to cover the expected growth and working capital requirements to increase the number of earning units.

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 transfers cover the financial instruments in Oceanteam ASA and its operational costs as a listed company.

All outstanding trade receivables for the shipping segment per year end were received per reporting date. For the Solution segment, USD 3.1 million of outstanding trade receivables per quarter end of which USD 1.3 million has already been received per reporting date.

Financial risk

The Company is exposed to financial risks in different areas. Financial risks include interest rate and currency fluctuations, investment and trading risks in general, borrowing and leverage.

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 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.

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 106 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, 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'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 anything 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 Southern Ocean: firm until June 2021.
- CSV Bourbon Oceanteam 101: firm until August 2019 + (2 x 1 year options).
- Lay Vessel North Ocean 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 Mantaraya and FSV Tiburon: The contracts endend in Q2, but the Company has offered the client two additional years. The contract are not closed, but the vessels are on hire.
- Engineering: the level of secured work/tenders out are satisfactory for the season.
- Equipment: backlog of USD 14 millions.

Note 6 - Tax in Q2 2016

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 1.2 billion has been received in October 2015. The Company is utilizing its deferred tax losses where applicable and with increased earnings projected for the future, the Company expects to utilize it further.

Deferred tax balance USD 5.3 million in the balance sheet includes tax losses on operations in the Netherlands and the Company is in process of increasing this asset by increased profitability and securing new contracts in the Oceanteam Solutions segment.

Note 7 - Contingent liabilities

The Company is not involved in any major litigations in 2016.

Oceanteam entered into a contract for two new FSV vessels in 2015, with a guaranteed buy-back option from the builder. If the vessels have not started on a contract by the end of August 2016, the builder has the right to sell the vessels to a third party. Any profit or loss on transaction to a third party will be split equally between Oceanteam and the builder. The Company currently have no contract for the vessels and is working with the builder to sell the vessels to a third party at cost price.



Oceanteam Solutions successfully mobilised its newly built 2000T turntable in Singapore.

Note 8 – Investment in joint ventures, associates and subsidiaries

Joint ventures

DOT Shipping, is a joint venture with 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 percent ownership interest. This company is founded in October 2012 by Oceanteam 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 2016	2015	Cum Q2 2016	2015
Revenue	2 143	3 603		
Profit before tax	274	301	5	(157)
Tax				
Net result	274	301	5	(157)
Current assets	2 787	3 984	1 176	1 153
Non-current assets	27 091	28 021	143	154
Current liabilities	(2 420)	(3 651)	(39)	(33)
Non-current liabilities	(16 144)	(17 279)	(1 313)	(1 312)
Net assets	11 315	11 074	(33)	(38)

GROUP Figures in USD '000

	DOT Shipping Companies		Oceanteam Bourbon Spares & Equipment AS	
	Q2 2016	2015	Q2 2016	2015
Group's interest in net assets of investee at beginning of year	4 317	2 949	(16)	63
Investments		1 233		
Total comprehensive income attributable to the Group	195	135	2	(79)
Total other comprehensive income attributable to the Group				
Dividends received during the year				
Carrying amount of interest in investee at 30 June 2016	4 512	4 317	(14)	(16)

Associates

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

North Ocean 105 AS is an unlisted company which the Group has 25 percent ownership interest. The remaining 75 percent 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 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 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	
	Q2 2016	2015	Q2 2016	2015
Revenue	21 814	23 590	7 296	16 346
Profit before tax	17 027	10 449	4 206	8 288
Tax				
Net result	17 027	10 449	4 206	8 288
Current assets	14 631	7 222	1 561	1 687
Non-current assets	58 406	58 261	100 231	102 748
Current liabilities	(9 470)	(8 828)	(260)	(1 859)
Non-current liabilities	(40 118)	(50 233)	(66 442)	(73 227)
Net assets	23 449	6 422	35 089	29 350

GROUP Figures in USD '000

	Oceanteam Bourbon 101 AS		North Ocean 105 AS	
	Q2 2016	2015	Q2 2016	2015
Group's interest in net assets of investee at beginning of year	17 817	26 828	12 182	13 043
Change in investment		(5 500)		(1 900)
Total comprehensive income attributable to the Group	8 514	5 111	1 151	2 235
Total other comprehensive income attributable to the Group	(6 607)	(8 621)	451	(1 197)
Wrongly booked from previous year				
Carrying amount of interest in investee at 30 June 2016	19 724	17 817	13 784	12 182

Subsidiaries

The Company has 14 subsidiaries to the Group in 2016.

- 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 interest.

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

	Q2 2016	Oceanteam Bourbon 4 AS 2015
Revenue	10 021	19 395
Profit before increase (decrease) of carrying amount from revaluation of vessels	5 836	6 722
Increase (decrease) of carrying amount from revaluation of vessels	(8 488)	(15 770)
Profit after increase (decrease) of carrying amount from revaluation of assets	(2 652)	(9 048)
Other comprehensive income		
Total comprehensive income	(2 652)	(9 048)
Profit attributable to non-controlling interests	(1 326)	(4 524)
Current assets	3 524	5 554
Non current assets	74 575	76 598
Current liabilities	(7 798)	(8 497)
Non-current liabilities	(56 515)	(65 705)
Net assets	13 786	7 950
Net assets attributable to non-controlling interests	6 893	3 975

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 ASA gaining control over Oceanteam Bourbon 4 AS. The effect was from 1 January 2014 and both parties have implemented changes accordingly to the agreement.

Equity interests still remains 50 percent but as voting shares in Oceanteam Bourbon 4 AS is 60 percent, control is gained. This is based on Oceanteam ASA having three of total five directors in the board. But in general, the owner companies, Bourbon Offshore Norway AS and Oceanteam ASA, 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 June 2016 non-controlling interests held USD 31.1 million of equity in the Group accounts which include revaluation reserve of negative USD 17.7 million.

Revenue from the company Cum Q2 2016 is USD 10.0 million and profit is USD 5.8 million, revaluation reserve for the company is amounted to negative USD 35.5 million per balance sheet date.

Oceanteam shipping assets

Vessels

CSV Bourbon Oceanteam 101



Since delivery in December 2007, this DP2 Construction Support Vessel has been operating as a field support vessel in Angola. The first of the standard design North Ocean 100 series is jointly owned by Oceanteam 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, 2000m² free deck space and 120 accommodation which enables the 101 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. 2500m² 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. The vessel began a 5 year charter contract at delivery, 20th April 2012.

FSV Icacos / FSV Cobos



These innovative Fast Support Vessels (FSV's) were 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



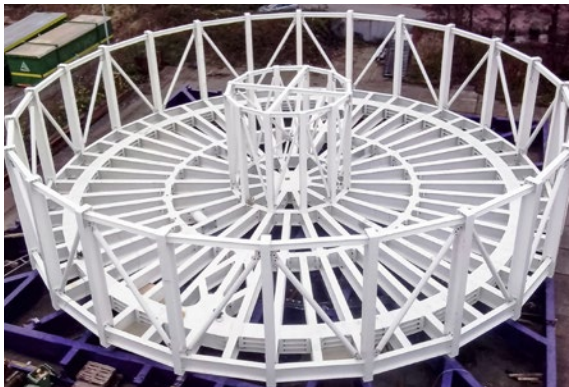
These innovative Fast Support Vessels (FSV's) are operational. The vessels are capable of transporting 75 POB and cargo at a cruising speed of 25 knots with largely improved fuel efficiency.

CSV Tampamachoco I



The construction of a large offshore construction support vessel for Oceanteam’s subsidiary DOT Shipping is progressing as planned. The vessel, that is due for delivery early 2017 is fully financed and has secured a long-term time charter in Mexico. DOT Shipping has a 50-percent interest in this new large build construction support vessel and is owned through a joint venture between DOT Shipping and Pacific Radiance (headquartered in Singapore).

Up to 5000T demountable turntables & related equipment



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.



OCEANTEAM ASA
Corporate Headquarters

Tveitaråsveien 12
5232 Paradis Bergen
NORWAY

T +47 55 10 82 40
F +47 55 10 82 49
E info@oceanteam.no

WWW.OCEANTEAM.NO

