



INTERIM REPORT 1<sup>ST</sup> QUARTER 2012 OCEANTEAM SHIPPING ASA



**OCEANTEAM SHIPPING**

5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

**OCEANTEAM SHIPPING ASA – Q1 2012 INTERIM REPORT**ISSUE DATE 24<sup>TH</sup> MAY 2012

## READY AND STEADY

Oceanteam Shipping is an offshore shipping company. Oceanteam's business is the owning, chartering and managing of Deepwater Offshore Construction Service and Pipe Lay Vessels, Fast Support Vessels and Equipment.

We are very pleased with the financial performance in first quarter 2012. The operating revenues increased in both the shipping and engineering segment, and in total the revenues increased with over 20 percent from the same quarter last year. It is also great news for us that our new Lay Vessel North Ocean 105 was delivered the 20th April and immediately went into a 5 year time charter. We see a strong interest for our "state of the art" vessels from leading companies in the market, says CEO of Oceanteam Shipping, Haico Halbesma

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

### HIGHLIGHTS FOR THE QUARTER

- Revenue from continuing operations USD 15.4 million
- EBITDA from continuing operations is positive USD 6.1 million
- Operating profit of USD 2.7 million
- Net finance negative USD 4.6 incl. an increased bond call premium of USD 1.3 million.
- Net result from operations negative USD 2.1 million

### KEY FIGURES FOR THE GROUP

| Figures in USD            |             |             |            |             |
|---------------------------|-------------|-------------|------------|-------------|
| MILLION                   | Q1 12       | Q1 11       | %          | 2011        |
| <b>Operating revenues</b> | <b>15,4</b> | <b>12,7</b> | <b>21%</b> | <b>61,2</b> |
| Operating costs           | (6,2)       | (5,6)       | 10%        | (24,7)      |
| <b>EBITDA</b>             | <b>6,1</b>  | <b>4,4</b>  | <b>38%</b> | <b>24,8</b> |

| Segment information USD'000         | Shipping     |              | Engineering  |            | Total Q1     | Total Q1     |
|-------------------------------------|--------------|--------------|--------------|------------|--------------|--------------|
|                                     | Q1 2012      | Q1 2011      | Q1 2012      | Q1 2011    | 2012         | 2011         |
| Revenue                             | 8 952        | 7 483        | 6 404        | 5 212      | 15 356       | 12 695       |
| Inter segment revenue               |              |              |              |            |              |              |
| Operating costs                     | (2 505)      | (2 011)      | (3 669)      | (3 600)    | (6 174)      | (5 611)      |
| General & Administration            | (1 324)      | (1 368)      | (1 710)      | (1 272)    | (3 034)      | (2 640)      |
| <b>EBITDA</b>                       | <b>5 123</b> | <b>4 104</b> | <b>1 025</b> | <b>340</b> | <b>6 148</b> | <b>4 444</b> |
| <b>EBITDA percentage of revenue</b> | <b>57 %</b>  | <b>55 %</b>  | <b>16 %</b>  | <b>7 %</b> | <b>40 %</b>  | <b>35 %</b>  |

In the shipping segment three CSV vessels and two FSV vessels have been working in the first quarter 2012.

## 2012 OPERATIONS

- CSV Bourbon Oceanteam 101 on charter with Oceaneering / BP Angola from 1st February 2012.
- CSV North Ocean 102 has been on charter with J. Ray McDermott S.A.
- CSV Southern Ocean has been operational from October 2010 on a bareboat charter with Fugro -TS Marine Australia.
- Lay Vessel North Ocean 105 was delivered the 20th April 2012 and she has started a 5 year time charter with J. Ray McDermott S.A.
- Oceanteam's fast support vessels have been working on bareboat contracts in Venezuela.
- KCI Engineering, servicing the Oil & Gas - and Offshore Renewable sector with engineering and design services has performed well during the quarter.

## 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 2012 - 2013 and the group's long - term strategic forecasts.

## LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure and plan for that the company will always have sufficient liquidity to meet its obligations.

## FINANCIAL RISK

Financial risks include interest rate and currency fluctuations, investment and trading risks in general, borrowing and leverage and risk in connection with the vessels under construction / Spanish tax lease. The company has sales revenues and liabilities in foreign currencies and is exposed to currency risks. This risk is particularly relevant for the liabilities in Norwegian Kroner and revenue and liabilities in the EUR.

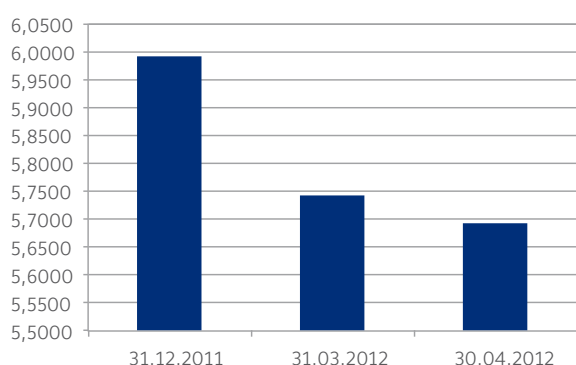
The company is exposed to changes in interest rates as the bulk of its debt has floating rates. The Lay Vessel North Ocean 105 is financed in USD for the construction costs where the loan is hedged in EUR and where the interest rate is fixed.

The objective of the Company is to reduce the financial risk as much as possible. Current strategy does not include the use of financial instruments, but is largely based on natural hedging where income streams and costs are matched for the various projects. This is, however, continuously being assessed by the Board of Directors.

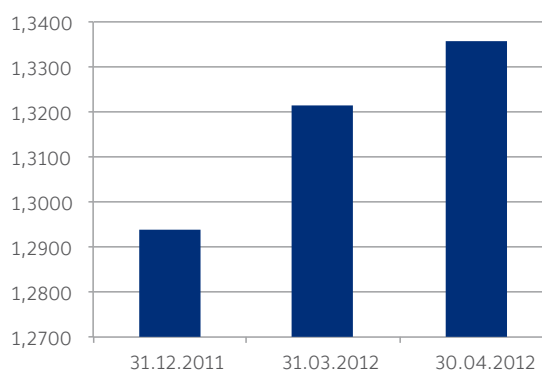
During the first quarter 2012 the decreasing value of NOK against the US dollars and the strengthening of US dollars compared to the EUR, has had a negative equity effect of USD 3.9 million. The booked equity ratio is 38.6% percent and the Company is in constructive dialogues with its banks and bond holders to refinance the current debts.

In the currency graphs the currency development between the US dollars and the Norwegian Kroner and EUR is presented. For the company it will reduce (increase) the equity with USD 1.3 million if the exchange rate moves from 5.50 to 5.40 (5.60).

## USD/NOK



## EUR/USD



## MARKET AND FUTURE OUTLOOK

Oceanteam Shipping sees that market activity has increased in both the Offshore Oil and Gas – and Renewable Market for certain regions and the management expect this trend to continue.

Oceanteam Shipping is confident and has secured sufficient projects in both the oil and gas and the renewable energy markets to maintain a high level of utilization of its assets.

The company's strategy is to focus on the provision of "state of the art" construction support, flex lay vessels plus the associated engineering services for the oil and gas market, as well as the offshore renewable market.

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

## INVESTMENTS

- Oceanteam Shipping ASA started an investment program for the OTS 1.250 ton modular carousel system in Q1 2012.
- Oceanteam Shipping is planning to continue its investment program in high specification offshore construction supports – and lay vessels.
- Lay Vessel North Ocean 105 is delivered 20th April 2012.

| Contracts schedule  |                  | 2011<br>Q1-2 | 2011<br>Q3-4 | 2012<br>Q1-2 | 2012<br>Q3-4 | 2013<br>Q1-2 | 2013<br>Q3-4 | 2014<br>Q1-2 | 2014<br>Q3-4 | 2015<br>Q1-2 | 2015<br>Q3-4 | 2016<br>Q1-2 | 2016<br>Q3-4 |
|---------------------|------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Shipping            | Type of contract |              |              |              |              |              |              |              |              |              |              |              |              |
| CSV BO 101          | time charter     |              |              |              |              |              |              |              |              |              |              |              |              |
| CSV North Ocean 102 | time charter     |              |              |              |              |              |              |              |              |              |              |              |              |
| CSV Southern Ocean  | bareboat         |              |              |              |              |              |              |              |              |              |              |              |              |
| LV North Ocean 105  | time charter     |              |              |              |              |              |              |              |              |              |              |              |              |
| Mantarraya          | bareboat         |              |              |              |              |              |              |              |              |              |              |              |              |
| Tiburón             | bareboat         |              |              |              |              |              |              |              |              |              |              |              |              |

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

## TAX LOSSES

Oceanteam Shipping has completed the consolidation of its business and has brought the organization in line with its new focus as Oceanteam Shipping. The deferred tax assets will be utilized where possible and its significantly larger than the booked deferred tax asset of USD 3.8 million.

## EVENTS AFTER THE BALANCE SHEET DATE

- Oceanteam Shipping ASA has taken delivery of its new OTS 1.250 ton modular carousel system on the 19th April 2012. The system is on contract with Visser & Smit Marine Contractors in the Netherlands onboard Solstad Offshore ASA's CSV Normand Flower for offshore renewable operations in the Southern North Sea.
- The Lay Vessel North Ocean 105 has been delivered the 20th April 2012 and has commenced a 5 year time charter at delivery.

## REFINANCING PROCESS

In the coming period extra effort will be put into harmonizing loan covenants in the different agreements and to refinance both the vessels and the company as part of the overall refinancing plan and to make the company ready for future growth and development.

SpareBank 1 Markets and Pareto Securities are supporting Oceanteam Shipping in the ongoing refinancing process.

The refinancing process is affected with the conditions in the financial markets and could be affected by exchange rate developments as well.

- A committed term sheet has been signed for the refinancing of the vessels CSV Oceanteam Bourbon 101 and the CSV Southern Ocean.
- The unsecured bond loan has increased its next step up in the call premium with NOK 40 million. The accrued call amount in the quarter was USD 1.3 million. The bond loan is due to refinance before 19th June 2014.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

GROUP Figures in USD '000

|                                                | Notes | Q1 2012         | Q1 2011         | Cum 2012        | Cum 2011        |
|------------------------------------------------|-------|-----------------|-----------------|-----------------|-----------------|
| Revenue                                        | 4     | 15 356          | 12 695          | 15 356          | 61 208          |
| <b>Total operating revenues</b>                |       | <b>15 356</b>   | <b>12 695</b>   | <b>15 356</b>   | <b>61 208</b>   |
| Operating costs                                |       | (6 174)         | (5 611)         | (6 174)         | (24 651)        |
| General & administration                       |       | (3 034)         | (2 640)         | (3 034)         | (11 795)        |
| Depreciation                                   | 2     | (3 420)         | (3 956)         | (3 420)         | (14 742)        |
| Write off assets                               | 2     | (8)             | 2 098           | (8)             | 2 098           |
| <b>Total operating expenses</b>                |       | <b>(12 636)</b> | <b>(10 109)</b> | <b>(12 636)</b> | <b>(49 090)</b> |
| <b>Operating profit (loss)</b>                 |       | <b>2 720</b>    | <b>2 586</b>    | <b>2 720</b>    | <b>12 118</b>   |
| Financial income                               |       | 217             | 115             | 217             | 525             |
| Financial costs                                | 5     | (4 137)         | (3 681)         | (4 137)         | (13 934)        |
| Foreign exchange results (loss)                |       | (685)           | (1 161)         | (685)           | 2 443           |
| <b>Net finance</b>                             |       | <b>(4 606)</b>  | <b>(4 727)</b>  | <b>(4 606)</b>  | <b>(10 965)</b> |
| <b>Ordinary profit (loss) before taxes</b>     |       | <b>(1 886)</b>  | <b>(2 141)</b>  | <b>(1 886)</b>  | <b>1 153</b>    |
| Income tax                                     | 6     | (203)           | (52)            | (203)           | 806             |
| <b>Net result from continuing operations</b>   |       | <b>(2 090)</b>  | <b>(2 194)</b>  | <b>(2 090)</b>  | <b>1 959</b>    |
| <b>Net result from discontinued operations</b> |       |                 |                 |                 | <b>670</b>      |
| <b>Net result</b>                              |       | <b>(2 090)</b>  | <b>(2 194)</b>  | <b>(2 090)</b>  | <b>2 629</b>    |

**GROUP Figures in USD '000**

| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | Q1 2012        | Q1 2011        | Cum 2012       | Cum 2011      |
|------------------------------------------------|----------------|----------------|----------------|---------------|
| Total net result                               | (2 090)        | (2 194)        | (2 090)        | 2 629         |
| Changes in revaluation model                   | 4 706          | 3 814          | 4 706          | 9 228         |
| Other comprehensive income                     | (3 873)        | (4 321)        | (3 873)        |               |
| Translation differences                        | (1 748)        | 201            | (1 748)        | 245           |
| Tax on comprehensive income                    |                |                |                | (1 223)       |
| <b>Total comprehensive income for the year</b> | <b>(3 005)</b> | <b>(2 500)</b> | <b>(3 005)</b> | <b>10 879</b> |

**Profit (Loss) attributable to:**

|                           |                |                |                |              |
|---------------------------|----------------|----------------|----------------|--------------|
| Owners of the company     | (2 288)        | (2 276)        | (2 288)        | 2 166        |
| Non-controlling interests | 198            | 82             | 198            | 463          |
| <b>Profit (Loss)</b>      | <b>(2 090)</b> | <b>(2 194)</b> | <b>(2 090)</b> | <b>2 629</b> |

**Total comprehensive income attributable to:**

|                                                |                |                |                |               |
|------------------------------------------------|----------------|----------------|----------------|---------------|
| Owners of the company                          | (3 203)        | (2 582)        | (3 203)        | 10 416        |
| Non - controlling interests                    | 198            | 82             | 198            | 463           |
| <b>Total comprehensive income for the year</b> | <b>(3 005)</b> | <b>(2 500)</b> | <b>(3 005)</b> | <b>10 879</b> |

**Earnings per share (in USD)**

|                                     |        |        |        |      |
|-------------------------------------|--------|--------|--------|------|
| Basic earnings per share (in USD)   | (0,01) | (0,01) | (0,01) | 0,02 |
| Diluted earnings per share (in USD) | (0,00) | (0,00) | (0,00) | 0,01 |

**Earnings per share - continuing operations**

|                                                           |        |        |        |      |
|-----------------------------------------------------------|--------|--------|--------|------|
| Basic earnings per share (in USD)                         | (0,01) | (0,01) | (0,01) | 0,01 |
| Diluted earnings per share including warrants II (in USD) | (0,00) | (0,00) | (0,00) | 0,00 |

|                                                     |         |         |         |         |
|-----------------------------------------------------|---------|---------|---------|---------|
| Number of shares in the period                      | 150 788 | 150 788 | 150 788 | 150 788 |
| Number of shares in the period, diluted warrants I  | 299 774 | 299 774 | 299 774 | 299 774 |
| Number of shares in the period, diluted warrants II | 446 785 | 446 785 | 446 785 | 446 785 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

GROUP Figures in USD '000

|                                                | Notes    | 31.03.2012     | 31.12.2011     |
|------------------------------------------------|----------|----------------|----------------|
| <b>Assets</b>                                  |          |                |                |
| Deferred tax assets                            | 6        | 3 831          | 3 831          |
| Customer relations and other intangible assets |          | 2 490          | 2 831          |
| Goodwill                                       |          | 12 987         | 12 987         |
| <b>Intangible assets</b>                       | <b>3</b> | <b>19 308</b>  | <b>19 649</b>  |
| Investment in associates                       |          | 5 981          | 5 964          |
| Vessels and equipment                          |          | 228 120        | 224 360        |
| <b>Tangible assets</b>                         | <b>2</b> | <b>234 101</b> | <b>230 324</b> |
| <b>Total non current assets</b>                |          | <b>253 409</b> | <b>249 973</b> |
| Trade receivables                              |          | 9 327          | 7 258          |
| Other receivables                              |          | 8 112          | 4 536          |
| <b>Receivables</b>                             |          | <b>17 439</b>  | <b>11 794</b>  |
| <b>Cash and cash equivalents</b>               |          | <b>14 341</b>  | <b>11 638</b>  |
| <b>Current assets</b>                          |          | <b>31 780</b>  | <b>23 432</b>  |
| <b>Total assets</b>                            |          | <b>285 188</b> | <b>273 405</b> |
| <b>Equity and liabilities</b>                  |          |                |                |
| Share capital                                  |          | 1 291          | 1 291          |
| Retained earnings                              |          | 19 950         | 28 420         |
| Revaluation reserve                            | 2        | 88 712         | 83 247         |
| <b>Total equity</b>                            |          | <b>109 953</b> | <b>112 958</b> |
| Loans and borrowings                           |          | 126 865        | 123 315        |
| <b>Total non-current liabilities</b>           | <b>5</b> | <b>126 865</b> | <b>123 315</b> |
| First year installments                        | 5        | 21 959         | 22 782         |
| Trade payables                                 |          | 16 924         | 10 182         |
| Tax payable                                    |          | 106            | 100            |
| Other current liabilities                      |          | 9 381          | 4 068          |
| <b>Total current liabilities</b>               |          | <b>48 370</b>  | <b>37 132</b>  |
| <b>Total liabilities</b>                       |          | <b>175 235</b> | <b>160 447</b> |
| <b>Total equity and liabilities</b>            |          | <b>285 188</b> | <b>273 405</b> |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP Figures in USD '000

|                                                             | Q1 2012        | Q1 2011        |
|-------------------------------------------------------------|----------------|----------------|
| <b>Equity at period opening balance</b>                     | <b>112 958</b> | <b>102 078</b> |
| <b>(Number of shares: 150,788,393)</b>                      |                |                |
| Profit after taxes majority                                 | (2 288)        | (2 276)        |
| Profit after taxes minority                                 | 198            | 82             |
| Revaluation of assets                                       | 4 706          | 3 814          |
| Tax on revaluation of assets                                |                |                |
| Other comprehensive income                                  | (3 873)        | (4 321)        |
| Translation differences                                     | (1 224)        | 201            |
| Equity in associates                                        |                |                |
| Decreases in non controlling interests                      | (524)          |                |
| <b>Share issue</b>                                          |                |                |
| Equity issue                                                |                |                |
| <b>Equity at period end (Number of shares: 150,788,393)</b> | <b>109 953</b> | <b>99 578</b>  |

## Subscription rights issued:

|                                                                                 |                                           |
|---------------------------------------------------------------------------------|-------------------------------------------|
| Warrants I – become active when bond loan is repaid before 19th June 2014:      | 148,986,069 – subscription price NOK 0.10 |
| Warrants II – become active when bond loan is not repaid before 19th June 2014: | 295,996,677 – subscription price NOK 0.10 |

| Condensed consolidated statement of changes in equity      |               |               |                     |                |                    |                      |                           |                |
|------------------------------------------------------------|---------------|---------------|---------------------|----------------|--------------------|----------------------|---------------------------|----------------|
|                                                            | Share capital | Share premium | Translation reserve | Other equity   | Total other equity | Re-valuation reserve | Non controlling interests | Total equity   |
| <b>Equity at 31 December 2011</b>                          | <b>1 291</b>  |               | <b>2 745</b>        | <b>21 610</b>  | <b>24 355</b>      | <b>83 247</b>        | <b>4 065</b>              | <b>112 958</b> |
| Profit and loss                                            |               |               |                     | (2 288)        | (2 288)            |                      | 198                       | (2 090)        |
| Coverage of previous losses                                |               |               |                     |                |                    |                      |                           |                |
| <b>Other comprehensive income</b>                          |               |               |                     |                |                    |                      |                           |                |
| Currency adjustment bond loan                              |               |               |                     | (3 873)        | (3 873)            |                      |                           | (3 873)        |
| Changes in revaluation model                               |               |               |                     |                |                    |                      |                           | 4 706          |
| Decreases in non controlling interests                     |               |               |                     | (1 223)        | (1 223)            |                      | (524)                     | (1 747)        |
| Equity in associates                                       |               |               |                     |                |                    |                      |                           |                |
| Translation differences                                    |               |               | (1)                 |                | (1)                |                      |                           | (1)            |
| <b>Total comprehensive income</b>                          |               |               | <b>(1)</b>          | <b>(2 678)</b> | <b>(2 679)</b>     | <b>4 706</b>         | <b>(326)</b>              | <b>(3 005)</b> |
| <b>Contributions by and distributions to owners</b>        |               |               |                     |                |                    |                      |                           |                |
| Issue of ordinary shares related to restructuring of debts |               |               |                     |                |                    |                      |                           |                |
| <b>Equity per 31 March 2012</b>                            | <b>1 291</b>  |               | <b>2 744</b>        | <b>18 932</b>  | <b>21 676</b>      | <b>86 712</b>        | <b>3 739</b>              | <b>109 953</b> |

Condensed consolidated statement of changes  
in equity

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



## CONSOLIDATED STATEMENT OF CASH FLOW

GROUP Figures in USD '000

|                                                                  |   | Q1 2012        | Q1 2011        |
|------------------------------------------------------------------|---|----------------|----------------|
| <b>Ordinary profit (loss) before taxes</b>                       |   | <b>(1 886)</b> | <b>(2 141)</b> |
| Depreciation and amortization of tangible assets                 | 2 | 3 420          | 3 956          |
| Write off assets                                                 |   | 8              | (2 098)        |
| Change in trade receivables                                      |   | (2 069)        | (2 286)        |
| Change in other receivables                                      |   | (3 576)        | (632)          |
| Change in trade payables                                         |   | 6 742          | 7 593          |
| Change in other accruals                                         |   | 5 319          | (1 617)        |
| Net cash flow from operating activities                          |   | 7 958          | 2 775          |
| <b>Net cash flow from operating activities</b>                   |   | <b>9 383</b>   | <b>3 603</b>   |
| Net cash flow from investing activities of continuing operations |   | (2 189)        | (8 083)        |
| <b>Net cash flow from investing activities</b>                   |   | <b>(2 189)</b> | <b>(8 083)</b> |
| Issuing/ - repayment of debt                                     | 5 | (2 355)        | 3 985          |
| <b>Net cash flow from financing activities</b>                   |   | <b>(2 355)</b> | <b>3 985</b>   |
| Effect of changes to exchange rates on cash and cash equivalents |   | (711)          | 1 645          |
| <b>Net change in cash and equivalents</b>                        |   | <b>2 703</b>   | <b>322</b>     |
| <b>Cash and equivalents at start of period</b>                   |   | <b>11 638</b>  | <b>13 501</b>  |
| <b>Cash and equivalents at end of period</b>                     |   | <b>14 341</b>  | <b>13 822</b>  |

\* restricted cash is 1.35 MEUR and 1.0 MUSD

| Contracts schedule  |                  | 2011<br>Q1-2 | 2011<br>Q3-4 | 2012<br>Q1-2 | 2012<br>Q3-4 | 2013<br>Q1-2 | 2013<br>Q3-4 | 2014<br>Q1-2 | 2014<br>Q3-4 | 2015<br>Q1-2 | 2015<br>Q3-4 | 2016<br>Q1-2 | 2016<br>Q3-4 |
|---------------------|------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Shipping            | Type of contract |              |              |              |              |              |              |              |              |              |              |              |              |
| CSV BO 101          | time charter     |              |              |              |              |              |              |              |              |              |              |              |              |
| CSV North Ocean 102 | time charter     |              |              |              |              |              |              |              |              |              |              |              |              |
| CSV Southern Ocean  | bareboat         |              |              |              |              |              |              |              |              |              |              |              |              |
| LV North Ocean 105  | time charter     |              |              |              |              |              |              |              |              |              |              |              |              |
| Mantarraya          | bareboat         |              |              |              |              |              |              |              |              |              |              |              |              |
| Tiburón             | bareboat         |              |              |              |              |              |              |              |              |              |              |              |              |

Dry Dock
  Contract
  Option
  Under construction
  No contract

## SELECTED EXPLANATORY NOTES

Oceanteam Shipping is an offshore shipping company. Oceanteam's business is the owning, chartering and managing of Deepwater Offshore Constructive Service and Pipe Lay Vessels, Fast Support Vessels and Engineering services.

## NOTE 1 - FINANCIAL STATEMENTS

The condensed set of Financial Statements for Q1 2012 has been prepared in accordance with IAS 34 Interim Financial Statements and it has been prepared in accordance with the same accounting principles as the Financial Statements for 2011, unless otherwise is stated.

### SELECTED ACCOUNTING PRINCIPLES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011.



## NOTE 2 - TANGIBLE ASSETS

GROUP Figures in USD '000

| Q1 2012                          | Participation in<br>LV 105 | Construction<br>and Support<br>Vessels (CSV) | Fast Support<br>Vessels, Machinery<br>& other | Total           |
|----------------------------------|----------------------------|----------------------------------------------|-----------------------------------------------|-----------------|
| Historical Cost 31 December 2011 | 4 828                      | 145 519                                      | 33 142                                        | 183 489         |
| Additions                        | 17                         | 113                                          | 2 051                                         | 2 181           |
| Disposals                        |                            | (76)                                         | (76)                                          | (4 083)         |
| <b>Historical Cost</b>           | <b>4 845</b>               | <b>145 632</b>                               | <b>35 117</b>                                 | <b>185 594</b>  |
| <b>31 March 2012</b>             |                            |                                              |                                               |                 |
| Accumulated depreciation         |                            | (17 444)                                     | (13 039)                                      | (30 483)        |
| 31 December 2011                 |                            |                                              |                                               |                 |
| Depreciation                     |                            | (1 605)                                      | (565)                                         | (2 170)         |
| Disposals depreciation           |                            |                                              |                                               |                 |
| <b>Accumulated depreciation</b>  |                            | <b>(19 049)</b>                              | <b>(13 604)</b>                               | <b>(32 653)</b> |
| <b>31 March 2012</b>             |                            |                                              |                                               |                 |
| Accumulated impairments          |                            | (8 553)                                      | (8 553)                                       | (8 553)         |
| 31 December 2011                 |                            |                                              |                                               |                 |
| Impairments/reversals            |                            |                                              |                                               |                 |
| <b>Accumulated impairments</b>   |                            | <b>(8 553)</b>                               | <b>(8 553)</b>                                | <b>(8 553)</b>  |
| <b>31 March 2012</b>             |                            |                                              |                                               |                 |
| <b>Historical Cost</b>           | <b>4 845</b>               | <b>126 584</b>                               | <b>12 959</b>                                 | <b>144 388</b>  |
| <b>31 March 2012</b>             |                            |                                              |                                               |                 |
| <b>Revaluation reserve</b>       | <b>1 160</b>               | <b>85 160</b>                                |                                               | <b>86 320</b>   |
| <b>31 December 2011</b>          |                            |                                              |                                               |                 |
| Change in revaluation            |                            | 4 706                                        |                                               | 4 706           |
| <b>Revaluation reserve</b>       | <b>1 160</b>               | <b>89 866</b>                                |                                               | <b>91 026</b>   |
| <b>31 March 2012</b>             |                            |                                              |                                               |                 |
| Accumulated depreciation         |                            |                                              |                                               |                 |
| 31 December 2011                 |                            |                                              |                                               |                 |
| Depreciation premium values      |                            | (863)                                        |                                               | (863)           |
| <b>Revaluation reserve</b>       | <b>1 160</b>               | <b>88 998</b>                                |                                               | <b>90 158</b>   |
| <b>31 March 2012</b>             |                            |                                              |                                               |                 |
| <b>Carrying amount</b>           | <b>6 005</b>               | <b>215 582</b>                               | <b>12 959</b>                                 | <b>234 101</b>  |
| <b>31 March 2012</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 Vessel's (CSV's) and the Crew Boats are financed and held for security, see note loans and borrowings.

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

- The model for the calculation of the revaluation has been developed in cooperation with external experts and has the following features:
- Oceanteam Shipping is updating the model quarterly
- Two external valuations from independent brokers where the Construction Support Vessel (CSV)/ Lay Vessel is traded between:
  - a willing buyer and a willing seller in an active market
  - the Brokers opinion of recent newbuilding quotes of similar tonnage
  - the Brokers are evaluating the replacement costs of comparable vessels
  - the Brokers are evaluating if any recent sales of comparable vessels in the market

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

In the market for CSV/ Lay Vessel there are few transactions of similar tonnage and charter rates often are adjusted to specific projects, the valuation is mostly based on Brokers opinion of recent newbuilding quotes of similar tonnage and equipment.

In general the Brokers state that they cannot give any assurance that the valuation can be substained or realizable in any actual transactions. The vessels are also valued individually. If all or any of them were placed on the market at the same time, no assurance can be given that the amount realized would be equal to the total of the individual valuations.

- The average of two brokers valuation on a charter free CSV/ Lay Vessel with prompt delivery
- The estimated economically lifetime is 25 year from delivery of the vessel
- The calculated cash flow from the time charter on the revaluated CSV/ Lay Vessel is being compared with the estimated brokers charter.
- The premium value of the vessel is depreciated linear over the useful life of the assets
- The cash flow from the charter is discounted with a WACC. The calculation of the WACC has the following assumptions:
  - 5 year state USD
  - a 40/60 ratio of equity/ debt
- When Oceanteam Shipping has a signed building contract, financing is secured, construction costs and fair value can be measured reliably. Oceanteam Shipping is applying the revaluation model for the CSV/ Lay Vessels. The accounting impact when applying the revaluation model is that the CSV/ Lay Vessels are measured at fair value in the balance sheet. The lines on the balance sheet "Vessels and equipment" on the asset side under tangible assets and the line "Revaluation reserve" is affected by the revaluation method. The historical costs for the CSV/ Lay vessels are shown in the table above for tangible asset under the column "Construction and Support Vessels" and also the revaluation surplus under the line revaluation reserve in the table.

\* Per balance sheet date the CSV 101, CSV 102, CSV 104 and LV 105 was revaluated

**Investment in 1250T Carousel:**

In March 2012 Oceanteam Shipping purchased a new 1250T modular carousel system, to further expand the existing equipment pool according to plan. The 1250T modular carousel system has been on hire with VSMC for a minimum of 200 days, which started the 6th of April 2012.

## NOTE 3 - INTANGIBLE ASSETS

GROUP Figures in USD '000

| Q1 2012                                      | Goodwill      | Customer relations | Deferred tax | Other      | Intangible assets |
|----------------------------------------------|---------------|--------------------|--------------|------------|-------------------|
| Historical cost 31 December 2011             | 12 987        | 4 400              | 3 831        | 259        | 21 477            |
| Additions                                    |               |                    |              | 24         | 24                |
| Disposals                                    |               |                    |              |            |                   |
| <b>Historical cost 31 March 2012</b>         | <b>12 987</b> | <b>4 400</b>       | <b>3 831</b> | <b>283</b> | <b>21 501</b>     |
| Accumulated amortisation 31 December 2011    |               | (1 825)            |              |            | (1 825)           |
| Amortisation                                 |               | (366)              |              |            | (366)             |
| <b>Amortisation 31 March 2012</b>            |               | <b>(2 191)</b>     |              |            | <b>(2 191)</b>    |
| Accumulated impairments 31 December 2011     |               |                    |              |            |                   |
| Impairments/reversals                        |               |                    |              |            |                   |
| <b>Accumulated impairments 31 March 2012</b> |               |                    |              |            |                   |
| <b>Book value 31 March 2012</b>              | <b>12 987</b> | <b>2 209</b>       | <b>3 831</b> | <b>283</b> | <b>19 308</b>     |



## NOTE 4 - SEGMENT INFORMATION

GROUP Figures in USD '000

The Group has two segments, shipping and engineering as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Group's CEO (the chief operating decision maker) reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

| Segment information                 | Shipping     |              | Engineering  |            | Total Q1     | Total Q1     |
|-------------------------------------|--------------|--------------|--------------|------------|--------------|--------------|
|                                     | Q1 2012      | Q1 2011      | Q1 2012      | Q1 2011    | 2012         | 2011         |
| Revenue                             | 8 952        | 7 483        | 6 404        | 5 212      | 15 356       | 12 695       |
| Inter segment revenue               |              |              |              |            |              |              |
| Operating costs                     | (2 505)      | (2 011)      | (3 669)      | (3 600)    | (6 174)      | (5 611)      |
| General & Administration            | (1 324)      | (1 368)      | (1 710)      | (1 272)    | (3 034)      | (2 640)      |
| <b>EBITDA</b>                       | <b>5 123</b> | <b>4 104</b> | <b>1 025</b> | <b>340</b> | <b>6 148</b> | <b>4 444</b> |
| <b>EBITDA percentage of revenue</b> | <b>57 %</b>  | <b>55 %</b>  | <b>16 %</b>  | <b>7 %</b> | <b>40 %</b>  | <b>35 %</b>  |



## NOTE 5 - LOANS AND BORROWINGS

GROUP Figures in USD '000

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

|                                      | 0 to<br>1 year | 1 to<br>2 years | 2 to<br>5 years | over<br>5 years | Total          |
|--------------------------------------|----------------|-----------------|-----------------|-----------------|----------------|
| <b>At 31 March 2012</b>              |                |                 |                 |                 |                |
| Bank/ bond borrowings incl. interest | 12 662         | 118 419         | 28 851          |                 | 159 932        |
| Other current liabilities            | 26 411         |                 |                 |                 | 26 411         |
| <b>Total liabilities</b>             | <b>39 073</b>  | <b>118 419</b>  | <b>28 851</b>   |                 | <b>186 343</b> |
| <b>At 31 December 2011</b>           |                |                 |                 |                 |                |
| Bank/ bond borrowings incl. interest | 32 788         | 16 071          | 128 788         |                 | 177 647        |
| Other current liabilities            | 16 422         |                 |                 |                 | 16 422         |
| <b>Total liabilities</b>             | <b>49 210</b>  | <b>16 071</b>   | <b>128 788</b>  |                 | <b>194 069</b> |

| Loans/ Currency of loan       |         | True rate of<br>interest | 31 March 2012  | 31 December 2011 |
|-------------------------------|---------|--------------------------|----------------|------------------|
| CSV 101 (USD)                 | Secured | LIBOR + margin           | 15 697         | 16 525           |
| CSV 102 (USD)                 | Secured | LIBOR + margin           | 20 916         | 21 662           |
| CSV 104 (USD)                 | Secured | LIBOR + margin           | 31 268         | 31 832           |
| Two FSV's (USD)               | Secured | LIBOR + margin           | 2 096          | 2 361            |
| Bond loan (NOK)               |         | NIBOR + margin           | 78 848         | 73 717           |
| <b>Total long-term debt</b>   |         |                          | <b>148 824</b> | <b>146 097</b>   |
| 1st year principal repayments |         |                          | 21 959         | 22 782           |
| <b>Total long-term debt</b>   |         |                          | <b>126 865</b> | <b>123 315</b>   |

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

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

### **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses project – based costing to price its services, which assists in monitoring cash flow requirements. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations. This policy is seen as sufficient to ensure that the Group is able to manage the potential liquidity impact of circumstances that can reasonably be predicted, such as delays in the execution of projects. Such delays can either be caused by Oceanteam Shipping or the client involved in the contract in question.

Per Q1 2012 the Group has overdraft facilities of EUR 500.000 in addition to the cash balance of USD 14.3 million. Restricted cash is EUR 1.35 million and USD 1 million.

The management is working on a refinancing of the company. The plan is to refinance both the CSV vessels and the bond loan. If the bond loan is called before 4th May 2014, then warrants of 148.9 million will be active at a subscription price of NOK 0.10.

### **Currency risk**

The Group is exposed to currency risk on sales, purchases, cash deposits and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the US dollar (USD), but also EUR and Norwegian Kroner (NOK).

The major currency risk for the Group is the nominal bond loan of NOK 400 mill and the call premium and the timing of the refinancing of the bond loan. The total loan amount in USD is 78.8 million per 31 March 2012. Incurred interest costs are for the bond loan in NOK and for the other loans in USD. Provisions are all in EUR and USD.

### **Financial risk**

Oceanteam Shipping will need to refinance debt in the coming years. At the end of the 1st quarter 2012 the company complies with all its covenants and the company is working to refinance its CSV assets. The equity ratio of 38.6 % is satisfying the market covenants of 35%. However, by realising its option program and its deferred losses, the company expects the positive trend to continue at the same time as a refinancing of the bond loan and bank debt is in progress.

### **Interest risk**

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to fluctuation in interests, Oceanteam Shipping has quarterly fixed interests. The company has also the opportunity to use longer periods as for instance 6 or 9 months etc. Due to the previously uncertainties in the liquidity situation of the Company, Oceanteam Shipping has used quarterly roll over.

### Market risk

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

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

### Credit risk

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

### Operational risk

Operational risks include time charters, service life and technical risk of vessels, the Group's limited operating history, risk for substantial responsibilities, the Group's ability to retain senior management and key personnel, risk for legal proceedings and contractual disputes, construction risk and employment risk for the vessels and equipment.

### Construction and Support Vessels contract schedule:

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



## NOTE 6 - TAX IN Q1 2012

Taxes in the income statement are estimated on the basis of the average tax rates for each of the companies that constitute the Group. In companies that apply for the Norwegian Tonnage Tax system the tax rate is set at zero.

Oceanteam Shipping has one Construction Support Vessel which is under the normal tax regime in Norway where the nominal tax percent is 28 percent. However, the Group has major tax losses to be carried forward due to losses on contracting business. Confirmation from the tax authorities of a deferred tax loss of NOK 866 million has been received in October 2011. The Group is analyzing how to utilize the nominal deferred losses of NOK 866 million or USD 148 million. The deferred losses for abroad operations is EUR 45 million.

The deferred tax balance USD 3.8 million on the balance sheet refers to abroad operations in the Netherlands.



## OCEANTEAM SHIPPING ASSETS

### VESSELS

#### CSV BOURBON OCEANTEAM 101



Upon delivery in December 2007, this DP2 Construction Support Vessel has been operating as a field support vessel with BP Angola for the company's Greater Plutonium Field development (in Block 18). The first of the standard design North Ocean 100 series is jointly owned by Oceanteam Shipping and Bourbon Offshore Norway. The ship is 122,5 meters at length with a 27 meter beam. Its excellent seafaring capabilities, one 150 tonnes and one 100 tonnes fully heave compensated cranes, moon pool, 2000m2 free deck space and 120 accommodation enables CSV Bourbon Oceanteam 101 to be utilised for field support, construction, installation and IRM support.

#### CSV NORTH OCEAN 102



This DP2 Construction Support Vessel was delivered in Q4 2008. The vessel has been working for ABB High Voltage AB since its delivery and been mobilised with a 7000 tonnes, 2 x 120 tonnes tensioners flexible product installation spread. CSV North Ocean 102 is equipped with one 100 ton heave compensated crane. The second of the standard design North Ocean 100 series has been converted in one of the largest flexible product installation vessel in the world suitable for both subsea power cables and umbilicals. The ship is 137 meter in length and has a 27 meter beam and can accommodate up to 199. The vessel is jointly owned by Oceanteam Shipping and McDermott. The vessel has secured a 5 year charter with McDermott and will be utilised world wide for cable and umbilical installation works.

#### CSV SOUTHERN OCEAN



The vessel was delivered in Q4 2010 and immediately commenced its first project for Fugro-TSMarine Australia. This DP2 Construction Support / Flexible Product Installation vessel combines a moon pool, two large cranes (1 x 250tonnes and 1 x 110 tonnes, heave compensated), 2500m2 deck space, 120 accommodation and excellent seafaring capabilities, enabling her to be utilised for field support, construction, installation and IRM.

## VESSELS

### LAY VESSEL NORTH OCEAN 105



High-capacity, rigid-reeled vertical pipelay vessel, with 3000-ton payload reel capacity for subsea construction and installation, and deepwater moorings installation; which has been delivered the 20th April 2012. The vessel has started a five years charter contract at delivery.

### FSV MANTARRAYA / FSV TIBURON



These innovative Fast Support Vessels (FSV's) are operational. The vessels are capable of transporting 75 p.o.b. and cargo at a cruising speed of 25 knots with largely improved fuel efficiency compared to similar vessel available.



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