

March 31, 2014

1ST QUARTER 2014 FINANCIAL REPORT

ISLAND OFFSHORE SHIPHOLDING LP



ISLAND OFFSHORE

This is ISLAND OFFSHORE

Large, modern
and
diversified
fleet

Leading
position in
RLWI niche
market with
high entry
barriers

Solid contract
coverage with
high quality
counterparties

Strong market
fundamentals

Committed
ownership
and network
support

The Business

The Island Offshore group has 25 vessels in operation within the vessel segments PSV, AHTS, Well Stimulation, Subsea Construction and Light Well Intervention. The fleet operates in Norway, UK, Holland, Denmark, Angola and Brazil.

The fleet is modern and versatile and Island Offshore has taken a leading position in attractive market segments.

The Group is privately owned.

Main events 2014

Contract awards

Island Dragon, Lundin
Island Duke, Kosmos Energy
Island Duchess, Anadarko
Island Dawn, Anadarko
Island Commander, ConocoPhillips

Fleet changes

Sale of Island Pioneer
Delivery of Island Dawn
SBC Island Defender
SBC Island Discoverer
SBC Island Performer
SBC Island Navigator
SBC Island Victory

Financing

Tap issue bond, IOSH LP
Take-out financing, Island Dawn

Fleet

The fleet comprises 25 vessels in operation including the Island Dawn which was added to the fleet in Q1 2014. The new building program includes 7 vessels to be delivered in 2014, 2015 and 2016.

In addition to this program, an SBC has been signed with Kawasaki Heavy Industries for delivery of the Top Hole Drilling vessel Island Navigator in March 2017. The contract is subject to financing.

Vessel	Type/Design	Yard	Delivery
Island Dragon	PSV, UT 717 CD	Vard Brevik	12.06.2014
Island Performer	LWI, SX 121	Ulstein Verft	25.06.2014
Island Condor	PSV, UT 776	Vard Brevik	30.10.2014
Island Clipper	PSV, UT 776	Vard Brevik	17.02.2015
Island Defender	PSV, UT 717CDX	Vard Brevik	09.07.2015
Island Discoverer	PSV, UT 717CDX	Vard Brevik	29.10.2015
Island Victory	DWIV, UT 797CX	Vard Brevik	15.06.2016
Island Navigator	THDV, UT 777	Kawasaki Heavy Industries	31.03.2017

Quarterly Financial Report – Comments

Large, modern and diversified fleet

Leading position in RLWI niche market with high entry barriers

Solid contract coverage with high quality counterparties

Strong market fundamentals

Committed ownership and network support

Income Statement

Revenue totals NOK 667 mill in Q1 2014 including a sales gain of NOK 173 mill. Fleet utilization is lower than expected at 85% due to an extended yard stay for one vessel and a weaker than expected spot market through the winter months. Yet another quarter with utilization and average day rates lower than expected for the spot vessels. Exposure to this market was reduced in Q1 with the migration of three PSVs to the West African market on term contracts. Utilization for the LWI fleet was lower than expected due to idle time between contracts for one vessel and an extended yard stay for a second vessel.

EBITDA totals NOK 371 mill in Q1 2014 and is significantly higher than the same quarter last year due primarily to the abovementioned sales gain.

Balance Sheet

The PSV Island Dawn was delivered from Vard Brevik in January 2014. The vessel was financed by Export Credit Norway with a guarantee from GIEK and a commercial Norwegian bank. Other asset additions in 2014 include yard installments for vessels to be delivered and the planned dry docking program.

Net working capital was strengthened in April 2014 following completion of a NOK 200 mill tap bond issue. The proceeds will be used to finance the investment program and strengthen the overall financial position of the company.

Net interest bearing debt totals NOK 5.783 mill at March 31, 2014, which equals a gearing ratio of 5,3 (NIBD/12M rolling EBITDA). The financing program for vessels under construction is progressing as planned.

The book value of the equity is NOK 2.902 mill, which equals a ratio of 31%, adjusted for CIRL loans/deposits which are reported gross. The market value of the equity is estimated to NOK 4.917 mill (VAE), equal to a ratio of 43%, at March 31, 2014 based on broker's value appraisals of the fleet.

Market Outlook & Order Backlog

Island Offshore has secured several term contracts for the PSVs and SCVs in 2014, both in Norway and West-Africa. The 2014 contract coverage is approximately 80%.

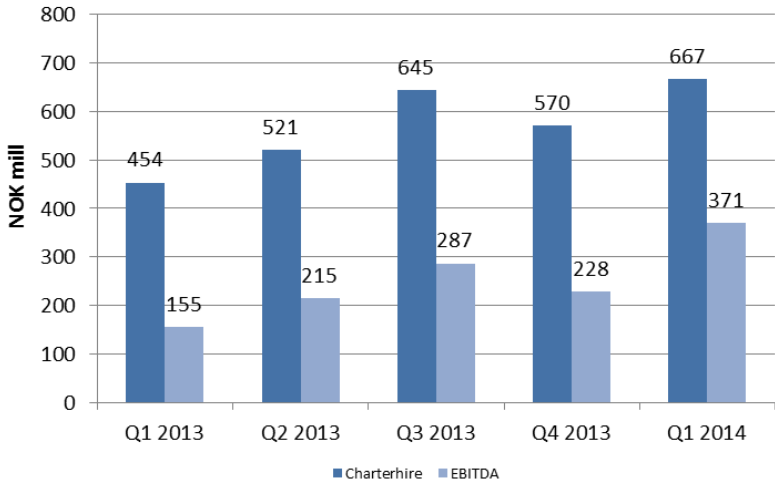
We expect the spot market for medium sized and large PSVs to improve through the summer but retain focus on securing long term work for the fleet. The order backlog excluding charterer's options totals NOK 9.4 billion at 31.3.2014.

Quarterly Financial Report – Financial Statements

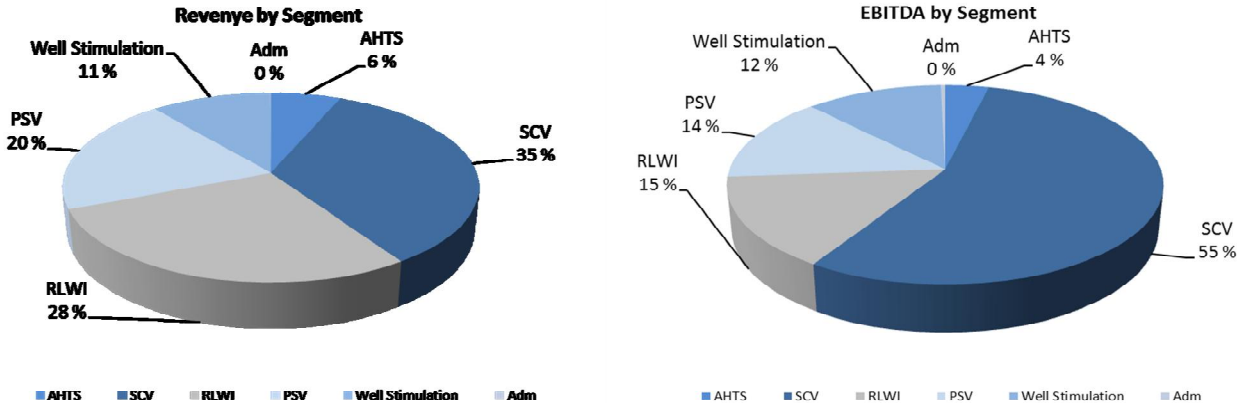
Income Statement

NOK mill	Q1 2013	Q1 2014
Charter hire	454	667
Net subcontractors	-68	-51
Total Operating Revenue	386	616
Operating expenses	230	245
EBITDA	155	371
Depreciation	62	65
EBIT	93	306
Net financial items	-68	-67
Profit before tax	26	239

Revenue/EBITDA by Quarter



Revenue/EBITDA by segment



Balance Sheets

NOK mill	31.03.2014	31.12.2013
Ships	7 844	7 852
Vessels under construction	84	133
Other financial assets	1 302	1 250
Deferred tax asset	28	28
Total Fixed Assets	9 258	9 263
Inventory, stock	27	26
Debtors	984	711
Bank, cash	341	432
Total Current Assets	1 352	1 169
Total Assets	10 610	10 432
Total paid-in equity	596	596
Other equity	2 306	2 044
Total Equity	2 902	2 640
Deferred tax	116	116
Total Provisions	116	116
Liabilities to financial institutions	5 961	6 011
Other long term liabilities	1 287	1 335
Total Long Term Liabilities	7 248	7 346
Trade creditors	177	224
Other short term liabilities	166	108
Total Short Term Liabilities	344	331
Total Liabilities	7 707	7 793
Total Equity and Liabilities	10 610	10 432

This financial report is prepared on the basis of Generally Accepted Accounting Principles in Norway and has not been audited.

Investor relations:

Mr. Henning Sundet, Chief Financial Officer, hsundet@borgstein.no, +47 913 65 735

RLWI



MV ISLAND FRONTIER
Design: UT 787 L
Yard: Sveinnes Verft AS
Build: 2004
Type: RLWI - DP III
LOA: 106.5m



MV ISLAND WELLSERVERER
Design: UT 787 CD
Yard: Aker Verft Langsten
Build: 2008
Type: RLWI - DP III
LOA: 106.5m



ISLAND CONSTRUCTOR
Design: Ulsain SX 121
Yard: Ulsain Verft AS
Build: 2008
Type: RLWI - DP III
LOA: 120.2m



ISLAND PERFORMER
Design: Ulsain SX 121
Yard: Ulsain Verft AS
TBD: 2014
Type: RLWI - DP III
LOA: 120.0m

AHTS



MV ISLAND VANGUARD
Design: UT 787 CD
Yard: Aker Verft Langsten
Build: 2007
BHP: 22,000
LOA: 66.5m



MV ISLAND VALKANT
Design: UT 787 LCD
Yard: Aker Verft Langsten
Build: 2007
BHP: 22,000
LOA: 59.5m



MV ISLAND VICTORY
Design: UT 777CK
Yard: Verft Brevik
TBD: 2016
BHP: 26,000
LOA: 128.4m

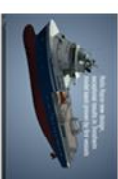
Well Stimulation



MV ISLAND PATRIOT
Design: P 103
Yard: Ulsain Verft AS
Build: 2005
DWT: 3,628
LOA: 86.2m



MV ISLAND CALYANI
Design: UT 776 CD
Yard: STX OSV Brevik
Build: 2011
DWT: 4,600
LOA: 93.0m



MV ISLAND CENTURION
Design: UT 776 CD
Yard: STX OSV Brevik
Build: 2011
DWT: 4,600
LOA: 93.0m



MV ISLAND COMMANDER
Design: UT 776 CD
Yard: STX Brevik
Build: 2009
DWT: 4,790
LOA: 93.0m

Subsea Support



MV OCEAN INTERVENTION III
Design: UT 748 E
Yard: Kvaerner Verft
Build: 2005
DWT: 3,026
LOA: 90.7m



MV ISLAND BRISKT
Design: UT 755 LI
Yard: Aker Brevik
Build: 2006
DWT: 2,195
LOA: 78.6m



MV ISLAND PRIDE
Design: UT 787 CD
Yard: Verft Brevik
Build: 2014
DWT: 4,300
LOA: 108.5m



MV ISLAND GROWIN
Design: VAD 776 CD
Yard: VARD Brevik
Build: 2012
DWT: 4,600
LOA: 96.8m

PSV



MV ISLAND CHALLENGER
Design: UT 776 E
Yard: Brevik Construction
Build: 2007
DWT: 4,802
LOA: 93.0m



MV ISLAND EXPRESS
Design: UT 785 LI
Yard: Brevik Construction
Build: 2007
DWT: 3,190
LOA: 76.6m



MV ISLAND EMPRESS
Design: UT 775 LI
Yard: Brevik Construction
Build: 2007
DWT: 3,204
LOA: 76.6m



MV ISLAND BARL
Design: UT 785 LI
Yard: Brevik Construction
Build: 2008
DWT: 3,238
LOA: 76.6m



MV ISLAND BRIDAVOUR
Design: UT 785 LI
Yard: Aker Verft Brevik
Build: 2008
TBD: 2,170
LOA: 76.6m



MV ISLAND CHEFTAIN
Design: UT 776 CD
Yard: STX OSV Brevik
Build: 2009
DWT: 4,790
LOA: 93.0m



MV ISLAND CHIVALDER
Design: UT 776 CDG
Yard: Brevik Construction
Build: 2012
DWT: 4,790
LOA: 96.0m



MV ISLAND COUNTDOWN
Design: UT 776 CDG
Yard: STX OSV Brevik
Build: 2012
DWT: 4,790
LOA: 96.0m



MV ISLAND PRIZE
Design: UT 717 CD
Yard: VARD Brevik
Build: 2012
DWT: 3,800
LOA: 84.5m



MV ISLAND DRUSSIERS
Design: UT 717 CD
Yard: VARD Brevik
Build: 2012
DWT: 3,800
LOA: 84.5m



MV ISLAND DAWN
Design: UT 717 CD
Yard: VARD Brevik
Build: 2014
DWT: 3,800
LOA: 84.5m



MV ISLAND DISCON
Design: UT 717 CD
Yard: VARD Brevik
TBD: 2014
DWT: 3,800
LOA: 84.5m



MV ISLAND CONDOR
Design: UT 776 CD
Yard: VARD Brevik
TBD: 2014
DWT: 4,800
LOA: 93.0m



MV ISLAND CLIPPER
Design: UT 776 CD
Yard: VARD Brevik
TBD: 2012
DWT: 4,800
LOA: 93.0m



MV ISLAND DISCOVERER
Design: UT 717 CDK
Yard: VARD Brevik
TBD: 2012
DWT: 3,800
LOA: 84.5m



MV ISLAND DEFENDER
Design: UT 717 CDK
Yard: VARD Brevik
TBD: 2012
DWT: 3,800
LOA: 84.5m