

*June 30, 2013*

QUARTERLY  
FINANCIAL REPORT  
ISLAND OFFSHORE  
SHIPHOLDING LP



**ISLAND OFFSHORE**

# This is ISLAND OFFSHORE

## The Business

The Island Offshore group comprises 22 vessels in operation including the vessel segments PSV, AHTS, Stimulation, Subsea Construction and Light Well Intervention. The new building program includes an additional 5 vessels to be added to the fleet in 2013 and 2014. 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 in 2013

18.1.2013	Contract award, Talisman Energy
18.2.2013	Contract extension, Team
5.3.2013	Contract award, Lundin Norway
15.3.2013	Bond issue, Island Offshore Shipholding LP
22.4.2013	LWI contract award 2013/2014, BP UK
3.5.2013	Contract extension, ConcoPhillips
14.5.2013	Contract extension, Peterson Supplylink
24.5.2013	Delivery of SCV Island Crown
11.7.2013	Delivery of PSV Island Duke
29.8.2013	LWI contract 2013, Premier Oil UK

## Fleet

22 vessels in operation  
 New building program of 5 vessels to delivered in 2013 and 2014  
 Island Crown added to the fleet in May 2013

RLWI	Well Stimulation	SCV	PSV	AHTS
~45% of EBITDA 2012	~16% of EBITDA 2012	~12% of EBITDA 2012	~15% of EBITDA 2012	~13% of EBITDA 2012
3 vessels	4 vessels	4 vessels and 1 on order	9 vessels and 4 on order	2 vessels
				

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

# Quarterly Financial Report – Comments

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## Income statement

Fleet revenue totals NOK 521 mill in Q2 2013 and NOK 974 mill YTD 2013. Fleet utilization YTD is satisfactory at 88% despite a significant dry docking program carried out in H1 2013. The majority of the fleet is on long-term contracts with satisfactory results. The PSV spot market has been better than expected in 2013 thus earnings for these vessels exceeds expectations. Profit from the LWI vessels is also satisfactory despite completion of yard stay and 5- year class renewal for 2 of the 3 LWI units. The AHTS market has been volatile thus far in 2013 but the two vessels in operation have outperformed the market with regards to utilization and average day rates.

Earnings before interest, tax, depreciation and amortization (EBITDA) totals NOK 216 mill in Q2 2013 and NOK 370 mill YTD 2013. Overall the EBITDA margin is satisfactory but stronger in Q2 than Q1.

## Balance sheet

The SCV vessel Island Crown was delivered from Vard Brevik in May 2013. The vessel was financed by Export Credit Norway with a guarantee from GIEK and a commercial Norwegian bank. Other asset additions in 2013 comprise yard installments for vessels to be delivered and planned dry docking program.

The Group's net working capital was strengthened in 2013 following Island Offshore Shipholding LP' bond issue of NOK 500 mill in March. The proceeds will be used to finance the fleet investment program and general corporate purposes.

Net interest bearing debt totals NOK 5,280 mill at June 30, 2013, which equals a gearing ratio of 6,8. All Group companies are in compliance with loan covenants at quarter end. The financing program for vessels to be delivered in 2013 and 2014 is progressing according to plan. In addition, two existing vessels will be refinanced in Q4 2013.

The book value of equity is NOK 2,442 mill, which equals a ratio of 30% adjusted for CIRR loans/deposits reported gross. The market value of equity is estimated to NOK 4,569 (VAE) at June 30, 2013 based on broker's value appraisals of the fleet. This corresponds to a value adjusted equity ratio of 44% (VAE).

## Market outlook

The spot market for PSVs has continued to be relatively strong in Q2 and into Q3. We expect the demand for medium sized and large PSVs to be strong also in coming months. We expect the AHTS market to be volatile but have secured project work that will make a positive contribution to earnings for this fleet in the second half of 2013. The order backlog is strong and totals approximately NOK 14 billion (7 x 2013 revenue) including charterers' options.

## Investor relations:

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# Quarterly Financial Report – Financial Statements

## Income statement

NOK mill	Q2 2013	YTD 30.6.2013
<b>Charter hire</b>	<b>521</b>	<b>974</b>
Net subcontractors	-74	-142
<b>Total Operating Revenue</b>	<b>447</b>	<b>833</b>
Operating expenses	231	463
<b>EBITDA</b>	<b>216</b>	<b>370</b>
Depreciation	61	121
<b>EBIT</b>	<b>155</b>	<b>249</b>
Net financial items	-67	-134
<b>Profit before tax</b>	<b>88</b>	<b>115</b>

## Balance Sheets

NOK mill	30.06.2013	31.12.2012
Ships	7 375	6 965
New building contracts	110	72
Other financial assets	1 282	1 345
Deferred tax asset	30	30
<b>Total Fixed Assets</b>	<b>8 796</b>	<b>8 411</b>
Inventory, stock	22	22
Debtors	445	633
Bank, cash	241	36
<b>Total Current Assets</b>	<b>707</b>	<b>691</b>
<b>Total Assets</b>	<b>9 504</b>	<b>9 102</b>
Total paid-in equity	596	596
Other equity	1 846	1 704
<b>Total Equity</b>	<b>2 442</b>	<b>2 300</b>
Pension liabilities	18	18
Deferred tax	122	122
Long term loans from related parties	-	261
Liabilities to financial institutions	5 521	4 848
Other long term liabilities	1 263	1 317
<b>Total Long Term Liabilities</b>	<b>6 923</b>	<b>6 565</b>
Trade creditors	48	138
Other short term liabilities	91	99
<b>Total Short Term Liabilities</b>	<b>139</b>	<b>237</b>
<b>Total Liabilities</b>	<b>7 062</b>	<b>6 802</b>
<b>Total Equity and Liabilities</b>	<b>9 504</b>	<b>9 102</b>

## RLWI



**MV ISLAND FRONTIER**  
 Design: UT 727 L  
 Yardi: Seville Verft AS  
 Build: 2004  
 Type: RLWI – DP III  
 L.O.A.: 106.5m



**MV ISLAND WELLSERVEN**  
 Design: UT 767 CD  
 Yardi: Alvar Yards Langsten  
 Build: 2006  
 Type: RLWI – DP III  
 L.O.A.: 106.5m



**ISLAND CONSTRUCTOR**  
 Design: Utseln BK 121  
 Yardi: Utseln Verft AS  
 Build: 2006  
 Type: RLWI – DP III  
 L.O.A.: 120.5m

## Subsea Support



**MV OCEAN INTERVENTION III**  
 Design: UT 745 E  
 Yardi: Reven Verft  
 Build: 2005  
 DWT: 3,026  
 L.O.A.: 90.7m



**MV ISLAND SPIRIT**  
 Design: UT 735 LM  
 Yardi: Alvar Brevik  
 Build: 2006  
 DWT: 3,195  
 L.O.A.: 73.6m



**MV ISLAND PROMER**  
 Design: P 101  
 Yardi: Utseln Verft AS  
 Build: 2006  
 DWT: 4,200  
 L.O.A.: 93.0m



**MV ISLAND GARDWI**  
 Design: UT 776 CD  
 Yardi: VARD Brevik  
 Build: 2013  
 DWT: 4,600  
 L.O.A.: 96.8m

## Well Stimulation



**MV ISLAND PATRIOT**  
 Design: P 105  
 Yardi: Utseln Verft AS  
 Build: 2005  
 DWT: 3,688  
 L.O.A.: 86.5m



**MV ISLAND CAPTAIN**  
 Design: UT 776 CD  
 Yardi: STX OSV Brevik  
 Build: 2013  
 DWT: 4,600  
 L.O.A.: 93.0m



**MV ISLAND CENTURION**  
 Design: UT 776 CD  
 Yardi: STX OSV Brevik  
 Build: 2013  
 DWT: 4,600  
 L.O.A.: 93.0m



**MV ISLAND COMMANDER**  
 Design: UT 776 CD  
 Yardi: STX Brevik  
 Build: 2009  
 DWT: 4,790  
 L.O.A.: 93.0m

## AHTS



**MV ISLAND VANGUARD**  
 Design: UT 727 CD  
 Yardi: Alvar Yards Langsten  
 Build: 2007  
 BHP: 22,000  
 L.O.A.: 86.5m



**MV ISLAND WALLART**  
 Design: UT 767 LCD  
 Yardi: Alvar Yards Langsten  
 Build: 2007  
 BHP: 22,000  
 L.O.A.: 93.5m

## PSV



**MV ISLAND CHALLENGER**  
 Design: UT 776 E  
 Yardi: Brevik Construction  
 Build: 2007  
 DWT: 4,802  
 L.O.A.: 93.0m



**MV ISLAND EXPRESS**  
 Design: UT 775 LM  
 Yardi: Brevik Construction  
 Build: 2007  
 DWT: 3,190  
 L.O.A.: 76.6m



**MV ISLAND EMPRESS**  
 Design: UT 775 LM  
 Yardi: Brevik Construction  
 Build: 2007  
 DWT: 3,190  
 L.O.A.: 76.6m



**MV ISLAND EARL**  
 Design: UT 725 LM  
 Yardi: Brevik Construction  
 Build: 2008  
 DWT: 3,238  
 L.O.A.: 76.6m



**MV ISLAND DUKE**  
 Design: UT 717 CD  
 Yardi: VARD Brevik  
 Build: 2013  
 DWT: 3,800  
 L.O.A.: 84.95m



**MV ISLAND ENDEAVOUR**  
 Design: UT 735 LM  
 Yardi: Alvar Yards Brevik  
 Build: 2008  
 DWT: 3,170  
 L.O.A.: 76.6m



**MV ISLAND GREEFPALM**  
 Design: UT 776 CD  
 Yardi: STX OSV Brevik  
 Build: 2009  
 DWT: 4,790  
 L.O.A.: 93.0m



**MV ISLAND GUARDER**  
 Design: UT 776 CD  
 Yardi: Brevik Construction  
 Build: 2013  
 DWT: 4,750  
 L.O.A.: 96.0m



**MV ISLAND CONTENDER**  
 Design: UT 776 CD  
 Yardi: STX OSV Brevik  
 Build: 2012  
 DWT: 4,750  
 L.O.A.: 96.0m



**MV ISLAND DUKE**  
 Design: UT 717 CD  
 Yardi: VARD Brevik  
 Build: 2013  
 DWT: 3,800  
 L.O.A.: 84.95m