

*September 30, 2013*

QUARTERLY  
FINANCIAL REPORT  
ISLAND OFFSHORE  
SHIPHOLDING LP



**ISLAND OFFSHORE**

# This is ISLAND OFFSHORE

## The Business

The Island Offshore group consists of 24 vessels in operation within the vessel segments PSV, AHTS, Well Stimulation, Subsea Construction and Light Well Intervention. The new building program includes an additional 4 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

18.01.2013	Contract award, Talisman Energy
18.02.2013	Contract extension, Team
05.03.2013	Contract award, Lundin Norway
15.03.2013	Bond issue, Island Offshore Shipholding LP
22.04.2013	LWI contract award 2013/2014, BP UK
03.05.2013	Contract extension, ConcoPhillips
14.05.2013	Contract extension, Peterson Supplylink
24.05.2013	Delivery of SCV Island Crown
11.07.2013	Delivery of PSV Island Duke
29.08.2013	LWI contract 2013, Premier Oil UK
22.10.2013	Delivery of PSV Island Duchess
22.10.2013	Contract award, Peterson Supplylink

## Fleet

The fleet includes 24 vessels in operation including the Island Duchess which was added to the fleet in 22<sup>nd</sup> October 2013. Island Duke was delivered early July. The new building program includes 4 vessels to be delivered in 2013 and 2014.

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

RLWI	Well Stimulation	SCV	PSV	AHTS
<b>~45% of EBITDA 2012</b>	<b>~16% of EBITDA 2012</b>	<b>~12% of EBITDA 2012</b>	<b>~15% of EBITDA 2012</b>	<b>~13% of EBITDA 2012</b>
3 vessels	4 vessels	4 vessels and 1 on order	11 vessels and 3 on order	2 vessels
				

# Quarterly Financial Report – Comments

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## Income statement

Fleet revenue totals NOK 645 mill in Q3 2013 and NOK 1,619 mill YTD 2013. Fleet utilization YTD is satisfactory at 89% 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 continued to be better than expected thus earnings for these vessels exceeds expectations. Profit from the LWI vessels has improved significantly in Q3 following completion of the yard stay program. The AHTS vessels have also performed well in Q3 through a combination of anchor handling and construction project work.

Earnings before interest, tax, depreciation and amortization (EBITDA) totals NOK 287 mill in Q3 2013 and NOK 657 mill YTD 2013. Overall the EBITDA result is satisfactory and has improved significantly in Q3 compared to previous quarters.

## Balance sheet

The PSV vessel Island Duke was delivered from Vard Brevik in July 2013. The vessel was financed by Export Credit Norway with a guarantee from GIEK and a commercial Norwegian bank. Other assets added in 2013 includes yard installments for vessels to be delivered and the 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 5,456 mill at September 30, 2013, which equals a gearing ratio of 6,5. All Group companies are in compliance with loan covenants at quarter end. The financing program for vessels to be delivered or refinanced in 2013 and 2014 is progressing according to plan.

The book value of the equity is NOK 2,583 mill, which equals a ratio of 30%, adjusted for CIRL loans/deposits which are reported gross. The market value of the equity is estimated to NOK 4,724 mill (VAE) at September 30, 2013 based on broker's value appraisals of the fleet. This corresponds to a value adjusted equity ratio of 44% (VAE).

## Market outlook & Order backlog

The spot market for PSVs has continued to be relatively strong in Q3 but has slowed down in October. We still expect the demand for medium sized and large PSVs to be relatively strong in coming months. The AHTS market continues to be volatile but earnings are overall satisfactory.

The order backlog from 1.1.2014 onwards totals approximately NOK 14 billion (6,4 x 2013 revenue) including charterers' options. We expect to announce several new contracts in the near future.

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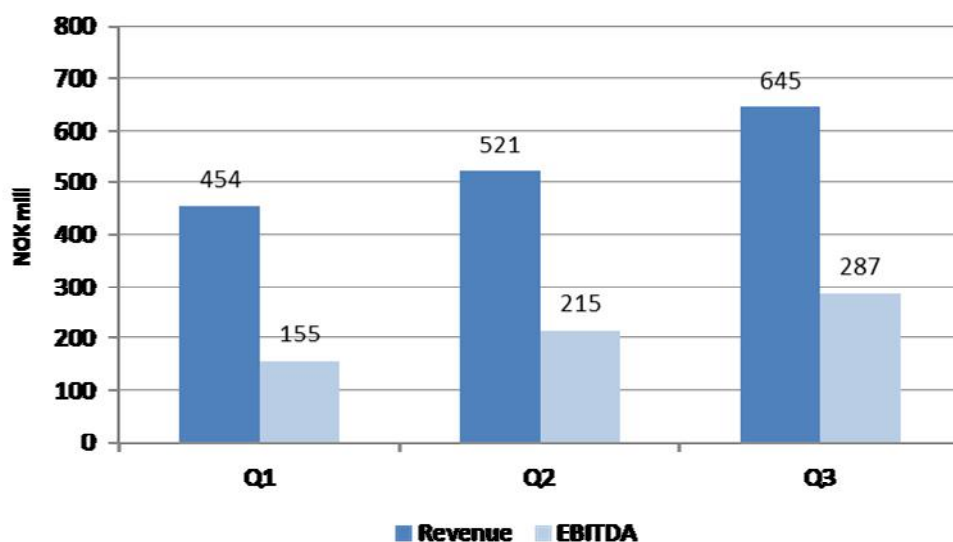
Committed ownership and network support

# Quarterly Financial Report – Financial Statements

## Income statement

NOK mill	Q3 2013	YTD 30.9.2013
<b>Operating revenue</b>	<b>645</b>	<b>1 619</b>
Net subcontractors	-112	-253
<b>Net Operating Revenue</b>	<b>533</b>	<b>1 366</b>
Operating expenses	246	709
<b>EBITDA</b>	<b>287</b>	<b>657</b>
Depreciation	66	187
<b>EBIT</b>	<b>221</b>	<b>470</b>
Net financial items	-63	-198
<b>Profit before tax</b>	<b>158</b>	<b>273</b>

## Quarterly Revenue and EBITDA



## Balance Sheets

NOK mill	30.09.2013	31.12.2012
Ships	7 614	6 965
New building contracts	127	72
Other financial assets	1 334	1 345
Deferred tax asset	30	30
<b>Total Fixed Assets</b>	<b>9 104</b>	<b>8 411</b>
Inventory, stock	22	22
Debtors	550	633
Bank, cash	188	36
<b>Total Current Assets</b>	<b>761</b>	<b>691</b>
<b>Total Assets</b>	<b>9 865</b>	<b>9 102</b>
Total paid-in equity	596	596
Other equity	1 987	1 704
<b>Total Equity</b>	<b>2 583</b>	<b>2 300</b>
Pension liabilities	18	18
Deferred tax	122	122
<b>Total Provisions</b>	<b>140</b>	<b>140</b>
Liabilities to financial institutions	5 628	4 848
Other long term liabilities	1 284	1 578
<b>Total Long Term Liabilities</b>	<b>6 912</b>	<b>6 426</b>
Trade creditors	64	138
Other short term liabilities	168	99
<b>Total Short Term Liabilities</b>	<b>232</b>	<b>237</b>
<b>Total Liabilities</b>	<b>7 282</b>	<b>6 802</b>
<b>Total Equity and Liabilities</b>	<b>9 865</b>	<b>9 102</b>

### Investor relations:

Mr. Henning Sundet, Chief Financial Officer, [hsundet@borgstein.no](mailto:hsundet@borgstein.no), +47 913 65 735

## RLWI



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



**MV ISLAND WELLSERVEN**  
 Design: UT 767 CD  
 Yardi: Alvar Yards Langkjen  
 Build: 2006  
 Type: RLWI – DP III  
 LOA: 106.5m



**ISLAND CONSTRUCTOR**  
 Design: Utselin BX 121  
 Yardi: Utselin Verft AS  
 Build: 2006  
 Type: RLWI – DP III  
 LOA: 120.5m

## Subsea Support



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



**MV ISLAND SPIRIT**  
 Design: UT 735 LI  
 Yardi: Alvar Brevik  
 Build: 2006  
 DWT: 3,195  
 LOA: 73.6m



**MV ISLAND PROMER**  
 Design: P 101  
 Yardi: Utselin Verft AS  
 Build: 2006  
 DWT: 4,200  
 LOA: 93.0m



**MV ISLAND GARDNI**  
 Design: UT 776 CD  
 Yardi: VARD Brevik  
 Build: 2013  
 DWT: 4,600  
 LOA: 96.8m

## Well Stimulation



**MV ISLAND PATRIOT**  
 Design: P 105  
 Yardi: Utselin Verft AS  
 Build: 2005  
 DWT: 3,688  
 LOA: 86.5m



**MV ISLAND CAPTAIN**  
 Design: UT 776 CD  
 Yardi: STX OSV Brevik  
 Build: 2013  
 DWT: 4,600  
 LOA: 96.0m



**MV ISLAND GENTRUM**  
 Design: UT 776 CD  
 Yardi: STX OSV Brevik  
 Build: 2013  
 DWT: 4,600  
 LOA: 93.0m



**MV ISLAND COMMANDER**  
 Design: UT 776 CD  
 Yardi: STX Brevik  
 Build: 2009  
 DWT: 4,790  
 LOA: 96.0m



**MV ISLAND VANGUARD**  
 Design: UT 727 CD  
 Yardi: Alvar Yards Langkjen  
 Build: 2007  
 BHP: 22,000  
 LOA: 86.5m



**MV ISLAND WALLART**  
 Design: UT 767 LCD  
 Yardi: Alvar Yards Langkjen  
 Build: 2007  
 BHP: 22,000  
 LOA: 96.5m



**MV ISLAND DUNE**  
 Design: UT 717 CD  
 Yardi: VARD Brevik  
 Build: 2013  
 DWT: 3,800  
 LOA: 84.95m

## PSV



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



**MV ISLAND EXPRESS**  
 Design: UT 775 LI  
 Yardi: Brevik Construction  
 Build: 2007  
 DWT: 3,190  
 LOA: 76.6m



**MV ISLAND BARK**  
 Design: UT 725 LI  
 Yardi: Brevik Construction  
 Build: 2007  
 DWT: 3,239  
 LOA: 76.6m



**MV ISLAND DUNE**  
 Design: UT 776 CDG  
 Yardi: Brevik Construction  
 Build: 2013  
 DWT: 4,750  
 LOA: 96.0m



**MV ISLAND DUNE**  
 Design: UT 717 CD  
 Yardi: VARD Brevik  
 Build: 2013  
 DWT: 3,800  
 LOA: 84.95m



**MV ISLAND ENDAVOUR**  
 Design: UT 735 LI  
 Yardi: Alvar Yards Brevik  
 Build: 2008  
 DWT: 3,170  
 LOA: 76.6m



**MV ISLAND GREEFPALM**  
 Design: UT 776 CD  
 Yardi: STX OSV Brevik  
 Build: 2009  
 DWT: 4,790  
 LOA: 96.0m



**MV ISLAND GENTRUM**  
 Design: UT 776 CDG  
 Yardi: Brevik Construction  
 Build: 2013  
 DWT: 4,750  
 LOA: 96.0m



**MV ISLAND GENTRUM**  
 Design: UT 776 CDG  
 Yardi: STX OSV Brevik  
 Build: 2012  
 DWT: 4,750  
 LOA: 96.0m



**MV ISLAND GENTRUM**  
 Design: UT 776 CDG  
 Yardi: STX OSV Brevik  
 Build: 2012  
 DWT: 4,750  
 LOA: 96.0m