OCEAN YIELD ASA

First Quarter 2017 Results

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FIRST QUARTER 2017 RESULTS

Oslo, 8th May 2017, Ocean Yield ASA ("Ocean Yield" or the "Company") announces results for the first quarter 2017.

HIGHLIGHTS

- Declared a dividend of USD 0.1850 per share for Q1 2017. This is an increase of 0.25 cents per share compared with the previous quarter and is the 14th consecutive quarterly increase.
- Net profit before tax was USD 40.5 million and Net profit after tax was USD 36.8 million. Adjusted net profit was USD 33.4 million.
- The charter backlog was USD 2.8 billion on an adjusted EBITDA basis with remaining average duration of 11.4 years.
- Successful delivery of two newbuilding container vessels during Q1 2017 with fifteen-year charters.
- Ocean Yield owned unsecured bonds issued by American Shipping Company ASA with a nominal value of USD 200.6 million. These bonds were refinanced during the quarter, where Ocean Yield participated with USD 50 million in a new five-year unsecured bond and received net cash proceeds of USD 156 million.
- Agreement with Farstad Supply AS to restructure the terms of the bareboat charters.
- Termination of the bareboat charter for the vessel Lewek Connector and agreement of a new four-month charter.
- Strong Book equity ratio of 35.2% and USD 213.4 million in available liquidity in cash and undrawn credit lines.

Commenting on the first quarter results, Lars Solbakken, CEO of Ocean Yield ASA, said:

"*We are pleased to present the results from Q1 2017, with the 14th consecutive quarterly increase in dividends and a strong net profit, despite lower earnings from the Lewek Connector. After a period with soft market conditions in both shipping and offshore, we are of the opinion that we have passed the bottom of this cycle in several shipping and offshore segments. We are therefore actively pursuing new investment opportunities in order to further expand our portfolio of vessels on long-term charter*."

CONSOLIDATED KEY FIGURES

Selected key financial figures for Q1 2017 compared with Q4 2016 and Q1 2016:

USD million	Q4 2016	Q1 2017	Q1 2016
Revenues and other income	82.0	78.6	66.1
EBITDA	74.4	71.2	58.7
Adjusted EBITDA*	82.8	79.1	63.6
Net profit after tax	0.7	36.8	18.6
Adjusted net profit*	36.9	33.4	29.0
Equity ratio	31.7%	35.2%	32.9%
EBITDA Charter backlog (USD bn)**	3.1	2.8	2.6
Dividend paid per share (USD)	0.1825	0.1850	0.1675

**Refer to note 18*
***Refer to Footnote on EBITDA Charter Backlog - page 6*

MAIN EVENTS DURING THE FIRST QUARTER

- The Board of Directors has declared a quarterly dividend payment of USD 0.1850 per share for Q1 2017. The dividend is on an annualized basis equal to USD 0.74 per share. The dividend will be paid on or about 23rd May 2017 to shareholders as of 11th May 2017 registered with the Norwegian Central Securities Depository (the "VPS") as of 15th May 2017 (the "Record Date"). The ex-dividend date will be 12th May 2017.

- In February and March 2017, Ocean Yield took delivery of the fifth and sixth mega-container vessels from Samsung Heavy Industries, named *MSC Rifaya and MSC Leanne,* with fifteen-year charters to a major European container line. These were the final container vessels in a series of six newbuildings where Ocean Yield owns 49.5% through Box Holdings Inc.

- Ocean Yield owned unsecured bonds issued by American Shipping Company ASA ("AMSC") with a nominal value of USD 200.6 million. In February 2017, AMSC successfully completed a refinancing of its unsecured bonds. A new USD 220 million, five year unsecured bond was issued, carrying a coupon of 9.25% p.a. Ocean Yield subscribed for USD 50 million in the new issue and received net cash proceeds of USD 156 million, including accrued interest. The bonds allocated will be held as a financial investment and are freely available for sale in the market.

- In February 2017, Ocean Yield agreed with Farstad Supply AS to restructure the terms of the bareboat charters, while at the same time a combination of Farstad Shipping ASA, Solstad Offshore ASA and Deep Sea Supply Plc was proposed. As part of the restructuring, Ocean Yield converted NOK 160.8 million in net present value of future payments under the leasing agreements with Farstad Supply AS into equity. In addition, a portion of the annual lease payments have been deferred. Ocean Yield now owns 316 million shares in Farstad Shipping ASA with a book value of USD 12.5 million as of Q1 2017. Ocean Yield has obtained credit approval from the banks financing the vessels for the relevant changes to the bareboat charter with Farstad and an extension of the commercial bank guarantee under the financing agreement. The combination between Farstad Shipping ASA, Solstad Offshore ASA and Deep Sea Supply Plc is expected to become effective on or about 9th June 2017

- In February 2017 the bareboat charter for the vessel *Lewek Connector* was terminated by Ocean Yield and a new four-month charter at a reduced rate was agreed. Subsequently, the bareboat charterer, EMAS AMC AS filed for bankruptcy and Emas Chiyoda Subsea Ltd. and Ezra Holdings Ltd. filed for Chapter 11. Ocean Yield has a claim against EMAS AMC AS, which is guaranteed by Ezra Holdings Ltd. for the loss related to the termination. This is currently not recognized in the Trade Receivables on the Balance Sheet. The vessel is now being marketed for new contracts after expiry of the current four-month contract at the end of May 2017.

  Following the termination of the bareboat charter, Ocean Yield has agreed with the lenders financing the vessel *Lewek Connector*, that the lenders remove any requirements in the loan agreement related to the bareboat charter of the vessel, against a partial prepayment of five future instalments, in total USD 15.2 million. Following this prepayment, approximately USD 122 million of debt will be outstanding against the vessel and the next five semi-annual installments will be reduced by approximately 31% each. In addition, it has been agreed to extend the commercial bank guarantee under the financing agreement with another three years.

- In March 2017, an amendment agreement to the current loan facility related to the FPSO *Dhirubhai-1* was signed. A total of USD 67.8 million of debt was outstanding against the vessel prior to the amendment. As part of the Company's cash management after receipt of the AMSC bond proceeds, USD 37.8 million was prepaid on this facility and USD 30.0 million was rolled over into an amended loan facility. The amended loan facility has maturity on 31st September 2018 and will be repaid in three quarterly instalments, starting in Q1 2018. As a consequence of the amendment, USD 20.0 million of restricted cash has been released after the end of the quarter and is now available as free cash.

- On other financing, following receipt of the cash proceeds from AMSC, Ocean Yield has prepaid certain of its debt facilities and reduced the outstanding amount on some of its Revolving Credit Facilities. A total of USD 142.5 million has been prepaid, where USD 117.3 million remains available for drawdown at the Company's request.

FIRST QUARTER FINANCIAL REVIEW

- **Total revenues and other income** for Q1 2017 were USD 78.6 million compared with USD 66.1 million for Q1 2016. Of the Total revenues, USD 57.2 million is classified as Operating revenue, USD 16.1 million classified as Finance lease revenue and USD 5.3 million as Income from investments in associates. Due to several of the Company's long term charters being classified as finance leases, the charter hire received is higher than what is reported as revenues according to IFRS, as only the interest income under a finance lease is recognized in the Profit & Loss.

  Total revenues and other income were positively affected by delivery of another two container vessels during the quarter, through Ocean Yield's investment in 49.5% of Box Holdings Inc. This is reflected under Income from investments in associates, which were USD 5.3 million in Q1 2017 compared to zero in Q1 2016.

  The vessel *Lewek Connector* showed reduced revenues in the quarter as a result of the new short-term contract entered into in February, following termination of the previous bareboat charter to EMAS AMC AS. The new four month contract has a reduced charter rate compared to the previous bareboat charter, which resulted in a negative impact on Operating revenues of approximately USD 7.2 million compared to Q1 2016 and USD 4.0 million compared to Q4 2016.

- **Vessel operating expenses**, which are solely related to the operation of the FPSO *Dhirubhai-1*, were USD 4.2 million for Q1 2017, compared with USD 4.8 million for Q1 2016.

- **Wages and other personnel expenses** were USD 1.8 million for Q1 2017, compared with USD 1.6 million for Q1 2016.

- **Other operating expenses** were USD 1.4 million during Q1 2017 compared with USD 1.0 million for Q1 2016.

- **EBITDA** was USD 71.2 million in Q1 2017 compared with USD 58.7 million in Q1 2016. Adjusted for finance lease effects, the EBITDA was USD 79.1 million in Q1 2017 compared with USD 63.6 million in Q1 2016. The increase in EBITDA is related to delivery of further vessels to the fleet.

- **Depreciation and amortization** was USD 24.5 million in Q1 2017, compared with USD 24.3 million in Q1 2016. The increase compared to Q1 2016 is mainly related to delivery of the gas carrier *Gaschem Beluga* delivered in Q4 2016 and the two car carriers *Höegh Trapper* and *Höegh Tracer* delivered in Q2 2016, which all are accounted for as operating leases. The two container vessels delivered during Q1 2017 are accounted for as investment in associates and will have no effect on depreciation going forward. As a consequence of the termination of the bareboat charter for the *Lewek Connector*, the purchase option at the end of the charter has been removed. As a result of the removal of the purchase option and the impairment in Q4 2016, the depreciation has been reduced. Hence, this vessel has lower depreciation in Q1 2017 and will have a new depreciation profile going forward, with USD 10.5 million in annual depreciations compared to USD 15.9 million before the termination.

- **Financial income** was USD 9.2 million in Q1 2017 compared with USD 4.6 million in Q1 2016. The increase from Q1 2016 to Q1 2017 is mainly related to a USD 5.7 million profit recognized on the bonds issued by AMSC, which were refinanced in February 2017. Ocean Yield held bonds with a book value of USD 197.5 million at the time of the refinancing, which was about 98.5% of par value, equivalent to USD 200.6 million.

- **Financial expenses** were USD 17.0 million in Q1 2017, compared with USD 10.0 million in Q1 2016. The increase compared to Q1 2016 is mainly related to increased long-term debt as a result of vessel deliveries, and the issuance of a new NOK 750 million bond issue in September 2016. Of the USD 17.0 million, USD 0.4 million is a non-cash interest expense related to the potential decommissioning cost for the FPSO upon expiry of the contract.

- **Foreign exchange losses** were USD 0.6 million in Q1 2017, compared with USD 13.2 million in Q1 2016. The foreign exchange amounts are mainly a result of the movements in the USD/NOK exchange rate, since Ocean Yield's bond loans are denominated in NOK. The Company's cross currency swaps and interest rate hedges were positive with USD 2.1 million, compared with USD 6.0 million in Q1 2016. The Company's cross currency swaps that are entered into in connection with issuance of NOK bonds had a positive mark-to-market of USD 1.2 million, while the interest rate swaps were positive with USD 0.9 million, resulting in a net gain of USD 2.1 million. The foreign exchange gains and mark-to-market of derivatives had no significant cash impact.

- **The Net profit before tax** for Q1 2017 was USD 40.5 million compared with USD 21.7 million for Q1 2016. The increase comes as a result of delivery of further vessels to the fleet.

- **Change in deferred tax** was negative USD 3.7 million in Q1 2017, compared with USD 3.1 million in Q1 2016.

- **The Net profit after tax** for Q1 2017 was USD 36.8 million compared with USD 18.6 million for Q1 2016.

The net profit for Q1 2016 included a foreign exchange loss of USD 13.2 million and a gain on mark-to-market of derivatives of USD 6.0 million. Adjusted for non-recurring items, currency fluctuations, mark-to-market of derivatives and change in deferred tax, the net profit after tax for Q1 2017 was USD 33.4 million as compared with USD 29.0 million in Q1 2016.

- On the **Balance Sheet,** Trade Receivables were USD 23.3 million in Q1 2017 compared with USD 21.7 million in Q4 2016. Of this, USD 10.9 million is overdue, which is related to bonuses and other payments under the charter contract for the FPSO *Dhirubhai-1*. USD 1.1 million of this has been disputed by the charterer.
- **Cash & cash equivalents** at the end of Q1 2017 were USD 96.1 million, compared with USD 165.5 million at the end of Q4 2016. In addition to the free cash, the Company has available undrawn credit facilities of USD 117.3 million. Further, a restricted cash deposit of USD 20.0 million has been released after the end of the quarter.
- **Book equity** was USD 824.8 million at the end of Q1 2017, compared with USD 815.2 million at the end of Q4 2016. The equity ratio was 35.2% compared with 31.7% in Q4 2016. Total assets were USD 2,344.9 million in Q1 2017, compared with USD 2,574.7 million in Q4 2016.

CHARTER BACKLOG

The charter backlog at the end of Q1 was USD 2.8 billion on an adjusted EBITDA[1] basis. The average remaining contract duration (weighted by EBITDA) was 11.4 years. The charter backlog has been adjusted for the termination of the long-term bareboat charter on the *Lewek Connector.* The total fleet as of the end of Q1 2017 counted 34 vessels, including one vessel for delivery in June/July 2017. Six of the vessels are owned 49.5% by Ocean Yield and one vessel is owned 75%.

RISKS

Ocean Yield is exposed to a number of risks, including counterparty risk, financing risk, interest rate risk, currency risk, vessel construction risk (including risk for late delivery of vessels) and residual value risk. The Company is also exposed to operating risk on the FPSO *Dhirubhai-1*, and may be subject to demobilisation and redeployment risk on the FPSO if the purchase option upon contract expiry is not exercised. As the Company has a policy of fixing all vessels on long-term charters, the volatility in market conditions does not have a direct impact on Ocean Yield as long as the counterparty is performing under the contract.

The Company is expecting reduced revenues from the *Lewek Connector* going forward, following the termination of the long-term bareboat charter for this vessel. Ocean Yield is currently marketing the vessel for new employment, both as a subsea construction and cable installation vessel. Due to long lead-time for such projects, there is a risk of low utilisation in the second half of 2017.

For a more detailed description of risk factors, please refer to the annual report for 2016, which is available on www.oceanyield.no.

OUTLOOK

At the end of Q1 2017, Ocean Yield had 33 vessels delivered and one newbuilding gas vessel for delivery in June/July 2017. The Company's policy of investing in vessels on long-term charters offers stability and visibility with respect to future earnings and dividend capacity.

The Company believes the climate for new investments is improving, as several shipping segments show indications of bottoming out and orders for new vessels remain low. Hence, the Company is of the opinion that the timing for new investments is attractive, subject to acceptable counterparty and segment fundamentals.

Ocean Yield has a healthy balance sheet and a strong liquidity position, which was further strengthened by the refinancing of bonds in AMSC. Hence, the Company has substantial investment capacity and is well positioned to make new investments in vessels with long-term charter.

The Company has a policy of paying attractive and increasing dividends to its shareholders and Q1 2017 was the 14th consecutive quarter that the Company increased its dividend to the shareholders.

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[1] *Figures are based on management's estimates which may be subject to change. These include assumptions on operating expenses on the Dhirubhai-1, certain purchase options in bareboat charter contracts not being exercised, adjustments made for finance lease effects, investments in joint ventures, currency effects and the forward USD LIBOR interest rates for floating rate lease agreements.*

8th May 2017

Ocean Yield ASA

Frank O. Reite	**Kjell Inge Røkke**	**Annicken Gann Kildahl**
Chairman	*Director*	*Director*
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Ocean Yield ASA Group condensed consolidated financial statement for the first quarter 2017

INCOME STATEMENT

Amounts in USD million	Note	4th Quarter 2016	1st Quarter 2017	1st Quarter 2016	Jan - Dec 2016
Operating revenues		61.2	57.2	58.8	241.7
Finance lease revenue		15.8	16.1	7.3	45.9
Income from investments in associates	12	4.9	5.3	-	6.7
Total revenues and other income	**5**	**82.0**	**78.6**	**66.1**	**294.4**
Vessel operating expenses	6	(4.4)	(4.2)	(4.8)	(17.8)
Wages and other personnel expenses	7	(1.5)	(1.8)	(1.6)	(6.1)
Other operating expenses		(1.6)	(1.4)	(1.0)	(5.3)
EBITDA	5	**74.4**	**71.2**	**58.7**	**265.2**
Depreciation and amortization	11	(25.5)	(24.5)	(24.3)	(99.7)
Impairment charges		(36.2)	-	-	(36.2)
Operating profit		**12.7**	**46.8**	**34.4**	**129.2**
Financial income	8	5.0	9.2	4.6	18.8
Financial expenses		(17.7)	(17.0)	(10.0)	(55.0)
Foreign exchange gains/losses		13.3	(0.6)	(13.2)	(5.9)
Mark to market of derivatives	9	(10.2)	2.1	6.0	6.8
Net financial items		**(9.6)**	**(6.2)**	**(12.8)**	**(35.2)**
Net profit before tax		**3.1**	**40.5**	**21.7**	**94.0**
Current tax expense	10	(0.2)	(0.0)	-	(0.2)
Deferred tax expense (-)/ benefit (+)	10	(2.2)	(3.7)	(3.1)	(16.3)
Net profit after tax		**0.7**	**36.8**	**18.6**	**77.5**
Attributable to:					
Equity holders of the parent		0.0	36.4	18.7	76.1
Non-controlling interests		0.7	0.4	(0.1)	1.4
Net profit after tax		**0.7**	**36.8**	**18.6**	**77.5**
Weighted avg. number of shares outstanding		148.3	148.3	134.6	138.9
Basic and diluted earnings per share (USD)		**0.00**	**0.25**	**0.14**	**0.55**

TOTAL COMPREHENSIVE INCOME

Amounts in USD million	4th Quarter 2016	1st Quarter 2017	1st Quarter 2016	Jan - Dec 2016
Net profit after tax for the period	0.7	36.8	18.6	77.5
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX				
Items that will not be reclassified to the income statement:				
Re-measurements of defined benefit liability	(0.2)	-	-	(0.2)
Total for items that will not be reclassified to the income statement	**(0.2)**	**-**	**-**	**(0.2)**
Items that are or may be reclassified to the income statement:				
Share of other comprehensive income from investments in associates	17.1	(0.6)	-	18.9
Change in fair value of available for sale financial assets	-	0.3	-	-
Currency translation differences	(3.0)	0.2	2.7	0.8
Total for items that are or may be reclassified to the income statement	**14.1**	**(0.1)**	**2.7**	**19.7**
Total change in other comprehensive income, net of income tax	**13.9**	**(0.1)**	**2.7**	**19.4**
Total comprehensive income for the period	**14.6**	**36.7**	**21.3**	**96.9**
Attributable to:				
Equity holders of the parent	13.9	36.4	21.4	95.5
Non-controlling interests	0.7	0.4	(0.1)	1.4
Total comprehensive income for the period	**14.6**	**36.7**	**21.3**	**96.9**

BALANCE SHEET

Amounts in USD million	Note	31 December 2016	31 March 2017	31 March 2016
ASSETS				
Goodwill		9.8	9.8	9.8
Vessels and equipment	11	1 243.8	1 228.6	1 293.1
Investments in associates	12	187.4	186.6	-
Finance lease receivables and related assets	13	703.5	695.9	479.0
Investments in AMSC bonds	8	197.5	50.7	193.8
Restricted cash deposits		23.8	23.3	25.7
Other interest-bearing long term receivables		1.2	1.5	0.6
Shares in Farstad Shipping	14	-	12.5	-
Deferred tax assets		20.5	16.7	33.3
Total non-current assets		**2 387.5**	**2 225.5**	**2 035.4**
Trade receivables and other interest-free receivables		21.7	23.3	21.6
Cash and cash equivalents		165.5	96.1	96.6
Total current assets		**187.2**	**119.4**	**118.2**
Total assets		**2 574.7**	**2 344.9**	**2 153.6**
EQUITY AND LIABILITIES				
Share capital		239.6	239.6	222.8
Treasury shares		(0.1)	(0.1)	(0.1)
Other paid-in capital		461.6	434.5	455.2
Total paid-in capital	19	**701.1**	**674.1**	**678.0**
Retained earnings and translation reserves		103.1	139.4	18.6
Total equity attributable to equity holders of the parent		**804.2**	**813.5**	**696.7**
Non-controlling interests		11.0	11.3	11.5
Total equity		**815.2**	**824.8**	**708.2**
Interest-bearing debt	16	1 380.4	1 256.7	1 117.8
Pension liabilities		0.4	0.4	0.2
Mobilization fee, advances and deferred revenue		37.4	45.2	39.0
Mark to market of derivatives	9	26.1	24.1	62.6
Non-current provisions – decommissioning liabilities	17	28.5	28.9	27.1
Total non-current liabilities		**1 472.7**	**1 355.3**	**1 246.6**
Interest-bearing short term debt	16	173.4	106.2	163.0
Liability related to investments in associates		57.7	-	-
Mark to market of derivatives	9	41.3	41.3	5.8
Trade and other payables		14.4	17.3	30.1
Total current liabilities		**286.8**	**164.8**	**198.8**
Total liabilities		**1 759.5**	**1 520.1**	**1 445.4**
Total equity and liabilities		**2 574.7**	**2 344.9**	**2 153.6**

CHANGE IN EQUITY

Amounts in USD million	Share capital	Other paid-in capital	Treasury shares reserve	Fair value reserve	Trans-lation reserve	Retained earnings	Share-holders equity	Non-controlling interests	Total equity
Balance at 31 December 2015	**222.8**	**455.2**	**(0.3)**	-	**(41.7)**	**61.2**	**697.3**	**11.6**	**708.8**
Net profit after tax for the period	-	-	-	-	-	76.1	76.1	1.4	77.5
Other comprehensive income	-	-	-	-	0.8	18.6	19.4	-	19.4
Total comprehensive income	**-**	**-**	**-**	-	**0.8**	**94.7**	**95.5**	**1.4**	**96.9**
Issuance of ordinary shares	16.8	88.7	-	-	-	-	105.5	-	105.5
Dividend	-	(82.1)	-	-	-	(11.9)	(94.0)	(2.0)	(96.0)
Balance at 31 December 2016	**239.6**	**461.8**	**(0.3)**	-	**(40.9)**	**144.0**	**804.2**	**11.0**	**815.2**
Net profit after tax for the period	-	-	-	-	-	36.4	36.4	0.4	36.8
Other comprehensive income	-	-	-	0.3	0.2	(0.6)	(0.1)	-	(0.1)
Total comprehensive income	**-**	**-**	**-**	**0.3**	**0.2**	**35.8**	**36.4**	**0.4**	**36.7**
Dividend	-	(27.1)	-	-	-	-	(27.1)	-	(27.1)
Balance at 31 March 2017	**239.6**	**434.8**	**(0.3)**	**0.3**	**(40.7)**	**179.8**	**813.5**	**11.3**	**824.8**

CASH FLOW STATEMENT

Amounts in USD million	4th Quarter 2016	1st Quarter 2017	1st Quarter 2016	Jan - Dec 2016
Profit before tax	3.1	40.5	21.7	94.0
Depreciation, amortization and impairment	61.8	24.5	24.3	136.0
Income from investments in associates	(4.9)	(5.3)	-	(6.7)
Dividend received from investments in associates	-	5.6	-	-
Net interest expenses (+)	11.5	13.3	5.4	34.1
Interest paid	(13.3)	(15.6)	(8.0)	(43.2)
Interest received	3.5	3.6	3.3	13.6
Unrealized foreign exchange gain/loss	(18.8)	1.2	13.6	2.9
Mark to market of derivatives	10.2	(2.1)	(6.0)	(6.8)
Other changes in operating activities	(6.2)	(8.8)	(20.5)	(29.3)
Net cash flow from operating activities	**46.8**	**56.9**	**33.8**	**194.6**
Acquisition of vessels and equipment	(49.3)	(8.5)	(43.4)	(139.3)
Refundable yard instalments	17.6	-	-	17.6
Acquisition of vessels accounted for as finance lease	(98.8)	-	(54.4)	(248.6)
Repayment on finance lease receivables	8.3	7.9	4.9	26.1
Investments in other non-current assets	(0.5)	(0.1)	(39.8)	(92.1)
Investments in associated companies	(28.8)	(57.7)	-	(104.2)
Net change in long-term interest-bearing receivables	0.1	153.1	(1.1)	1.1
Transfer to restricted cash deposits	47.9	-	-	-
Net cash flow from investing activities	**(103.6)**	**94.7**	**(133.8)**	**(539.4)**
Proceeds from issuance of long-term interest-bearing debt	135.3	(0.0)	144.3	630.7
Repayment of long-term interest-bearing debt	(43.6)	(194.0)	(43.7)	(247.0)
Dividends paid	(26.3)	(27.1)	(21.9)	(94.0)
Dividend paid to non-controlling interests	-	-	-	(2.0)
Net proceeds from issuance of new equity, net of costs related to the issuance	0.0	-	-	105.1
Net cash flow from financing activities	**65.3**	**(221.1)**	**78.7**	**392.7**
Net change in cash and cash equivalents	**8.6**	**(69.5)**	**(21.4)**	**47.8**
Exchange rate differences	(0.5)	0.2	0.2	(0.1)
Cash and cash equivalents at the beginning of the period	157.4	165.5	117.7	117.7
Cash and cash equivalents at the end of the period	**165.5**	**96.1**	**96.6**	**165.5**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT FOR OCEAN YIELD ASA FOR THE FIRST QUARTER 2017

Note 1 Introduction – Ocean Yield ASA

Ocean Yield ASA is a company domiciled in Norway. The condensed consolidated interim financial statements for the first quarter and three months ending 31 March 2017 comprise Ocean Yield ASA and its subsidiaries (together referred to as the "Group"). The financial statement for the first quarter and three months ending 31 March 2017 includes the financial statements of the parent company, Ocean Yield ASA, its subsidiaries and equity accounted investments.

The consolidated financial statements of the Group for the year ended 31 December 2016 and quarterly reports are available at www.oceanyield.no.

Note 2 Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed by EU, and the Norwegian additional requirements in the Securities Trading Act. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2016.

These condensed consolidated interim financial statements, which have not been subject to audit or review by independent accountants, were approved by the Board of Directors on 8 May 2017.

Note 3 Significant accounting principles

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2016. In addition, the Group has adopted the following accounting principle from 2017;

Dividends received from associates
Dividends received from associates are presented as part of net cash flow from operating activities in the cash flow statement. Received dividends are recognised as a reduction of the book value of the investment.

Note 4 Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The most significant judgments made by management in preparing these condensed consolidated interim financial statements in applying the Group's accounting policies, and the key sources of estimation uncertainty, are the same as those applied to the consolidated financial statements as of the year ended 31 December 2016.

Note 5 Operating segments

Ocean Yield identifies segments based on the Group's management and internal reporting structure.

Total revenues and other income *Amounts in USD million*	4th Quarter 2016	1st Quarter 2017	1st Quarter 2016	Jan - Dec 2016
FPSO	35.3	34.6	34.7	137.9
Other Oil Service	21.7	17.1	21.9	90.7
Car Carriers	10.1	9.9	6.7	35.4
Container vessels	4.9	5.3	-	6.7
Tankers	8.5	9.0	2.7	22.2
Other Shipping	1.4	2.6	-	1.4
Total revenues and other income	**82.0**	**78.6**	**66.1**	**294.4**

EBITDA *Amounts in USD million*	4th Quarter 2016	1st Quarter 2017	1st Quarter 2016	Jan - Dec 2016
FPSO	29.5	28.9	28.8	114.5
Other Oil Service	21.6	17.0	21.9	90.6
Car Carriers	10.0	9.8	6.6	35.3
Container vessels	4.9	5.3	-	6.7
Tankers	8.4	9.0	2.7	22.0
Other Shipping	1.4	2.6	-	1.4
Other companies and eliminations	(1.3)	(1.5)	(1.4)	(5.1)
EBITDA	**74.4**	**71.2**	**58.7**	**265.2**

From Q1 2017 the Company have created a new segment *Tankers.* This segment includes the Group's investments in chemical tankers and product tankers, which previously were reported in the segment *Other Shipping.* The old segment *Gas carriers* is no longer reported as a separate segment, but is instead included in *Other Shipping.* Comparative figures have been adjusted to reflect the segment changes.

Note 6 Vessel operating expenses

Vessel operating expenses are related to operating expenses for the Dhirubhai-1.

Note 7 Wages and other personnel expenses

Wages and personnel expenses were USD 1.8 million in Q1 2017 compared with USD 1.6 million in Q1 2016. These figures include all land based personnel in Ocean Yield and Aker Floating Production, which counted a total of 20 persons as of Q1 2017.

Note 8 Financial income

In the first quarter of 2017, financial income of USD 9.2 million was recorded, compared to USD 4.6 million in the first quarter of 2016. The financial income is mainly related to the investment in AMSC bonds. In February 2017, American Shipping Company ASA ("AMSC") successfully completed a refinancing of its unsecured bonds. A new USD 220 million, five year unsecured bond was issued, carrying a coupon of 9.25% p.a. Ocean Yield subscribed for a 50% participation of the new issue and was allocated a total of USD 50 million. The net cash proceeds to Ocean Yield was USD 156 million, including accrued interest. USD 5.7 million was recorded as gain in Q1 2017 related to the refinancing of the bonds, and USD 3.3 million have been recognised as interest income.

The new bonds have been classified into the category "available-for-sale" financial assets. Subsequent to initial measurement, the bonds are measured at fair value. Impairment losses are recognized in profit and loss as they arise. Any other variation in value is recorded through Other Comprehensive Income. Interest income is recognized under the effective interest method, with the effective interest rate being calculated on the instrument's initial recognition.

The bonds are considered by the Group to be level 3 financial instruments under the fair value hierarchy. As of 31 March 2017 the fair value of the bonds have been estimated to be 101.4% of the outstanding amount. This has been estimated based on the weighted average price from observed trades in March 2017.

Amounts in USD million	AMSC bonds
Initial recognition	50.0
Fair value adjustment	0.7
Balance at 31 March 2017	**50.7**

Note 9 Mark to market of derivatives

Mark-to-market of derivatives was positive USD 2.1 million in Q1 2017. This is mainly related to four cross currency interest rate swaps related to the Group's bond loans, where floating rate NOK payments have been swapped to floating rate USD payments. In addition, the Group has entered into several interest rate swaps related to vessel financings.

All of the swaps are recorded at fair value, and are considered by the Group to be level 2 financial instruments under the fair value hierarchy.

Amounts in USD million	Change Q1 2016	MTM as of 31 March 2016	Change Q1 2017	MTM as of 31 March 2017
Cross Currency Interest Rate Swaps	13.9	(47.6)	1.2	(53.5)
Interest rate swaps	(8.0)	(20.8)	0.9	(11.8)
Total	**6.0**	**(68.3)**	**2.1**	**(65.4)**

Note 10 Income tax

Income tax expense of USD 3.7 million was recognized in Q1 2017, compared with USD 3.1 million in Q1 2016. As most of the Company's vessels are within the Norwegian tonnage tax system, taxable profits are mainly derived from the FPSO activities and the bonds held in AMSC.

Note 11 Vessels and equipment

Material changes in vessels and equipment during Q1 2017:

Amounts in USD million	FPSO	Other Oil Service	Car Carriers	Other Shipping	Other /elim	Total
Balance at 1 January	**345.4**	**470.5**	**312.0**	**106.5**	**9.5**	**1 243.8**
Acquisitions	-	-	-	-	0.0	0.0
Advances	-	-	-	8.1	0.4	8.5
Disposals	-	-	-	-	-	-
Depreciation	(14.3)	(5.9)	(3.4)	(0.7)	(0.2)	(24.5)
Impairment	-	-	-	-	-	-
Effect of movements in foreign exchange	-	0.6	-	-	-	0.6
Balance at 31 March 2017	**331.1**	**465.2**	**308.6**	**113.9**	**9.8**	**1 228.6**

Vessels defined as finance leases are not included in Note 11 but included in Note 13 Finance lease receivables and related assets

Note 12 Investments in associates

Ocean Yield had as of 31 March 2017 the following investments in associates:

BOX Holdings Inc
Country: Marshall Islands
Ownership and voting rights: 49.5%

Ocean Yield owns a 49.5% indirect equity interest in six newbuilding container vessels through its investment in BOX Holdings Inc, where Quantum Pacific Shipping is the majority shareholder. The vessels are chartered to a major European container line on 15-year bareboat charters. The vessels, with capacity of about 19,500 TEU, have been built at Samsung Heavy Industries, South Korea. Four of the vessels were delivered in 2016, and the last two vessels were delivered in February and March 2017.

The investment is accounted for using the equity method.

Amounts in USD million	**31 December 2016**	**31 March 2017**
Carrying amount of investments in associates:		
Non-currents assets	575.9	859.7
Current assets	47.8	63.9
Non-current liabilities	(404.7)	(605.5)
Current liabilities	(41.8)	(48.1)
Net assets (100%)	**177.3**	**270.0**
Share of net assets (49.5%)	**87.8**	**133.6**
Deferred consideration	57.7	-
Consideration paid related to vessels not yet delivered	0.6	-
Carrying amount of investments in associates before adjustments	**146.0**	**133.6**
Adjustment to carrying value of investment:		
Finance lease receivables	48.6	59.9
Adjustment to interest-bearing long-term debt	(7.2)	(6.9)
Carrying amount of investments in associates	**187.4**	**186.6**

Income from investments in associates:	**Q4 2016**	**Q1 2017**
Operating revenues	12.6	16.3
Operating expenses	(0.1)	(0.2)
Financial items	(3.8)	(7.1)
Net profit (100%)	**8.7**	**9.0**
Share of net profit (49.5%)	**4.3**	**4.5**
Adjustment to finance lease revenue	(0.8)	(0.8)
Interest adjustment to long-term debt	1.5	1.6
Income from investments in associates	**4.9**	**5.3**

Total comprehensive income from investments in associates:	**Q4 2016**	**Q1 2017**
Net profit (100%)	8.7	9.0
Other comprehensive income	36.7	1.5
Total comprehensive income	**45.4**	**10.6**
Share of comprehensive income (49.5%)	**22.5**	**5.2**
Adjustment to finance lease revenue	(0.8)	(0.8)
Interest adjustment to long-term debt	0.4	0.3
Total comprehensive income from investments in associates	**22.1**	**4.7**

Note 13 Finance lease receivables and related assets

Finance lease receivables of USD 695.9 million at 31 March 2017 are related to the vessel Aker Wayfarer, ten chemical tankers and four product tankers.

In Q1 2017 USD 16.1 mill has been recognized as finance lease revenue compared to USD 7.3 million in Q1 2016. On a cash basis, USD 24.0 million was received in bareboat hire during the first quarter of 2017 compared to USD 12.2 million in Q1 2016.

The net finance lease receivables as of 31 March 2017 was as follows:

	Other Oil Service (Aker Wayfarer)			**Tankers (Chemical and Product tankers)**			**Total**
Amounts in USD million	Gross Investment in finance lease receivables	Effect of Discounting	Present value of minimum lease payments	Gross Investment in finance lease receivables	Effect of Discounting	Present value of minimum lease payments	Present value of minimum lease payments
Lease payments receivable:							
Less than one year	39.2		36.3	54.1		52.2	88.5
Between one and five years	143.4		95.9	210.3		172.7	268.6
More than five years	218.3		67.1	531.2		271.7	338.9
Total finance lease receivables	**400.9**	**(201.6)**	**199.3**	**795.6**	**(299.0)**	**496.6**	**695.9**
Unguaranteed residual values included above	57.8		12.9	137.6		55.5	68.4

Note 14 Shares in Farstad Shipping

In February 2017, Ocean Yield agreed with Farstad Supply AS to restructure the terms of the bareboat charters, while at the same time a combination of Farstad Shipping ASA, Solstad Offshore ASA and Deep Sea Supply Plc was proposed. As part of the restructuring Ocean Yield converted NOK 160.8 million in net present value of future payments under the leasing agreements with Farstad Supply AS into equity. Since the bareboat charters consist of an interest element and an amortization element, NOK 70 million of the amortization element and NOK 109 million of the interest element were converted into a claim of NOK 160.8 million against Farstad Shipping (equaling the sum of the NOK 70 million amortization element and the net present value of the interest element being NOK 90.8 million.

In addition, a portion of the annual lease payments have been deferred from Q1 2017 and until Q4 2021. Commencing in Q1 2022, the lease payments will revert to the original levels and in addition all deferred payments will become repayable in linear instalments of 20% per year, with a bullet repayment of deferred payments in Q4 2023. The maturity dates of the leases remain unchanged, being March and June 2025, and a new cash sweep mechanism was introduced in the leases.

Amounts in USD million	Shares in Farstad Shipping
Initial recognition	12.9
Fair value adjustment	(0.4)
Balance at 31 March 2017	**12.5**

The new charter rates were applicable from 1st January 2017. Following completion of the Farstad restructuring, Ocean Yield owns 315,595,760 shares in Farstad Shipping ASA, which is equivalent to 6.5% of the shares in the company. Following a completion of the proposed combination with Solstad Offshore ASA and Deep Sea Supply Plc, it is expected that Ocean Yield's shareholding will be approximately 3% of the combined entity. The general shareholders meeting of Farstad Shipping ASA, Solstad Offshore ASA and Deep Sea Supply Plc approved the combination plan on 25th April 2017. It is expected that the mergers will become effective on or about 9th June 2017.

The shares have been classified into the category "available-for-sale" financial assets. Subsequent to initial measurement, the shares are measured at fair value. Impairment losses are recognized in profit and loss as they arise. Any other variation in value is recorded through Other Comprehensive Income. The shares are considered by the Group to be level 1 financial instruments under the fair value hierarchy.

Note 15 Contractual obligations

Ocean Yield had as per 31 March 2017 the following contractual obligations related to the purchase of vessels:

Amounts in USD million	Other Shipping	Total
Already paid	32.4	32.4
2017	48.6	48.6
Total contractual obligations	**81.0**	**81.0**
Total remaining payments	48.6	48.6
Secured bank financing	67.5	67.5
Surplus cash	**18.9**	**18.9**

The obligations above related to the *Other Shipping* segment are related to one LEG carrier, scheduled for delivery in July 2017.

In addition to the secured bank financing above, the Group has undrawn facilities available for drawdown, please refer to note 16 *Interest-bearing debt.*

Note 16 Interest-bearing debt

Material changes in interest-bearing debt (short term and long term) during Q1 2017:

Amounts in USD million	FPSO	Other Oil Service	Car Carriers	Tankers	Other Shipping	Other /elim	Total
Balance at 1 January	**100.0**	**508.2**	**217.1**	**385.0**	**66.0**	**277.5**	**1 553.8**
New loans	-	0.5	-	-	-	-	0.5
Paid loan fees	-	-	-	-	(0.5)	-	(0.5)
Instalments	(70.2)	(56.8)	(59.0)	(7.0)	(0.9)	-	(194.0)
Effect of movements in foreign exchange and loan fees amortized	0.3	0.7	0.2	0.3	0.0	1.7	3.2
Total interest-bearing debt	**30.0**	**452.6**	**158.3**	**378.3**	**64.6**	**279.2**	**1 363.0**

Amounts in USD million	FPSO	Other Oil Service	Car Carriers	Tankers	Other Shipping	Other /elim	Total
Long-term interest-bearing debt	20.0	404.5	141.3	351.0	60.7	279.3	1 256.7
1st year instalments	10.0	48.0	17.0	27.3	3.9	-	106.2
Total interest-bearing debt	**30.0**	**452.6**	**158.3**	**378.3**	**64.6**	**279.3**	**1 363.0**
Undrawn facilities available for drawdown	**-**	**62.5**	**54.8**	**-**	**-**	**-**	**117.3**

In January 2017 Ocean Yield cancelled the drawing facility with Aker ASA, where NOK 250 million were available for drawdown at year-end 2016.

In March 2017, an amendment agreement to the current loan facility related to the FPSO Dhirubhai-1 was signed. At total of USD 67.8 million of debt was outstanding against the vessel prior to the amendment. As part of the Company's cash management after receipt of the AMSC bond proceeds, USD 37.8 million was prepaid on this facility and USD 30 million was rolled over into an amended loan facility. The amended loan facility has maturity on September 31st 2018 and will be repaid in three quarterly instalments, with the first instalment due on March 31st 2018. This will contribute to improve the Company's free cash flow going forward, as there will be no debt instalments related to the FPSO until Q1 2018.

Following receipt of the cash proceeds from the AMSC bonds, Ocean Yield has prepaid certain of its debt facilities and reduced the outstanding amount on some of its Revolving Credit Facilities. A total of USD 142.5 million has been prepaid, where USD 117.3 million remains available for drawdown at the Company's request.

Note 17 Non-current provisions

Amounts in USD million	Decommissioning obligation	**Total**
Balance at 1 January 2017	(28.5)	**(28.5)**
Accretion expense	(0.4)	**(0.4)**
Balance at 31 March 2017	**(28.9)**	**(28.9)**

The non-current decommissioning obligation reported above is related to the FPSO Dhirubhai-1. The unit is currently on a contract with Reliance Industries Ltd. (RIL) that expires in September 2018. RIL has in accordance with the contract an option to purchase Dhirubhai-1. If RIL exercises the purchase option, any decommissioning cost will be for their account. However, if the purchase option is not exercised or the contract is not extended, the Dhirubhai-1 must be demobilized from the field at the end of the current contract in September 2018.

The amount and timing of settlement in respect of the potential decommissioning cost are uncertain and dependent on a number of factors. A total decommissioning cost of USD 31.3 million in September 2018 has been estimated, where USD 28.9 million has been recognised in the balance sheet as of Q1 2017, representing the present value of the obligation.

Note 18 Use and reconciliation of Alternative performance measures

Alternative performance measures are defined as numerical measures that either exclude or include amounts that are not excluded or included in the comparable measures calculated and presented in accordance with GAAP (i.e. IFRS).

The following financial measure may be considered an alternative performance measure:

- EBITDA: Earnings before financial items, income taxes, depreciation, amortization and impairment charges
- EBITDA adjusted for finance lease effects: EBITDA adjusted for Repayment of finance lease receivables.
- EBIT: Earnings before financial items and income taxes
- Adjusted net profit: Net profit adjusted for impairment charges, foreign exchange gains/losses, fair value adjustments of derivatives, changes in deferred tax and non-recurring items.

The Company believes presenting EBITDA, *EBITDA adjusted for finance lease effects, EBIT* and *Adjusted net profit* as useful to investors as they provide other useful measures of Ocean Yield's profitability from its operations. Regarding *EBITDA adjusted for finance lease effects*, the Company believes it is useful for investors to present information showing all vessels accounted for on a consistent basis, as it will more closely reflect the Group's cash flows from operations. Regarding, *Adjusted net profit*, the Company considers *Adjusted net profit* to be a relevant performance criteria. The net profit is adjusted for significant non-cash and non-recurring items, and the Adjusted net profit is thus a useful measure when it comes to the Company's dividend capacity.

EBITDA and EBIT are disclosed in the condensed consolidated income statement as separate line items. Reconciliations of other alternative performance measures to the financial statements are as follows:

Amounts in USD million	4th Quarter 2016	1st Quarter 2017	1st Quarter 2016	Jan - Dec 2016
EBITDA	74.4	71.2	58.7	265.2
Repayment on finance lease receivables	8.3	7.9	4.9	26.1
EBITDA adjusted for finance lease effects	**82.8**	**79.1**	**63.6**	**291.3**
Net profit after tax	0.7	36.8	18.6	77.5
Impairment charges	36.2	-	-	36.2
Gain AMSC bonds	-	(5.7)	-	-
Foreign exchange gains/losses	(13.3)	0.6	13.2	5.9
Mark to market of derivatives	10.2	(2.1)	(6.0)	(6.8)
Change in deferred tax	2.2	3.7	3.1	16.3
Other non-recurring items	1.6	0.1	-	2.4
Adjusted Net profit	**36.9**	**33.4**	**29.0**	**130.9**

Note 19 Share capital and dividends

As of 31 March 2017, the Company had a share capital of NOK 1,483,514,320 divided into 148,351,432 ordinary shares, each having a par value of NOK 10.00. Total number of treasury shares held were 42,813.

In Q1 2017 USD 27.1 million was paid in dividends, following the announcement of the Q4 2016 Results.

Note 20 Events after the balance sheet date

Nothing to report.