



OCEAN YIELD ASA

Second Quarter and First Half Year 2016 Report



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SECOND QUARTER AND FIRST HALF YEAR 2016 REPORT

Oslo, 12th July 2016, Ocean Yield ASA ("Ocean Yield" or the "Company") announces results for the second quarter ending 30th June and the first half year of 2016.

HIGHLIGHTS

- The Board of Directors has declared a dividend of USD 0.1725 per share for Q2 2016. This is an increase of 0.50 cents per share compared with the previous quarter. On an annualized basis, the dividend equals USD 0.69 per share. Based on the closing share price as of 12th July 2016, this is a dividend yield of 8.6% p.a. This is the 11th consecutive dividend increase since the IPO of Ocean Yield in July 2013.
- EBITDA was USD 63.4 million for the second quarter 2016 compared with USD 56.0 million for the second quarter of 2015. Adjusted for finance lease effects, the EBITDA was USD 69.3 million in Q2 2016 compared to USD 58.4 million in Q2 2015.
- Net profit after tax was USD 25.5 million for the second quarter 2016 compared with USD 25.8 million for the second quarter of 2015.
- Net profit after tax, adjusted for non-recurring items, currency fluctuations, mark-to-market of derivatives and changes to deferred tax, was USD 31.6 million compared with USD 27.1 million in Q2 2015.
- Investment in 49.5% equity interest in six newbuilding mega container vessels with 15-year charters.

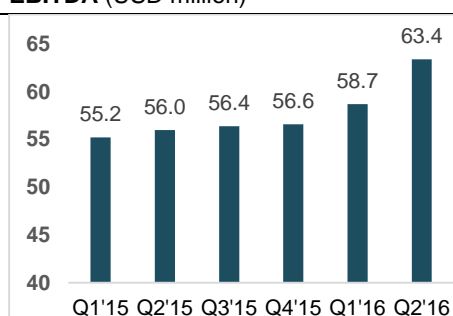
CONSOLIDATED KEY FIGURES

Selected key financial figures for the second quarter 2016 compared with the second quarter of 2015 and first half year of 2016 compared with the first half of 2015:

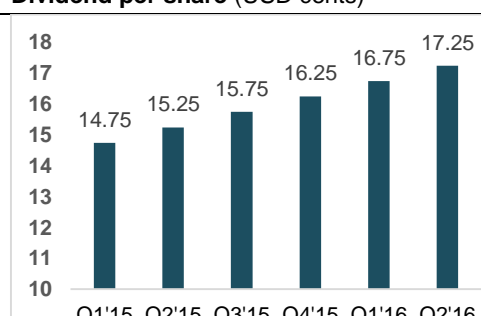
Consolidated key figures USD million	Q2 2016	Q2 2015	1H 2016	1H 2015
Revenues	70.1	63.2	136.2	125.8
EBITDA	63.4	56.0	122.1	111.2
EBITDA adjusted for finance lease effects	69.3	58.4	132.9	115.7
Operating profit (EBIT)	38.6	31.7	73.0	62.6
Net profit before tax	29.5	25.8	51.2	54.0
Net profit after tax	25.5	25.8	44.1	54.0
Adjusted net profit *	31.6	27.1	60.6	53.9
Cash & cash equivalents	110.8	94.6	110.8	94.6
Equity ratio	31.1%	37.7%	31.1%	37.7%

*Refer to note 16

EBITDA (USD million)



Dividend per share (USD cents)



MAIN EVENTS DURING THE SECOND QUARTER

- The Board of Directors has declared a quarterly dividend payment of USD 0.1725 per share for Q2 2016. The dividend is on an annualized basis equal to USD 0.69 per share. The dividend will be paid on or about 27th July 2016 to shareholders as of 15th July 2016 registered with the Norwegian Central Securities Depository (the "VPS") as of 19th July 2016 (the "Record Date"). The ex-dividend date will be 18th July 2016.
- In April, Ocean Yield ASA received a commitment letter from a group of banks for a USD 202.5 million credit facility for the financing of the three Liquefied Ethylene Gas carriers on long term charter to the Hartmann Group, with SABIC Petrochemicals BV being the sub-charterer of the vessels for 10 years. The credit facility will finance USD 67.5 million out of the contract price of USD 81.0 million per vessel, with a tenor of 10 years from delivery, and will be repaid on an annuity basis down to a balloon of USD 22.5 million per vessel at maturity.
- In the second quarter, Ocean Yield took delivery of another three newbuildings on long-term charter. In April, the chemical tanker *Navig8 Turquoise* was delivered from STX, Korea. The vessel is chartered on a 15-year bareboat charter to Navig8 Chemical Tankers Inc. In May, Ocean Yield took delivery of another LR2 product tanker from Sungdong Shipyard, Korea. The *Navig8 Steadfast* has been chartered to Navig8 Product Tankers Inc. for a period of 13 years. Then in June, Ocean Yield took delivery of another Pure Car Truck Carrier (PCTC) from Xiamen Shipbuilding Industry Co.

Ltd, China. The *Höegh Trapper*, of 8,500 CEU capacity, has been chartered to Höegh Autoliners for a period of 12 years.

- In June, Ocean Yield announced an investment in 49.5% equity interest in six newbuilding mega container vessels, owned by Quantum Pacific Shipping. The vessels are chartered out on 15-year bareboat charters to a major European container line and has capacity of about 19,500 TEU. They are being built by Samsung Heavy Industries, South Korea and are scheduled for delivery between July 2016 and February 2017.

Ocean Yield's equity investment in the transaction will be approximately USD 162 million in total. Bank financing has already been arranged with international banks at competitive terms. Financing levels are in line with previous transactions and the debt will be non-recourse to Ocean Yield. Ocean Yield's equity portion of the investment will be funded by own cash and a drawing facility from Aker ASA of NOK 1,000 million with maturity in February 2018, corresponding with the maturity of the bonds owned by Ocean Yield in American Shipping Company ASA ("AMSC"). The loan carries an interest rate of NIBOR + 4.5% p.a.

- The FPSO *Dhirubhai-1*, which is on long-term charter to Reliance Industries Ltd., showed steady performance during the quarter, with an operational utilisation of 99.7%.

POST QUARTER EVENTS

- Subsequent to quarter end, Farstad Shipping ASA announced that they had entered into a standstill and deferral agreement with the majority of its secured lenders and a defeasance of all financial covenants until 1st October 2016, in anticipation of a financial restructuring of the Farstad group. Ocean Yield currently has two vessels on long-term bareboat charter to Farstad Supply AS, a subsidiary of Farstad Shipping ASA. Farstad Supply AS will continue to pay full bareboat hire to Ocean Yield during the standstill period.

Certain covenants in the bareboat agreements have, however, been waived until 1st October 2016.

Also subsequent to quarter end, Ocean Yield has closed the container transaction announced in June, where the Company has invested 49.5% in six newbuilding mega container vessels on long term bareboat charters to a major European container line, together with Quantum Pacific Shipping. The first two vessels were delivered early in July.

SECOND QUARTER FINANCIAL REVIEW

- **Total revenues** for Q2 2016 were USD 70.1 million compared with USD 63.2 million for Q2 2015. Of the Total revenues, USD 60.8 million is classified as Operating revenue and USD 9.3 million classified as Finance lease revenue. 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 according to IFRS, as only the interest income under a finance lease is recognized in the Profit & Loss. Revenues were positively affected by delivery of another chemical tanker during the quarter, the *Navig8 Turquoise*, in addition to the LR2 product tanker *Navig8 Steadfast* and the car carrier *Höegh Trapper*.
- **Operating expenses:** Vessel operating expenses, which are solely related to the operation of the FPSO *Dhirubhai-1*, were USD 4.0 million for Q2 2016, compared with USD 3.1 million for Q2 2015. Wages and other personnel expenses were USD 1.3 million for Q2 2016, compared with USD 3.1 million for Q2 2015. The reduction in Q2 2016 compared with Q2 2015 is mainly related to reduced provisions for the share incentive plan for employees in Ocean Yield. Other operating expenses were USD 1.4 million for Q2 2016 compared with USD 1.0 million for Q2 2015.
- **EBITDA** was USD 63.4 million in Q2 2016 compared with USD 56.0 million in Q2 2015. Adjusted for finance lease effects, the EBITDA was USD 69.3 million in Q2 2016 compared with USD 58.4 million in Q2 2015. The increase in EBITDA is related to delivery of further vessels to the fleet, where the Company has taken delivery of another three vessels during the quarter.
- **Depreciation and amortization** was USD 24.8 million in Q2 2016, compared with USD 24.2 million in Q2 2015. Only the delivery of the car carrier will affect depreciation going forward, as both the chemical tanker and the product tanker delivered during the quarter are accounted for as finance leases.
- **Financial income** was USD 4.5 million in Q2 2016 compared with USD 4.6 million in Q2 2015. This amount relates mainly to interest income from the investment in bonds issued by AMSC. Ocean Yield holds bonds with a book value of USD 194.9 million at the end of the quarter. This is 97.1% of par value, which was USD 200.6 million.
- **Financial expenses** were USD 11.5 million in Q2 2016, compared with USD 9.1 million in Q2 2015. USD 0.5 million of interest expenses is a non-cash expense related to the potential decommissioning cost for the FPSO upon expiry of the contract, as explained in Note 16. The increase in Financial expenses compared to Q2 2015 is mainly related to drawings on long-term debt in relation to delivery of newbuildings. Foreign exchange gains were USD 2.8 million in Q2 2016, compared with a loss of USD 0.2 million in Q2 2015. 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 interest rate hedges entered into in connection with the financing of the Company's vessels were negative with USD 4.8 million compared with USD 1.0 million in Q2 2015. The foreign exchange gains and mark-to-market of derivatives had no significant cash impact.
- **The Net profit before tax** for Q2 2016 was USD 29.5 million compared with USD 25.8 million for Q2 2015.
- **Deferred tax expense** was USD 4.1 million in Q2 2016, compared with USD 0.0 million in Q2 2015. The amount in Q2 2016 relates to changes in deferred tax during the quarter, which are offset against deferred tax assets on the balance sheet. Hence, tax payable in the quarter is zero. As most of the Company's vessels are within the Norwegian tonnage tax system, taxable profits are mainly derived from the FPSO and the bonds held in American Shipping Company. The Company will not be subject to payable tax as long as the Company has net operating losses available to offset taxable income.
- **The Net profit after tax** for Q2 2016 was USD 25.5 million compared with USD 25.8 million for Q2 2015. Adjusted for non-recurring items, currency fluctuations, mark-to-market of derivatives and change in deferred tax, the net profit after tax was USD 31.6 million as compared with USD 27.1 million in Q2 2015.
- **Cash & cash equivalents** at the end of the second quarter were USD 110.8 million, compared with USD 94.6 million at the end of the second quarter 2015. Furthermore, the Company has committed credit facilities in place for its newbuilding vessels as further described in Note 13.
- **Book equity** was USD 709.1 million at the end of Q2 2016, compared with USD 705.8 million at the end of Q2 2015. The equity ratio was 31.1% compared with 37.7% in Q2 2015. This change in equity ratio is due to increased long-term debt as the Company has taken delivery of further newbuildings. Total assets were USD 2,281.9 million in Q2 2016, compared with USD 1,869.7 million in Q2 2015.

YEAR TO DATE FINANCIAL REVIEW

- **Total revenues** for the first half 2016 were USD 136.2 million as compared with USD 125.8 million for the first half 2015. The increase reflects delivery of further vessels to the fleet, where eight newbuildings have been delivered during the past twelve months.
- **EBITDA** was USD 122.1 million for the first half 2016, compared with USD 111.2 million for the first half 2015. Adjusted for finance lease effects, the adjusted EBITDA was 132.9 million in first half 2016, compared with USD 115.7 million in the first half of 2015.
- **Depreciation** was USD 49.1 million, compared with USD 48.5 million in the first six months of 2015. The increase is related to delivery of vessels accounted for as operating leases.
- **Operating Profit** was USD 73.0 million as compared with USD 62.6 million for the first half of 2015.
- **Financial income** was USD 9.1 million for the first half 2016, compared with USD 9.0 million for the first half 2015. This is mainly related to Ocean Yield's investment in unsecured bonds issued by American Shipping Company ASA.
- **Financial expenses** were USD 21.6 million in the first half 2016, compared to USD 18.2 million in the first half of 2015. The majority of the increase is related to deliveries of further vessels to the fleet and drawings on long-term debt facilities. USD 0.9 million of Financial expenses is a non-cash expense related to the potential decommissioning cost for the FPSO upon expiry of the contract, as explained in Note 16.
- **Net Profit** after tax was USD 44.1 million in the first half 2016, compared to USD 54.0 million for the first half 2015. The figure for the first half of 2016 includes a net loss of USD 9.4 million related to foreign exchange fluctuations and mark-to-market of derivatives, compared with a net loss of USD 0.5 million for the first half of 2015. Adjusted for non-recurring items, currency fluctuations, mark-to-market of derivatives and changes to deferred tax (as detailed in Note 17) the adjusted Net Profit was USD 60.6 million for the first half 2016 compared with USD 53.9 million in the first half of 2015.

CHARTER BACKLOG

The charter backlog at the end of the second quarter was USD 3.3 billion on an adjusted EBITDA¹ basis and the average remaining contract tenor (weighted by EBITDA)

was 11.2 years. The total fleet now consists of 33 vessels, including 13 newbuildings. 6 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 risk on the FPSO if the purchase option is not exercised. As all vessels are fixed on long-term charters, the volatility in market conditions does not have a direct impact on Ocean Yield. However, a continued situation with low activity in the oil-service sector may lead to certain counterparties being adversely affected, which again may lead to potential amendments to charter contracts. For a more detailed description of risk factors,

please refer to the annual report for 2015, which is available on www.oceanyield.no.

Ocean Yield currently has contracts for the construction of three gas carriers with a group of yards and a trading company led by Sinopacific Shipbuilding and Engineering Co. ("SOE"), with estimated delivery in Q4 2016 and Q1 2017. As reported in the press, SOE is currently facing financial difficulties after CIMC Enric announced that they are terminating a transaction to acquire a majority stake in the shipyard. This situation has increased the risk related to these newbuildings. All instalments paid to the yard by Ocean Yield are secured by bank guarantees.

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.

OUTLOOK

During the first half of 2016 Ocean Yield has taken delivery of 6 vessels and the company still has 13 newbuildings under construction (including the two container vessels delivered subsequent to quarter end) with scheduled delivery during the next 9 months. Further, the subsea construction vessel *Aker Wayfarer* was redelivered from the yard on the 6th of July after a major modification and will start earning an additional charter rate as from the redelivery date. The delivery of newbuildings, in addition to the container vessel investment and the additional charter rate related to *Aker Wayfarer*, is expected to contribute to increased earnings already as from Q3 2016.

Ocean Yield intends to continue to make new investments in modern vessels on long term charter in order to build a

substantially larger and even more diversified company. Since the company was established in 2012, USD 2.3 billion has been committed to new investments, which gives average annual investments of about USD 550 million.

With a contract backlog on an adjusted EBITDA basis of USD 3.3 billion and increasing earnings due to delivery of newbuildings, the Company expects to continue its dividend policy of paying attractive and increasing dividends to the shareholders

12th July 2016
Ocean Yield ASA

Frank O. Reite

Chairman

Kjell Inge Røkke

Director

Annicken Gann Kildahl

Director

Anne Christin Døvingen

Director

Jens Ismar

Director

Lars Solbakken

CEO

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DIRECTORS' RESPONSIBILITY STATEMENT:

Today, the Board of Directors and the company's Chief Executive Officer reviewed and approved the interim financial report and the unaudited condensed interim consolidated financial statements for the second quarter and the first half year of 2016.

The interim, condensed, consolidated financial statements have been prepared and presented in accordance with IAS 34 Interim Financial Reporting as endorsed by the EU, and the additional requirements found in the Norwegian Securities Trading Act.

To the best of our knowledge:

The interim, condensed, consolidated financial statements for the second quarter and the first half of 2016 have been prepared in accordance with applicable accounting standards. The interim, condensed, consolidated financial statements provide a true and fair picture of the Company's assets, liabilities, financial position, and profit as of 30 June 2016. The interim financial report for the first six months of 2016 also includes a fair overview of the development and performance of the business, and it provides a true and fair description of the most important risks and uncertainties the group may face.

12th July 2016
Ocean Yield ASA

Frank O. Reite
Chairman

Kjell Inge Røkke
Director

Annicken Gann Kildahl
Director

Anne Christin Døvingen
Director

Jens Ismar
Director

Lars Solbakken
CEO



Ocean Yield ASA Group condensed consolidated financial statement for the second quarter and first half year 2016

INCOME STATEMENT

		1st Quarter	2nd Quarter	2nd Quarter	1st Half	1st Half	Jan - Dec
<i>Amounts in USD million</i>	Note	2016	2016	2015	2016	2015	2015
Operating revenues		58.8	60.8	58.1	119.6	115.8	233.1
Finance lease revenue		7.3	9.3	5.1	16.7	10.1	23.6
Total revenues	5	66.1	70.1	63.2	136.2	125.8	256.7
Vessel operating expenses	6	(4.8)	(4.0)	(3.1)	(8.8)	(7.2)	(15.5)
Wages and other personnel expenses	7	(1.6)	(1.3)	(3.1)	(2.9)	(5.2)	(12.6)
Other operating expenses		(1.0)	(1.4)	(1.0)	(2.4)	(2.3)	(4.5)
EBITDA	5	58.7	63.4	56.0	122.1	111.2	224.2
Depreciation and amortization	11	(24.3)	(24.8)	(24.2)	(49.1)	(48.5)	(96.7)
Impairment charges and other non-recurring items		-	-	(0.1)	-	(0.1)	(28.6)
Operating profit		34.4	38.6	31.7	73.0	62.6	98.9
Financial income	8	4.6	4.5	4.6	9.1	9.0	18.2
Financial expenses		(10.0)	(11.5)	(9.1)	(21.6)	(18.2)	(37.6)
Foreign exchange gains/losses		(13.2)	2.8	(0.2)	(10.5)	14.5	41.5
Mark to market of derivatives	9	6.0	(4.8)	(1.0)	1.1	(14.0)	(40.5)
Net financial items		(12.8)	(9.0)	(5.8)	(21.8)	(8.6)	(18.4)
Net profit before tax		21.7	29.5	25.8	51.2	54.0	80.4
Tax payable		(0.0)	-	-	-	(0.0)	(0.4)
Change in deferred tax		(3.1)	(4.1)	0.0	(7.2)	(0.0)	25.0
Net profit after tax		18.6	25.5	25.8	44.1	54.0	105.0
Attributable to:							
Equity holders of the parent		18.7	25.5	25.4	44.2	53.5	104.0
Non-controlling interests		(0.1)	(0.1)	0.5	(0.1)	0.4	1.0
Net profit after tax		18.6	25.5	25.8	44.1	54.0	105.0
Weighted avg. number of shares outstanding		134.6	134.6	134.6	134.6	134.5	134.5
Basic and diluted earnings per share (USD)		0.14	0.19	0.19	0.33	0.40	0.77

TOTAL COMPREHENSIVE INCOME

	1st Quarter	2nd Quarter	2nd Quarter	1st Half	1st Half	Jan - Dec
Amounts in USD million	2016	2016	2015	2016	2015	2015
Net profit after tax for the period	18.6	25.5	25.8	44.1	54.0	105.0
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX						
Items that will not be reclassified to the income statement:						
Re-measurements of defined benefit liability (asset)	-	-	-	-	-	0.1
Total for items that will not be reclassified to the income statement	-	-	-	-	-	0.1
Items that are or may be reclassified to the income statement:						
Currency translation differences	2.7	(0.6)	2.3	2.1	(4.1)	(11.1)
Total for items that are or may be reclassified to the income statement	2.7	(0.6)	2.3	2.1	(4.1)	(11.1)
Total change in other comprehensive income, net of income tax	2.7	(0.6)	2.3	2.1	(4.1)	(11.0)
Total comprehensive income for the period	21.3	24.9	28.2	46.1	49.9	94.0
Attributable to:						
Equity holders of the parent	21.4	24.9	27.7	46.3	49.4	93.0
Non-controlling interests	(0.1)	(0.1)	0.5	(0.1)	0.4	1.0
Total comprehensive income for the period	21.3	24.9	28.2	46.1	49.9	94.0

BALANCE SHEET

		31 March	30 June	30 June	31 December
<i>Amounts in USD million</i>	Note	2016	2016	2015	2015
ASSETS					
Vessels and equipment	11	1 293.1	1 338.5	1 269.1	1 239.5
Intangible assets		9.8	9.8	38.3	9.8
Deferred tax assets		33.3	29.2	11.4	36.4
Restricted cash deposits		25.7	22.9	20.1	24.6
Finance lease receivables and related assets	12	479.0	555.4	235.3	388.1
Investments in AMSC bonds	8	193.8	194.9	186.7	192.6
Investments in associated companies	13	-	1.6	-	-
Other interest-bearing long term receivables		0.6	0.6	0.7	0.6
Total non-current assets		2 035.4	2 152.9	1 761.8	1 891.6
Trade receivables and other interest-free receivables		21.6	18.2	13.4	15.5
Cash and cash equivalents		96.6	110.8	94.6	117.7
Total current assets		118.2	129.0	108.0	133.2
Total assets		2 153.6	2 281.9	1 869.7	2 024.8
EQUITY AND LIABILITIES					
Share capital		222.8	223.0	222.8	222.8
Treasury shares		(0.1)	(0.1)	(0.2)	(0.1)
Other paid-in capital		455.2	455.7	455.2	455.2
Total paid-in capital	18	678.0	678.6	677.9	678.0
Retained earnings and translation reserves		18.6	21.0	16.9	19.2
Total equity attributable to equity holders of the		696.7	699.6	694.8	697.2
Non-controlling interests		11.5	9.5	11.0	11.6
Total equity		708.2	709.1	705.8	708.8
Interest-bearing debt	15	1 117.8	1 207.4	926.3	974.8
Deferred tax liabilities		(0.0)	(0.0)	0.0	-
Pension liabilities		0.2	0.2	0.5	0.3
Mobilization fee and advances		36.4	41.2	36.2	31.2
Mark to market of derivatives		62.6	66.8	42.1	68.7
Non-current provisions – decommissioning liabilities	16	27.1	27.5	24.9	26.6
Other interest-free long term liabilities		2.6	2.7	2.0	2.2
Total non-current liabilities		1 246.6	1 346.0	1 032.0	1 103.9
Interest-bearing short term debt	15	163.0	173.6	116.0	184.1
Mark to market of derivatives		5.8	6.3	5.6	5.6
Trade and other payables		30.1	46.8	10.4	22.5
Total current liabilities		198.8	226.8	132.0	212.1
Total liabilities		1 445.4	1 572.8	1 163.9	1 316.0
Total equity and liabilities		2 153.6	2 281.9	1 869.7	2 024.8

CHANGE IN EQUITY

<i>Amounts in USD million</i>	Share capital	Other paid-in capital	Treasury shares reserve	Translation reserve	Retained earnings	Share-holders equity	Non-controlling interests	Total equity
Balance at 31 December 2014	222.3	453.8	(0.2)	(30.6)	62.8	708.1	10.6	718.7
Correction of decommissioning obligation from previous years	-	-	-	-	(24.9)	(24.9)	-	(24.9)
Balance at 1 January 2015	222.3	453.8	(0.2)	(30.6)	37.9	683.2	10.6	693.8
Net profit after tax for the period	-	-	-	-	104.0	104.0	1.0	105.0
Other comprehensive income	-	-	-	(11.1)	0.1	(11.0)	-	(11.0)
Total comprehensive income	-	-	-	(11.1)	104.1	93.0	1.0	94.0
Issuance of ordinary shares	0.6	1.4	-	-	-	2.0	-	2.0
Dividend	-	-	-	-	(80.7)	(80.7)	-	(80.7)
Treasury shares acquired	-	-	(1.1)	-	-	(1.1)	-	(1.1)
Treasury shares sold	-	-	1.0	-	(0.1)	0.9	-	0.9
Balance at 31 December 2015	222.8	455.2	(0.3)	(41.7)	61.1	697.2	11.6	708.8
Net profit after tax for the period	-	-	-	-	44.2	44.2	(0.1)	44.1
Other comprehensive income	-	-	-	2.1	-	2.1	-	2.1
Total comprehensive income	-	-	-	2.1	44.2	46.3	(0.1)	46.1
Issuance of ordinary shares	0.1	0.5	-	-	-	0.6	-	0.6
Dividend	-	-	-	-	(44.5)	(44.5)	(2.0)	(46.5)
Balance at 30 June 2016	223.0	455.7	(0.3)	(39.6)	60.8	699.6	9.5	709.1

CASH FLOW STATEMENT

	1st Quarter	2nd Quarter	2nd Quarter	1st Half	1st Half	Jan - Dec
<i>Amounts in USD million</i>	2016	2016	2015	2016	2015	2015
Profit before tax	21.7	29.5	25.8	51.2	54.0	80.4
Depreciation, amortization and impairment	24.3	24.8	24.2	49.1	48.5	125.3
Unrealized foreign exchange gain/loss	13.6	(2.9)	1.3	10.7	(13.7)	(42.7)
Mark to market of derivatives	(6.0)	4.8	1.0	(1.1)	14.0	40.5
Other changes in operating activities	(19.8)	(1.0)	(3.2)	(20.8)	(19.1)	(14.4)
Net cash flow from operating activities	33.8	55.3	49.2	89.1	83.6	189.2
Acquisition of vessels and equipment	(43.4)	(45.4)	(17.5)	(88.8)	(18.4)	(52.2)
Acquisition of vessels accounted for as finance lease	(54.4)	(47.7)	(65.2)	(102.2)	(65.2)	(130.5)
Repayment on finance lease receivables	4.9	5.9	2.4	10.8	4.5	10.8
Investments in other non-current assets	(39.8)	(34.9)	(16.4)	(74.7)	(16.6)	(113.6)
Investments in associated companies	-	(1.6)	-	(1.6)	-	-
Net change in long-term interest-bearing receivables	(1.1)	2.9	0.0	1.8	(0.2)	(4.7)
Net cash flow from investing activities	(133.8)	(120.8)	(96.7)	(254.7)	(95.9)	(290.1)
Proceeds from issuance of long-term interest-bearing debt	144.3	140.1	284.4	284.4	301.7	513.1
Repayment of long-term interest-bearing debt	(43.7)	(36.4)	(194.4)	(80.1)	(233.3)	(291.5)
Dividends paid	(21.9)	(22.5)	(19.9)	(44.5)	(39.0)	(80.7)
Dividend paid to non-controlling interests	-	(2.0)	-	(2.0)	-	-
Proceeds from issuance of new equity	-	0.6	-	0.6	2.0	2.0
Net change in treasury shares	-	-	(0.8)	-	(0.8)	(0.3)
Net cash flow from financing activities	78.7	79.8	69.3	158.5	30.5	142.6
Net change in cash and cash equivalents	(21.4)	14.2	21.8	(7.1)	18.2	41.7
Exchange rate differences	0.2	(0.1)	0.1	0.2	(0.0)	(0.3)
Cash and cash equivalents at the beginning of the period	117.7	96.6	72.7	117.7	76.4	76.4
Cash and cash equivalents at the end of the period	96.6	110.8	94.6	110.8	94.6	117.7

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT FOR OCEAN YIELD ASA FOR THE SECOND QUARTER AND FIRST HALF YEAR 2016

Note 1 Introduction – Ocean Yield ASA

Ocean Yield ASA is a company domiciled in Norway. The condensed consolidated interim financial statements for the second quarter and first half year ending 30 June 2016 comprise Ocean Yield ASA and its subsidiaries (together referred to as the “Group”). The financial statement for the second quarter and first half year ending 30 June 2016 includes the financial statements of the parent company, Ocean Yield ASA and its subsidiaries.

The consolidated financial statements of the Group for the year ended 31 December 2015 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 2015.

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 12 July 2016.

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 2015.

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 at and for the year ended 31 December 2015.

Note 5 Operating segments

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

Total revenues	1st Quarter	2nd Quarter	2nd Quarter	1st Half	1st Half	Jan - Dec
<i>Amounts in USD million</i>	2016	2016	2015	2016	2015	2015
FPSO	34.7	34.7	34.2	69.5	68.3	138.3
Other Oil Service	21.9	22.1	22.7	44.0	45.2	90.1
Gas Carriers	-	-	-	-	-	-
Car Carriers	6.7	8.5	6.1	15.2	12.1	24.2
Other Shipping	2.7	4.7	0.2	7.5	0.2	4.2
Total revenues	66.1	70.1	63.2	136.2	125.8	256.7

EBITDA	1st Quarter	2nd Quarter	2nd Quarter	1st Half	1st Half	Jan - Dec
<i>Amounts in USD million</i>	2016	2016	2015	2016	2015	2015
FPSO	28.8	29.2	29.9	58.0	58.4	117.1
Other Oil Service	21.9	22.1	22.7	44.0	44.9	89.8
Gas Carriers	-	-	-	-	(0.0)	(0.0)
Car Carriers	6.6	8.5	6.1	15.2	12.0	24.1
Other Shipping	2.7	4.7	0.2	7.5	0.2	4.2
Other companies and eliminations	(1.4)	(1.2)	(2.9)	(2.5)	(4.4)	(11.0)
EBITDA	58.7	63.4	56.0	122.1	111.2	224.2

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 1.3 million in Q2 2016 compared with USD 3.1 million in Q2 2015, and USD 2.9 million in the first half 2016 compared with USD 5.2 million in the first half of 2015. These figures include all land based personnel in Ocean Yield and Aker Floating Production, which counted a total of 20 persons as of Q2 2016.

Note 8 Financial income

In the second quarter of 2016, Financial income of USD 4.5 million was recorded, compared to USD 4.6 million in the second quarter of 2015, and in the first half of 2016 USD 9.1 million has been recorded, compared to USD 9.0 million in 2015. Financial income is mainly related to the investment in AMSC bonds. Ocean Yield owns 93.05% of the unsecured bonds issued by American Shipping Company ASA 07/18, with maturity in February 2018.

Note 9 Mark to market of derivatives and other financial instruments recorded at fair value

Mark-to-market of derivatives was negative USD 4.8 million in Q2 2016. This is mainly related to one cross currency interest rate swap related to the bond issue OCY 02, where NOK 590 million has been swapped from NIBOR + 3.90% p.a. to LIBOR + 4.603% p.a. and three cross currency interest rate swaps related to OCY 03, where NOK 1,000 million has been swapped from NIBOR + 4.00% p.a. to LIBOR

+4.45% p.a. In addition the Group has entered into several interest rate swaps related to vessel financings. At the end of June 2016 the cross currency interest rates swaps are the Group's most significant financial instruments recorded at fair value, and are considered by the Group to be level 2 financial instruments under the fair value hierarchy.

	Change	Change	MTM
<i>Amounts in USD million</i>	Q2 2016	1st Half 2016	as of 30 June 2016
Cross Currency Interest Rate Swaps	(2.1)	11.86	(49.6)
Interest rate swaps	(2.8)	(10.8)	(23.5)
Total	(4.8)	1.1	(73.2)

	Change	Change	MTM
<i>Amounts in USD million</i>	Q2 2015	1st Half 2015	as of 30 June 2015
Cross Currency Interest Rate Swaps	(3.4)	(10.8)	(37.6)
Interest rate swaps	2.4	(3.2)	(10.1)
Total	(1.0)	(14.0)	(47.7)

Note 10 Income tax

Income tax expense of USD 4.1 million was recognized in Q2 2016, compared with USD 0 million in Q2 2015, and USD 7.2 million was recognized in the first half of 2016 compared with USD 0 million in the first half of 2015. The amounts are related to change in deferred tax following the recognition of deferred tax assets in Q4 2015.

Note 11 Vessels and equipment

Material changes in vessels and equipment during 2016:

<i>Amounts in USD million</i>	FPSO	Other Oil Service	Gas Carriers	Car Carriers	Other /elim	Total
Balance at 1 January	402.8	532.1	66.2	230.9	7.6	1 239.5
Acquisitions	-	-	-	130.7	-	130.7
Advances	-	-	8.6	-	2.3	10.9
Disposals	-	-	-	-	-	-
Depreciation	(28.7)	(14.4)	-	(5.7)	(0.2)	(49.1)
Effect of movements in foreign exchange	-	6.4	-	-	-	6.4
Balance at 30 June 2016	374.1	524.0	74.8	355.9	9.7	1 338.5

Vessels defined as finance leases are not included in Note 11 but included in Note 12 Finance lease receivables and related assets

Note 12 Finance lease receivables and related assets

Finance lease receivables and related assets of USD 555.4 million at 30 June 2016 are related to the vessel Aker Wayfarer, eight chemical tankers, where three vessels are under construction, and four product tankers, where one vessel are under construction.

In Q2 2016 USD 9.3 mill has been recognized as finance lease revenue related to the vessels that have been delivered, and in the first half of 2016 USD 16.7 million has been recognized as finance lease revenue. On a cash basis, USD 15.2 million was received in bareboat hire during the second quarter of 2016, and in the first half of 2016 USD 27.5 million was received.

The net finance lease receivables as of 30 June 2016 was as follows:

<i>Amounts in USD million</i>	Other Oil Service (Aker Wayfarer)			Other Shipping (Chemical and Product tankers)			Total
	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
<i>Lease payments receivable:</i>							
Less than one year	41.6		38.5	31.8		30.7	69.2
Between one and five years	190.4		119.7	153.6		122.6	242.3
More than five years	218.6		58.9	295.4		145.2	204.1
<i>Lease investments:</i>							
Less than one year	(89.2)		(88.1)	-		-	(88.1)
Total finance lease receivables	361.3	(232.3)	129.0	480.9	(182.3)	298.5	427.5
Related assets			66.0			61.9	127.9
Total finance lease receivables and related assets			194.9			360.4	555.4
Unguaranteed residual values included above	59.0	(47.2)	11.8	70.8	(39.2)	31.6	43.4

The USD 89.2 million of finance lease receivables in "Other Oil Service" is related to the modification of Aker Wayfarer. This is based on the budget for the modification and the final cost will be known in

Q3 2016. As of Q2 2016, USD 66 million had been paid in connection with the modification. This is reflected under "Related assets" in the table above.

Note 13 Investments in associated companies

Ocean Yield had as of 30 June 2016 the following investments in associates:

BOX Holdings Inc.

Ocean Yield has agreed to acquire a 49.5% equity interest in six newbuilding container vessels which are owned by Quantum Pacific Shipping and are on 15-year bareboat charters to a major European container line. The vessels, with capacity of about 19,500 TEU, are under construction at Samsung Heavy Industries, South Korea and are scheduled for delivery between July 2016 and February 2017. Ocean Yield's equity investment in the transaction will be approximately USD 162 million in total, and will be accounted for using the equity method.

		As of 30 June 2016
		BOX Holdings Inc
<i>Amounts in USD million</i>		(Group)
Country	Marshall Islands	
Ownership and voting rights	49.5%	
Operating revenues	-	
Operating expenses	-	
Financial items	-	
Net profit (100%)	-	
Share of net profit	-	
Net profit (100%)	-	
Other comprehensive income	-	
Total comprehensive income	-	
Share of comprehensive income	-	
Non-currents assets	-	
Current assets	3.3	
Non-current liabilities	-	
Current liabilities	-	
Net assets (100%)	3.3	
Share of net assets	1.6	

Note 14 Contractual obligations

Ocean Yield had as per 30 June 2016 the following contractual obligations related to the purchase of vessels:

<i>Amounts in USD million</i>	Other Oil Service	Gas Carriers	Container Vessels	Other Shipping	Total
Already paid	64.4	72.9	1.6	62.2	201.1
2016	24.8	72.9	131.3	94.1	323.1
2017	-	97.2	28.8	-	126.0
Total contractual obligations	89.2	243.0	161.8	156.3	650.2
Total remaining payments	24.8	170.1	160.1	94.1	449.1
Secured bank financing	18.2	202.5	119.4	91.3	431.4
Estimated payments to be funded by cash					17.7

The obligations above related to the Other Oil Service segment are related to the modification work on the vessel Aker Wayfarer. Ocean Yield has secured financing for 100% of the modification work.

The obligations above related to the Gas Carriers segment are related to three LEG carriers, scheduled for delivery in Q4 2016 – Q1 2017. Ocean Yield has in April 2016 received a commitment letter from a group of banks for a USD 202.5 million credit facility for the financing of the vessels and the loan agreement was signed in July 2016.

The obligations above related to the new segment *Container* are related to 49.5% of six mega container vessels under construction. The vessels with capacity of about 19,500 TEU, are under construction at Samsung Heavy Industries, South Korea and are scheduled for delivery between July 2016 and February 2017. Ocean Yield will have a 49.5% equity interest in these vessels with a total investment of USD 162 million. The investment will be funded by own cash and a drawing facility from Aker ASA, as further detailed in note 15.

The obligations above related to the segment Other Shipping are related to three chemical tankers and one product tanker under

construction. The figures are net of seller's credit in the transactions. The three chemical tankers, being 49,000 dwt IMO II chemical carriers built by STX Korea, are scheduled for delivery in Q3 2016. Long term financing has been secured for the chemical tankers for a

total of USD 84 million. The LR2 product tanker is built at Sungdong Shipbuilding & Marine Engineering Co., Ltd, Korea and is scheduled for delivery in Q3 2016. Long term financing has been secured for the product tanker for a total of USD 37 million.

Note 15 Interest-bearing debt

Material changes in interest-bearing debt (short term and long term) during 2016:

<i>Amounts in USD million</i>	FPSO	Other Oil Service	Car Carriers	Other Shipping	Other /elim	Total
Balance at 1 January	167.5	501.2	137.5	127.3	225.4	1 158.9
New loans	17.3	41.9	94.0	132.8	-	286.0
Paid loan fees	-	(0.2)	(0.3)	(1.1)	-	(1.6)
Instalments	(51.9)	(17.1)	(6.1)	(5.0)	-	(80.1)
Effect of movements in foreign exchange and loan fees amortized	0.6	4.9	0.2	0.2	11.9	17.8
Total interest-bearing debt	133.5	530.6	225.3	254.3	237.3	1 381.1

<i>Amounts in USD million</i>	FPSO	Other Oil Service	Car Carriers	Other Shipping	Other/elim	Total
Long-term interest-bearing debt	67.6	485.5	208.3	208.7	237.3	1 207.4
1st year instalments	65.9	45.1	17.0	45.6	-	173.6
Total interest-bearing debt	133.5	530.6	225.3	254.3	237.3	1 381.1

Ocean Yield received in April 2016 a commitment letter from a group of banks for a USD 202.5 million credit facility for the financing of the three Liquefied Ethylene Gas carriers on long term charter to the Hartmann Group, with SABIC Petrochemicals BV being the sub-charterer of the vessels for 10 years. The credit facility will finance \$67.5 million out of the contract price of \$81 million per vessel, with a tenor of 10- years from delivery, and will be repaid on an annuity basis down to a balloon of USD 22.5 million per vessel at maturity. The margin is on competitive terms and in line with previous transactions completed by Ocean Yield.

Also in April, Ocean Yield agreed with one of the banks financing the FPSO Dhirubhai-1 to increase the loan facility with another USD 17.3 million for general corporate purposes.

Ocean Yield entered in June 2016 into a drawing facility agreement with Aker ASA. The Facility of NOK 1,000 million matures in February 2018, corresponding with the maturity of the bonds held by Ocean Yield in American Shipping Company. The loan carries an interest rate of NIBOR + 4.5% p.a. The loan facility was undrawn at the end of Q2 2016.

2018 has been estimated, where USD 27.1 million has been recognised in the balance sheet as of Q2 2016, representing the present value of the obligation.

Note 16 Non-current provisions

<i>Amounts in USD million</i>	Decommissioning obligation	Total
Balance at 1 January 2016	(26.6)	(26.6)
Accretion expense	(0.9)	(0.9)
Balance at 30 June 2016	(27.5)	(27.5)

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 32 million in September

RIL exercising the purchase option has been viewed as the most likely scenario. However, IFRS requires that the present value of the estimated decommissioning cost should be included as part of the acquisition cost of Dhirubhai-1 with a corresponding provision, due to the potential decommissioning obligation arising from the installation.

Prior to Q4 2015, the Group had not reflected the effects of the estimated decommissioning provision for the Dhirubhai-1, which has been operating since September 2008, in its financial statements. The Group did not restate its 2014 financial statements for this error as it determined that the impact to equity as of 1 January 2014 or to the income statements for the year ended 31 December 2014 would not be material. To reflect this a correction was made to the opening equity of Ocean Yield in 2015, and consequently the equity and non-current provisions as of 30 June 2015 have been restated in the Q2 2016 report. The effects are as follows:

<i>Amounts in USD million</i>	Q2 2015 previously reported	Correction of error	Q2 2015 restated
Total equity	730.7	(24.9)	705.8
Non-current provisions	-	24.9	24.9

Note 17 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 on finance lease receivables.
- 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* 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. Regarding, *Adjusted net profit*, the Company considers *Adjusted net profit* to be a relevant performance criteria.

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

<i>Amounts in USD million</i>	1st Quarter 2016	2nd Quarter 2016	2nd Quarter 2015	1st Half 2016	1st Half 2015	Jan - Dec 2015
EBITDA	58.7	63.4	56.0	122.1	111.2	224.2
Repayment on finance lease receivables	4.9	5.9	2.4	10.8	4.5	10.8
EBITDA adjusted for finance lease effects	63.6	69.3	58.4	132.9	115.7	235.0
Net profit after tax	18.6	25.5	25.8	44.1	54.0	105.0
Impairment charges	-	-	0.1	-	0.1	28.6
Foreign exchange gains/losses	13.2	(2.8)	0.2	10.5	(14.5)	(41.5)
Mark to market of derivatives	(6.0)	4.8	1.0	(1.1)	14.0	40.5
Change in deferred tax	3.1	4.1	(0.0)	7.2	0.0	(25.0)
Other non-recurring items	(0.0)	-	(0.1)	-	0.4	0.5
Adjusted Net profit	29.0	31.6	27.1	60.6	53.9	108.1

Note 18 Share capital and dividends

In Q2 2016 certain members of senior management have acquired a total of 120,000 shares in the Company. The purchase of shares was made as part of the Company's management incentive program. As of 30 June 2016, the Company had a share capital of NOK 1,347,485,750 divided into 134,748,575 ordinary shares, each having a par value of NOK 10.00. Total number of treasury shares held were 42,813.

In Q2 2016 USD 22.5 million was paid in dividends, following the announcement of the Q2 2016 Results.

subsidiary of Farstad Shipping ASA. Farstad Supply AS will continue to pay full bareboat hire to Ocean Yield during the standstill period. Certain covenants in the bareboat agreements have, however, been waived until 1 October 2016.

Also subsequent to quarter end, Ocean Yield has closed the container transaction announced in June, where the Company has invested 49.5% in six newbuilding mega container vessels on long term bareboat charters to a major European container line, together with Quantum Pacific Shipping. The first two vessels, the *MSC Diana* and the *MSC Ingy* were delivered early in July.

Note 19 Events after the balance sheet date

Subsequent to quarter end, Farstad Shipping ASA announced that they had entered into a standstill and deferral agreement with the majority of its secured lenders and a defeasance of all financial covenants until 1st October 2016, in anticipation of a financial restructuring of the Farstad group. Ocean Yield currently has two vessels on long-term bareboat charter to Farstad Supply AS, a