OCEANTEAM

OCEANTEAM ASA

ANNUAL REPORT 2017

Tveitaråsveien 12

5232 Paradis, Norway

CONTENT

1. FINANCIAL HIGHLIGHTS

- Oceanteam ASA initiated a financial restructuring in 2016, the final loan agreement was fully closed with Oceanteam bondholders effective from June 2017.
- Oceanteam's joint-venture partner McDermott executed its option to purchase all of Oceanteam's remaining interest in North Ocean 105 AS, the Company owning the LV North Ocean 105.
  The transaction was closed in June 2017.
- The Company closed a refinance of CSV Bourbon Oceanteam 101 and CSV Southern Ocean for a period of five years at market terms effective from July 2017.
- Oceanteam ASA had a delayed payment of interest on the interest payment date in October 2017 for the bond loan.
- The Company signed a heads of terms agreement to sell part of its Solutions business in December 2017.
- In the beginning of 2018 a debt for equity swap has taken place, further details of which are disclosed under events after balance sheet date and going concern.

2. KEY FIGURES TO THE GROUP

Key figures for the group

USD in million	2017	2016
Operating income	24.4	39.3
Operating costs	(6.3)	(7.9)
General & Administration	(8.3)	(11.3)
EBITDA	9.8	20.0
EBITDA percentage	40%	51%

3. MESSAGE FROM THE CEO

The year 2017 was for Oceanteam a very turbulent year in more than one perspective. During this year, the company changed its strategy to focus on its core business: high-end offshore vessels and large power-cable carousels. This meant the Company had to divest several subsidiaries and a substantial financial restructuring was completed successfully, during the reporting year. The Company was able to refinance the bond loan as well as re-negotiate the asset backed finance facility with the banking consortium.

Also, throughout 2017, a restructuring program to optimize the internal organization was initiated. Several key positions became vacant due to the uncertain financial situation of the Company. The bond holders supported necessary change by appointing a new member to the Board of Directors, to ensure needed changes were made to support the new strategy.

The shareholders of the Company had lost trust in the management and the Board of Directors of the Company. An investigation was initiated by the Norwegian authorities on behalf of the shareholders, in order to verify the legality of several questionable transactions by the management and Board of Directors. This investigation is ongoing but the current management and new Board of Directors are cooperating with the authorities and have distanced themselves from any parties related to the questionable transactions. The new Board and management have addressed the previous period in the Company and stressed the importance for full transparency and compliance to all national and international standards and regulations.

In all the turmoil Oceanteam encountered in 2017, the Company has continued to deliver optimal value to its customers, and we are grateful for their continued support and trust.

After the year end 2017 several major events changed the culture and ethics of the Company.

The Company has further restructured its funding, by converting virtually all its bond debt into equity in April 2018. The Bondholders thereby expressed their continuing willingness to give their full support to Oceanteam and have thus made a major contribution towards a sound financial future for the Company. At the same time, the Company has been able to attract fresh capital and has completely changed its corporate Board and management. Having new capital in the Company in combination with a new Board of Directors originating from the shipping and offshore industry, the foundation is laid to start building the Company towards a bright future.

We are pleased to announce that the new auditor for the Company is RSM Norge AS from Oslo. This annual report has been audited by RSM and resulted in the auditor's report which has been enclosed.

The Company will work quickly to implement new and strict internal controls and procedures, with the professional guidance and assistance of RSM. The financial and accounting team shall be strengthened with qualified employees, to ensure timely and trustworthy reporting to Board, Shareholders and all other relevant parties.

During the second quarter of 2018 the majority of outstanding issues with current vendors have been resolved and the legal risks are covered. Internal procedures regarding related parties have been implemented.

Today, we are confident that the low point of the market is behind us and Oceanteam has emerged cleaner, leaner, with a clear focus and eagerness to deliver optimal shareholder value.

Diederik Legger
Interim CEO
Oceanteam ASA

4. CORPORATE IDENTITY

Oceanteam is a diversified offshore service provider. Oceanteam provides high quality support to offshore contractors all over the world through its fleet of large and advanced offshore vessels (Oceanteam Shipping), and its fleet of power cable storage, handling and logistic equipment (Oceanteam Solutions).

Oceanteam focuses on economically and technically challenging projects for clients in the oil and gas and renewables industries. In addition, we are among the few companies in the world to combine high-end engineering know-how, DNV GL certified shipping and expertise, DNV ISO certified solutions and special purpose equipment in a single 'one-stop shop' service, as required.

Oceanteam has offices in Amsterdam and Velsen in the Netherlands.
The corporate head quarter is in Bergen, Norway. The Company is well positioned in growth basins including Gulf of Mexico, Latin America, West Africa, Asia-Pacific and the North Sea.

For more information about the Company: www.oceanteam.no
The Company ticker on the Oslo Stock Exchange is "OTS" (www.ose.no).

5. BOARD OF DIRECTORS AND CEO

Current Board and CEO:

Keesjan Cordia

Chairman of the Board of Oceanteam ASA as per April 2018

Year of birth: 1974, Dutch national

- Former owner/director of Seafox and Workships
- Academic background in economics

Karin Govaert

Board member of Oceanteam ASA as per April 2018

Year of birth: 1968, Dutch national

- Co-founder of shortsea shipping Company Rivermaas
- Academic background in economics

Diederik Legger

Interim CEO of Oceanteam ASA as per May 2018

Year of birth: 1969

- Former shipping banker
- Former CEO of specialized shipping Company
- Academic background in economics

Board and Management team per year-end 2017:

Hessel Halbesma
(resigned as Chairman of the Board of Oceanteam ASA on 22 March 2018)

Int Pos
(resigned as member of the Board of Oceanteam ASA on 23 March 2018)

Haico Halbesma
(resigned as CEO of Oceanteam ASA on 30 March 2018)

Diederik Legger
(resigned as member of the Board of Oceanteam ASA on 16 May 2018)

6. DIRECTORS' REPORT 2017

a. OPERATIONS 2017

OCEANTEAM SHIPPING

Oceanteam Shipping owns, charters and manages deepwater offshore support vessels in joint venture with Bourbon Offshore. At the end of 2017, our North Ocean fleet consists of two high-end large deepwater offshore Construction Service Vessels (CSV's), the CSV Bourbon Oceanteam 101 and the CSV Southern Ocean. In addition, Oceanteam has two Fast Support Vessels (FSV's) in the Diavaz-Oceanteam joint venture.

The CSV Bourbon Oceanteam 101 continued a multi-year charter contract in Angola for Sonasurf and TOTAL SA. The contract, which commenced in 2016, has a firm duration of three years and two one-year options.

The CSV Southern Ocean has continued her long-term bareboat charter contract with Fugro in Australia. The contract has a firm duration till late 2018. Charterers Fugro have formally tendered notice of redelivery per 7 November 2017 but will continue to honour the contract obligations till end of contract. Oceanteam and Fugro have initiated a world-wide re-marketing and re-deployment initiative for the CSV Southern Ocean, offering her to prospective clients with an integrated survey and multiple ROV spread.

The third CSV in Oceanteam's fleet in 2017, Lay Vessel North Ocean 105 has been on contract with co-owner McDermott International since her delivery and conversion to pipe layer. McDermott exercised its option to purchase Oceanteam's remaining interest in Northern Ocean 105 AS in June 2017.

Oceanteam Mexico SA de CV operates two Fast Support Vessels (FSV's), Tiburon and Mantarraya, on a long-term bareboat charter to a charterer in Venezuela. In 2017 Oceanteam unsuccessfully attempted to regain possession of the vessels through legal proceedings. Due to the uncertain political situation and the unreliability of the judicial process the total value of the assets was written off. Oceanteam's management is considering all options for recovery of the vessels. In the annual results all financial risks have been impaired and provisons taken for any legal proceedings.

DOT SHIPPING

Oceanteam operates two Fast Support Vessels with its Mexican partner Diavaz. Due to the decline of the Mexican offshore markets, the charter income has decreased significantly over 2017. During 2017 Diavaz and Oceanteam have been in a constructive dialogue to find a new contractual structure.

DOT Shipping, in partnership with Pacific Radiance, in 2015 obtained a 50 percent stake in a large newbuild construction support vessel to be named Tampamachoco 1. In view of the deterioration of the Mexican market, the delivery of this vessel was cancelled and the investment was written off.

OCEANTEAM SOLUTIONS

Oceanteam Solutions focuses on providing a complete set of high quality equipment suitable for offshore cable laying, umbilical installations, on- and offshore storage and transport in close collaboration with Oceanteam's other business unit. The division has a long track record in cable and umbilical services. It has a pool of experienced staff plus equipment, vessels and engineering capabilities to provide a complete range of Lloyd's ISO certified solutions.
Main events Oceanteam Solutions during 2017:

- Sale of KCI The engineers B.V. to Royal IHC effective per January 2018

The following contracts were awarded:

- Supply of a 5300T turntable, a loading tower and auxiliary equipment on a barge for the storage and multiple loadouts of subsea cables in the Netherlands
- Supply of 5300T and 1100T turntables for cable storage at Oceanteam's own cable storage facility in Velsen Noord, The Netherlands
- Supply of a transport vessel, turntable and auxiliary equipment to a European cable manufacturer for the transport of cables from South Europe to Scandinavia
- Supply a Company that performs the installation of marine power cables with a 2000T demountable turntable including engineering and personnel services
- Multiple cable storage contracts ongoing including port facilities, loadouts and storage of cables at Oceanteam's own cable storage facility in Velsen Noord, The Netherlands

The Company's main assets remained under contract for the full year 2017.

b. MARKET OUTLOOK

For the Shipping segment, the developments in the offshore oil and gas markets are the main driver. This market has seen serious decline from 2015 onwards. Thanks to the focus on long-term charter contracts, Oceanteam has been able to keep average vessel rates above the 'spot' market levels. Although the worst of the market seems to be over, the overcapacity in the market is expected to keep the rates low for a considerable time.

Offshore wind has significant generation potential in Europe with more and more large sites. More than 91 percent of all offshore wind installations can be found in European waters. However, governments elsewhere have set ambitious targets for offshore wind farms and development is starting to take off in China, Japan, South Korea, Taiwan and the US. This development reflects an increase of demand for services related to offshore wind. Oceanteam Solutions anticipates by offering its worldwide cable transport, handling and storage services.

BACKLOG

To mitigate the market risk, the Company has secured backlog for 2017 and well into 2018 (Southern Ocean) and 2019 (BO101) for its CSV assets. There is considerable uncertainty as to how long it will take before demands pick up and market conditions are expected to remain challenging for several years.

The Company is still positive and believes that the long-term fundamentals of the relevant markets and regions it operates in remain strong and that it is well placed to ride the next upturn in our cyclical markets. Oceanteam is positive that the unique characterises of its large CSVs, will place the Company in an advantageous position to re-contract the vessels with industry leaders at reasonable dayrates.

c. GOING CONCERN

In accordance with the Accounting Act § 3-3a Oceanteam ASA confirms that the financial statements have been prepared under the assumption of going concern. This assumption is based on income forecasts for the years 2018 – 2019 and the Group's long-term strategic forecasts. The market has been experiencing a downturn which has had a direct impact on the performance and liquidity of the Group. Liquidity forecasts going forward are for modest but positive cash flows.

The Directors have considered all available information about the future when concluding whether the Company is a going concern at the date they approve the financial statements. The review covers a period of at least twelve months from the date of approval of annual report.
The Company has initiated several cost saving initiatives within corporate and operational segments, implemented in 2017 and executed in 2018.

Detailed disclosure note on future cash flows period of 12 months (from June 2018 until June 2019) with underlying key assumptions has been included within Financial Statement disclosure Note 3 and in Directors' report under section Liquidity Risk.

There is inherited risk in cash flow estimates for Company ability to secure new contracts within its business segments. However, the Company has plans to mitigate the constraint through various actions. Reference is made to the disclosures for detailed information about various risks and how the Company is mitigating these.

Revenue streams from the main contracts within the Shipping segment running for 11 months and 20 months after balance sheet date are highly predictable. The financing of these vessels is similarly stable and secured by a long term contract coverage. The main risks related to the Shipping segment relates to securing contract coverage for the Southern Ocean by Q4 2018.

Solutions is experiencing pricing pressure as volumes have come down across the segment; the Company is focusing on utilisation rather than pricing and is presently covering its costs. Within this segment the maritime asset rental business is doing somewhat better based upon an asset cost-base which is written off; an uptick in interest/ demand should improve cash yield of this service.

Oceanteam ASA completed a financial restructuring in June 2017 by signing an agreement with its bondholders.

Oceanteam completed a refinancing of the shipfinance facility.

The revised shipfinance facility was signed and executed June 2017 between the Oceanteam and Bourbon JV's (OB101 and OB104) and the Lenders group SMN, DVB and NIBC. The loans were extended until November 2021.

During 2018 the majority of the bond loan was converted into equity, remaining balance on the bond loan USD 5 million.

Agreement has been reached on a short term loan from Value Partners to waive repayment with at least 6 months after October 2018.

Possible suspension of the repayment of the loan: In case there is no contract for the CSV Bourbon Oceanteam 101 and/or CSV Southern Ocean, a grace period of 12 months has been agreed with the syndicate of banks.

Final settlement of sale of KCI shares expected in Q1 2019.

d. COMMENTS RELATED TO THE FINANCIAL STATEMENTS

OPERATIONS

Total operating revenue in the Group decreased from USD 39.3 million in 2016 to USD 24.4 million in 2017. The lower revenue was a result of a lower activity level in the Solutions division which saw fewer assignments and pricing pressure. Operating loss was USD 24.1 million in 2017 compared with operating profit of USD 1.9 million in 2016. Total net results for the Group in 2017 was the net loss of USD 12 million compared with the net loss of USD 15.1 million in 2016.

The Group's administrative expenses have decreased with USD 3.1 million due to cost savings. The Board and management are continuously working to improve the financial performance and to achieve an increase in the contract backlog, earnings and growth for 2018 and thereafter.

Within our Solutions segment offshore wind parks are being constructed on an increasing scale. The demand for services related to the offshore renewable industry is expected to further increase in 2018 and beyond.

The Company is creating new revenue sources in the fields of civil engineering and offshore-related logistic solutions.

INVESTMENTS

There were no investments in 2017 within Oceanteam.

WRITE OFFS AND PROVISIONS

During the reporting period the financial impact of divestments, sale of assets and changes in the accounting policy regarding the value of the vessels is presented in the results of 2017. The results for 2016 have been restated.

Specific write offs have been made for the intercompany loans of the DOT companies, the sale of the shares of KCI The Engineers (having impact on the goodwill and the net purchase value of the shares) and the impairment of the Tiburon and the Mantarraya.

In accordance with the assumptions regarding the change in accounting policy the value of the Southern Ocean has been determined at USD 84.6 million. As a result of changing the accounting policy, the opening balance of the ship values as per 1 January 2016 had to be recalculated. Having a valuation based on two separate broker valuation the amount of the vessel as per December 31, 2017 was fixed, resulting in restated impairment figures for 2016 and 2017.

The total write off and impairment for 2017 is USD 26.8 million. The reason for this is prudent accounting approach.

CAPITAL STRUCTURE

Oceanteam has diversified capital sources. There is equity, bank loans from three separate banks, and a bond loan. The equity is made up of 26 million shares with an additional 3 million shares in treasury which are available for funding purposes.

The bank debt is made up of secured and unsecured credit where the secured lending is against shares in JV companies or against equipment. Oceanteam has a dialogue with these lenders regarding terms and conditions. The secured bank loans (except those under specific JVs) are under present refinancing/restructuring agreed close out and repaid with proceeds from the sale of shares in the North Ocean 105 in June 2017, as part of the revised bond loan agreement. There are no financial covenants on unsecured lending within the Group.

The full document of the bond loan agreement is available on Oceanteam's website. The new financial covenants for the bond are book equity, market adjusted book equity, gearing and debt service coverage ratios. If Oceanteam performs in line with the business plan the Group will be in full compliance of these new covenants, after expiry of granted waivers for some of the financial covenants, as per approved on June 19 2017 amended bond agreement.

The Company's financing strategy is to create the most efficient capital structure for its business developments with the lowest possible weighted average cost of capital.

The Company is exposed to financial risk in different areas. Financial risks include interest rate and currency fluctuations, and investment and trading risks in general. The overall strategy to reduce currency risk is largely based on natural hedging. Natural hedging means having revenue and costs in the same currency on project basis.

SENIOR CALLABLE BOND ISSUE 2012 / 2017

'FRN Oceanteam Shipping ASA Senior Callable Bond Issue 2012/2017' - USD 57.5 million (initial amount USD 92.5 million).

The Group has issued an unsecured bond loan in the amount of USD 92.5 million dated 24 October 2012. The conditions of the remainder of the Bond loan of USD 57.5 million, have been revised in June 2017 as follows:

Coupon rate: 6% interest as PIK (PaymentInKind) and 1% interest in cash.

Financial covenants:

Book equity ratio of minimum 30,5%; market adjusted equity ratio of minimum 22%,

Gearing ratio: maximum of 7.5 at December 31, 2017; debt service coverage ratio of minimum 1.00

SECURED BANK REVOLVER FOR NEW EQUIPMENT

In April 2015, a facility of EUR 15 million was established with NIBC for aquisition of maritime equipment. During 2016, this facility has been subsequently reduced to EUR 1 million upon request of RentOcean BV. The max draw under this facility has been around EUR 1 million. The outstanding loan under this facility has been repaid in full and the facility has been cancelled in 2017.

INTEREST RATE AND FINANCIAL COVENANTS

With the refinancing of the bond loan all loan breaches occurred in 2017 were rectified through the signing and execution of the new bond loan agreement on 19 June 2017 and repayment of specific secured loans. Full disclosure of the amended bond loan agreement is available on Oceanteam's website. Additionally, small secured facilities with SMN, NIBC and Rabobank within Oceanteam were repaid with proceeds received from sale of shares in North Ocean 105 at present time and executed ahead of the AGM on 30 June 2017.

As of the balance sheet date and the reporting date, the Company is in non-compliance of the loan agreement covenants requirements.
Oceanteam's bond loan agreements include financial covenants which the Company has to comply with. The four financial covenants (at year end 2017) are (i) booked equity to total assets of 30.5 percent; (ii) market adjusted equity to total assets of 22 percent; (iii) gearing ratio not higher than 6.5 and (iv) debt service coverage ratio above 1.
The Company is in non-compliance with book equity ratio, gearing ratio and service debt coverage ratio.

MARKET VALUES OF THE SHARES

The shares on the Oslo Stock Exchange were priced around NOK 1,54 per year end 2017 which gives a market valuation of the Company of approximately NOK 45.6 million, taking into account the share volume of 26 million shares outstanding. The Company holds 10 percent treasury or almost 3 million shares. There are no restrictions in the Company's articles of association for trading the shares.

BALANCE SHEET

Please note that Oceanteam has changed the accounting policy for the CSV Oceanteam Bourbon 101 and the CSV Southern Ocean from the revaluation model to the cost model.

Total assets at year-end amounted to USD 130.5 million, compared to USD 175.9 million in the prior year. Equity as a percentage of total assets was 28.4 percent as of 31 December 2017, compared to 27.9 percent as of December 2016.

CASH FLOW AND LIQUIDITY

Net cash flow from operating activities amounted to USD 4.2 million in 2017 compared to USD 15.1 million in 2016. Net cash flow from investing activities was USD 0.0 million in 2017 against negative USD 1.7 million in the preceding year. Net cash outflow for financing activities was USD 0.4 million in 2017 compared to USD 14.6 million in 2016. Net change in cash and equivalents was positive with USD 3.8 million in 2017 compared to negative USD 1.2 million in 2016.

Oceanteam experienced a cash liquidity squeeze in 2017 which in the later part of the year resulted in the need to halt interest payments for the bond loan and to refinance and restructure the credits outstanding at group level as well as at its subsidiaries.

With the refinancing of Oceanteam's bond loan as well as that of the JVs with Bourbon the going concern issues were partially addressed.

With the refinancing of the bond loan (signed and executed on 19 June 2017) and repayment of specific secured loans as per "waterfall mechanism" described in the new bond loan agreement, all loan breaches will be rectified. Full disclosure of the amended bond loan agreement is available on Oceanteam's website.

The resulting refinancing and restructuring includes extending the bond loan at a lower interest rate level and repaying indebtedness to banks with proceeds from the sale of the North Ocean 105. Additionally, an amount of the North Ocean 105 proceeds was allocated to lower payable to critical vendors and to fund a consultant to review our cost structure to improve efficiency and lower the cost level by a significant amount. As a part of the restructuring and refinancing, the Chairman of the Board and CEO have seen their cash compensation limited to a total of USD 250.000 and USD 450.000 respectively on an annual basis.

The renewed BON-OTS Fleet Financing was signed and executed by end June 2017.

PARENT COMPANY

The parent Company, Oceanteam ASA, showed a loss of USD 61.2 million. The negative result was attributable to a lack of dividends from equity accounted investments and subsidiaries from both the Shipping and Solutions operational segments, with none being received in 2017. In addition to this, cost remained at high level which was significantly influenced by Company capital and organisational restructuring efforts. The parent Company's total equity per year-end 2017 amounted to negative USD 45.0 million. Net change in cash amounted to positive USD 0.2 million. The parent Company is reporting its financial statements in USD as this is its functional currency and is in line with the Group reports.

RISKS

A number of risk factors may adversely affect Oceanteam in the future. Please note that the risks below are not the only risks that may affect Oceanteam's business or the value of the shares. Additional risks not presently known to the Board or considered immaterial may also effect its business operations and projects. Development of the business and changes in market conditions can also lead to new risk areas that previously were not applicable.

OPERATIONAL RISK

Operational risks includes time charter and bare boat contracts, service life and technical risk of vessels, the Company's operating history, risk for substantial responsibilities, the Company's ability to retain senior management and key personnel, risk for legal proceedings and contractual disputes, construction risk and employment risk for the vessels and equipment.

FINANCIAL RISK

During 2017 the following key events affected the financial risk of Oceanteam:

- Oceanteam ASA initiated a financial restructuring in 2016, the final loan agreement was fully closed with Oceanteam bondholders effective from June 2017.
- Oceanteam's joint-venture partner McDermott executed its option to purchase all of Oceanteam's remaining interest in North Ocean 105 AS, the Company owning the LV North Ocean 105. The transaction was closed in June 2017.
- The Company closed a refinance of CSV Bourbon Oceanteam 101 and CSV Southern Ocean for a period of five years at market terms effective from July 2017.
- The Company signed a heads of terms agreement to sell part of its Solutions business for the estimated price of USD 3.4 million in December 2017.

During 2018 the following key events affected the financial risk of Oceanteam:

- In April 2018 a debt for equity swap has taken place, further details of which are disclosed under events after balance sheet date. USD 61 million in debt, including outstanding interest, is converted into equity. USD 5 million of the bond remains and the pledge on the vessels has been lifted.*
- In April 2018 new equity for USD 2.5 million came into the Company.*
- In April 2018 a short term loan of USD 1.5 million was issued by Value Partners to prevent a constrained cash flow.*

The bank loan conditions will be changed resulting in a dividend payment USD 1 million from the blocked account and a 12 month grace period concerning repayment.

The investigation of the Norwegian authorities has been subcontracted to a Norwegian law firm. The initial costs of NOK 3 million have been paid. The outcome of the findings will probably be issued during the second half year of 2018.

*Events have been published on the website.

Joint Venture partnership with Bourbon

In February 2018 our JV partner notified Oceanteam that it was in breach of its covenants.

Bourbon Maritime applied to the President of the Commercial Court of Marseille for the appointment of a mandataire ad hoc to commerce private and confidential out of proceedings (mandac ad hoc) with the aim of engaging in discussions with its main creditors in order to stabilise its economic position and that of the group and proceed with the implementation of a new business strategy which mainly consists of optimising and promoting its main speciality activities (subsea and crew boat).

Because of the breach of covenants the normal dividend payments on the JV entities where suspended and paid into a special blocked account. From this blocked account interest and repayment of the loan to the banks are deducted. This prevents the flow of dividends through the Oceanteam Company.

Detailed disclosure note on future cash flows period of 12 months (from June 2018 until June 2019) with underlying key assumptions has been included within Financial Statement disclosure Note 3 and in Directors' report under section Liquidity risk.

The key events assumed in the cash flow forecasts for the 12 months (June 2018 - June 2019) include a dividend payment from the bank consortium regarding the loan facility. The Company is in breach with its financial covenants. An agreement is made with the bank consortium to have a grace period for repayments in case one of the ships does not have a contract as of 31 December 2018. The effect of this grace period can be USD 8.1 million (USD 2.025 million * 4), four quarters of repayments.

From a going concern perspective; obtaining a contract for the Southern Ocean is the main objective in order to maintain stable earnings going forward. The results of the Solutions business will be key to maintain a stable cash flow after having sold the KCI business to IHC.

(A) CREDIT RISK

The Company has sales revenues and liabilities in foreign currencies and is exposed to currency risks. 77 percent of the revenue is in USD while the remaining 23 percent is in EUR. Since the functional currency is in USD the foreign exposure is for liabilities in the EUR and its fluctuations with USD. Some of the local costs for Oceanteam are in NOK which also have been favourable during 2017 due to foreign exchange fluctuations.

The Group's customers and partners are primarily large companies with high credit rating. Credit risk is the risk of financial loss to the Group if a customer or other counterpart to a financial instrument or invoice fails to meet its contractual obligations and such loss would arise principally from the Group's trade receivables and its clients and customers.

Shipping segment

At year-end, trade receivables from the segment "Shipping" represented 77 percent of the Group's total trade receivables. Currently, there are three main clients with good payment history.

Geographically the CSV assets are located in Africa and Australia. For the FSV assets the geographical risk is concentrated in Mexico. Credit risk for the joint venture DOT Shipping is concentrated in Mexico (Diavaz/PEMEX).

Oceanteam Mexico SA de CV operates two Fast Support Vessels (FSV's), the Tiburon and Mantarraya. Tiburon and Mantarraya are still under bareboat charter with Inversiones Setin, however, since Inversiones Setin is in breach of its obligations under the contract and the Company has not received the charter hire due thereunder, the Company has started legal proceedings against Inversiones Setin.

FSV vessels Mantarraya and Tiburon are currently in Venezuela and the Company is engaged with legal proceedings around the repossession of the vessels.

Due to the uncertain political situation and the unreliability of the judicial process the total value of the assets was written off. Oceanteam's management is considering all options for recovery of the vessels. In the annual results all financial risks have been impaired and provisons taken for any legal proceedings.

Solutions segment

At year-end, trade receivables from the Solutions segment represented 23 percent of the Group's total trade receivables. The exposure to credit risk depends on the individual characteristics of each customer. Before projects are in tendering phase and awarded, the Group performs full credit assessments on its existing and future clients. Geographically the credit risk for the Solutions segment can be divided into activities in European countries and South East Asia countries and with a approximate number of 10 clients. Clients within the Solutions segment are in the oil and gas, renewable offshore industry and civil engineering sector. The Solutions segment is excluding KCI, which has been identified as an asset for sale.

Oceanteam

The Group's bad debts allowance is determined based on an individual assessment of the collectability of each receivable. The need for bank guarantees, parent Company guarantees and pre-payments are considered on individual basis project by project.

(B) LIQUIDITY RISK

Liquidity risk relates to the ability to meet its financial obligations as they come due. The market has continued to experience a downturn, which has inherently increased the liquidity risk. Oceanteam's response has been to establish cost savings programs and delay capital investments. Because liquidity risk has been significant during 2017, Oceanteam ASA initiated a financial restructuring in June 2017 in cooperation with its bondholders with a target to maintain value preservation and financial flexibility while enabling value creation for all stakeholders. The Company has not been able to withdraw dividends from JVs within shipping segment where cash flows and JV specific loan covenants allowed such dividend payments.

During the 1st half of 2018 new equity for USD 2.5 million came into the Company, along with the short term loan of USD 1.5 million in order to prevent a constrained cash flow. Restructuring of the bond loan and agreement on revised conditions of the bank loan will prevent the Company from bottle necks in the future cash flow. Regarding the bond loan the interest volume will be substantially reduced due to the debt to equity swap in April 2018. Concerning the agreement of the bank loan, conditions have changed. From the blocked account USD 1 million dividend will be paid to Oceanteam. In case there is no contract applicable after 2018 a grace period of 12 months has been agreed in which the repayment of the loan will be suspended.

Liquidity forecast shows a deficit in October due to the repayment of the loan of Value Partners of USD 1.5 million. With Value Partners a waiver has been agreed in which repayment of the loan can be suspended to a later period. Value Partners is unconditionally prepared to extend the maturity of such loan for another twelve months.

Oceanteam has financial obligations coming due both to credit institutions and to vendors. Reviewing the financial obligations to credit institutions, these are limited in number and in size (The balance of secured bank debt is USD 77.6 million and the bond loan is USD 39.7 million at the end of 2017) and USD 3.7 million are presently mostly due/ payable. On an individual basis there is agreement with each institution to finance these as a part of the refinancing which Oceanteam is presently completing. Obligations to vendors are mostly smaller in size and across a larger number of vendors. These obligations are managed in similar fashion as those to credit institutions with individual agreements. In as much as there is liquidity risk in JV with Bourbon; the risk is primarily that disbursements out of vehicles will be less than in previous year rather than any other risk. In the JV with Diavaz, the risks presently is that Oceanteam needs to support these companies with additional funds in part because of lack of earnings and in part resulting from investment commitments of JV companies in this structure.

The liquidity risk can be divided into short term, medium term and long term risks. The short term risks relate to certain/specific small vendors requiring immediate repayment compared to incoming cash flows. This risk is managed through the incoming cash flow which the Company has from Shipping and from Solutions.

The medium term risks relate to aggregation of smaller vendors as mentioned but with greater focus on Solutions weak segment performance and on DOT/Mexico financial support. As Solutions is experiencing weaker than expected activity and pricing for its services; cash flow variances medium term are focused on performance from this segment and required cash support to DOT/Mexico. This medium risk has been managed as a result of visibility and clarity of proceeds from sale of ownership in Northern Ocean 105 JV. Long term risks relate to performance of Solutions, to required financial support of DOT/Mexico and to cost containment at group level on specific service costs.

The operations of the Mexican / Venezuelan office have been ceased. Both the Tiburon and Mantarraya have been confiscated due to legal proceedings with several vendors.

Shipping revenue and earnings stream from the main CSV contracts and are running for 11 months and 20 months are highly predictable. All risks related to Shipping segment relates to renewing of contracts when these expire; past history has shown that even in poor market Oceanteam and Bourbon have been able to find immediate employment for Oceanteam's main assets. Additionally, the parent Company depends on cash flows from dividends, interest payments, management fees and loan repayment from subsidiaries and the joint venture companies. In addition to this, the Company has set achievable cost reduction objectives for operational expenditures and corporate expenses.

At the balance sheet date, the Group had a cash position of USD 7.3 million, of which approximately. USD 7.2 million normally was restricted or pledged as collateral.

All outstanding trade receivables for the Shipping segment of approximately USD 2.3 million were received in 2018. For the Solutions segment, the majority of outstanding trade receivables per year end of USD 0.7 million have already been received in 2018. No (extra) provisions are needed.

At JVs with Bourbon there is cash of USD 8.9 million which may be considered partially restricted; and there is debt of combined USD 68.7 million of which USD 37.9 million is consolidated into Group reported numbers.

We would like to refer to the Cash Flow Forecast table in Group note 3. "Financial risk management". The table outlines how Oceanteam is planning to maintain its going concern position over the course of 2018. There are certain key assumptions which are outlined below and are pivotal to the going concern assertion during 2018.

Key Assumptions to support cash flow outlook in the table:

Cash inflows are mainly contributed by:

- Revenues within Solutions equipment segment. The equipment segment of the business is expected to maintain its revenue volumes compared with 2017 levels.
- Dividends from CSV Southern Ocean, which is on long-term contract with Fugro and CSV Bourbon Oceanteam 101 which is on long term contract with Bourbon.
- Final settlement of the sale of the shares of KCI.

Cash Outflows:

General and Administrative costs are expected to decrease during 2018. This decrease is mainly driven by absence of restructuring and extraordinary costs.* Extraordinary costs for the investigation of the Norwegian authorities are included (NOK 3 million).

The restrain on the cash flow during 2017 and the first quarter of 2018 led to long term outstanding liabilities with vendors who performed satisfactory services. During the second quarter of 2018 mutual understandings have been achieved with the vendors involved and discounts have been received and payments made.*

Repayment of the short term loan of Value Partners of USD 1,5 million (see comments on waiver above).

*This risk has been managed in part through agreement with bondholders to introduce a management consultant (FTI consulting) to review existing cost structure and cash flows and to suggest improvements to these.

C) MARKET RISK

Market risk includes risk due to fluctuations in oil prices, political, economic risk and other uncertainties, increased competition and risk of war, other armed conflicts and terrorist attacks. The oil price is a significant driver for the offshore construction market, and thus for the demand for Construction Support Vessels. The deteriorated financial climate has an impact on projects in both the oil and gas and renewable energy industries. Such factors may make it more difficult to obtain attractive contracts for the Construction Support Vessels and Fast Support Vessels. Also, the demand for Oceanteam Solutions' services may be affected by economic climate and global supply chain trends.

Interest rate fluctuations:

An increase (decrease) in the interest level with 100 bp will give an effect of USD 0.4 million on the balance of loans and borrowings per 31 December 2017. The interest's rates are also linked to the development of LIBOR margins.

D) COMPLIANCE RISK

Following a dispute with KPMG Bergen on commercial matters, in November 2017 KPMG Bergen terminated its services as auditor of the Company.

EVENTS AFTER THE BALANCE SHEET DATE

- Royal IHC acquired KCI from Oceanteam in January 2018.
- CSV Southern Ocean secured a new contract and started operations by

mid of February 2018 for a firm period of 30 days and options to extend with 60. The Construction Support Vessel has been assigned to multiple smaller projects within the APAC region untill 24 June 2018.

- In February 2018, The Company received a ruling from the Bergen court in Norway, which concludes that an Investigation of certain related party transactions will be initiated.
- In February 2018 the trade of shares of the Company has been suspended by Oslo Stock Exchange following a notification from the Financial Supervisory Authority of Norway that the preliminary 2017 financial results do not give a true and fair view of Oceanteam's financial situation.
- In February 2018, DOT Shipping (a joint venture between Diavaz and Oceanteam) and Pacific Radiance Ltd mutually agreed to terminate agreements, for purchase and bareboat chartering of the vessel Tampamachoco 1.
- In March 2018, Haico Halbesma resigned as CEO of Oceanteam, Hessel Halbesma resigned as Chairman of the Board of Oceanteam ASA and Int Pos resigned as Board member of Oceanteam ASA.
- In March 2018, Oceanteam's Board of directors decided to initiate a restructuring of the Company's capital structure including a conversion of the majority bond debt into equity.
- In March 2018, Meindert van Genderen was appointed as interim CEO of Oceanteam ASA.
- In April 2018, Oceanteam ASA reached an agreement with Keesjan Cordia to take a substantial shareholding in Oceanteam and to strengthen the Board of Directors of the Company as Chairman.
- In April 2018, Oceanteam ASA reached a settlement with the Halbesma Family and by that secured their support for the proposed re-financing plan.
- In April 2018, Karin Govaert was appointed as member of the Board of Oceanteam ASA.
- In April 2018, Oceanteam successfully completed the Debt-to-Equity Conversion and renegotiated the Bond Loan Agreement, which has been amended and restated and under which USD 5,000,000 remains outstanding.
- As a result of the Debt-Equity-Conversion the share capital of the Company has increased to NOK 350,164,479.50. The total number of Company's shares is 700 328 959 with a nominal value of NOK 0.50 per share.
- In May 2018, Board Member Diederik Legger resigned to take over the position of interim CEO of the Company from Meindert van Genderen, who remained connected to the Company in an advisory role.

2017 RESULT AND EQUITY

The consolidated accounts show an operating loss of USD 12 million. The consolidated equity is 37 USD million as of 31 December 2017. The equity ratio as a percentage of the total assets is 28.4 percent. The equity in the parent Company Oceanteam ASA is USD 45.0 million negative where USD 2.6 million is share capital.

DISTRIBUTABLE EQUITY

As of 31 December 2017, Oceanteam ASA has a distributable equity as defined by Norwegian Public Limited Companies Act, of USD 48.6 million negative. There are restrictions to distribute dividends in the bond loan agreements due to certain financial covenants.

ALLOCATION OF NET INCOME

The Board proposes the following allocation of the net result:

Oceanteam ASA (Parent Company)

Net profit / (loss)	USD 61.2
Attributable to:	
Other equity	USD 61.2
Total allocation	USD 61.2

e. SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

Shares in Oceanteam ASA are publically traded at the Oslo Stock Exchange. Per 31 December 2017 the Company had 29,593,259 shares, traded under the ticker code ''OTS''. All shares are given equal voting rights. Shares are identified by the name of its owner or its owner's nominee account. As reflected in the Company's Articles of Association there are no restrictions relating to voting or transfer of ownership of the shares, nor are there mechanisms aimed at preventing takeovers. There are no specific representations, individual or in total, for shares owned by the employees.

f. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

Following the comprehensive financial restructuring of the Oceanteam group completed on 13 April 2018 including, among others a debt-to-equity swap of the existing bond loan, the number of shares of Oceanteam ASA increased to 700,328,957.

Per 14 March 2018 the Oslo Stock Exchange has suspended the trade of Oceanteam ASA's shares following a letter from the Norwegian Financial Supervisory Authority (the "NFSA") of 13 March 2018 regarding the unaudited annual financial results published in a stock exchange notice by Oceanteam ASA on 24 February 2018, considering the results not giving a true and fair view of Oceanteam's financial situation. Oceanteam ASA is working on rectification of the publication in order to resume share trading as soon as possible. Oceanteam has appointed RSM as the accountant to audit the 2017 accounts.

7. CONFIRMATION FROM THE BOARD OF DIRECTORS AND CEO

We confirm that, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2017 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial positions and profit or loss of the entity and the Group taken as a whole. We also confirm that the Board of Directors` Report includes a true and fair review of the development and performance of the business and the position of the entity and the Group, together with a description of the principal risks and uncertainties facing the entity and the Group.

Bergen / Norway, 6 July 2018

The Board of Directors of Oceanteam ASA

Keesjan Cordia	Karin Govaert	Diederik Legger
Chairman	Director	Interim CEO

8. FINANCIAL STATEMENTS GROUP

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

GROUP

USD '000

	Notes	2017	2016 Restated
Revenue	5, 6	25.620	31.300
Net income from associates/joint ventures	5, 26	(1.208)	7.994
Total operating income		**24.411**	**39.294**
Operating costs	5	(6.340)	(7.946)
General & administration	5, 8, 9	(8.265)	(11.330)
Depreciation and amortisation	5, 11, 12	(7.069)	(9.665)
Write off / Impairment	5, 11, 12	(26.835)	(8.465)
Total operating expenses		**(48.509)**	**(37.406)**
Operating profit (loss)		**(24.098)**	**1.888**
Financial income		26.678	170
Financial expense		(11.644)	(11.506)
Foreign exchange results (loss)		(687)	(7)
Net finance	**5, 10**	**14.347**	**(11.344)**
Ordinary profit (loss) before taxes		**(9.751)**	**(9.456)**
Tax expense	5, 13	(1.750)	(2.286)
Profit from continuing operations		**(11.501)**	**(11.742)**
Loss from discountinued operation	5	(514)	(3.341)
Profit for the period		**(12.015)**	**(15.083)**
CONSOLIDATET STATEMENT OF PROFITOR LOSS AND OTHER COMPREHENSIVE INCOME			
Other comprehensive income			-
Other comprehensive income/costs	6		-
Total comprehensive income for the year		-	-

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

GROUP

USD ‘000

	Notes	2017	2016 Restated
Profit (loss) attributable to:			
Owners of the company		(7.321)	(14.508)
Non controlling interests		(4.693)	1.926
Profit (loss)		**(12.015)**	**(12.583)**
Total comprehensive income attributable to:			
Owners of the company		(7.321)	(14.508)
Non controlling interests		(4.693)	1.926
Total comprehensive income for the year		**(12.015)**	**(12.583)**
Earnings per share (in USD)			
Basic earnings per share (in USD)		(0,45)	(0,46)
Dilutive earning per share (in USD)		(0,45)	(0,46)
Weighted average of shares during the year		26.634	26.634

Consolidated Statement Of Financial Position

GROUP

USD '000

	Notes	2017	2016 Restated
Assets			
Non-current Assets - Property, plant and equipment			
Investment in associates and joint ventures	26	7.878	12.740
Vessels and equipment	12	101.684	129.917
Total		**109.562**	**142.657**
Non-current Assets - Other			
Deferred tax assets	13	1.250	3.000
Intangible assets	11	-	1.336
Goodwill	11	-	9.300
Total		**1.250**	**13.636**
Total non current assets		**110.812**	**156.293**
Current Assets			
Trade receivables	14	3.010	4.828
Other receivables	14, 19	2.793	11.307
Total Receivables		**5.802**	**16.135**
Cash and cash equivalents	15	**7.301**	**3.514**
Assets held for sale	30	6.580	-
Total current assets		**19.683**	**19.649**
Total assets		**130.495**	**175.942**

Consolidated Statement Of Financial Position

GROUP

USD '000

	Notes	2017	2016 Restated
Equity and liabilities			
Share capital	17	2.595	2.595
Treasury shares		(256)	(257)
Share premium		1.304	1.304
Reserves		11.121	18.442
Equity attributable to owners of the Company		**14.764**	**22.084**
Non-controlling interests	27	22.238	26.931
Total non-controlling interests		**22.238**	**26.931**
Total equity		**37.002**	**49.015**
Loans and borrowings	18, 28	39.720	-
Total non current liabilities		**39.720**	**-**
First year installments	18, 28	37.919	105.560
Trade payables	19	5.065	6.356
Tax payable	13	29	(65)
Public charges		199	353
Liabilities for sale		2.641	-
Other current liabilities	19, 28	7.921	14.723
Total current liabilities		**53.773**	**126.927**
Total liabilities		**93.493**	**126.927**
Total equity and liabilities		**130.495**	**175.942**

Bergen / Norway, 6 July 2018

The Board of Directors of Oceanteam ASA

Keesjan Cordia	Karin Govaert	Diederik Legger
Chairman	Director	Interim CEO

Consolidated Cash Flow Statement

GROUP

USD '000

	Notes	2017	2016
Ordinary profit (loss) before taxes		(11.501)	(23.333)
Tax		1.750	2.286
Ordinary profit (loss) after taxes		**(9.751)**	**(21.047)**
Depreciation and amortization of tangible assets	5, 11, 12	7.069	9.048
Tax paid	13	93	22
Net income of associates	26	1.208	(9.986)
Write off assets	5 , 11, 12	26.835	1.635
Revaluation of the bondloan	5 , 10	(26.677)	
Change in trade receivables	14	1.818	570
Change in other receivables	14	8.515	1.211
Change in trade payables	19	(1.290)	1.476
Change in other accruals	19 , 28	(4.315)	4.091
Items classified as investing/financing activities			(346)
Cash in from dividens		2.700	6.250
Paid interests			1.390
Effects from change in accounting principle and other changes		(1.978)	20.765
Net cash flow from operating activities		**4.226**	**15.079**
Cash out due to investments	12	(556)	(3.080)
Cash in due to disposals	12	542	
Cash in due to disinvestments			1.350
Net cash flow from investing activities		**(14)**	**(1.730)**
Issuing of new debt		9.429	30
Repayment of debt		(9.854)	(10.773)
Dividend paid/ decrease in paid-in capital to non-controlling interest			(3.825)
Net cash flow from financing activities	5	**(425)**	**(14.568)**
Effect of changes to exchange rates on cash and cash equivalents			
Net change in cash and equivalents		**3.787**	**(1.220)**
Cash and equivalents at start of period		**3.514**	**4.733**
Cash and equivalents at end of period**		**7.301**	**3.514**

* restricted cash is USD 7.2 million

** In addition to the cash and cash equivalent per 31 December 2017, the Group holds treasury shares of appriximatley USD 0.4 million in current market value.

Consolidated statement of changes in equity

GROUP

USD ‘000

	Notes	2017	2016 Restated
Equity at period opening balance (Number of shares: 29,593,259)		49.015	63.602
Profit after taxes majority		(12.015)	(11.742)
Translation differences			
Transactions with owners of the Company, recognised directly to equity			(2.500)
Dividends to non-controllling interests			
Changes prior year			(346)
Treasury shares		2	
Equity at period end (Number of shares: 29,593,259)		**37.002**	**49.015**

Consolidated statement of changes in equity

	Share capital	Treasury shares	Share premium	Translation reserve	Other equity	Total other equity	Revaluation reserve	Non controlling interests	Total equity
Equity at 31 December 2016	2.595	(257)	1.304		18.443	18.443		26.931	49.015
Profit and loss					(7.321)	(7.321)		(4.693)	(12.015)
Coverage of previous losses									
Other comprehensive income									
Effect of revaluation model									
Tax on revaluation reserve									
Translation differences									
Total comprehensive income	**-**	**-**	**-**	**-**	**(7.321)**	**(7.321)**	**-**	**(4.693)**	**(12.015)**
Contributions by and distributions to owners									
Change in non controlling interests									-
Write off/impairment						-			-
Investments									
Issue of ordinary shares		1							1
Equity per 31 December 2017	**2.595**	**(256)**	**1.304**	**-**	**11.120**	**11.120**	**-**	**22.238**	**37.002**

Consolidated statement of changes in equity

USD '000

	Share capital	Treasury shares	Share premium	Translation reserve	Other equity	Total other equity	Revaluation reserve	Non controlling interests	Total equity
Equity at 1 January 2016	2.595	(257)	1.304		39.754	39.754	(12.472)	23.965	54.889
Changes in restated balans as at 1 January 2016					(7.299)	(7.299)	12.472	3.540	8.713
Restated equity at 1 January 2016	2.595	(257)	1.304	-	32.455	32.455	-	27.505	63.602
Profit and loss					(13.667)	(13.667)		1.926	(11.742)
Coverage of previous losses									
Other comprehensive income									
Changes prior year					(346)	(346)			(346)
Translation differences									
Total comprehensive income	**-**	**-**	**-**	**-**	**(14.013)**	**(14.013)**	**-**	**1.926**	**(12.088)**
Contributions by and distributions to owners									
Change in non controlling interests									
Dividends to non-controllling interests								(2.500)	(2.500)
Investments									
Issue of ordinary shares									
Equity per 31 December 2016	**2.595**	**(257)**	**1.304**	**-**	**18.443**	**18.443**	**-**	**26.931**	**49.015**

9. NOTES FINANCIAL STATEMENTS GROUP

Note 1. Corporate information

Oceanteam is an offshore service provider. Oceanteam provides high-quality support to offshore contractors all over the world through its fleet of large and advanced offshore vessels (Oceanteam Shipping), and its expertise in marine equipment, cable logistics and design engineering (Oceanteam Solutions).

Oceanteam focuses on economically and technically challenging projects for clients in the oil and gas, renewables and civil industries. In addition, we are among the few companies in the world to combine high-end engineering know-how, DNV GL certified shipping and expertise, DNV ISO certified solutions and special purpose equipment in a single 'one-stop shop' service, if required.

Oceanteam has offices in Amsterdam, Velsen and Schiedam in the Netherlands, and in Ciudad del Carmen in Mexico. The corporate headquarter is in Bergen, Norway.

The Company is a public limited company incorporated and domiciled in Norway. The address of its registered office is Tveiteråsveien 12, 5232 Paradis, Norway.

The Company is listed at the Oslo Stock Exchange and is traded under the ticker code "OTS". The consolidated financial statements were authorised for issue by the Board of Directors on 6 July 2018. The Group annual accounts consist of the Parent company Oceanteam ASA with its subsidiaries, joint venture companies and associated companies.

Note 2. Summary of significant accounting policies

2.1 Basis of preparation

The group accounts for Oceanteam ASA are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the Norwegian Accounting Act § 3-9.

The Group's financial statements are based on the principle of historical cost of acquisitions, construction or production. The financial year follows the calendar year. The group was established on 5 October 2005.

The preparation of financial statements, which are in conformity with IFRS, require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

IFRSs and IFRICs effective for annual periods beginning on or after 1 January 2017

The Group have adopted relevant standards and interpretations where applicable that are issued and effective.

There are no new standards implemented by Oceanteam ASA in 2017.

IFRS AND IFRICS ISSUED BUT NOT YET EFFECTIVE

The following standards are issued before the issuance of the company's financial statements.

- IFRS 9 Financial Instruments - Classification and Measurement; effective date January 1, 2018.
- IFRS 15 Revenue from Contracts with Customers; effective date January 1, 2018.
- IFRS 16 Leases; effective date January 1, 2019.

Oceanteam is in the process of evaluating the potential accounting impact of these standards.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments, published in July 2014, replaced the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement and includes requirements for the classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

Classification and evaluation

IFRS 9 contains three main appraisal categories of financial assets: measured at amortized cost, measured at fair value through other comprehensive income (FVOCI) and measured at fair value through profit or loss (FVTPL). In accordance with IFRS 9, the classification of financial assets is determined mainly on the basis of the business model in which the financial asset is managed and the characteristics of contractual cash flows. The standard eliminates the category of financial assets that exist in IAS 39: financial assets held to maturity, loans and receivables and available-for-sale financial assets. Under IFRS 9, derivatives that are embedded in a host contract that is a financial asset in the scope of the standard are not separated from the host contract. Instead, the entire hybrid contract is fully evaluated for classification. Equity instruments are measured at fair value.

IFRS 9 largely retained the requirements in IAS 39 for the classification of financial liabilities.

Hedge accounting

The general hedge accounting requirements are aimed at simplifying hedge accounting, more convergence of hedge accounting with risk management strategies. The standard does not contain direct guidance on the accounting for macro hedging, which is considered in a separate project. IFRS 9 provides for the selection of accounting policies for the ability of the Group to continue accounting for hedges in accordance with IAS 39.

Implementation IFRS 9

IFRS 9 becomes effective for annual periods beginning on or after 1 January 2018, with the possibility of early application. It replaces IAS 39 Financial Instruments: Recognition and Measurement. The Group did not early adopt IFRS 9 in its consolidated financial statements for the year ended December 31, 2017. The standard it not expected to have an impact on the group.

IFRS 15 Revenue from Contracts with Customers

The standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will replace all current revenue recognition requirements under IFRS. In particular, the standard replaces IAS 18 “”Revenue”” and IAS 11 “”Construction Contracts””, which the Group’s current accounting for revenue are based. At effective date a full retrospective application or a modified retrospective application is mandatory for reporting periods beginning on or after 1st of January 2018.

The standard it not expected to have an impact on the group.

IFRS 16 Leases

Oceanteam has tentatively decided to implement IFRS 16 retrospectively with the cumulative effect of initial application of the standard to be recognized at the date it becomes effective, i.e. January 1, 2019. Further, Oceanteam intends to analyse its portfolio and the data available to measue lease arrangements at effective date transition. The company also intend to utilize the exclusions of leases with a duration of less than 12 months and assets of a low value.

Preliminary assessment of IFRS 16 indicates an increase in recognised fixed assets and related liabilities, with a corresponding reclassification of expense activity from operating expenses to depreciation and amortization expense, and also to interest expense.

The amounts of change will depend on Oceanteam’s portfolio of leasing contracts at the time of transition. The information included in Oceanteam’s note 7 “”Leasing”” is indicative of the current operating leases to be reclassified into increase in fixed assets and liabilities.

2.2 Basis of consolidation

A) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Contingent considerations are measured at net present value and regulated quarterly using a discount rate similar to WACC.

B) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

C) Non-controlling interests

NCI and related goodwill is measured at their share of fair value. Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. NCI Investments and related goodwill are assessed for impairments quarterly and tested for impairment annually.

D) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

E) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Joint ventures are those arrangements in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

F) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly group administrative expenses, head office expenses, and income tax assets and liabilities.

The offshore shipping operations and solutions driven services, including equipment rental, are reported in two different segments. For more information, please refer to note 5.

2.4 Foreign currency translation

(a) Functional and reporting currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in USD, which is the Group's presentation currency in 2017.

(b) Transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group companies Transactions should be recognized at the transaction date exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss.

Non-monetary items at historical cost are translated, but at the rate at the date of the transaction (but they are not re-translated)

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) Assets and liabilities are translated at the closing rate at the date of that statement of financial position.

(b) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

(c) All resulting exchange differences are recognised as a separate component of other comprehensive income.
Translation differences that are related to NCI are allocated to NCI.
On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.
These consolidated financial statements are presented in USD. All financial information presented in USD has been rounded to the nearest thousand.

2.5 Non-Current Assets - Property Plant And Equipment

A) Recognition and measurement

Construction Support Vessels (CSV) – Principles applied

The CSV's are accounted for under the cost model. They are initially recognised at cost, including all costs necessary to bring the assets to their working condition for intended use. Under the cost model the assets are carried at cost less accumulated depreciation and impairment.

On a recurring basis, the CSV's are investigated for indications of impairment, and at a minimum every year an impairment test is performed, comparing the carrying amount with the recoverable amount (higher of CSV's fair value less costs of disposal and its value in use).

Refer to note 29 for further information on the change in accounting policy.

Other Tangible Fixed Assets – Principles applied

All other tangible fixed assets are initially recognised at acquisition cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

COMPONENTS OF COSTS

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

B) SUBSEQUENT EXPENDITURE

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they incurred.

C) DEPRECIATION

Depreciation is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- CSV vessels 25 years
- Fast Support Vessels 15 years
- Machinery and equipment 3–25 years
- Furniture, fittings and equipment 3–8 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

D) DISPOSAL

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other (losses)/gains in the income statement. When revaluated assets are sold, the amounts included in other reserves are transferred to retained earnings.

E) COMPONENT ACCOUNTING

When an item of vessel, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is depreciated separately. A separate component may be either a physical component, or a non-physical component that represents a major inspection or overhaul. An item of vessel, plant and equipment will be separated into parts ("components") when those parts are significant in relation on the total cost of the item.

2.6 Non-Current Asset - Other

A) GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired at the date of acquisition.

(B) OTHER INTANGIBLE ASSETS

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Customer relations and development/design of vessels are included under other tangible assets.

(C) COMPUTER SOFTWARE

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3–5 years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

(D) ASSETS HELD FOR SALE

Assets held for sale are non-derivative financial assets which not fit into any other categories. The management's intention is to realize the investment within 3 months of the balance sheet date. The assets held for sale are valuated at fair value. Impairment is booked through profit and loss. All changes in fair value, including reversal of previously booked impairments, are booked to equity through other comprehensive income.

(E) AMORTISATION

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

- Customer relations 3 years
- Design 5 years

(F) DEFERRED TAX ASSETS ARE THE AMOUNTS OF INCOME

Taxes recoverable in future periods in respect of: deductible temporary differences , the carry forward of unused tax losses and the carry forward of unused tax credits.

2.7 Impairment Of Non-Financial Assets

The Construction Support Vessels are measured at historical cost and accounted for according to the principles set forth in IAS 16 and discussed in section 2.5. The group's remaining nonfinancial assets, both tangible and intangible, are measured for impairment of its net book value compared to net value of cash flows from its Cash-Generating Unit (CGU).

Intangible assets that are not amortised are subject to quarterly assessments and a mandatory annual impairment test according to IAS 36. Other non-financial assets that are subject to amortisation or depreciation are tested for impairment according to IAS 36 whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value-in-use. The recoverable amount is determined for an individual asset if it generate cash inflows that are largely independent of those from other assets or group of assets. An impairment loss is recognized for the amount by which the assets or CGU's carrying amount value (net book value) exceeds its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, and risks specific to the asset.

The group has non-current assets with a carrying amount of a total of USD 110.8 million representing USD 109.6 million of Property, Plant and Equipment assets and USD 1.3 million of Non-current assets-other, as at 31 December 2017.

2.8 Receivables

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired.

2.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.10 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

2.11 Trade payables

Trade payables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

2.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of statement of financial position.

Borrowing costs are capitalised to the extent that they are directly attributable to the purchase, construction or production of a non-current asset. Borrowing costs are capitalised when the interest costs are incurred during the noncurrent asset's construction period. The borrowing costs are capitalised until the date when the non-current asset is ready for use. If the cost price exceeds the recoverable amount, an impairment loss is recognised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.13 Tax

(a) Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.
Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognised to the extent that it is more likely than not that future taxable profit will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

b) Shipping activities

The shipping activities are operated in several countries and under different tax schemes, including the ordinary tax system in Norway and the Norwegian tonnage tax system. In addition, we operate under local tax systems in The Netherlands, Germany and Mexico. Our onshore activities are generally subject to the ordinary corporate tax rates within the country in which the activities are located. The variation in the tax systems and rates may cause tax costs to vary significantly depending on the country in which profits are accumulated and taxed. The Group's taxes include taxes of Group companies based on taxable profit for the financial period, together with tax adjustments for previous periods and the change in deferred taxes. Tax credits arising from subsidiaries' distribution of dividends are deducted from tax expenses.

Companies taxed under special tax shipping tax systems will generally not be taxed on their net operating profit from the approved shipping activities. A portion of net financial income and other non-shipping activities are normally taxed at the ordinary applicable tax rate. Taxation under shipping tax regimes requires compliance to certain requirements, and breach of these requirements could lead to forced exit of the regime. A forced exit of the Norwegian shipping tax system will lead to accelerated tax payments. Tax payable and deferred taxes are recognised directly in equity to the extent that they relate to factors that are recognised directly in equity.

2.14 Employee benefits

(a) Pension obligations

The Group has a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The obligations for contributions to defined contribution plans are expensed as the related service is provided.

2.15 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense."

2.16 Revenue recognition

Continuing business (IAS 17, IAS18 and IAS11)

Oceanteam ASA is an offshore shipping company and solutions provider. Oceanteam's business is the owning, chartering and managing of deep-water offshore construction service - and pipelay vessels and, fast support vessels.

In addition, Oceanteam provided complementary engineering services consisting of both engineering & design services and equipment rental to support our clients.

a) Shipping revenues

Income is recognised when it is probable that transactions will generate future financial benefits that will accrue to the Company and the amount can be reliably estimated. The majority of contracts are long-term time charter contracts.

Income and expenses related to a charter party are accrued based on the number of days the contract lasts prior to and after the end of the accounting period.

In the event of off-hire periods, the vessel owner carries the risk beyond any worked up dry-dock days which in some instances are specified in the contract. The Group has taken out off-hire insurance to cover major operational interruptions such as repairing collision damage or other serious unforeseen repair work.

The mobilisation of a vessel is the period for planning and preparation before the charter has commenced. The demobilisation is the period when all the special equipment for a project is being taken off until the vessel is ready for a new project or charter. Mobilisation (demobilisation) fees are invoiced to the client and recognised over the mobilisation (demobilisation) period.

b) Solutions Equipment rental

Income from rental of equipment is recognised when the company renders services to the client for the relevant period of time according to contract. Income from the sale of underutilized equipment is recognised when delivery takes place and most significant of risk and return is transferred.

Work in progress / To be invoiced

The work in progress on third party construction contracts is valued at the incurred construction contract costs increased by the attributed profit and net of recognised losses and invoiced instalments. If the result from a construction contract cannot be reliably estimated no profit is attributed or recognised as part of work in progress. The construction contract costs include the costs directly relate to the construction contract, the indirect costs that are attributable and allocated to construction contract activities and other costs that are chargeable to the customer under the terms of the contract.

The percentage of completion is determined on the basis of the construction contract costs incurred up to the balance sheet date in proportion to the estimated aggregate construction contract costs/inspection of the completed part of the construction contract/the completion of a physically distinguishable component of the construction contract. Income and expenses are recognised in the profit and loss account based on the progress of the project.

Work in progress on construction contracts with a debit balance position is presented under the current assets. Work in progress on construction contracts with a credit balance position is presented under the current liabilities. The amounts are recognised under the receivables if the amount of the (collective) net income is greater than the sum of the invoiced instalments. If the (collective) amount of the income is less than the invoices, the amount is recognised under the liabilities.

2.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Financial covenants may restrict the possibility to distribute dividends.

2.18 Financial and operating leasing

(i) The Group as a lessee

Finance leases

Finance leases are leases under which the Group assumes most of the risk and return associated with the ownership of the asset. At the inception of the lease, finance leases are recognised at the lower of their fair value and the present value of the minimum lease payments, minus accumulated depreciation and impairment losses. When calculating the lease's present value, the implicit interest cost in the lease is used if it is possible to calculate this.

If this cannot be calculated, the Company's marginal borrowing rate is used. Direct costs linked to establishing the lease are included in the asset's cost price.

The same depreciation period as for the Company's other depreciable assets is used. If it is not reasonably certain that the Company will assume ownership when the term of the lease expires, the asset is depreciated over the term of the lease or the asset's economic life, whichever is the shorter.

Operating leases

Leases for which most of the risk and return associated with the ownership of the asset have not been transferred to the Group are classified as operating leases. Lease payments are classified as operating costs and recognised in the section profit and loss from operations.

(ii) The Group as a lessor

Finance leases

The Group presents assets it has leased to others as receivables equal to the net investment in the leases. The Group's financial income is determined such that a constant rate of return is achieved on outstanding receivables during the contract period. Direct costs incurred in connection with establishing the lease are included in the receivable.

Operating leases

The Group presents assets it has leased to others as non-current assets in the statement of financial position. The rental income is recognised as revenue on a straight line basis over the term of the lease. Direct costs incurred in establishing the operating lease are included in the leased asset's carrying amount and are expensed over the term of the lease on the same basis as the rental income.

2.19 Financial instruments

In accordance with IAS 39, financial instruments: Recognition and measurement, financial instruments within the scope of IAS 39 are classified in the following categories: at value in use with changes in value through profit or loss, held to maturity, loans and receivables, available for sale and other liabilities.

Financial assets with fixed or determinable cash flows that are not quoted in an active market are classified as loans and receivables.

Financial liabilities that do not from part of the held for trading purposes category and which have not been designated as being at fair value with changes in value through profit or loss are classified as other liabilities.

Financial instruments that are held to maturity are included in fixed asset investments unless the redemption date is less than 12 months after the end of the reporting period. Financial instruments in the held for trading purposes group are classified as current assets. Financial instruments that are available for sale are presented as current assets if the management has decided to sell the instrument within the 12-month period following the end of the reporting period.

The gain or loss resulting from changes in the fair value of financial investments that are classified as available for sale is recognised in OCI until the investment is sold. When the investment is sold, the accumulated gain or loss on the financial instrument that has previously been recognised in equity is reversed and the gain or loss is recognised in the statement of profit and loss and other comprehensive income.

Note 3. Financial risk management

During 2017 the following key events affected the financial risk of Oceanteam:

Oceanteam ASA initiated a financial restructuring in 2016, the final loan agreement was fully closed with Oceanteam bondholders effective from June 2017.
Oceanteam's joint-venture partner McDermott executed its option to purchase all of Oceanteam's remaining interest in North Ocean 105 AS, the company owning the LV North Ocean 105. The transaction was closed in June 2017.
The Company closed a refinance of CSV Bourbon Oceanteam 101 and CSV Southern Ocean for a period of five years at market terms effective from July 2017.
The Company signed a heads of terms agreement to sell part of its Solutions business for the estimated selling price of USD 3,4 million in December 2017.

During 2018 the following key events affected the financial risk of Oceanteam:

In April 2018 a debt for equity swap has taken place, further details of which are disclosed under events after balance sheet date. USD 61 million in debt, including outstanding interest, is converted into equity. USD 5 million of the bond remains and the pledge on the vessels has been lifted.*
In April 2018 new equity for USD 2,5 million came into the company.*
In April 2018 a short term loan of USD 1,5 million was issued by Value Partners to prevent a constrained cash flow.*
The bank loan conditions will be changed resulting in a dividend payment USD 1 million from the blocked account and a 12 month grace period concerning repayment.
The investigation of the Norwegian authorities has been subcontracted to a Norwegian law firm. The initial costs of NOK 3 million have been paid. The outcome of the findings will probably be issued during the second half year of 2018.
*Events have been published on the website.

Joint Venture partnership with Bourbon
In February 2018 our JV partner notified Oceanteam that it was in breach of its covenants.
Bourbon Maritime applied to the President of the Commercial Court of Marseille for the appointment of a mandataire ad hoc to commerce private and confidential out of course proceedings (mandac ad hoc) with the aim of engaging in discussions with its main creditors in order to stabilise its economic position and that of the group and proceed with the implementation of a new business strategy which mainly consists of optimising and promoting its main speciality activities (subsea and crew boat).
Because of the breach of covenants the normal dividend payments on the JV entities where suspended and paid into a special blocked account. From this blocked account interest and repayment of the loan to the banks are deducted. This prevents the flow of dividends through the Oceanteam company.

Detailed disclosure note on future cash flows period of 12 months (from June 2018 until June 2019) with underlying key assumptions has been included within Financial Statement disclosure Note 3 and in Directors' report under section Liquidity risk.
The key events assumed in the cash flow forecasts for the 12 months (June 2018 - June 2019) include a dividend payment from the bank consortium regarding the loan facility. The company is in breach with its financial covenants. An agreement is made with the bank consortium to have a grace period for repayments in case one of the ships does not have a contract as of 31 December 2018. The effect of this grace period can be USD 8,1 million (USD 2,025 million * 4), four quarters of repayments.

From a going concern perspective; obtaining a contract for the Southern Ocean is the main objective in order to maintain stable earnings going forward. The results of the Solutions business will be key to maintain a stable cash flow after having sold the KCI business to IHC.

(A) CREDIT RISK

The Company has sales revenues and liabilities in foreign currencies and is exposed to currency risks. 77 percent of the revenue is in USD while the remaining 23 percent is in EUR. Since the functional currency is in USD the foreign exposure is for liabilities in the

EUR and its fluctuations with USD. Some of the local costs for Oceanteam are in NOK which also have been favourable during 2017 due to foreign exchange fluctuations.

The Group's customers and partners are primarily large companies with high credit rating. Credit risk is the risk of financial loss to the Group if a customer or other counterpart to a financial instrument or invoice fails to meet its contractual obligations and such loss would arise principally from the Group's trade receivables and its clients and customers.

Shipping segment

At year-end, trade receivables from the segment "Shipping" represented 77 percent of the Group's total trade receivables. Currently, there are three main clients with good payment history.

Geographically the CSV assets located in Africa and Australia.

For the FSV assets the geographical risk is concentrated in Mexico. Credit risk for the joint venture DOT Shipping is concentrated in Mexico (Diavaz/PEMEX).

Oceanteam Mexico SA de CV operates two Fast Support Vessels (FSV's), the Tiburon and Mantarraya. Tiburon and Mantarraya are still under bareboat charter with Inversiones Setin, however, since Inversiones Setin is in breach of its obligations under the contract and the Company has not received the charter hire due thereunder, the Company has started legal proceedings against Inversiones Setin.

FSV vessels Mantarraya II and Tiburon II are currently in Venezuela and the Company is engaged with legal proceedings around the repossession of the vessels.

Solutions segment

At year-end, trade receivables from the Solutions segment represented 23 percent of the Group's total trade receivables. The exposure to credit risk depends on the individual characteristics of each customer. Before projects are in tendering phase and awarded, the Group performs full credit assessments on its existing and future clients. Geographically the credit risk for the Solutions segment can be divided into activities in European countries and South East Asian countries and with an approximate number of 10 clients. Clients within the Solutions segment are in the oil and gas, renewable offshore industry and civil engineering sector. The solutions segment is excluding KCI, which has been identified as an asset for sale.

Oceanteam

The Group's bad debts allowance is determined based on an individual assessment of the collectability of each receivable. The need for bank guarantees, parent company guarantees and pre-payments are considered on individual basis project by project.

(B) LIQUIDITY RISK

Liquidity risk relates to the ability to meet its financial obligations as they come due. The market has continued to experience a downturn, which has inherently increased the liquidity risk. Oceanteam's response has been to establish cost savings programs and delay capital investments. Because liquidity risk has been significant during 2017, Oceanteam ASA initiated a financial restructuring in June 2017 in cooperation with its bondholders with a target to maintain value preservation and financial flexibility while enabling value creation for all stakeholders. The Company has not been able to withdraw dividends from JVs within shipping segment where cash flows and JV specific loan covenants allowed such dividend payments.

During the 1st half of 2018 new equity for USD 2,5 million came into the company, along with the short term loan of USD 1,5 million in order to prevent a constrained cash flow. Restructuring of the bond loan and agreement on revised conditions of the bank loan will prevent the company from bottle necks in the cash flow. Regarding the bond loan the interest volume will be substantially reduced due to the debt to equity swap in April 2018. Concerning the agreement of the bank loan, conditions have changed. From the blocked account USD 1 million dividend will be paid to Oceanteam. In case there is no contract applicable after 2018 a grace period of 12 months has been agreed in which the repayment of the loan will be suspended.

Liquidity forecast shows a deficit in October due to the repayment of the loan of Value Partners of USD 1,5 million. With Value Partners a waiver has been agreed in which repayment of the loan can be suspended to a later period. Value Partners is unconditionally prepared to extend the maturity of such loan for another twelve months.

Oceanteam has financial obligations coming due both to credit institutions and to vendors. Reviewing the financial obligations to credit institutions, these limited in number and in (size secured bank debt is USD 77.6 million and the bond loan is USD 39.7 million at the end of 2017) and USD 3.7 m are presently mostly due/ payable. On an individual basis there is agreement with each institution to finance these as a part of the refinancing which Oceanteam is presently completing. Obligations to vendors are mostly smaller in size and across a larger number of vendors. These obligations are managed in similar fashion as those to credit institutions with individual agreements. In as much as there is liquidity risk in JV with Bourbon; the risk is primarily that disbursements out of vehicles will be less than in previous year rather than any other risk. In the JV with Diavaz, the risks presently is that Oceanteam needs to support these companies with additional funds in part because of lack of earnings and in part resulting from investment commitments of JV companies in this structure.

The liquidity risk can be divided into short term, medium term and long term risks. The short term risks relate to certain/specific small vendors requiring immediate repayment compared to incoming cash flows. This risk is managed through the incoming cash flow which the company has from Shipping and from Solutions.

The medium term risks relate to aggregation of smaller vendors as mentioned but with greater focus on Solutions weak segment performance and on DOT/Mexico financial support. As Solutions is experiencing weaker than expected activity and pricing for its services; cash flow variances medium term are focused on performance from this segment and required cash support to DOT/ Mexico. This medium risk has been managed as a result of visibility and clarity of proceeds from sale of ownership in Northern Ocean 105 JV. Long term risks relate to performance of Solutions, to required financial support of DOT/Mexico and to cost containment at group level on specific service costs.

The operations of the Mexican / Venezuelan office have been ceased. Both the Tiburon and Mantarraya have been confiscated due to legal proceedings with several vendors.

Shipping revenue and earnings stream from the main CSV contracts and are running for 11 months and 20 months are highly predictable. All risks related to Shipping segment relates to renewing of contracts when these expires; past history has shown that even in poor market Oceanteam and Bourbon have been able to find immediate employment for Oceanteam's main assets.

Additionally, the parent company depends on cash flows from dividends, interest payments, management fees and loan repayment from subsidiaries and the joint venture companies. In addition to this, the company has set achievable cost reduction objectives for operational expenditures and corporate expenses.

At the balance sheet date, the Group had a cash position of USD 7,3 million, of which approximately. USD 7.2 million normally was restricted or pledged as collateral.

All outstanding trade receivables for the shipping segment of approximately USD 2.3 million were received in 2018. For the Solutions segment, the majority of outstanding trade receivables per year end of USD 0,7 million have already been received in 2018. No (extra) provisions are needed.

At JVs with Bourbon there is cash of USD 8.9 million which may be considered partially restricted; and there is debt of combined USD 68,7 million of which USD 37.9 million is consolidated into Group reported numbers.

The table below outlines how Oceanteam is planning to maintain its going concern position over the course of June 2018 to June 2019. There are certain key assumptions which are outlined below and are pivotal to the going concern assertion during 2018 and 2019.

		2018:								2019:				
Cash Flow Forecast	**Cash balance YTD**	**JUN**	**JUL**	**AUG**	**SEP**	**OCT**	**NOV**	**DEC**	**JAN**	**FEB**	**MAR**	**APR**	**MAY**	**JUN**
Cash in														
Solutions		412	829	220	214	264	44	38	1.890	498	836	772	974	605
Shipping		5	1.059	56	56	109	56	59	56	56	56	56	56	56
Loan instalment		(150)	(250)	-	-	(1.553)	-	-	-	-	-	-	-	-
Total cash in		**267**	**1.638**	**277**	**271**	**(1.179)**	**100**	**97**	**1.946**	**554**	**892**	**828**	**1.031**	**661**
Suppliers		1.688	1.147	69	50	192	52	91	102	98	88	446	76	91
Creditors & other		384	682	101	199	199	199	121	121	121	121	121	157	157
Capex		17	68	68	68	68	68	68	282	282	282	343	308	308
Total Cash Out:		**2.089**	**1.897**	**238**	**316**	**459**	**319**	**280**	**505**	**501**	**491**	**911**	**541**	**556**
Movements in cash		**(1.822)**	**(259)**	**39**	**(46)**	**(1.638)**	**(219)**	**(183)**	**1.440**	**53**	**401**	**(83)**	**489**	**105**
Monthly available cash	**3.664**	**1.842**	**1.584**	**1.622**	**1.577**	**(61)**	**(280)**	**(463)**	**977**	**1.030**	**1.431**	**1.349**	**1.838**	**1.943**
Overdraft														
Available cash (including overdraft facility)		**1.842**	**1.584**	**1.622**	**1.577**	**(61)**	**(280)**	**(463)**	**977**	**1.030**	**1.431**	**1.349**	**1.838**	**1.943**

Key Assumptions to support cash flow outlook in the table above:

Cash inflows are mainly contributed by:

- Revenues within Solutions equipment segment. The equipment segment of the business is expected to maintain its revenue volumes compared with 2017 levels.
- Dividends from CSV Southern Ocean, which is on suspension contract with Fugro and CSV Bourbon Oceanteam 101 which is on long term contract with Total.
- Final settlement of the sale of the shares of KCI.

Cash Outflows

General and Administrative costs are expected to decrease during 2018. This decrease is mainly driven by absence of restructuring and extraordinary costs. Extraordinary costs for the investigation of the Norwegian authorities are included (NOK 3 million).*

The restrain on the cash flow during 2017 and the first quarter of 2018 led to long term outstanding liabilities with vendors who performed satisfactory services. During the second quarter of 2018 mutual understandings have been achieved with the vendors involved and discounts have been received and payments made.*

Repayment of the short term loan of Value Partners of USD 1,5 million (see comments on waiver above).

*This risk has been managed in part through agreement with bondholders to introduce a management consultant (FTI consulting) to review existing cost structure and cash flows and to suggest improvements to these.

(C) MARKET RISK

Market risk includes risk due to fluctuations in oil prices, political, economic risk and other uncertainties, increased competition and risk of war, other armed conflicts and terrorist attacks. The oil price is a significant driver for the offshore construction market, and thus for the demand for Construction Support Vessels. The deteriorated financial climate has an impact on projects in both the oil and gas and renewable energy industries. Such factors may make it more difficult to obtain attractive contracts for the Construction Support Vessels and Fast Support Vessels. Also, the demand for Oceanteam Solutions' services may be affected by economic climate and global supply chain trends.

Interest rate fluctuations

An increase (decrease) in the interest level with 100 bp will give an effect of USD 0,4 million on the balance of loans and borrowings per 31 December 2017. The interest's rates are also linked to the development of LIBOR margins.

Note 4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience, market values and other factors, including expectations of future events and market developments that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

4.1 Critical accounting estimates and assumptions

(A) Income taxes and deferred tax assets

For further information, please refer to note 13.

(B) Goodwill

The estimate of Cash Generated Units (CGU) may have variation on cash flow estimates and WACC.

Please refer to note 11 for further information.

C) Leases

At inception of and arrangement, the Group determines whether the arrangement is or contains a lease.

Please refer to note 7 for further information.

(D) Investment in Oceanteam Bourbon 101 AS and Oceanteam Bourbon 4 AS

For changes in investment in these entities, please refer to note 26 (associates) and note 27.

(E) Impairment testing

The value in use and fair value estimate of the CSVs and Pipelay vessel may fluctuate due to changes in charter hire, OPEX, WACC (weighted average cost of capital), market conditions and operational risks of operating vessels. The determination of the value in use will take place on the basis of quotes from market experts.

Refer to notes 12 and 29 for more information.

(F) Market valuation

The determination of the market value is done by obtaining public information regarding rates, values and financial data to have a non-arbitrary market value of a financial instrument.

Note 5. Operating Segments

The Group has two segments, Oceanteam Shipping and Oceanteam Solutions. Oceanteam Solutions consist of engineering and equipment business. The current segments are the Group's strategic divisions.

The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Group's CEO (the chief operating decision maker) reviews internal management reports on a monthly basis.

The following summary describes the operations in each of the Group's reportable segments:

USD '000	Oceanteam Shipping 2017	Oceanteam Shipping 2016	Oceanteam Solutions 2017	Oceanteam Solutions 2016	TOTAL 2017	TOTAL 2016
Revenue	19.576	20.328	6.044	10.972	25.620	31.300
Net income from associates/joint ventures	(1.208)	7.994	-	-	(1.208)	7.994
Operating cost	(557)	(550)	(5.783)	(7.396)	(6.340)	(7.946)
G&A	(6.497)	(8.615)	(1.769)	(2.716)	(8.265)	(11.330)
EBITDA	**11.314**	**19.157**	**(1.508)**	**861**	**9.806**	**20.018**
Intersegment revenue	1.022	1.227	597	587	1.619	1.814
Intersegment cost	(597)	(587)	(1.022)	(1.227)	(1.619)	(1.814)
Depreciation and amortisation	(5.386)	(7.616)	(1.683)	(2.049)	(7.069)	(9.665)
Write off	(20.491)	(8.263)	(6.344)	(202)	(26.835)	(8.465)
Reportable segment operating profit	**(14.138)**	**3.918**	**(9.960)**	**(2.030)**	**(24.098)**	**1.888**
Financial Income	28.822	986	(2.144)	(817)	26.678	170
Financial cost	(11.230)	(11.145)	(414)	(362)	(11.644)	(11.506)
FOREX	(322)	(107)	(365)	100	(687)	(7)
Net finance	**17.270**	**(10.266)**	**(2.923)**	**(1.078)**	**14.347**	**(11.344)**
Pre-tax profit	**3.132**	**(6.348)**	**(12.883)**	**(3.108)**	**(9.751)**	**(9.456)**
Income tax	-	(121)	(1.750)	(2.164)	(1.750)	(2.286)
Net result from continuing operations	**3.132**	**(6.469)**	**(14.633)**	**(5.272)**	**(11.501)**	**(11.742)**
Net result from discontinuing operations	**-**	**-**	**(514)**	**(841)**	**(514)**	**(841)**
Net result for the period	**3.132**	**(6.469)**	**(15.147)**	**(6.113)**	**(12.015)**	**(12.583)**

Information on the reportable segment assets and liabilities is not reviewed by the Group's Board (the chief operating decision maker). On this basis and given this disclosure information is not considered material this information has not been disclosed.

The Shipping segment consist of two operating CSV vessels, one Pipelay vessel and four FSV crew boats. All the vessels worked outside Europe in 2017. One of the CSV vessels, OB 101, and the Pipelay vessel, North Ocean 105, are consolidated according to equity method, while the other CSV vessel, CSV Southern Ocean, is fully consolidated. The Pipelay vessel in North Ocean 105 AS has been sold during 2017. FSVs (Icacos and Cobos) operated by DOT Shipping AS JV are consolidated using equity method and FSVs (Montarayya and Tiburon) operated in Venezuela are fully consolidated. Administration expenses in Oceanteam Shipping ASA are allocated to Shipping segment since material resources from Oceanteam Shipping ASA are allocated to Shipping segment. The Oceanteam Solutions segment represents an equipment business from RentOcean, an equipment department organized under Oceanteam Shipping BV. Administration expenses in Oceanteam Shipping BV are allocated to equipment business due to RentOcean.

Geographical segments **USD '000**

In presenting the following information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of assets.

Revenue	**2017**	**2016**
Far East & Australia	19.576	20.328
Europe	6.044	10.972
South America	-	-
Total	**25.620**	**31.300**

Net income from joint ventures and associates	**2017**	**2016**
Australia and Africa	(1.170)	10.500
South America	(38)	(2.506)
Total	**(1.208)**	**7.994**

Revenue is allocated based on the area in which the services are rendered.

Revenue comprises:	**Company/Project**	**2017**	**2016**	**Change in %**
Revenue		25.620	31.300	-18%
Net income from joint ventures and associates		(1.208)	7.994	-115%
Total revenue		**24.411**	**39.294**	**-38%**

Major customers

Segment	**Major Customer**	**2017**	**Percentage of Group's revenue**	**2016**	**Percentage o of Group's revenue**
Shipping	Customer 1	19.608	77%	20.152	64%
Solutions	Customer 2	-	0%	4.486	14%

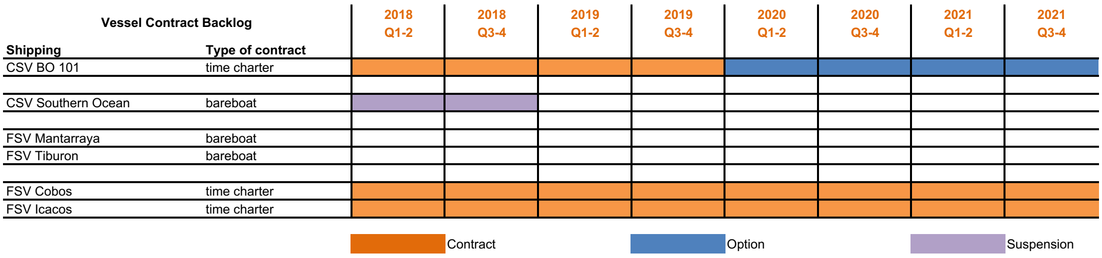
There were no other major customers (more than 10 percent of Group revenue) as per definition of IFRS 8.34.

Note 6. Revenue

USD '000

Revenue comprises:	2017	2016	Change in %
CSV Shipping	19.576	20.328	(4)%
FSV Shipping	-		0%
Solutions equipment handling and rental	6.044	10.972	(45)%
Total revenue	**25.620**	**31.300**	**(18)%**

The percentage of completion is determined on the basis of the construction contract costs incurred up to the balance sheet date in proportion to the estimated aggregate construction contract costs/inspection of the completed part of the construction contract/the completion of a physically distinguishable component of the construction contract. Income and expenses are recognised in the profit and loss account based on the progress of the project.



Contract backlog:

- CSV Bourbon Oceanteam 101: The company has signed a new contract for the vessel untill August 2019 +(2 x 1 year option).
- CSV Southern Ocean: Fugro TS Marine Australia firm until November 2018
- FSV Cobos & FAV Icacos - vessel working under 7 year time charter contract in Mexico. The vessels started operations in March 2015.
- Oceanteam Solutions the level of secured work/tenders out are at satisfactory level. Seasonal effects remain and projects tend to have durations of weeks and months instead of years. Activity in the Oil & Gas segment is low but are being compensated by the offshore renewable segment and other projects.

Note 7. Leasing

Future contracted revenue from lease contracts in Shipping segment

The future minimum lease payments, of consolidated entities in the Shipping segment, only relate to Oceanteam Bourbon 4 AS. This income is from the bareboat hire of CSV South Ocean and as shown in the Vessel Contract Backlog is from Q1 2018 to Q4 2018.

The decrease in future minimum lease payments is due to CSV South Ocean being redelivered to Oceanteam per 7 November 2017. Despite the redelivery, under the amended contract dated 24 October 2017, the vessel will remain available for jobs as and when fit to the charterers until the original end date of the contract. When the vessel is not being used by the charterers Oceanteam Bourbon 4 AS receives a 'Suspension Rate'.

USD 000'	2017	2016
Less than one year:	10.454	20.499
Between one and five years:	-	20.909
More than five years:	-	-
Total	**10.454**	**41.408**

Future contracted revenue from lease contracts in Solutions Segment

The Solutions segment leases out its equipment pool on its own contracts which are from Q1 2018 to Q4 2036. The future minimum lease payments under non - cancellable leases are as follows:

USD 000'	2017	2016
Less than one year:	4.451	2.242
Between one and five years:	971	1.817
More than five years:	2.843	2.604
Total	**8.266**	**6.662**

Lease expenses in Shipping segment

The Shipping segment maintains one material lease contract consisting of a ship crane mounted on the vessel CSV Southern Ocean. The non-cancellable lease payments are as follows:

USD 000'	2017	2016
Less than one year:	945	1.260
Between one and five years:	-	1.155
More than five years	-	
Total	**945**	**2.415**

The ship crane mounted on the vessel CSV Southern Ocean is leased by Oceanteam Bourbon 4 AS from the associated Company Oceanteam Bourbon Spares and Equipment AS. This lease is treated as an operating lease. Oceanteam Bourbon Spares and Equipment AS leases this crane from a company external to the Oceanteam group. This lease is treated as a finance lease.

Note 8. Personnel cost

USD '000

Personnel cost	2017	2016
Salary	1.879	2.741
Pensions	204	153
Social security cost	199	239
Insurance	130	96
Directors fees	127	122
Contractors fees	1.161	3.344
Other costs	5	50
Total	**3.705**	**6.745**
Number of man-years employed over the financial year	17	17

Contractor fees are related to external consultants and temporary employees supporting the groups operation

Management remuneration

USD '000 **2017**	Position	Board fees	Wages / Fees	Pension premiums	Other remuneration	Total
Haico Halbesma	CEO		409			409
Jos van Dijk	CFO (from Oct 1st)		45	4	1	50
Wilhelm Bøhn	CFO (until Jul 11th)		227		660	887
Hessel Halbesma	Chairman	37			412	448
Diederik Legger	Director (from Jul 31st) 10	57			67	
Mrs Catharina Pos	Director	24			86	111
Bote de Vries	Director (from May 9th until Jul 10th)	4	22			26
Mr James Hill	Director (until May 9th)	12			38	50
Total		**88**	**760**	**4**	**1.197**	**2.048**

2016	Position	Board fees	Wages / Fees	Pension premiums	Other remuneration	Total
Haico Halbesma	CEO		583		507	1.090
Wilhelm Bøhn	CFO (interim)		75		50	125
Torbjørn Skulstad	CFO (until Nov 30th)		237	7	223	467
Hessel Halbesma	Chairman	36			1.826	1.862
Mrs Catharina Pos	Director	24			107	131
Mr James Hill	Director	24			101	125
Total		**84**	**895**	**7**	**2.814**	**3.800**

The CEO, Haico Halbesma, had a service agreement through his company Heer Holland B.V with an annual fee of EUR 360.000 (USD 409.443). These costs have been classified as wages/fees. Haico Halbesma resigned as CEO on 15 March 2018 with effect as of 30 March 2018. The contract termination fee for the amount of EUR 1.8 million between the Oceanteam ASA and Heer Holland has been waived as part of the overall settlement agreement entered into on 13 April 2018 with Feastwood Holding Ltd., Heer Holland BV, Haico Halbesma, Hessel Halbesma and all parties related to them.

Jos van Dijk, was appointed as CFO on 1 October 2017. He receives an annual salary of EUR 138.888 which attracts a holiday allowance at 9.2%. From 1 October until 31 December 2017 he received EUR 37.916 (USD 44.873).

Wilhelm Bøhn, former interim CFO, had a contract with the Company to assist in restructuring the bond loan and the shipping segment financing as per the predefined strategy and scope while acting as interim CFO. This agreement includes a fixed retainer of USD 300.000 payable over 12 months starting October 2016. These costs from January until September have been classified as wages/fees. In accordance with the agreement, he also became entitled to a bonus of USD 300.000 after the Board and bondholders voted in favour of restructuring the FRN Oceanteam ASA Senior Callable Bond Issue and the amended bond loan agreement 2012/2017. This cost has been classified as other remuneration.

Following a settlement agreement signed in 2018 with Wilhelm Bøhn, Oceanteam ASA has agreed to further costs totalling an additional USD 360.000 which has been classified as other remuneration.

For the year 2017, the agreed annual fee for the chairman of the Board is NOK 300.000 (USD 36.636) and NOK 200.000 (USD 24.424) for the other members of the Board. In addition, Board chairman Hessel Halbesma had a service agreement through Feastwood Holding Limited and charged fees of EUR 368.950 (USD 411 734) through Feastwood Holdings Ltd. Hessel Halbesma resigned as Board chairman on 22 March 2018.

Board member Diederik Legger receives an annual salary of USD 120.000 which attracts a holiday allowance at 12% in addition to his Board fees.

Board director Mrs Catharina Pos has received services fees through her company Cenzo B.V. of EUR 77.584 (USD 86.132), and Board director Mr James Hill has received services fees through his company Groom et Hill S.A.R.L of EUR 34.767 (USD 37.867). Mrs Catharina Pos resigned as Board member 23 March 2018.

Refer to note 20 for the year-end balances of related parties.

The incentive scheme throughout the Group is given at the discretion of the Board and CEO. The CEO makes a proposal to the Board for different incentives for the employees of the Company. The incentive can either be paid out in shares or in cash. If payment should be in shares, share prices will be calculated at market value. Incentives for the CEO are defined by the Board.

All employees in Oceanteam are included in an incentive plan which can consist of phantom shares in order to retain and attract employees. A phantom share award was executed in 2014 at expiration date 30 September 2016 with a valuation equal to the Company's share on the Oslo Stock Exchange (20 days average closing price). At year-end, phantom shares have not yet been paid to all employees. The liability to the company for the unpaid incentives is registered as a liability of USD 204.000.

There have not been given loans, advance payments and security by the Company or other companies in the group to the individual senior executives and the individual members of the Board of directors, audit committee and other elected corporate bodies.

There have not been given remuneration, pension's plans or other benefits to members of the audit committee or other elected corporate bodies. Oceanteam ASA is required to provide an occupational pension scheme pursuant to the Act relating to Mandatory Occupational Pensions. The defined contribution plan in place complies with the requirements under the said Act.

Note 9. Auditors fee

Auditor's fee consists of the following:

USD '000	2017	2016
Statutory audit	673	654
Other assurance services	33	-
Tax advisory	25	64
Other	58	173
Total	**790**	**891**

Note 10. Financial Income And Financial Expenses

USD '000	**2017**	**2016**
Interest income bank	27	4
Other financial income*	26.651	236
Foreign exchange gain/loss	(687)	(617)
Interest expense	(10.973)	(9.698)
Call premium**	(357)	(476)
Other financial expense	(314)	(792)
Total	**14.347**	**(11.344)**

* Vaulation difference of bond of USD 26.661 as per December 31, 2017 at actual bond rate

The senior bond loan has been valued as per 31 december 2017 at market value, resulting in a financial income of MUSD 26,6.

** Amortization expense related to Oceanteam ASA's 2012/2017 MUSD 92,5 bond issuance for 9 months (2016:12 months).

Note 11. Non - Current Assets - Other

2017	**Deferred tax**	**Goodwill**	**Customer relations**	**IP licences concept etc**	**OTS Designs**	**USD '000 Intangible assets**
Historical cost 1 January 2017	6.000	13.000	4.400	573	1.772	25.745
Additions-Internally developed				-		-
Additions - Acquired separately						-
Disposals						-
Historical cost 31.12.2017	**6.000**	**13.000**	**4.400**	**573**	**1.772**	**25.745**
Accumulated amortisation			(4.400)	(256)	(755)	(5.411)
Amortisation				(91)	(499)	(590)
Impairments / reversals						-
Amortisation	**-**	**-**	**(4.400)**	**(347)**	**(1.254)**	**(6.001)**

Accumulated impairments	(3.000)	(3.700)				(6.700)
Impairments / reversals	(1.750)	(9.300)		(226)	(520)	(11.796)
Accumulated impairments	**(4.750)**	**(13.000)**	**-**	**(226)**	**(520)**	**(18.496)**
Book value 31 December 2017	**1.250**	**-**	**-**	**-**	**-**	**1.250**
Amortization rates	Not Amortized	Not Amortized		5 years	5 years	
Amortization Method				Linear	Linear	

Following additional assessments of future cash flow, the Company concluded to make an impairment write-off in the amount of SD 0.75 million, for IP licenses and OTS designs.

The balance of goodwill as at 31 December 2017 was restated for USD 9.3 million of which USD 6.2 million was impaired, and USD 3.1 million was reclassified as held for sale.

The Company has recognised deferred tax asset loss in the amount of USD 1.75 million during 2017.

2016	**Deferred tax**	**Goodwill**	**Customer relations**	**IP licences concept etc**	**OTS Designs**	**USD '000** **Intangible assets**
Historical cost 1 January 2016	6.000	13.000	4.400	499	1.677	25.576
Additions-Internally developed					-	-
Additions - Acquired separately				74	95	169
Disposals						-
Historical cost 31 December 2016	**6.000**	**13.000**	**4.400**	**573**	**1.772**	**25.745**
Accumulated amortisation			(4.400)	(172)	(505)	(5.077)
January 1, 2016						
Amortisation				(95)	(250)	(345)
Impairments / reversal						-
Amortisation	**-**	**-**	**(4.400)**	**(266)**	**(755)**	**(5.421)**
Accumulated impairments	(750)	(3.700)				(4.450)
January 1, 2016						
Impairments / reversals	(2.250)			10		(2.240)
Accumulated impairments	**(3.000)**	**(3.700)**	**-**	**10**		**(6.690)**
Book value 31 December 2016	**3.000**	**9.300**	**-**	**317**	**1.017**	**13.636**
Amortization rates	Not Amortized	Not Amortized		5 years	5 years	
Amortization Method				Linear	Linear	

A) Impairment testing of goodwill

Oceanteam's goodwill originates from acquiring KCI. The shares of KCI were sold on 15 January 2018. The goodwill has been taken as costs in 2017.

B) Impairment test of OTS designs

OTS designs have been tested for impairment by measuring the recoverable amount at fair value less cost to sell.

With the sale of KCI an indicator for impairment has been identified. The expectation to recover the investment by commercializing the designs is very limited.

Note 12. Tangible assets

Carrying values	Southern Ocean	Fast Support Vessels, Machinery & other	Total
Consolidation method	Subsidiary	Subisidiaries	
Carrying values per 1 January 2017	107.226	22.691	129.917
Additions	-	556	556
Disposals	-	(413)	(413)
Depreciation tangible asset	(4.035)	(3.034)	(7.069)
Impairment	(18.525)	(2.782)	(21.307)
Carrying values per 31.12.2017	**84.666**	**17.018**	**101.684**

VESSEL AND EQUIPMENT	Southern Ocean	Fast Support Vessels, Machinery & other	Total
Historical Cost 31 December 2016	169.557	50.775	220.332
Additions	-	556	556
Disposals	-	(413)	(413)
Historical Cost 31 December 2017	**169.557**	**50.918**	**220.475**
Accumulated depreciation 31 December 2016	(14.280)	(18.440)	(32.720)
Depreciation	(4.035)	(3.034)	(7.069)
Disposals depreciation	-	-	-
Accumulated depreciation 31 December 2017	**(18.315)**	**(21.474)**	**(39.789)**
Accumulated impairments 31 December 2016	(48.051)	(9.644)	(57.695)
Impairments/reversals	(18.525)	(2.782)	(21.307)
Accumulated impairments 31 December 2017	**(66.576)**	**(12.426)**	**(79.002)**
Total carrying amount per 31 December2017	**84.666**	**17.018**	**101.684**
Depreciation rates	5-25 years	3-25 years*	
Depreciation method	linear	linear	

* An extension of the write off period of the equipment within Oceanteam Shipping B.V., representing a write off period more in line with the economic lifetime of the equipment. The turntables have been extended from 15 to 25 years and the other equipment have been extended by 5 to 10 years.

* When internal resources are used to engineer and construct a fixed asset, the relevant costs are added to the historical cost. All construction financing costs are capitalized. There have not been costs related to own development and borrowing cost in 2017. The Construction Support Vessels (CSV's) and the Fast Support Vessels (FSV's) are financed and held for security, see note 18 loans and borrowings.

Value in use

As per the balance date of 31 December 2017 the company has changed the accounting policy for the Construction Support Vessels (CSV) from the revaluation model to the cost model. Under the revaluation model the asset was carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment. Under the cost model the asset is carried at cost less accumulated depreciation and impairment. On a recurring basis, the CSV's are investigated for indications of impairment, and at a minimum every year an impairment test is performed, comparing the carrying amount with the recoverable amount (higher of CSV's fair value less costs of disposal and its value in use). See Note 29.

The change in accounting policy has been applied retrospectively by adjusting the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

The accounting policy was changed as the outcome of previous valuations has proven to be arbitrary. All vessels in this category are equity accounted except for the CSV Southern Ocean, in OB 4 AS, which is 100 percent consolidated into group numbers. The value in use is derived from both observable and unobservable inputs. The values are based on calculation of future cash flows from estimated time charter rates and bareboat charter rates deducted for operating expenses.

Estimated charter rates are based on current contracts, contracts which are negotiated and management estimates. Costs we have derived from historical figures and quotes from the market. Implied rates are calculated based on valuations provided by external brokers. Future cash flows are calculated throughout the vessels lifetime with WACC, as discounted rate to find the net present values. The totals of net present values from ending reporting date and throughout vessels lifetime ends up in the value in use for the vessels as shown below.

For 2017 the value of the Southern Ocean comes out more or less the same when applying valuations based on value in use or fair value calculations based on broker estimates.

Impairment testing

Because of the volatile market and other impairment indicators, impairment tests have been done on all tangible assets. Oceanteam have applied a group WACC of 8,5 percent when testing the tangible assets.

The calculated WACC has the following assumptions:

a) 10 year government bond-10 years, from Norges Bank
b) 45 / 55 ratio of equity /debt
c) 0,55 Equity Beta
d) Market risk premium 5%

Impairment scope:

1.Impairment has been done on the CSV Southern Ocean. The vessel has a value of MUSD 84,6 according to the value in use.
2.Impairment test of the Fast Support vessels – impairment of Mantarraya and Tiburon have been done and have been written off to zero. It is highly doubtful if Oceanteam can recover the vessels from Venezuela.
3.Solutions equipment is tested for impairment. The estimates are discounted with the group WACC. The lifetime is extended to a maximum of 25 years for a carousel.

Note 13. Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Some companies operate under the Norwegian Tonnage Tax system were the tax is estimated to be zero.

Income tax expense	**2017**	**2016**
Tax payable	-	(65)
Tax payable previous year	-	(22)
Changes in deferred tax	(1.750)	(2.250)
Prepaid taxes / Other changes	-	51
Deferred tax from equity transactions	-	-
Total income tax expense	**(1.750)**	**(2.286)**
Tax base calculation		
Profit/(loss) before income tax	(9.751)	(9.456)
Permanent differences	7.927	4.677
Income taxable under Norwegian tonnage tax regime	(9.821)	(16.372)
Changes in temporary differences	523	2.497
Correction from previous periods	477	-
Translation differences	1.311	522
Tax base	**(9.334)**	**(18.132)**
Temporary differences:		
Fixed assets	(1.816)	(2.345)
Non-current receivables	-	-
Non current assets	-	-
Current assets	-	-
Profit and Loss account	100	119
Tax-deductible part of write-down	-	-
Taxable income from Subsidiairies	-	-
Effect foreign exchange on long-term liabilities	-	-
Other temporary differences	-	-
Total	**(1.716)**	**(2.226)**
Loss carry forward*	275.466	187.063
Total	**273.749**	**184.838**
Temporary differences included in base for tax calculation	5.000	12.000
Temporary differences not included in base for calculating deferred tax	193.530	172.838
Net deferred tax asset/(liability) - (2017: 24%, 2016: 25%)	47.697	46.209
Net deferred tax asset/(liability) recorded in balance sheet - (2017: 24%, 2016: 25%)	1.250	3.000

Effective tax rate	2017	2016
Expected income taxes at statutory		
Tax rate 24% (2016: 25%)	(2.477)	(5.262)
Permanent differences 24% (2016: 25%)	10.645	982
Deferred tax from equity transactions	-	-
Income taxable under Norwegian tonnage tax regime	(2.357)	(4.093)
Change in temp. differences not recognised	(7.561)	6.086
Deferred tax from share of loss in subs.	-	-
Income tax expense	**(1.750)**	**(2.286)**
Effective tax rate in %	0,0 %	0,0 %

Deferred income tax and liabilities are offset when there is an enforceable right to offset deferred tax assets against deferred tax liabilities and when the deferred income tax relate to the same fiscal authority.

Oceanteam has recognized USD 1,25 million as a deferred tax asset related to carryforward taxable losses for the operations in the Netherlands. The deferred tax asset is related to the equipment business, and is based on latest forecast for this business segment. This was written down from USD 3 million in Q4 2017 and plans indicates that there will be sufficient taxable profit to offset some of the tax loss carry forward before 2019. Contracts and budgeted revenue with customers gives convincing evidence to support the conclusion that the deferred tax asset can be recognized in the accounts. Foreign deferred tax assets are only recorded in tax note if it is expected that they can be utilised within the statute of limitations in their local jurisdiction.

Parent company Oceanteam ASA and other Norwegian entities in the group has suffered large tax losses from exiting the contracting business. The basis for potential deferred tax loss is estimated to amount to 179 million USD at 31 December 2017 for the Norwegian entities. Confirmation from the tax authorities for a cumulative carryforward tax loss of NOK 1 469 million (USD 179 million) for the year 2016 was received 30 November 2017. The deferred tax losses are not recognized in the balance sheet as there is uncertainty to what extent the losses can be offset against future profits. Carry-forward taxable losses do not have a statute of limitations under current Norwegian tax regime.

Note 14. Receivables

USD ‘000	2017	2016
Trade receivables at nominal value	9.339	9.373
Less: provision for impairment of trade receivables	6.329	4.545
Trade receivables net	3.010	4.828

Movements on the group provision for impairment of trade receivables are as follows:

At 1 January	4.545	4.380
Provision for receivables impairment	1.784	165
At 31 December	**6.329**	**4.545**

Trade receivables - Ageing	**Due 1-30 days**	**Due 31- 60 days**	**Due 61- 90 days**	**Due > 90 days**	**Total**
Shipping	-	2.309	-	-	2.309
Solutions equipment handling and rental	241	307	131	22	701
Total trade receivables	**241**	**2.616**	**131**	**22**	**3.010**

Other receivables	**2017**	**2016**
Prepayments	1	165
Accrued Revenue	-	301
Receivables to JV’s and associates	2.526	9.051
Other short term receivables	266	1.792
Other current receivables	**2.793**	**11.307**

Reclassification item above is receivables from Oceanteam ASA to joint ventures and associates.

Joint ventures and associates are equity accounted, hence the debts are eliminated on group level so the receivables in parent company are left without a balancing post on Group level.
For this reason, reclassification has been done.

Note 15. Cash and cash equivalents

USD ‘000	2017	2016
Cash	7.301	3.514
Cash and cash equivalents 31.12.17	**7.301**	**3.514**

Of which is restricted deposits*	**7.157**	**601**

* Restricted amounts consists of restricted cash limit for earnings account for the CSV vessels (USD 6,2 miilion)

* USD 863 thousand on the escrow account of the bondholders.

* Legal issue Alexander van Doorn USD 75.000

* Tax deducted from employees, deposited in a separate bank account amounts to NOK 366.280 (USD 44.641).

Note 16. Investments in Subsidiaries and other consolidated entities

USD '000 Overview subsidiaries:	Profit / (Loss) 2017	Equity / (Negative Equity)	Equity percentage	Voting share	Head Office / Country of registration
Subsidiary companies:					
Oceanteam II B.V.	(34.661)	(3.490)	100%	100%	Amsterdam, Netherlands
RentOcean B.V	(1.036)	(1.572)	100%	100%	Amsterdam, Netherlands
North Ocean 309 AS	(548)	(831)	100%	100%	Bergen, Norway
Oceanteam Shipping Monaco SAM	37	303	100%	100%	Monte Carlo, Monaco
Oceanteam Bourbon 4 AS******	9.821	29.561	50%	60%	Bergen, Norway
2nd level Subsidiaries					
Oceanteam Shipping B.V.*	(4.161)	5.477	100%	100%	Amsterdam, Netherlands
KCI International B.V.*	(15.670)	(9.135)	100%	100%	Amsterdam, Netherlands
Oceanteam Shipping GmbH*	(64)	3	100%	100%	Wilhelmhaven, Germany
Oceanteam Mexico B.V.*	(45)	(14)	100%	100%	Amsterdam, Netherlands
3rd level Subsidiaries					
Oceanteam Mexico S.A. de C.V.*******	(3.658)	(6.515)	90%	49%	Cd, del Carmen, Mexico
Oceanteam Solutions B.V.**	3	74	100%	100%	Amsterdam, Netherlands
Oceanteam GmbH**	-	-	100%	100%	Wilhelmhaven, Germany
KCI The Engineers B.V.***	(514)	(2.559)	100%	100%	Schiedam, Netherlands
4th level Subsidiary					
Oceanteam Power & Umbilical GmbH****	-	-	100%	100%	Wilhelmhaven, Germany

* Refer to Note 18 for details of restrictions in place in consolidated entities.

The group consolidated financial statements include parent company Oceanteam ASA and 14 subsidiaries.

The subsidiaries are fully consolidated subject to KCI the Engineers B.V. which is treated as an asset held for sale. For further discussions on the consolidation of the entities, refer to note 27.

- * The shares are directly owned by Oceanteam II B.V. a subsidiary of Oceanteam ASA
- ** The shares are directly owned by Oceanteam Shipping B.V. a subsidiary of Oceanteam II B.V.
- *** The shares are directly owned by KCI International B.V. a subsidiary of Oceanteam II B.V.
- **** The shares are directly owned by Oceanteam GmbH. a subsidiary of Oceanteam Shipping B.V.
- ***** Oceanteam ASA holds 49% of the ordinary shares in Oceanteam Mexico S.A. de C.V. however, between its ordinary shares and class N shares it holds 90% of the equity in the company. The class N shares don't give the same voting rights as ordinary shares but do give voting rights on matters including; amendments to the purpose of the company, dissolution of the company and mergers and divisions. Additionally, Oceanteam ASA provides the funding to this company and sets the policies and strategy. On this basis Oceanteam ASA is considered to have control of Oceanteam Mexico S.A. de C.V.
- ****** Oceanteam Bourbon 4 AS has a material non-controlling interest of 50% illustrated in table below
- ******* The shares are directly owned by Oceanteam Mexico B.V. a subsidiary of Oceanteam II B.V.

	Oceanteam Bourbon 4 AS
Operating segment	Shipping
Principal place of business	Bergen, Norway
Ownership interest held by non-controlling interests	50%
Voting rights held by non-controlling interests	40%

The following is summarised financial information for Oceanteam Bourbon 4 AS based on the company's financial statements prepared according to IFRS. The information is before intercompany eliminations with other companies in the Group.

For further information about voting rights and history of consolidation, ref note 27.

	Oceanteam Bourbon 4 AS	
USD '000	2017	Restated 2016
Operating income	19.608	20.152
Operating expenses	(7.578)	(5.962)
Net finance costs	(2.209)	(2.398)
Tax on ordinary result	(2)	(2)
Net profit / (loss) for the year	**9.819**	**11.790**
Adjustment made at group level:	(18.475)	5.489
Net profit / (loss) for the year	**(8.656)**	**17.279**
Other comprehensive income	-	-
Total comprehensive income	**(8.656)**	**17.279**
Profit attributable to non-controlling interests	**(4.328)**	**8.640**
Current assets	8.532	6.242
Non-current assets	68.448	72.533
Current liabilities	(47.419)	(59.019)
Non-current liabilities	-	-
Net assets	**29.561**	**19.756**
Adjustment made at group level:	16.218	34.693
Net assets	**45.779**	**54.449**
Net assets attributable to non-controlling interests	**22.889**	**27.225**

Oceanteam ASA controls the day to day operations of Oceanteam Bourbon 4 AS however any decisions including the transfer of assets, cash or declaration of dividends, has to be jointly decided upon by both JV partners, Oceanteam ASA and Bourbon Offshore Norway AS. See note 27 for further details. Oceanteam Bourbon 4 AS has a credit and guarantee facility agreement with several banks which has various covenants including minimum free cash of USD 500.000.

The consolidated group's total cash consists of USD 7.3 million out of which USD 6.2 million belongs to Oceanteam Bourbon 4 AS.

See notes 15 and 18 for further details.

Note 17. Share Capital and Shareholder Information

Share capital

As per 31.12.2017, the share capital of the Company is NOK 14.796.629,50 (USD 2.595.148) divided into 29.593.259 shares with a nominal value of NOK 0,50 (USD 0,09). All shares are given equally voting rights.

Oceanteam owns a total of 2.934.176 own shares representing 10,0% of the shares in the Company. The calculations are made on the basis of 29.593.259 shares in the Company. The purpose of the buy-back is to secure Oceanteam's obligations related to the share based incentive plan for executives and employees, as detailed in resolution 10 of Annual General Meeting, held on 31 May 2012.

Shareholders	Notes	Number of shares	Percentage of total
UBS Switzerland AG	1	9.533.720	35,8%
CLEARSTREAM BANKING S.A.		4.035.007	15,1%
PERSHING LLC		893.538	3,4%
YOUNG NOUGATEERS AS		600.000	2,3%
THE ROYAL BANK OF SCOTLAND PLC		447.947	1,7%
NYBORG, PER OLAV		418.150	1,6%
JPMorgan Chase Bank, N.A., London		373.558	1,4%
KUMAR, VIJAY		359.400	1,3%
VARNER AS		350.211	1,3%
Lindheim, Trond		340.000	1,3%
NORDNET LIVSFORSIKRING AS		274.190	1,0%
NILSEN, STEINAR JOHAN		260.000	1,0%
Nordnet Bank AB		255.307	1,0%
QUITENICE HOLDING AS		235.000	0,9%
MJELDE, ARVID BJARNE		145.000	0,5%
TORSMYR, JO		130.000	0,5%
SKÅLA BÆR AS		125.000	0,5%
MAXLIVING AS		123.000	0,5%
ATOR AS		117.652	0,4%
LOEN, LEIF ARNE		116.000	0,4%
Subtotal 20 largest		**19.132.680**	**71,8 %**
Others		7.526.403	28,2 %
Total		**26.659.083**	**100,0 %**

Shareholders	Notes	Number of shares	Percentage of total
Board:			
Hessel Halbesma (UBS AG)	1	9.533.720	35,8 %
Total for Board		**9.533.720**	**35,8 %**
Management			
Haico Halbesma, CEO	1	9.594.707	36,0%
Total of shares owned by executive employees		**9.594.707**	**36,0%**
Related parties			
Tor Arend Halbesma	1	50.000	0,2%
Total shares owned by related parties		**50.000**	**0,2%**
Total shares controlled by Halbesma family	**1**	**9.644.707**	**36,2%**

1. UBS ASG nominee account is controlled by the Halbesma family. Haico Halbesma was CEO and Hessel Halbesma was Chairman of Oceanteam Shipping ASA as at 31 December 2017. Haico Halbesma owns 60.987 shares privately and jointly controls 9.533.720 shares together with Hessel Halbesma. Tor Arend Halbesma is a son of Hessel Halbesma.

For more information, please refer to related party transactions in note 20.

Note 18. Loans And Borrowings

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows including interests representing nominal value at payment date. There is none net-settled derivative financial liabilities.

USD '000

At 31 December 2017	Q1	Q2	Q3-Q4	Over 1 year	Total
Total outstanding on loan	37.919	-	-	39.720	77.639
Total outstanding on loan	**37.919**	**-**	**-**	**39.720**	**77.639**

	0 to 1 years	1 to 2 years	2 to 5 years	Over 5 years	Total
At 31 December 2016					
Total outstanding on loan	105.560	-	-	-	105.560
Total outstanding on loan	**105.560**	**-**	**-**	**-**	**105.560**

Loans/ Currency of loan		True rate of interest	Description	31 December 2017	31 December 2016
Oceanteam ASA	Senior Unsecured	LIBOR + margin	FRN Oceanteam ASA Senior Callable Bond Issue 2012/2017	66.381	57.103
			Adjustment Fair Value	(26.661)	-
CSV Southern Ocean (USD)	Secured	LIBOR + margin*	SpareBank 1 SMN Bank USD 81 million	38.475	46.575
Oceanteam Solutions	Secured		NIBC Bank N.V and Rabobank Amsterdam U. A	-	195
Oceanteam ASA	Secured		SpareBank 1 SMN Bank USD 2.7 million	-	2.700
***Borrowing costs				(556)	(1.013)
****Total short-term debt**				**77.639**	**105.560**

"* 50% of the LIBOR interest rate is fixed.

** All interest bearing debt are booked as first year installments as currently there is a technical default on senior secured (against ASA's shares in OB 101 and OB 4) bond loan.

*** Borrowing costs related to refinancing goes to reduction of long-term debt according to IFRS."

The CSV vessels and various equipment are collateral for the loans. The carrying amount for CSV vessel is MUSD 85.434 per 31 December 2017.

In April 2018 the majority of the Senior Callable Bond and the accrued interest was transferred into equity. Remaining will be a Bond loan amount of USD 5 million.

	2017	2016
Financial costs		
CSV Southern Ocean (USD)	2.215	2.398
Bond loan (USD)	8.993	8.746
Oceanteam Solutions (EUR)	189	200

Other	247	163
Total interest costs	**11.644**	**11.506**

Total bank facilities

As per 31 December 2017 the total interest bearing debt of The Group is USD 77,6 million. The Group had free cash of USD 0,5 million. The equity ratio was 17,9 percent per balance sheet date.

Cross Defaults

Cross default occurs if an event of default occurs for any financial indebtedness in any of the group companies, joint venture companies or associated companies, limited to an aggregate financial indebtedness of USD 4 million or above. As of the balance sheet date and the reporting date, The Group is not compliance of the loan agreement covenants requirements.

FRN Oceanteam Shipping ASA Senior Callable Bond Issue 2012/2017 - USD 57,5 million (initial amount USD 92,5 millon)

The Group has issued an unsecured bond loan in the amount of USD 92,5 million dated 24 October 2012. The conditions of the remainder of the Bond loan of USD 57,5 million, have been revised in june 2017 as follows:

Coupon rate: 6% interest as PIK (PaymentInKind) and 1% interest in cash.

Financial covenants:

> Book equity ratio of minimum 30,5 %

> Market adjusted equity ratio of minimum 22%

> Gearing ratio:

*maximum of 7.5 at December 31, 2017

> Debt service coverage ratio of minimum 1.00

This loan has been placed under Bond loan (USD) in table above.

SpareBank 1 SMN Bank, DVB Bank SE Nordic Branch and NIBC Bank N.V – USD 81.000.000 - CSV Southern Ocean

All amounts below are presented on 100 percent basis, please note that 100% is included in the group accounts since this is a subsidary.

Oceanteam Bourbon 4 AS (borrower) has entered into a credit and guarantee facility agreement in the amount of USD 81 million with Sparebank 1 SMN Bank, DVB Bank SE Nordic and NIBC Bank N.V as lenders and Sparebank 1 SMN as facility agent. The balance of the loan per 31 December 2017 is USD 38,5 million. The current interest is 3 month LIBOR + 3,75 % margin p.a. The loan will be repaid in quarterly instalments of USD 2.025 million. The Group have entered a Swap agreement with Sparebank 1 SMN where 50% of the principal will be repaid with a fixed interest rate of 0,815% + 3,40% Margin.

Key loan covenants for the borrower include:

> Free cash of minimum USD 500.000

> Working capital to be positive at all times. First year installments are deducted from short term liabilities according to NGAAP.

> Maket value adjusted Equity of minimum 25%

> Vessel Value / Loan balance, minimum 135%

Other key loan covenants include:

> Market value adjusted Equity of minimum 25% of total value adjusted assets (OTS Group, reporting quarterly)

> Market value adjusted Equity of minimum 25% of total value adjusted assets (BON, reporting semi-annually)

This loan has been placed under Southern Ocean in table above.

Per 31 December 2017 The Group was in compliance with financial covenants, but in cross default.

NIBC Bank N.V - EUR 1.000.000 Revolver Facility - RentOcean BV

RentOcean BV has repaid the financial facility agreement during 2017.

Other loans

The Group also has another short term credit facilities.

SpareBank 1 SMN Bank - USD 2.7 million overdraft - Oceanteam ASA

This facility has been repaid in 2017 and not renewed.

Sparebank 1 SMN Bank, DVB Bank SE Nordic Branch and NIBC Bank N.V - USD 66.000.000 - CSV 101

All amounts below are presented on 100 percent basis, please note that nothing is included in the group accounts since the Groups interest in Oceanteam Bourbon 101 AS is classified as associate.

Oceanteam Bourbon 101 AS (borrower) has entered into a senior secured term loan and guarantee facility agreement dated 6 July 2012 Sparebank 1 SMN bank, DVB Bank SE nordic Branch and NIBC Bank N.V as banks and with Sparebank 1 SMN as agent for a total amount of USD 66 million. The loan balance per 31 December 2017 is USD 31,4 million. The interest rate of the loan is 3 month LIBOR + 3,75 % p.a. The senior secured term loan will be repaid in quarterly instalments of USD 1,65 million. The Group have entered a Swap agreement with Sparebank 1 SMN where 50% of the principal will be repaid with a fixed interest rate of 0,815% + 3,40% Margin.

Key loan covenants for the borrower include:

> Free cash of minimum USD 500.000

> Working capital to be positive at all times. First year installments are deducted from short term liabilities according to NGAAP.

> Maket value adjusted Equity of minimum 25%

> Vessel Value / Loan balance, minimum 135%

> Market value adjusted Equity of minimum 25% of total value adjusted assets (OTS Group, reporting quarterly)

> Market value adjusted Equity of minimum 25% of total value adjusted assets (BON, reporting semi-annually)

Senior Bond Loan refinancing falls under category of "major modification to the existing loan" as per the requirements of IAS 39. The Company applied 10% quantitative test which is the main criteria set in IFRS to conclude if the changes to the old bond loan are to be considered as major modification to the existing loan. The 10 % test required to identify if the present value of the cash flows under the terms of the new debt instrument are at least 10 percent different from the present value of the remaining cash flows under the terms of the original financial instrument (senior bond loan). Our assessment indicated that the fair value of the new bond loan liability is at least 20% lower than the fair value of the old loan. In accordance with the requirements of IAS 39 senior bond loan refinancing was accounted as an extinguishment of the old bond loan, with a gain recognised in the consolidated statement of profit or loss and reduction to the total loan amount. The fair valuation approach follows the requirements of IFRS 13. Discount rate assumption of 14% used in valuation of the Company Senior Bond Loan is highly subjective as it should reflect the Company credit rating risk associated with this loan. Increasing/decreasing interest by each 1% will increase the financial gain/loss to be recognized in consolidated company accounts by USD 1 million. The Company applied combined market value and discounted cash flow method for Senior Bond Loan liability valuation process. This approach has resulted in more conservative financial gain of USD 29 million recognized in 2Q 2017 compared with significantly higher USD 40 million financial gain to be recognized if

USD '000

Loan Fair Value Measurements	31-12-2017	31-12-2016
Senior Callable Bond 2012/2022	57.500	57.500
PIK Bond loan	8.881	
NON-recurring fair value adjustment	(26.661)	
Capitalized finance cost (unwinded)		(397)
Long Term Loan Balance at end of reporting period	**39.720**	**57.103**

GE Capital CEF Mexico, S. de R.L de CV - USD 11.166.102 - DOT Shipping AS

DOT Shipping AS (borrower) has entered into a loan agreement with GE Capital CEF Mexico, S. de R.L. de C.V. in the amount of USD 11,2 million. Contstructora Subacuatica Diavaz, S.A de C.V and Diavaz OceanTeam Servicios Navieros, S.A.P.I. CV are guarantors to the loan.

Please note that nothing is included in the group accounts since the Groups interest in DOT Shipping AS is classified as investment in joint venture.

The loan balance per 31.12.17 is USD 6.075.889

As of the balance sheet date and the reporting date, The Group is in full compliance of the agreement.

Note 19. Liabilities

USD'000

Trade payables	Current	Due 30-60 days	Due 61-90 days	Due > 120 days	Total
Shipping	578	134	353	1.855	2.920
Solutions equipment handling and rental	406	127	112	1.500	2.145
Total trade payables	**984**	**261**	**465**	**3.355**	**5.065**

Aging above provides information on overdue status of invoices for the Group companies.

Other payables	**2017**	**2016**
Incurred interest cost	565	3.555
Holiday and wages due	145	418
Provisions	-	1.460
Preinvoicing	393	78
JV Partner balance	2.739	-
Other short term debt	4.078	9.212
Total other current liabilities	**7.921**	**14.723**

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Note 20 - Related party transactions

Cenzo BV

Cenzo is controlled by Catharina Petronella Johanna Pos, former director of Oceanteam ASA. Transactions consists mainly of invoicing of board fees and other consulting services provided to the Company during 2017. Please refer to note 8 for more details.

Feastwood Holding Ltd (1)

Feastwood Holding Ltd is controlled by Hessel Halbesma, former chairman of Oceanteam ASA and Haico Halbesma, former CEO of Oceanteam ASA. Transactions consist of invoicing for services provided by Hessel Halbesma and recharges related to disbursements. These services provided include board services, providing exclusive access to his network and long time business partners, maintenance and development of partnership arrangements, sourcing and strategic development related to financing the group, Intellectual property expansion, initiation and steering of change management and general support to various management functions within the group. Refer to note 8 for more details.

Feastwood Holding Ltd (2)

Haico Halbesma, became entitled to a EUR 300.000 bond and bank loan restructuring bonus in July 2017 following successful completion of the restructuring strategy. This was withdrawn by his request and approval of the board with a board resolution of 15 December 2017.

Heer Holland BV

Heer Holland BV is controlled by Haico Halbesma, former CEO of Oceanteam ASA. Transactions consists mainly of invoicing of monthly management services. Refer to note 8 for more details.

Groom Hill

Groom Hill is 33% owned by James Wingett Hill, former director of Oceanteam ASA. Transactions consists mainly of invoicing of board fees and other consulting services provided to Company during 2017. Refer to note 8 for more details.

Challenger Management Services S.A.M.

Challenger Management Services S.A.M. is controlled by Hessel Halbesma and Haico Halbesma. Transactions consist of invoicing for communication services provided.

Toha Invest BV

Toha Invest BV is controlled by Haico Halbesma and Hessel Halbesma. Transactions consist of invoicing for the rental of office space. The rental agreement was terminated effective 31 March 2017.

Imperator AS

Imperator AS is controlled by Wilhelm Bøhn, former interim CFO of Oceanteam ASA and his close family. Transactions consist of invoices in accordance with a service agreement. Refer to note 8 for more details.

4C Offshore Ltd

4C Offshore Ltd is controlled by Hessel Halbesma, former chairman of Oceanteam ASA and Haico Halbesma, former CEO of Oceanteam ASA. The transactions with 4C Offshore Ltd consist mainly of invoices for consultancy work, IT maintenance and licensing fees.

Annerieke Vonk

Annerieke Vonk, long term partner of Haico Halbesma, CEO of Oceanteam ASA, and Haico Halbesma rented their private apartment to Oceanteam employees.

USD '000	**Income/recharged expense**		**Cost**		
Company	2017	2016	2017	2016	Type of transaction
Cenzo BV	-	-	(86)	(124)	Other services than Board committee
FeastwoodHoldingLtd(1)	385	190	(412)	(1.855)	see above
Feastwood Holding Ltd (2)	-	-	-	(691)	see above
Heer Holland BV	-	-	(409)	(392)	see above
Groom Hill S.A.R.L	-	-	(38)	(118)	Other services than Board committee
Challenger Management Services S.A.M	-	-	(33)	(96)	Other services than Board committee
Toha Invest BV	-	-	(349)	(305)	Rental of Amsterdam office
Imperator AS	-	-	(527)	(75)	Management Services
4C Offshore Ltd	-	-	(222)	(223)	see above
Annerieke Vonk	-	-	(4)	(25)	see above

USD '000	**Amounts receivable**		**Vendor & accrued balance**	
Company	2017	2016	2017	2016
Cenzo BV	-	-	(136)	(82)
Feastwood Holding Ltd (1)	220	-	-	(16)
Feastwood Holding Ltd (2)	-	-	(666)	(691)
Heer Holland BV	-	-	(134)	(28)
Groom Hill S.A.R.L	-	-	(78)	(84)
Challenger Management Services S.A.M	-	-	(5)	(56)
Toha Invest BV	-	-	(61)	2
Imperator AS	-	-	(445)	(37)
4C Offshore Ltd	-	-	(491)	(312)
Annerieke Vonk	-	-	(13)	(12)

On 13 April 2018 a settlement agreement was signed between Oceanteam ASA and it's affiliates and Haico Halbesma, Hessel Halbesma, Feastwood Holding Ltd, Feastwood Holdings Limited, Heer Holland B.V., Toha Invest B.V. and Challenger Management Services S.A.M.

The agreement states that Oceanteam ASA and it's affiliates have agreed to settle claims by the Halbesma family and their companies by way of a settlement amount of NOK 5.000.000. The agreement further states that the settlement amount will not be made as a cash payment but the claimants will have the right and obligation to subscribe for 10.000.000 shares in Oceanteam ASA at a subscription price of NOK 0,5 through a share capital increase by conversion of the settlement amount into equity. Feastwood Holding Limited subscribed for 10.000.000 shares on 4 May 2018.

The settlement amount has lead to a loss for Oceanteam of approximately USD 58.497. This loss has not been reflected in the 2017 financial statements.

In May 2018 a settlement has been reached between Oceanteam ASA and Catharina Petronella Johanna Pos and Cenzo Holding B.V. This settlement is currently being finalised in a settlement agreement stating that Oceanteam ASA, Catharina Petronella Johanna Pos and Cenzo Holding B.V. agree to settle all claims of Catharina Petronella Johanna Pos and Cenzo Holding B.V by way of a settlement amount of NOK 500.000 which will not be made as a cash payment but the claimants will have the right and obligation to subscribe for 1.000.000 shares in Oceanteam ASA at a subscription price of NOK 0,5 through a share capital increase by conversion of the settlement amount into equity.

The settlement amount will lead to a gain for Oceanteam of approximately USD 92.965. This gain has not been reflected in the 2017 financial statements.

Transactions with Group companies

USD '000

	Interest Income		**Management fee income**	
	2017	2016	2017	2016
Oceanteam Bourbon 101 AS	-	2	217	35
Oceanteam Bourbon Investments AS	22	33	12	12
North Ocean 105 AS	94	200	-	-

Only tranactions with non-consolidated companies are disclosed above. See note 20 in the parent financial statements for details of transactions between Oceanteam ASA and all group companies.

The intercompany balances with Oceanteam Bourbon Investments AS and North Ocean 105 AS attract interest at 4% per annum.

Note 21. Contingent liabilities

Oceanteam Group, represented by Oceanteam ASA, Oceanteam II B.V. and Oceanteam Shipping GmbH, has had proceedings against Intramar regarding undocumented settlements- these proceedings have been finalised and all legal fees paid. Arrests have been lifted and no further liability arises.

There is an ongoing employment dispute with former employee Alex van Doorn (former Managing director Solutions). This is yet to be resolved.

Note 22. Contingent assets

There is no material contingent assets at year-end.

Note 23. Guarantees

A parent company guarantee from Oceanteam ASA has been granted to the buyers of KCI The Engineers BV effective for a period of 60 months from January 2018 with a maximum liability of EUR 700.000.

Note 24. Events after the balance sheet date

Conversion of the Bond Loan to Share Capital

An extraordinary general meeting of Oceanteam ASA was held on 13 April 2018 in which a proxy was granted to the Board of directors to increase the share capital of the Company by conversion the 'FRN Oceanteam ASA Senior Callable Bond Issue 2012/2017' to share capital.

On 26 April Oceanteam ASA announced the successful completion of the debt to equity conversion. This included the conversion of USD 62 073 570 out of the total USD 67 073 570 Bond principle and accrued interest up to 28 February 2018 for 620 735 700 new shares of Oceanteam ASA, each with a nominal value of NOK 0.50. Interest accruing on the Bond Loan from and including 28 February 2018 to and including the date of conversion were waived.

An amount of USD 5 million of the bond will be outstanding under the Bond Agreement. The remaining Bond will remain outstanding on substantially the same terms however amendments include, but not limited to:

- the cash interest of 1% being replaced by an additional 1% payment in kind, which results in a total payment in kind of 7%
- Unblocking of the reserve account so that amounts can be used for general corporate purposes of the company
- Removing limitations on management compensation
- Removing the cash sweep mechanism

The financial effect of this conversion is stronger equity, reduced financial costs and generation of additional free cash for financing the Company's ongoing operations.

As part of the restructuring agreement Mr. Keesjan Cordia received 111.600.000 of the shares issued to the Bondholders in connection with the Conversion on a pro rata basis from the Bondholders. In addition, Mr. Cordia has been appointed as a director on the Issuer's Board of directors.

Share Capital Increase

As an integral part of the restructuring and in order to raise funds to ensure the future operations of the Company and allow for an adequate liquidity to the Company's group going forward, the Company negotiated an agreement with Mr Keesjan Cordia that his company would transfer NOK 20 million which was to be used as a contribution for a share capital increase in the Company following the conversion of the bond loan. This money was received 2 May 2018.

On 4 May 2018 Oceanteam ASA announced that the Board of directors had resolved to increase the share capital from NOK 325.164.479,50 to NOK 350.164.479,50 by issuing 50 million new shares with a nominal value of NOK 0.50 per share, at a subscription price of 0.50 per share. The total number of Company's shares became 700.328.959. Corinvest B.V. subscribed for 40 million shares and Feastwood Holding Limited has subscribed for 10 million shares. Refer to note 20 for more information on the Feastwood Holding Limited / Halbesma family settlement.

Stichting Value Partners Family Office loan agreement

As part of the bond restructuring, on 23 April 2018, Oceanteam ASA, as the borrower, entered into a loan agreement with Mr. Henk van Heijst through Stichting Value Partners Family Office, a foundation incorporated under the laws of the Netherlands associated for USD 1.5 million.

The interest, which accrues from the date of the agreement, is at 7% per annum. Accrued interest is added to the principle amount and to be paid together with the repayment of the loan on the repayment date. The repayment date being 6 months after the date of the loan agreement.

The Bergen Court (Bergen Tingrett) ruling for the petition for a public investigation

The Bergen Court (Bergen Tingrett) decided in a ruling, relating to the petition for a public investigation filed by shareholders of Oceanteam ASA, dated 20 February 2018 to appoint an investigator, and that Oceamteam ASA shall pay a deposit of NOK 3,000,000 on account for estimated investigation costs. This was paid 3 May 2018. The costs of the investigation cannot be reliably estimated and may exceed this amount. This cost has not been included in the 2017 financial statements.

Sale of KCI the Engineers B.V.

KCI International B.V, 100% owned subsidiary of Oceanteam II B.V which is a 100% owned subsidiary of Oceanteam ASA, sold its entire shareholding in KCI the Engineers B.V with an effective date 1 January 2018. As part of this sale a parent company guarantee was granted by Oceanteam ASA to IHC Merwede B.V, buyers of KCI the Engineers B.V. with a maximum liability of EUR 700.000 or the Purchase Price as defined in the share purchase agreement with IHC Merwede.

Suspension of share trading

In February 2018 the trade of shares of the Company were suspended by the Oslo Stock Exchange following a notification from the Financial Supervisory Authority of Norway that the preliminary 2017 financial results did not give a true and fair view of Oceanteam's financial situation.

Note 25. Earnings per share

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2017	2016
Net Profit (USD '000)	**(12.015)**	**(15.083)**
Shares per 1 January	29.593	29.593
Holdings of own shares 1 January	(2.959)	(2.959)
Shares 31 December	29.593	29.593
Own shares 31 December	(2.934)**	(2.959)
Weighted average of shares during the year	**26.646**	**26.634**
Earnings per share (USD)	**(0,45)**	**(0,45)**

*Please refer to note 17 for Share Capital and Shareholders information and note 18 for repayment of bond loan.

** Sale of treasury shares.

Please note that diluted earnings per share is the same as the basic earnings per share since the effect of the shares issuable under employee & Executive share based payments is considered anti-dilutive (that is it increases basic earnings per share).

Note 26. Investment in joint ventures, associates and subsidiaries

USD'000

Investments in joint ventures and associates	Investment in Oceanteam Bourbon 101 AS	Participation in LV 105	DOT Shipping GROUP	Investment in Oceanteam Bourbon Investments AS	Total
Consolidation method	**Associate**	**Associate**	**Joint venture**	**Joint venture**	
Carrying amount of investment per 31 Dec 2016	13.182	6.437	2.674	(96)	22.197
Changes in restaed balance and errors in previous years	(6.879)	-	(2.674)	96	(9.458)
Carrying amount of investment per 31 Dec 2016 (Restated)	6.303	6.437	-	-	12.740
Change in investments	-	-	-	-	-
Net result from investment in 2017	1.575	970	-	-	2.545
Disposal*	-	(7.407)	-	-	(7.407)
Total carrying amounts 31 December 2017	**7.878**	**-**	**-**	**-**	**7.878**

The table above summarises the investments in the Group. The following sections in this note describe the different categories of investments more thoroughly.

*The sale of North Ocean 105 AS generated a loss on disposal at group level of USD 7,4 million.

Joint ventures

DOT Shipping, is a joint venture with Diavaz, consisting of DOT Holdings AS, DOT Shipping AS, DOT Shipping BV, DOT Servicios Navieros, S.A. de C.V and DOT Radiance PTE LTD. These entities will be presented together under DOT Shipping companies.

The following is summarised financial information for DOT Shipping companies and Oceanteam Bourbon Investments AS, its financial statements prepared in accordance with IFRS.
All companies mentioned above are equity accounted in the Group.

DOT Shipping (a joint venture between Diavaz and Oceanteam) and Pacific Radiance Ltd mutually agreed to terminate agreements, which were entered into on 9 October 2014, for purchase and bareboat chartering of the vessel Tampamachoco 1 (T1) without further liability to Diavaz-Oceanteam. Any assets relating to the Tampamachoco 1 project have been impaired in full as at 31 December 2017.

Oceanteam Bourbon Investments AS is an unlisted joint arrangement in which the Group has joint control and a 50 percent ownership interest. This company is founded in October 2012 by Oceanteam Shipping ASA and Bourbon Offshore Norway AS. The Group has classified its interest in Oceanteam Bourbon Investments AS as a joint venture.

	DOT Shipping companies	Oceanteam Bourbon Investments AS
Nature of relationship with the Group	FSV Icacos FSV Cobos	Equipment business
Principal place of business	Mexico	Bergen, Norway
Ownership interest	40%	50%
Voting rights held	50%	50%

The following is summarised financial information for DOT Shipping companies and Oceanteam Bourbon Investments AS, based on their respective financial statements prepared in USD as the functional currency, modified for fair value adjustments and differences in the Group's accounting policies.

In USD '000	Restated DOT Shipping companies		Restated Oceanteam Bourbon Investments AS	
	2017	2016	2017	2016
Revenue	2.534	4.071	1.260	1.260
Profit before tax	(12.638)	(382)	(62)	(110)
Tax				
Net result	**(12.638)**	**(382)**	**(62)**	**(110)**
Current assets	1.807	3.450	190	523
Non current assets	7.211	32.739	1.008	2.149
Current liabilities	(3.534)	(4.547)	(1.457)	(2.184)
Non-current liabilities	(21.333)	(21.158)	-	(685)
Net assets	**(15.850)**	**10.486**	**(259)**	**(197)**

In USD '000	Restated DOT Shipping companies		Restated Oceanteam Bourbon Investments AS	
	2017	2016	2017	2016
	(0)	2.674	(96)	(41)
Group's interest in net assets of investee at beginning of year Investments				
Total comprehensive income attributable to the Group	-	(2.674)	(96)	(55)
Total other comprehensive income attributable to the Group				
Dividends received during the year				
Carrying amount of interest in investee at 31 December 2017	**(0)**	**(0)**	**(0)**	**(96)**

Note 26. Investment in Joint ventures, associates and subsidiaries Cont.

Associates

"Oceanteam Bourbon 101 AS is an unlisted company which the Group has 50 percent ownership interest. This company was founded in June 2009 by Oceanteam Shipping ASA and Bourbon Offshore Norway AS.

North Ocean 105 AS is an unlisted company in which the Group had a 25 percent ownership interest. Oceanteam ASA sold its 25% stake in North Ocean 105 AS in June 2017 to J.Ray McDermott. Following this sale J.Ray McDermott has a 100% ownership interest in North Ocean 105 AS.

The Group has classified its interest in Oceanteam Bourbon 101 AS and North Ocean 105 AS as an associate, which are equity accounted for.

	Oceanteam Bourbon 101 AS	North Ocean 105 AS
Nature of relationship with the Group	Vessel CSV Bourbon Oceanteam 101	Vessel LV 105
Principal place of business	Bergen, Norway	Bergen, Norway
Ownership interest	50%	0%**
Voting rights held	40%*	0%**

*In December 2013 the owning parties agreed to change the shareholders' agreement for Oceanteam Bourbon 101 AS. Oceanteam Shipping ASA have two of a total of five directors on the board, which is the base for calculation of voting rights given above. The owner companies, Bourbon Offshore Norway AS and Oceanteam Shipping ASA have equal voting shares in general meetings. The changes were implemented from 1 January 2014.

**The ownership interest and voting rights held in North Ocean 105 AS were both 25% up until the date of sale.

The following is summarised financial information for Oceanteam Bourbon 101 AS and North Ocean 105 AS based on USD as the functional currency modified for any differences in the Group's accounting policies.

The 2017 result for North Ocean 105 AS is presented for the period January to June 2017 representing the period in which Oceanteam had significant influence over the company. No balance sheet information is disclosed as Oceanteam's stake in the company was sold during 2017.

In USD '000	Restated Oceanteam Bourbon 101 AS		North Ocean 105 AS	
	2017	**2016**	**Cum Q2 2017**	**2016**
Revenue	14.965	28.064	6.699	14.671
Profit before tax	3.150	16.526	3.503	7.751
Tax	-	(2)	-	(2)
Net result	**3.150**	**16.524**	**3.503**	**7.749**
Current assets	9.650	7.767		1.609
Non current assets	54.810	59.133		97.713
Current liabilities	(43.363)	(48.952)		(28.011)
Non-current liabilities	-	-		(32.679)
Net assets	**21.098**	**17.948**		**38.632**

In USD '000	Restated Oceanteam Bourbon 101 AS		North Ocean 105 AS	
	2017	**2016**	**2017**	**2016**
Group's interest in net assets of investee at beginning of year	13.182	17.818	6.436	12.182
Change in investment	(6.879)	(112)		(1.350)
Total profit/loss attributable to the Group	1.575	(1.973)	970	2.437
Total other comprehensive income attributable to the Group	-	-		(1.832)
Dividends received during the year	-	(2.550)		(5.000)
Disposal	-	-	(7.407)	-
Carrying amount of interest in investee at 31 December 2017	**7.878**	**13.182**	**0**	**6.436**

Note 27. Business combinations

Oceanteam Bourbon 4 AS

During December 2013 the shareholders' agreements between Oceanteam ASA and Bourbon Offshore Norway AS regarding the companies Oceanteam Bourbon 4 AS and Oceanteam Bourbon 101 AS was amended. The result of the amendment was that Bourbon Offshore Norway AS acquired significant control over Oceanteam Bourbon 101 AS, and that Oceanteam ASA acquired significant control over Oceanteam Bourbon 4 AS. The change became effective from 1 January 2014.

After the amendment equity interest still remained 50 percent, but voting shares in Oceanteam Bourbon 4 AS became 60 percent and significant control of the company came in place. The control is currently also affirmed by Oceanteam Shipping ASA being represented by three of a total of five directors at the Company's Board. But in general, the owner companies, Bourbon Offshore Norway AS and Oceanteam AS have equal voting shares in general meetings.

Oceanteam Bourbon 4 AS operates the vessel CSV Southern Ocean which is currently on bareboat charter with Fugro TS Marine Australia until December 2018.

Korndörffer Contracting International B.V. (KCI)

The change of ownership had effect on consolidated financial figures, the entity has been classified as an asset held for sale. See Note 24.

Note 28. Classification financial assets end liabilities

Financial assets		**2017**			**2016**	**USD'000**
	Loans and receivables	Other receivables	Total	Loans and receivables	Other receivables	Total
Trade receivables and other receivables	3.010	7.295	10.305	4.828	6.297	11.125
Cash and Cash equivalents	7.301		7.301	3.416		3.416
Total financial assets	**10.311**	**7.295**	**17.606**	**8.244**	**6.297**	**14.541**

Financial liabilities		**2017**			**2016**	**USD '000**
	Other liabilities	Other liabilities	Total	Other liabilities	Other liabilities	Total
Loan and borrowings						
First year installments	37.919		37.919	105.560		105.560
Short term borrowings	39.720		39.720			
Trade payables and other current liabilities	5.065	14.290	19.355	6.356	9.903	16.259
Total financial liabilities	**82.704**	**14.290**	**96.994**	**111.916**	**9.903**	**121.819**

Liabilities held to maturity are carried at amortised cost. For further information, please refer to loans and borrowings in note 18 and accounting principles in note 2.

Note 29. Change in accounting policy

Measurement of the Construction Support Vessels

As per the balance date of 31 December 2017 the Company has changed the accounting policy for the Construction Support Vessels (CSV's) from the revaluation model to the cost model. Under the revaluation model the asset was carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment. Under the cost model the asset is carried at cost less accumulated depreciation and impairment. On a recurring basis, the CSV's are investigated for indications of impairment, and at a minimum every year an impairment test is performed, comparing the carrying amount with the recoverable amount (higher of CSV's fair value less costs of disposal and its value in use).

The change in accounting policy has been applied retrospectively by adjusting the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.
The accounting policy was changed as the outcome of previous valuations has proven to be arbitrary.

10. FINANCIAL STATEMENTS PARENT

Income Statement

01.01 - 31.12

USD '000	Notes	2017	2016
Operating expenses			
Payroll expenses	3, 14, 19	1.895	3.976
Depreciation	7	510	398
Other operating expenses	3, 16	1.030	2.900
Total operating expenses		**3.436**	**7.274**
Operating profit / (loss)		**(3.436)**	**(7.274)**
Financial Income and expense			
Profit on investment in joint ventures, subsidiaries and associates	2, 4	2.866	-
Interest from group companies	4	2.548	1.375
Foreign exchange result	4	(280)	(95)
Write-off	4	(54.695)	(4.678)
Other financial expenses	4	(1.077)	(188)
Interest expense	4	(7.133)	(8.563)
Net finance		**(57.771)**	**(12.149)**
Profit / (loss) before income tax		**(61.207)**	**(19.423)**
Tax on ordinary income	5		
Net Profit / (loss)		**(61.207)**	**(19.423)**
Attributable to:			
Other equity	13	(61.207)	(19.423)
Total		**(61.207)**	**(19.423)**

Statement of financial position 31 December 2017

Assets

USD '000	Note	2017	2016
Non-current assets			
Intangible assets			
Project strategy, concessions & rights	7	-	307
OTS Designs	7	-	845
Total intangible assets		**-**	**1.152**
Tangible assets			
Office equipment	7	55	195
Total tangible assets		**55**	**195**
Financial assets			
Investments in joint ventures and subsidiaries	8	1.897	34.125
Loans to group companies	9	22.187	45.575
Investments in associates	8	294	298
Total financial assets		**24.378**	**79.998**
Total non current assets		**24.433**	**81.345**
Current assets			
Receivables			
Other receivables	10	10	23
Total receivables		**10**	**23**
Cash and cash equivalents	11	1.002	160
Total current assets		**1.012**	**183**
Total asset		**25.445**	**81.528**

Statement of financial position 31 December 2017

Equity and liabilities

USD '000	Note	2017	2016
Equity			
Owners equity			
Share capital	12, 13	2.595	2.595
Holdings of own shares	12, 13	(256)	(257)
Share premium reserve	13	1.304	1.304
Total owners equity		**3.643**	**3.642**
Accumulated profits			
Other equity	13	(48.618)	12.586
Total accumulated profits		**(48.618)**	**12.586**
Total equity		**(44.974)**	**16.228**
Liabilities			
Bond loan	10	65.616	-
Total other non current liabilities		**65.616**	**-**
Current liabilities			
Bond loan	10	-	56.269
Liabilities to financial institution	10	-	2.700
Accounts payable	10	2.622	1.806
Public duties payable	10	58	71
Other current liabilities	10	2.123	4.454
Total current liabilities		**4.803**	**65.300**
Total liabilities		**70.419**	**65.300**
Total equity and liabilities		**25.445**	**81.528**

Bergen / Norway, 6 July 2018

The Board of Directors of Oceanteam ASA

Keesjan Cordia	Karin Govaert	Diederik Legger
Chairman	Director	Interim CEO

Cash flow statement

01.01 - 31.12

USD '000	2017	2016
Cash flow from operating activities		
Profit / (loss) before income taxes	(61.207)	(19.423)
Depreciation	510	398
Write off assets	54.695	4.678
Change in accounts receivable	13	1.175
Change in accounts payable	817	(9)
Items classified as investment/financing activities	(1.796)	(1.255)
Change in other accruals	(2.345)	2.328
Net cash flow from operating activities	**(9.312)**	**(12.108)**
Cash flow from investing activities		
Paid-out from purchase of fixed assets	(4)	(219)
Paid in dividend from subsidiaries	2.200	9.075
Proceeds from sales of shares	10.652	-
Repayment of share capital from subsidiaries, joint ventures and associates	-	2.025
Net cash flow from investing activities	**12.849**	**10.881**
Cash flow from financing activities		
Paid out non current liabilities	(2.700)	(300)
Proceeds from sale of treasury shares	5	-
Net cash flow from financing activities	**(2.695)**	**(300)**
Net change in cash and cash equivalents	842	(1.526)
Cash and cash equivalent at 01.01	160	1.686
Cash and cash equivalents at 31.12	**1.002**	**160**

11. NOTES TO THE FINANCIAL STATEMENTS PARENT

Note 1. Primary accounting principles

The financial statements, which have been presented in compliance with the Norwegian Public Liability Companies Act (allmennaksjeloven), the Norwegian Accounting Act and Norwegian Generally Accepted Accounting Principles in effect as of 31 December 2017, consist of the profit and loss account, balance sheet , cash flow statement and notes to the accounts.

The financial statements have been prepared based on the fundamental principles governing historical cost accounting, comparability, continued operations, congruence and prudence. Transactions are recorded at their value at the time of the transaction. The different accounting principles are further commented on below.

Assets/ liabilities related to current business activities and items which fall due within one year are classified as current assets/ liabilities. Current assets/ short-term debts are recorded at the lowest/ highest of acquisition cost and fair value. The definition of fair value is the estimated future sales price reduced by expected sales costs. Other assets are classified as fixed assets. Fixed assets are entered in the accounts at historical cost, with deductions for depreciation. In the event of a decline in value which is not temporary, the fixed asset will be subject to a write-down. The same principle applies to liabilities.

According to generally accepted accounting standards there are some exceptions to the basic assessment and valuation principles. Comments on these exceptions can be found in the respective notes to the accounts. When applying the basic accounting principles and disclosure of transactions and other items, the “substance over form” rule is adopted. Contingent losses which are probable and quantifiable are charged to the profit and loss account.

Accounting principles for material items

Revenue recognition

Revenue is normally recognized at the time of delivery of services. Oceanteam ASA issues management fees to companies in the same Group which goes to cost reduction in the same account group as the invoiced companies will book to cost. There is also calculated interest on intercompany receivables based on an intergroup cash pooling agreement.

Other operating expenses

Other costs which are related to day to day operations are classified as other operating expenses.

Dividends

Dividends, group contributions and other distributions are recognized in the same year as they are recognized in the subsidiary or joint venture financial statement. If dividends / group contribution exceed withheld profits after acquisition, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet of the parent company.
Dividend from subsidiaries and Joint ventures will only be recognized per balance sheet date if it’s significantly more likely than not that the dividend will be approved in the relevant company.

Use of estimates

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities in accordance with generally accepted accounting principles in Norway.

Pensions

The Company has a pension scheme that is classified as a defined contribution plan. The defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Depreciation

Based on the historical cost of the asset, straight line depreciation is applied over the useful economic life of the fixed assets. The same rules apply for intangible fixed assets. Depreciation is classified as an operating cost. Finance leases are depreciated over the term of the lease and the liability is reduced in line with the lease payments after deducting interest.

Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax / tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 24 percent of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized.

Foreign currency translation

Functional and reporting currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Company's functional and reporting currency are in USD.

The USD against NOK exchange rate applied as at 31 December 2017 is 8.205. The average exchange rate for the 2017 year applied was 8.248.
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are measured at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses) / gains – net'.

Balance sheet classification

Current assets and short term liabilities consist of receivables and payables due within one year. Other balance sheet items are classified as fixed assets / long term liabilities.

Current assets are valued at the lower of cost and fair value. Short term liabilities are recognized at nominal value. Fixed assets are valued at cost, less depreciation and impairment losses. Long term liabilities are recognized at nominal value.

Intangible assets

Intangible assets are recognized to the extent that the criteria for capitalization are met and are measured at cost and accumulated impairment losses.
Intangible assets are to be tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Tangible assets

Tangible assets are entered in the accounts at historical cost, with deductions for accumulated depreciation and write-down. If the fair value of a tangible asset is lower than book value, and the decline in value is not temporary, that tangible asset will be written down to fair value.

Investment in Joint Ventures, Subsidiaries and Associates

Subsidiaries and investments in joint ventures and associates are valued at cost in the company accounts. The investment is valued as cost of the shares in the subsidiaries and the joint ventures, less any impairment losses. An impairment loss is recognized if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Accounts receivable and other receivables

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables. For the remaining receivables, a general provision is estimated based on expected loss.

Cash flow statement

The cash flow statement is presented using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Cash and cash equivalents include cash, bank deposits and other short term, highly liquid investments with maturities of three months or less.

Currency

Cash, receivables, liabilities in foreign currency is valued using exchange rate at year end.

Events after the balance sheet date

New information on the Company's position at the balance sheet date is taken into account in the annual financial statements.

Events after the balance sheet date that do not affect the Company's position at the balance sheet date, but which will affect the Company's position in the future, are stated if significant.

Note 2. Profit on investments

USD '000

	2017	2016
By business area		
Profit from sale of shares*	4.466	-
Dividend from joint venture companies	-	-
Dividend from subsidiaries**	(4.100)	-
Dividend from associates	2.500	-
Total	**2.866**	**-**
Geographical distribution		
Europe	2.866	
Total	**2.866**	**-**

* Oceanteam ASA sold its 25% stake in North Ocean 105 AS on 20 June 2017.

** Oceanteam ASA reversed out dividends accrued in 2015 which were not subsequently declared.

Note 3. Employees, Board and auditor

USD '000	2017	2016
Employee benefits expense		
Salaries	764	653
Social security	100	75
Pension costs	21	36
Other benefits	5	27
Contractor fees*	1.005	3.186
Total	**1.895**	**3.976**
Number of man-years employed in Oceanteam ASA over the financial year.	6	7

*Contractor fees are related to external consultants and temporary employees supporting the Group's operations.

Management remuneration

USD '000

2017	Position	Board fees	Wages / Fees	Pension premiums	Other remuneration	Total
Haico Halbesma	CEO		409			409
Jos van Dijk	CFO (from Oct 1st)		45	4	1	50
Wilhelm Bøhn	CFO (until Jul 11th)		227		660	887
Hessel Halbesma	Chairman	37			412	448
Diederik Legger	Director (from Jul 31st)	10	57			67
Mrs Catharina Pos	Director	24			86	111
Bote de Vries	Director (from May 9th until Jul 10th)	4	22			26
Mr James Hill	Director (until May 9th)	12			38	50
Total		**88**	**760**	**4**	**1.197**	**2.048**

2016	Position	Board fees	Wages / Fees	Pension premiums	Other remuneration	Total
Haico Halbesma	CEO		583		507	1.090
Wilhelm Bøhn	CFO (interim)		75		50	125
Torbjørn Skulstad	CFO (until Nov 30th)		237	7	223	467
Hessel Halbesma	Chairman	36			1.826	1.862
Mrs Catharina Pos	Director	24			107	131
Mr James Hill	Director	24			101	125
Total		**84**	**895**	**7**	**2.814**	**3.800**

The CEO, Haico Halbesma, had a service agreement through his company Heer Holland B.V with an annual fee of EUR 360.000 (USD 409.443). These costs have been classified as wages/fees. Haico Halbesma resigned as CEO on 15 March 2018 with effect as of 30 March 2018. The contract termination fee for the amount of EUR 1.8 million between the Oceanteam ASA and Heer Holland has been waived as part of the overall settlement agreement entered into on 13 April 2018 with Feastwood Holding Ltd., Heer Holland BV, Haico Halbesma, Hessel Halbesma and all parties related to them.

Jos van Dijk, was appointed as CFO on 1 October 2017. He receives an annual salary of EUR 138.888 which attracts a holiday allowance at 9.2%. From 1 October until 31 December 2017 he received EUR 37.916 (USD 44.873).

Wilhelm Bøhn, former interim CFO, had a contract with the Company to assist in restructuring the bond loan and the shipping segment financing as per the predefined strategy and scope while acting as interim CFO. This agreement includes a fixed retainer of USD 300.000 payable over 12 months starting October 2016. These costs from January until September have been classified as wages/fees. In accordance with the agreement, he also became entitled to a bonus of USD 300.000 after the Board and bondholders voted in favour of restructuring the FRN Oceanteam Shipping ASA Senior Callable Bond Issue and the amended bond loan agreement 2012/2017. This cost has been classified as other remuneration.

Following a settlement agreement signed in 2018 with Wilhelm Bøhn, Oceanteam ASA has agreed to further costs totalling an additional USD 360.000 which has been classified as other remuneration.

For the year 2017, the agreed annual fee for the chairman of the Board is NOK 300.000 (USD 36.636) and NOK 200.000 (USD 24.424) for the other members of the Board. In addition, Board chairman Hessel Halbesma had a service agreement through Feastwood Holding Limited and charged fees of EUR 368.950 (USD 411.734) through Feastwood Holdings Ltd. Hessel Halbesma resigned as Board chairman on 22 March 2018.

Board member Diederik Legger receives an annual salary of USD 120.000 which attracts a holiday allowance at 12% in addition to his Board fees.

Board director Mrs Catharina Pos has received services fees through her company Cenzo B.V. of EUR 77.584 (USD 86.132), and Board director Mr James Hill has received services fees through his company Groom et Hill S.A.R.L of EUR 34.767 (USD 37.867). Mrs Catharina Pos resigned as Board member on 23 March 2018.

Refer to note 19 for the year-end balances of related parties.

The incentive scheme throughout the Group is given at the discretion of the Board and CEO. The CEO makes a proposal to the Board for different incentives for the employees of the Company. The incentive can either be paid out in shares or in cash. If payment should be in shares, share prices will be calculated at market value. Incentives for the CEO are defined by the Board.

All employees in Oceanteam are included in an incentive plan which can consist of phantom shares in order to retain and attract employees. A phantom share award was executed in 2014 at expiration date 30 September 2016 with a valuation equal to the Company's share on the Oslo Stock Exchange (20 days average closing price). At year-end, phantom shares have not yet been paid to all employees. The liability to the Company for the unpaid incentives is registered as a liability of USD 147.153.

There have not been given loans, advance payments and security by the Company or other companies in the group to the individual senior executives and the individual members of the Board of directors, audit committee and other elected corporate bodies.

There have not been given remuneration, pension's plans or other benefits to members of the audit committee or other elected corporate bodies.

Auditor

Auditor's fee consists of the following:

USD '000	2017	2016
Statutory audit	643	411
Other assurance services	33	182
Tax advisory	8	41
Other	51	10
Total	**735**	**644**

VAT is not included in the auditor's fee.

Note 4. Financial income and financial expenses

USD '000	2017	2016
Finance income		
Dividend from subsidiaries	(4.100)	-
Dividend from associates	2.500	-
Profit from sale of shares	4.466	-
Interest income from group companies	2.548	1.375
Other financial income (foreign exchange gains)	137	260
Total finance income	**5.551**	**1.635**
Finance costs		
Write-down investments / receivables	(54.695)	(4.678)
Interest expenses	(6.825)	(8.087)
Call premium	(402)	(476)
Other financial expenses	(983)	(188)
Other financial cost (foreign exchange losses)	(416)	(355)
Total finance costs	**(63.321)**	**(13.784)**
Result financial items	**(57.771)**	**(12.149)**

Note 5. Income taxes

USD '000	2017	2016
Income tax expense		
Tax payable	-	-
Tax payable previous year	-	-
Changes in deferred tax	-	-
Total income tax expense	**-**	**-**
Tax base calculation		
Profit/(loss) before income tax	(61.207)	(19.423)
Permanent differences	51.644	4.678
Changes in temporary differences	523	247
Corrections from previous periods	477	-
Translation differences	1.311	2.924
Tax base	**(7.252)**	**(11.574)**
Temporary differences:		
Fixed assets	(1.816)	(551)
Non-current receivables	-	-
Non current assets	-	-
Current assets	-	-
Profit and Loss account	100	119
Tax-deductible part of write-down	-	-

Taxable income from Subsidiairies	-	-
Effect foreign exchange on long-term liabilities	-	-
Other temporary differences	-	-
Total	**(1.716)**	**(432)**

Loss carry forward	186.297	171.053
Taxable income from Subsidiairies	-	-
Total	**186.297**	**171.053**

Temporary differences not included in base for calculating deferred tax	(188.013)	(171.485)
Deferred tax liability (asset) - (2017: 24%, 2016: 25%)*	(45.123)	(42.871)

Effective tax rate	**2017**	**2016**
Expected income taxes at statutory		
Tax rate 24% (2016: 25%)	(14.690)	(4.856)
Permanent differences 24% (2016: 25%)	12.395	982
Change in temp. differences not recognised	2.295	3.873
Income tax expense	-	-
Effective tax rate in %	0,0 %	0,0 %

*Deferred tax assets are not recognised in the balance sheet as there is uncertainty regarding utilization in the foreseeable future.

Note 6. Deferred tax

Confirmation from the tax authorities for a cumulative carryforward tax loss of NOK 1 469 million (USD 179 million) for the year 2016 was received 30 November 2017. Cumulative carryforward tax loss at year-end 2017 is estimated to NOK 1 529 million (USD 186 million). The carryforward tax loss has no statute om limitation and can be utilized against company's future losses.

Note 7. Assets

Intangible assets

USD '000	2017	2016
IP licences		
Acquisition cost at 01.01.	573	499
Additions	-	75
Disposals	-	-
Acquisition cost at 31.12	**573**	**573**
Accumulated depreciation 01.01	(267)	(172)
Depreciation in the year	(91)	(95)
Write down	(215)	-
Accumulated depreciation 31.12	**(573)**	**(267)**
Net book value	**-**	**307**
OTS Designs		
Acquisition cost at 01.01.	1.344	1.249
Additions	4	96
Disposals	-	-
Acquisition cost at 31.12	**1.348**	**1.344**
Accumulated depreciation 01.01	(500)	(250)
Depreciation in the year	(279)	(250)
Write down	(569)	-
Accumulated depreciation 31.12	**(1.348)**	**(500)**
Net book value	**-**	**845**

The design of C12000 (previously 300-series) was impaired in full in 2017 as it was not considered to have future economic value. Depreciation started in 2015, with a useful economic life estimated to 5 years. The depreciation method is straight line.

Tangible assets

USD '000	2017	2016
Property, plant and equipment		
Acquisition cost at 01.01.	589	601
Additions	-	51
Disposals	-	(63)
Acquisition cost at 31.12	**589**	**589**
Accumulated depreciation 01.01	(394)	(341)
Depreciation in the year	(140)	(53)
Accumulated depreciation 31.12	**(534)**	**(394)**
Net book value	**55**	**195**
The useful economic life is estimated to be:	3-10 years	3-5 years

The depreciation method is straight line.

Note 8. Investment in subsidiaries, joint ventures and associates

	Year acquired / incorporated	Head Office/ Country of registration	Ownership share	Voting share
Subsidiaries directly owned				
Oceanteam II B.V.	2007	Amsterdam, Netherlands	100%	100%
RentOcean B.V.	2015	Amsterdam, Netherlands	100%	100%
North Ocean 309 AS	2011	Bergen, Norway	100%	100%
Oceanteam Shipping Monaco SAM	2011	Monte Carlo, Monaco	100%	100%
Oceanteam Bourbon 4 AS	2006	Bergen, Norway	50%	60%
Joint ventures directly owned				
DOT Shipping B.V.	2014	Amsterdam, Netherlands	40%	50%
Oceanteam Bourbon Spares and Equipment AS	2012	Bergen, Norway	50%	50%
DOT Holdings AS	2014	Bergen, Norway	40%	50%
DOT Servicios Navieros, S.A. de C.V.	2014	Mexico City, Mexico	40%	50%
NorHol, S.A. de C.V.	2015	Mexico City, Mexico	40%	50%
Associates directly owned				
Oceanteam Bourbon 101 AS	2006	Bergen, Norway	50%	40%
Subsidiaries indirectly owned				
Oceanteam Mexico B.V.	2008	Amsterdam, Netherlands	100%	100%
Oceanteam Shipping B.V.	2011	Amsterdam, Netherlands	100%	100%
Oceanteam Solutions B.V.	2012	Amsterdam, Netherlands	100%	100%
KCI International B.V.	2008	Schiedam, Netherlands	100%	100%
KCI the Engineers B.V.	2008	Schiedam, Netherlands	100%	100%
Oceanteam Shipping GmbH	2007	Wilhelmshaven, Germany	100%	100%
Oceanteam GmbH	2007	Wilhelmshaven, Germany	100%	100%
Oceanteam Power and Umbilical GmbH	2007	Wilhelmshaven, Germany	100%	100%
Oceanteam Mexico S.A de C.V.	2008	Cd. del Carmen, Mexico	90%	49%
Joint ventures indirectly owned				
DOT Shipping AS	2014	Bergen, Norway	40%	50%
Associates indirectly owned				
DOT Radiance PTE. Ltd	2014	Singapore city, Singapore	20%	20%

Note 8. Investment in subsidiaries, joint ventures and associates (continued)

Investments valued at cost (company accounts)

Subsidiaries and joint ventures

USD ‘000

Company name	Share capital	Number of shares issued	Write downs in 2017	Net book value	The company’s total equity	Net profit (loss) 2017
Oceanteam II B.V.	22	18.000	27.948	-	(3.490)	(34.661)
RentOcean B.V.	11	10.000	11	-	(1.572)	(1.036)
North Ocean 309 AS	17	100	19	-	(831)	(548)
Oceanteam Shipping Monaco SAM	215	1.500	-	216	303	37
Oceanteam Bourbon 4 AS*	3.010	100	-	1.681	29.561	9.821
DOT Shipping B.V.	14	10.000	5	-	18	(164)
Oceanteam Bourbon Spares and Equipment AS	5	30	-	-	(259)	(62)
DOT Holdings AS	434	2.400	4.240	-	(6.190)	(14.611)
DOT Servicios Navieros, S.A. de C.V.	3	50	-	-	(3.694)	(2.053)
NorHol, S.A. de C.V.	-	50	-	-	-	-
Sum	**3.731**		**32.224**	**1.897**	**13.846**	**(43.279)**

Associates

Company name	Share capital	Number of shares issued	Write downs in 2017	Net book value	The company’s total equity	Net profit (loss) 2017
Oceanteam Bourbon 101 AS*	402	2.610	-	294	21.098	3.150
Sum	**402**			**294**	**21.098**	**3.150**

The above investments are only those directly owned by Oceanteam ASA.

The investments are valued at the lower of cost and net realizable value.

* During December 2013 the shareholders’ agreements between Oceanteam ASA and Bourbon Offshore Norway AS regarding the companies Oceanteam Bourbon 4 AS and Oceanteam Bourbon 101 AS was amended. The result of the amendment was that Bourbon Offshore Norway AS acquired significant control over Oceanteam Bourbon 101 AS, and that Oceanteam ASA acquired significant control over Oceanteam Bourbon 4 AS. The change became effective from 1 January 2014. After the amendment equity interest still remained 50 percent, but voting shares in Oceanteam Bourbon 4 AS became 60 percent and significant control of the company came in place. The control is currently also affirmed by Oceanteam ASA being represented by three of a total of five directors at the Company’s Board. But in general, the owner companies, Bourbon Offshore Norway AS and Oceanteam ASA have equal voting shares in general meetings.

Note 9. Intercompany balances with group companies and associates

USD '000

Intercompany balances	Write downs in 2017	2017	2016
Oceanteam Bourbon 101 AS	-	2.516	28
Oceanteam Bourbon 4 AS	-	4.545	5.908
Oceanteam Bourbon Spares & Equipment AS	-	204	492
Oceanteam Shipping GmbH	-	(9)	(9)
Oceanteam II B.V.	3.490	4.192	13.988
Oceanteam Mexico S.A de C.V.	2.677	-	1.715
Oceanteam Mexico B.V.	-	19	12
KCI International B.V.	9.072	-	3.724
North Ocean 309 AS	541	-	451
Oceanteam Shipping Monaco SAM	-	(377)	(456)
Oceanteam Solutions B.V.	-	(75)	(87)
RentOcean B.V.	1.572	5.254	5.966
North Ocean 105 AS	-	-	6.968
Oceanteam Shipping B.V.	-	6.911	1.770
KCI the Engineers B.V.	-	(1.115)	1.544
DOT Servicios Navieros, S.A. de C.V.	500	-	363
DOT Shipping B.V.	401	-	25
DOT Shipping AS	147	3	62
DOT Holdings AS	3.287	120	3.111
Sum	**21.686**	**22.187**	**45.575**

Note 10. Receivables and Liabilities

USD '000	2017	2016
Receivables		
Prepayments	10	23
Non-current liabilities		
Bond Loan - nominal value	(66.381)	-
Bond loan - borrowing cost (to be amortized over loan period)	766	-
Total	**(65.616)**	**-**
Other long term debt		
Total non-current liabilities	**(65.616)**	**-**
Current liabilities		
Bond Loan - nominal value	-	(56.627)
Bond Loan - expected call premium accrued	-	(476)
Bond loan - borrowing cost (to be amortized over loan period)	-	834
Total	**-**	**(56.269)**
SMN extended draw down bond loan	-	(2.700)
Accounts payable	(2.622)	(1.806)
Public duties payable	(58)	(71)
Other current liabilities	(2.123)	(4.454)
Total current liabilities	**(4.803)**	**(65.300)**

The Company's bond loan has been reclassified from a short-term debt to a non-current liability due to the fact that the restatement agreement of the bond loan's financial restructuring was concluded. The agreement encompasses the repayment of the bond in full, the extension of the loan maturity and a major adjustment of interest costs concerned. The final maturity date means 2 May 2022.

The revised bond loan allows for security to be granted to bond holders including a pledge over Oceanteam's shares held in Oceanteam Bourbon 101 AS (50% share) and Oceanteam Bourbon 4 AS (50% share). Refer to note 8 for the carrying value of these assets.

The interests include cash interest at a fixed rate of 1% per annum and in kind interests at a fixed rate of 6% per annum.

As of the balance sheet date, the Company is compliant with its financial covenants.

The Bond Agreement has been amended and restated per 24 April 2018. According to the renegotiation the debt-to-equity conversion of USD 62.073.570 (bonds and interests) was performed and the amount of USD 5 million of the bonds will be outstanding under the Bond Agreement.

Note 11. Bank deposits

Tax deducted from employees, deposited in a separate bank account amounts to NOK 366.280 (USD 44.641).

In addition, Oceanteam ASA has a reserve account which could not be used without the prior approval of Nordic Trustee. According to the amended and restated bond loan agreement the reserve account has to be used for a repayment of the Bond's principal, payment of the Bondholder's Nominated Director and Management Consultant. USD 863.368 was deposited in this bank account as at 31 December 2017.

Note 12. Share Capital and Shareholder Information

Share capital

As per 31.12.2017, the share capital of the Company is NOK 14.796.629,50 (USD 2.595.148) divided into 29.593.259 shares with a nominal value of NOK 0,50 (USD 0,09). All shares are given equally voting rights.

Oceanteam owns a total of 2.934.176 own shares representing 10,0% of the shares in the Company. The calculations are made on the basis of 29.593.259 shares in the Company. The purpose of the buy-back is to secure Oceanteam's obligations related to the share based incentive plan for executives and employees, as detailed in resolution 10 of Annual General Meeting, held on 31 May 2012.

Shareholders	Notes	Number of shares	Percentage of total
UBS Switzerland AG	1	9.533.720	35,8%
CLEARSTREAM BANKING S.A.		4.035.007	15,1%
PERSHING LLC		893.538	3,4%
YOUNG NOUGATEERS AS		600.000	2,3%
THE ROYAL BANK OF SCOTLAND PLC		447.947	1,7%
NYBORG, PER OLAV		418.150	1,6%
JPMorgan Chase Bank, N.A., London		373.558	1,4%
KUMAR, VIJAY		359.400	1,3%
VARNER AS		350.211	1,3%
Lindheim, Trond		340.000	1,3%
NORDNET LIVSFORSIKRING AS		274.190	1,0%
NILSEN, STEINAR JOHAN		260.000	1,0%
Nordnet Bank AB		255.307	1,0%
QUITENICE HOLDING AS		235.000	0,9%
MJELDE, ARVID BJARNE		145.000	0,5%
TORSMYR, JO		130.000	0,5%
SKÅLA BÆR AS		125.000	0,5%
MAXLIVING AS		123.000	0,5%
ATOR AS		117.652	0,4%
LOEN, LEIF ARNE		116.000	0,4%
Subtotal 20 largest		**19.132.680**	**71,8 %**
Others		7.526.403	28,2 %
Total		**26.659.083**	**100,0 %**

Shareholders	Notes	Number of shares	Percentage of total
Board:			
Hessel Halbesma (UBS AG)	1	9.533.720	35,8 %
Total for Board		**9.533.720**	**35,8 %**
Management			
Haico Halbesma, CEO	1	9.594.707	36,0%
Total of shares owned by executive employees		**9.594.707**	**36,0%**

Related parties			
Tor Arend Halbesma	1	50.000	0,2%
Total shares owned by related parties		**50.000**	**0,2%**
Total shares controlled by Halbesma family	**1**	**9.644.707**	**36,2%**

1. UBS ASG nominee account is controlled by the Halbesma family. Haico Halbesma was CEO and Hessel Halbesma was Chairman of Oceanteam ASA as at 31 December 2017. Haico Halbesma owns 60.987 shares privately and jointly controls 9.533.720 shares together with Hessel Halbesma. Tor Arend Halbesma is the son of Hessel Halbesma.

For more information, please refer to related party transaction in note 19.

Note 13. Equity

USD '000

	Share capital	Own shares	Premium fund	Other equity	Total
Equity 01.01.17	2.595	(257)	1.304	12.586	16.228
Net profit/ loss for the year				(61.207)	(61.207)
Transactions with owners in their capacity as owners:					
Treasury shares sold		2		3	5
Equity 31.12.17	**2.595**	**(256)**	**1.304**	**(48.618)**	**(44.974)**

Oceanteam ASA has sold 24 248 treasury shares at a price of NOK 1,60 per share and 900 treasury shares at a price of NOK 1,67 per share (Total USD 4.832) on 13 December 2017. Following the sale, Oceanteam holds 2.934.176 treasury shares.

Note 14. Pensions

The Company is required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The Company's pension scheme meets the requirements of that law. The Company's pension scheme is a defined contribution plan funded through an insurance company.

Note 15. Events after the balance sheet date

Conversion of the Bond Loan to Share Capital

An extraordinary general meeting of Oceanteam ASA was held on 13 April 2018 in which a proxy was granted to the Board of directors to increase the share capital of the Company by conversion the 'FRN Oceanteam ASA Senior Callable Bond Issue' to share capital.

On 26 April Oceanteam ASA announced the successful completion of the debt to equity conversion. This included the conversion of USD 62.073.570 out of the total USD 67.073.570 Bond principle and accrued interest up to 28 February 2018 for 620.735.700 new shares of Oceanteam ASA, each with a nominal value of NOK 0,50. Interest accruing on the Bond Loan from and including 28 February 2018 to and including the date of conversion were waived.

An amount of USD 5 million of the bond will be outstanding under the Bond Agreement. The remaining Bond will remain outstanding on substantially the same terms however amendments include, but not limited to:

- the cash interest of 1% being replaced by an additional 1% payment in kind, which results in a total payment in kind of 7%
- Unblocking of the reserve account so that amounts can be used for general corporate purposes of the company

- Removing limitations on management compensation
- Removing the cash sweep mechanism

The financial effect of this conversion is stronger equity, reduced financial costs and generation of additional free cash for financing the Company's ongoing operations.
As part of the restructuring agreement Mr. Keesjan Cordia received 111.600.000 of the shares issued to the Bondholders in connection with the Conversion on a pro rata basis from the Bondholders. In addition, Mr. Cordia has been appointed as a director on the Issuer's Board of directors.

Share Capital Increase

As an integral part of the restructuring and in order to raise funds to ensure the future operations of the company and allow for an adequate liquidity to the company's group going forward, the company negotiated an agreement with Mr Keejan Cordia that his company would transfer NOK 20 million which was to be used as a contribution for a share capital increase in the company following the conversion of the bond loan. This money was received 2 May 2018.

On 4 May 2018 Oceanteam ASA announced that the Board of directors had resolved to increase the share capital from NOK 325.164.479,50 to NOK 350.164.479,50 by issuing 50 million new shares with a nominal value of NOK 0'50 per share, at a subscription price of 0,50 per share. The total number of Company's shares became 700.328.959. Corinvest B.V. subscribed for 40 million shares and Feastwood Holding Limited has subscribed for 10 million shares. Refer to note 19 for more information on the Feastwood Holding Limited / Halbesma family settlement.

Stichting Value Partners Family Office loan agreement

As part of the bond restructuring, on 23 April 2018, Oceanteam ASA, as the borrower, entered into a loan agreement with Mr. Henk van Heijst through Stichting Value Partners Family Office, a foundation incorporated under the laws of the Netherlands associated for USD 1.5 million. Stichting Value Partners Family Office have stated that if, for whatever reason, the ready liquidity of Oceanteam ASA is such that a repayment of the loan on 23 October 2018 is not feasible, Stichting Value Partners Family Office is unconditionally prepared to extend the maturity of such loan for another 12 months.

The interest, which accrues from the date of the agreement, is at 7% per annum. Accrued interest is added to the principle amount and to be paid together with the repayment of the loan on the repayment date. The repayment date being 6 months after the date of the loan agreement.

The Bergen Court (Bergen Tingrett) ruling for the petition for a public investigation

The Bergen Court (Bergen Tingrett) decided in a ruling, relating to the petition for a public investigation filed by shareholders of Oceanteam ASA, dated 20 February 2018 to appoint an investigator, and that Oceamteam ASA shall pay a deposit of NOK 3 million on account for estimated investigation costs. This was paid 3 May 2018. The costs of the investigation cannot be reliably estimated and may exceed this amount. This cost has not been included in the 2017 financial statements.

Sale of KCI the Engineers B.V.

KCI International B.V, 100% owned subsidiary of Oceanteam II B.V which is a 100% owned subsidiary of Oceanteam ASA, sold its entire shareholding in KCI the Engineers B.V with an effective date 1 January 2018. As part of this sale a parent company guarantee was granted by Oceanteam ASA to IHC Merwede B.V, buyers of KCI the Engineers B.V. with a maximum liability of EUR 700.000 or the Purchase Price as defined in the share purchase agreement with IHC Merwede.

Suspension of share trading

In February 2018 the trade of shares of the Company were suspended by the Oslo Stock Exchange following a notification from the Financial Supervisory Authority of Norway that the preliminary 2017 financial results did not give a true and fair view of Oceanteam's financial situation.

Note 16. Financial risk management

GOING CONCERN

In accordance with the Accounting Act § 3-3a the company confirms that the financial statements have been prepared under the assumption of going concern. This assumption is based on income forecasts for the years 2018 – 2019 and the Group's long-term strategic forecasts. The market has been experiencing a downturn which has had a direct impact on the performance and liquidity of the Company. Liquidity forecasts going forward are for modest but positive cash flows.

The Directors have considered all available information about the future when concluding whether the Company is a going concern at the date they approve the financial statements. The review covers a period of at least twelve months from the date of approval of annual financial statements. The Company has initiated several cost saving initiatives within corporate and operational segments, implemented in 2017 and executed in 2018.

Oceanteam ASA completed a financial restructuring in June 2017 by signing an agreement with its bondholders. Refer to note 10 for more details. During 2018 the majority of the bond loan was converted into equity, with the remaining balance on the bond loan standing at USD 5 million and a loan for USD 1.5 million was agreed with Stichting Value Partners Family Office. Refer to note 15 for more details.

(A) CREDIT RISK

The credit risk of receivables from group entities is dependant on the performance of the actual operations within the subsidiary, joint venture or associate.

(B) LIQUIDITY RISK

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. The company is receiving their revenue and thus cash liquidity from their subsidiaries and associates, and is consequently dependant on the liquidity in these companies.

Liquidity risk has been significant during 2017 and into 2018.

(C) MARKET RISK

The market risk with regard to currency risk is considered low as the functional and reporting currency are in USD. The bond loan and the majority of the companies revenues, which are dividends, intercompany interest and management fees, are in USD. Other liabilities are mostly a mix of USD, EUR and NOK. Market risk is considered low.

Note 17. Contingent liabilities

The Company has had proceedings against Intramar regarding undocumented settlements

During the proceedings there have been made arrest in counterparts assets. The Dutch Supreme Court rendered its judgement at 10 February 2017, and the arrests were lifted at 13 February 2017. The counterpart, which in this case has the burden of proof, may assess these arrests as wrongful and seek damages. The Company does not expect any actions from Intramar.

Note 18. Contingent assets

There is no material contingent assets at year-end.

Note 19. Transactions with related parties

Cenzo BV

Cenzo is controlled by Catharina Petronella Johanna Pos, former director of Oceanteam ASA. Transactions consists mainly of invoicing of Board fees and other consulting services provided to the Company during 2017. Please refer to note 3 for more details.

Feastwood Holding Ltd (1)

Feastwood Holding Ltd is controlled by Hessel Halbesma, former chairman of Oceanteam ASA and Haico Halbesma, former CEO of Oceanteam ASA. Transactions consist of invoicing for services provided by Hessel Halbesma and recharges related to disbursements. These services provided include Board services, providing exclusive access to his network and long time business partners, maintenance and development of partnership arrangements, sourcing and strategic development related to financing the group, Intellectual property expansion, initiation and steering of change management and general support to various management functions within the group. Refer to note 3 for more details.

Feastwood Holding Ltd (2)

Haico Halbesma, became entitled to a EUR 300.000 bond and bank loan restructuring bonus in July 2017 following successful completion of the restructuring strategy. This was withdrawn by his request and approval of the Board with a Board resolution of 15 December 2017.

Heer Holland BV

Heer Holland BV is controlled by Haico Halbesma, former CEO of Oceanteam ASA. Transactions consists mainly of invoicing of monthly management services. Refer to note 3 for more details.

Groom Hill

Groom Hill is 33% owned by James Wingett Hill, former director of Oceanteam ASA. Transactions consists mainly of invoicing of Board fees and other consulting services provided to Company during 2017. Refer to note 3 for more details.

Challenger Management Services S.A.M.

Challenger Management Services S.A.M. is controlled by Hessel Halbesma and Haico Halbesma. Transactions consist of invoicing for communication services provided.

Imperator AS

Imperator AS is controlled by Wilhelm Bøhn, former interim CFO of Oceanteam ASA and his close family. Transactions consist of invoices in accordance with a service agreement. Refer to note 3 for more details.

4C Offshore Ltd

4C Offshore Ltd is controlled by Hessel Halbesma, former chairman of Oceanteam ASA and Haico Halbesma, former CEO of Oceanteam ASA. The transactions with 4C Offshore Ltd consist mainly of invoices for consultancy work, IT maintenance and licensing fees.

USD '000	Income/recharged expense		Cost		
Company	2017	2016	2017	2016	Type of transaction
Cenzo BV		-	(86)	(124)	Other services than Board committee
Feastwood Holding Ltd (1)	385	190	(412)	(1.855)	see above
Feastwood Holding Ltd (2)		-	-	(691)	see above
Heer Holland BV		-	(409)	(392)	see above
Groom Hill S.A.R.L		-	(38)	(118)	Other services than Board committee
Challenger Management Services S.A.M		-	2	(14)	Other services than Board committee
Imperator AS		-	(887)	(75)	Management Services
4C Offshore Ltd		-	(163)	(222)	see above

USD '000	Amounts receivable		Vendor & accrued balance	
Company	2017	2016	2017	2016
Cenzo BV	-	-	(136)	(82)
Feastwood Holding Ltd (1)	220	-	-	(16)
Feastwood Holding Ltd (2)	-	-	(666)	(691)
Heer Holland BV	-	-	(134)	(28)
Groom Hill S.A.R.L	-	-	(78)	(84)
Challenger Management Services S.A.M	-	-	(5)	(14)
Imperator AS	-	-	(805)	(37)
4C Offshore Ltd	-	-	(358)	(197)

On 13 April 2018 a settlement agreement was signed between Oceanteam ASA and its affiliates and Haico Halbesma, Hessel Halbesma, Feastwood Holding Ltd, Feastwood Holdings Limited, Heer Holland B.V., Toha Invest B.V. and Challenger Management Services S.A.M.

The agreement states that Oceanteam ASA and it's affiliates have agreed to settle claims by the Halbesma family and their companies by way of a settlement amount of NOK 5 million. The agreement further states that the settlement amount will not be made as a cash payment but the claimants will have the right and obligation to subscribe for 10 million shares in Oceanteam ASA at a subscription price of NOK 0,5, through a share capital increase by conversion of the settlement amount into equity. Feastwood Holding Limited subscribed for 10 million shares on 4 May 2018.

The settlement amount has lead to a loss for Oceanteam of approximately USD 58.497. This loss has not been reflected in the 2017 financial statements.

In May 2018 a settlement has been reached between Oceanteam ASA and Catharina Petronella Johanna Pos and Cenzo Holding B.V. This settlement is currently being finalised in a settlement agreement stating that Oceanteam ASA, Catharina Petronella Johanna Pos and Cenzo Holding B.V. agree to settle all claims of Catharina Petronella Johanna Pos and Cenzo Holding B.V by way of a settlement amount of NOK 500.000 which will not be made as a cash payment but the claimants will have the right and obligation to subscribe for 1 million shares in Oceanteam ASA at a subscription price of NOK 0,5, through a share capital increase by conversion of the settlement amount into equity.

The settlement amount will lead to a gain for Oceanteam of approximately USD 92.965. This gain has not been reflected in the 2017 financial statements.

Note 20. Transactions with Group companies

USD '000

	Interest Income / (Expense)		**Management fee income**	
	2017	2016	2017	2016
KCI International B.V.	395	268	22	22
KCI the Engineers B.V	132	128	-	15
Oceanteam Shipping BV	429	(27)	680	680
Oceanteam II BV	581	86	5	5
Oceanteam Mexico BV	1	1	5	5
Oceanteam Mexico SA de CV	449	346	220	220
Oceanteam Shipping GmbH	(1)	-	-	-
Oceanteam Equipment Base Ltd	-	(1)	-	-
Oceanteam Bourbon 101 AS	-	2	217	35
Oceanteam Bourbon 4 AS	-	6	967	30
North Ocean 309 AS	61	53	22	21
Oceanteam Shipping Monaco SAM	(31)	(11)	-	28
Oceanteam Solutions BV	(6)	(6)	15	15
Oceanteam Bourbon Investments AS	22	33	12	12
RentOcean BV	518	298	300	300
North Ocean 105 AS*	94	200	-	-
DOT Holdings AS	-	-	-	-

*Please refer to Note 2 for more information.

Internal interest is calculated on intercompany balances. An interest rate of 7% + Libor 3 months is applied to all the above company's intercompany balances subject to Oceanteam Bourbon Investments AS and North Ocean 105 AS on which the interest is 4% per annum.

Please see note 9 for intercompany balances.

Note 21. Guarantees

The Company has issued guarantees for the subsidiaries and joint venture companies in the group. For all major assets, guarantees are in place.

To the General Meeting of Oceanteam ASA

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Independent Auditor's Report

Report on the Audit of the Financial Statements

Qualified opinion

We have audited the financial statements of Oceanteam ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The financial statements of the group, which comprise the balance sheet as at 31 December 2017 and income statement, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with laws and regulations, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report.

- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Qualified Opinion

Oceanteam ASA's investment in KCI The Engineers B.V. was sold in January 2018. In the financial statement of the group KCI The Engineers B.V. is a fully consolidated subsidiary and is recognized as discontinued operation in accordance with IFRS 5 with USD 6.6 million as asset held for sale and USD 2.7 million as liabilities held for sale in the balance sheet per 31 December 2017, and a negative result of USD 0.5 million is included in Oceanteam's result for the year then ended. We have not been able to obtain sufficient and appropriate audit evidence for the recognized amounts, and the disclosure of cashflow from discontinued business, of Oceanteam's investment in KCI The Engineers B.V as this company has not been subject to an audit at the time for our opinion and because the cashflow from discontinued business is not disclosed. Consequently, we have not been able to establish whether these amounts would require adjustment or conclude on the cashflow effect from continued business in 2017.

The Group has chosen to change the accounting policy for valuation of the construction support vessels from the revaluation model to the cost model in IAS 16 Property, plant and equipment. The change in accounting policy have been applied retrospectively according to IAS 18 Accounting Policies, Changes in Accounting Estimates and Errors. We have not been able to obtain sufficient and appropriate audit evidence related to whether the retrospective effects should be presented in the income statement for 2016 or opening balance 1 January 2016. For 2016 and 2017 we have not been able to obtain sufficient and appropriate audit evidence related to the classification of effects between write off / impairment and net income form associates/joint ventures.

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 3 in the financial statements and the Board of Director's Report which indicates that the Group's liquidity forecast is showing a constrained cash flow. There are significant assumptions within the cash flow forecast which are both within and outside the control of the Group. The events and assumptions described in note 3 and in the Board of Directors' report, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report;

Assessment of the carrying value of vessels and equipment

The Group has chosen to change the accounting policy for valuation of the construction support vessels from the revaluation model to the cost model in IAS 16 Property, plant and equipment. The vessels are recognized in the balance sheet at historical cost less any accumulated depreciation and accumulated impairment losses. The accounting policy for the construction vessels impact vessels and equipment and investments in associates and joint ventures owning construction support vessels.

Impairment testing and valuation is done by comparing the carrying amount with the recoverable amount according to IAS 36 Impairment of Assets. Recoverable amount being the higher of vessels and equipment fair value less costs of disposal and its value in use.

Our audit procedures in this area included, among others:

- Evaluating whether the change in accounting policy is implemented according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- Evaluating management's assessment related to choice of accounting policy and compliance with IFRS
- Evaluating management's assessment of impairment indicators
- Assessing whether the models used to calculate value in use are appropriate and mathematically accurate

- Compared valuation reports from external valuation specialists with the value in use calculations to challenge management's budgets and forecasts used in the value in use calculations

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, with the exception of the financial statements and the independent auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Qualified Opinion on Registration and Documentation

Management has not fulfilled its duty to produce proper and clearly set out registration and documentation of the Group's transactions and account balances on a timely basis.

RSM

Auditor's Report 2017 for Oceanteam ASA

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management, except for the effects of the matter described in the section above, has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group’s accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Other Matter

The Company’s financial statements have been submitted after the expiry of the statutory time limit for preparation of financial statements for listed companies.

This audit report replaces our previous audit report as of 30 April 2018, which was issued on the date of the statutory deadline for listed companies for preparation of financial statements and our previous audit report as of 30 June 2018, which was issued at the statutory deadline for holding the annual shareholder meeting. Complete annual financial statements and Board of Directors’ report were at this point in time not submitted by the Board of Directors and Managing Director.

Oslo, 6 July 2018
RSM Norge AS

Lars Løyning
State Authorised Public Accountant

CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT

Corporate Responsibility (CR) at Oceanteam is a matter of making good and sustainable business decisions. The Company considers Corporate Responsibility a strategic benefit that adds value to the Company, its stakeholders and society. The goals of the Company regarding corporate responsibility are to increase the positive effects and reduce potential negative consequences of its operations.

As part of our responsibilities towards internal and external stakeholders, the Company has a number of policies expressing its position on governance matters that include safety, environment, business ethics and integrity. The Board of directors is ultimately responsible for CR and governance activities. Development and oversight of the Corporate Responsibility as well as performance and reporting is delegated to the management.

The Solutions business of Oceanteam holds DNV GL certificates for ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 standards for quality, environmental and health and safety management.

PROFESSIONAL STANDARD, BUSINESS ETHICS AND ANTI-CORRUPTION

In October 2017 a forensic investigation has been imitated covering, among others, transactions entered into by the ex-managing director of the Solutions business of the Company that do not comply with Company's ethical standards. The results of the investigation are subject to ongoing court proceedings between the ex-managing director of the Solutions business and the Company in 2018.

As part of the measures taken by the Company in order to improve the professional standard and prevent unethical behaviour has been the updated Code of Ethics, adopted by the Board of directors of the Company in September 2017, which applies to all employees and stands above all other company policies and guidelines. The Code of Ethics covers topics including bribery and facilitation payments, conflicts of interest, fair competition as well as gifts and hospitality, human rights, sponsorship and whistleblowing.

All permanent employees and managers at Oceanteam must confirm annually that they have read the Code of Ethics and that they have carried out their tasks and responsibilities in accordance with it during the previous year. We also require suppliers, subcontractors, representatives and other contracting parties of Oceanteam to confirm adherence to Oceanteam's ethical standards.

WORKING ENVIRONMENT

At the end of 2017, the Company employed 74 people - contractors and marine crew not included - with various background and roots from all over the world, bringing together a broad mix of cultures. The people within Oceanteam are a crucial factor in the entire process of creating value for our clients. HR's contribution to the business is a focus on maintaining an excellent workforce and committed people.

Oceanteam takes a systematic approach to the performance and achievements of the employees and an on-going commitment to their development. The aim is to encourage, acknowledge and continuously develop employees. Uniform job profiles for the Group are designed and implemented throughout the Company, which helps ensure our workforce is performing at its best for Oceanteam and its clients. The Company encourages its employees continuously to increase their knowledge through training.

EQUAL OPPORTUNITY

Oceanteam is fully committed to meeting its obligation to provide equal employment opportunities to all employees and applicants without regard to race, colour, religion, gender, national origin/ancestry, citizenship, age, sexual orientation, disability or other protected status. Most of Oceanteam's employees work in the Netherlands, but a significant portion of the staff represents other nationalities, backgrounds and cultures.

The anti- discrimination laws' objective is to promote gender equality, ensure equal opportunities and rights and to prevent discrimination due to ethnicity, national origin, descent, skin colour, language, religion and faith. Oceanteam is actively and systematically working to comply with the anti-discrimination laws and actively to avoid discrimination in the fields of recruiting, salary and working conditions, promotion, development, opportunities and protection against harassment.

SAFETY

At times the Company engages in work under challenging conditions, making it imperative to maintain the safety of employees and customers, subcontractors, consultants and other parties. The foundation for this continuous diligence is the Company's HSE management system and the Integrated Management System (IMS) as well as regular risk assessments.

The Company's QHSE policy is instrumental to the development of our employees to ensure that they are safe and comply with all relevant QHSE legislation. This is done through involvement in our introduction process and attendance at various mandatory training courses. Oceanteam requires all employees to adhere strictly to its policies and procedures. The Company rigorously enforces its obligation to ensure both the appropriate training and competences for the task in hand and the awareness of each employee of their rights and obligations in maintaining a healthy and safe workplace.

An important HSE goal for 2017 was to achieve zero Health Safety and Environmental accidents. In 2017, no large-scale accidents or incidents were recorded in the Oceanteam group. Nor were any personal injuries reported in any Oceanteam company in 2017. However, any and all reported incidents and accidents are always followed up with an investigation that is recorded and filed. The cause and solution of the investigation are recorded in a database.

NATURAL ENVIRONMENT

The desire to minimise harm to the natural environment continues to be a prime objective. Oceanteam Solutions' ISO 14001: 2004 certification and the Integrated Management System ensure a systematic approach to environmental management and continuous improvement throughout the Group.

The identified main aspects and potential negative impact from Oceanteam operations and locations are the use and transfer of oil, general waste production and pollution from waste oil and waste cooling fluids. Mitigating activities to reduce impacts and potential negative impacts include spill kits available on-site, work instructions for waste reduction and sorting and waste transfer notes kept on site. Oceanteam Solutions require smaller amounts of oil-use in their operations, and use only biodegradable oil to ensure minimum environmental risk. The results of the environmental risk mitigation work in 2016 are deemed to be satisfactory, with zero reported leakage or spillage incidents.

Safe and high quality vessels designed with the natural environment in mind are our most important mitigating precaution. All Oceanteam vessels are designed and built in accordance with the latest environmental rules and guidelines in order to enable our clients to operate our vessels with the lowest environmental impact.

As such, all our large vessels have DNV GL CLEAN design class notation, double hull, engines complying with latest requirements for emissions and the use of MDF (Marine Diesel Fuel) to lower emissions. In addition to this, all vessels have advanced garbage and disposal treatment systems.

a) CORPORATE GOVERNANCE POLICY

Adopted by the Board of Directors in May 2017

1 INTRODUCTION

1.1 Background

Oceanteam ASA ("Oceanteam" or the "Company") is a listed company, established and registered in Norway and must therefore comply with Norwegian law, including corporate and securities laws and regulations. The Company and its subsidiaries (the "Group") make every effort to comply with all applicable laws and regulations., as well as the Norwegian Code of Practice for Corporate Governance (Nw: "Norsk anbefaling for eierstyring og selskapsledelse") issued by the Norwegian Corporate Governance Board (the "Code") and published at www.nues.no.

The Board of Directors (the "Board") adopted the first Corporate Governance Policy (the "Policy") on 30 October 2006 to reflect and underline the Company's commitment to good corporate governance. Following amendments to the Code, the Policy has been updated regularly and the current version is based on the Code revised as per 30 October 2014. The Policy is intended both as an instrument for the Board and the management and as a device to maintain good relations and trust with the various stakeholders of the Company's. In furtherance of this goal, the Board has also adopted an Insider Trading Policy.

1.2 Purpose

This Policy includes measures implemented for the purpose of clarifying the division of roles between the shareholders, the Board and the executive management more comprehensively than what follows from applicable legislation, and for ensuring an efficient management of and control over the Company's operations. The main goal is to have systems for communication, monitoring, accountability and incentives that enhance and maximise corporate profit, the long-term health and overall success of the business, and the shareholders' return on their investment. The development of and improvements on the Company's corporate governance is a continuous and important process, to which the Board and the management will devote a strong focus.

1.3 Regulatory framework

The Company is a Norwegian public limited liability company (ASA) listed on Oslo Børs (the Oslo Stock Exchange).

The Company is subject to the corporate governance requirements set out in the Norwegian Public Limited Liability Companies Act 1997 (the "NCA"), the Norwegian Securities Trading Act of 2007 (the "STA") and the Norwegian Stock Exchange Regulations (the "SER").

Any deviations from the guidelines provided in the Code will be explained in accordance with the "comply or explain" principle of the guidelines. The status of compliance in respect of each recommendation provided in the Code will also be set out in the Company's annual report in accordance with the requirements of section 3-3b of the Norwegian Accounting Act.

1.4 Management of the Company

Management and control of the Group is shared between the shareholders, represented in the General Meeting, the Board and the Chief Executive Officer ("CEO") according to applicable company law. The Company has an external independent auditor elected by the General Meeting.

1.5 Corporate values and ethics

The Company is an offshore shipping company. In addition to owning, chartering and managing Deepwater Offshore Construction Service – and Pipe Lay Vessels and Fast Support Vessels, the Company also provides complimentary engineering and design services, and also offers rental of equipment.

The Company is most conscious with regards to the environment. The fleet consists of modern vessels and great efforts have been made to ensure that pollution is kept to a minimum.

The Company holds certificates to the ISO 9001, ISO 14001 and OHSAS 18001 standards for quality, environmental and health & safety management.
The Company further strives to maintain a high ethical standard. All employees are repeatedly reminded of the importance of ethics.

2 BUSINESS

The operations of the Company shall be in compliance with the business objective set forth in its Articles of Association. The Company's business purpose reads as follows:
"The objective of the company is sale, purchase, contracting, acquiring, lease and operation of vessels and equipment with associated services directly through wholly or partly owned subsidiaries. The company may sell assets, including shares in subsidiaries, and invest and participate in other companies"

3 THE Board OF DIRECTORS

3.1 Role

Oceanteam shall be directed by an efficient Board with collective responsibility for the success of the Company. The Board represents, and is accountable, to the shareholders of the Company.
The Board´s duties shall include the strategic guidance of the Company, an effective monitoring of the senior management, the control and monitoring of the financial situation of the Company and the Company's accountability towards and communication to its shareholders.
The Board shall ensure that the Company is well organised and that its operations are carried out in accordance with all applicable laws and regulations, in accordance with the objects of the Company pursuant to its Articles of Association, and with guidelines given by the shareholders through resolutions in general meetings from time to time.
In order to ensure efficient and thorough working procedures, the Board may appoint one or more working committees to prepare matters for final decision by the Board as a whole. The appointment, composition and mandate of such committees shall be made in due consideration of issues such as the nature of the matter or project at hand, and the particular skills required (if any) to enlighten all aspects of the matter in the best possible manner.

Within a working committee, its members may delegate among themselves specific tasks. If the load of work and the particular skills required for a certain matter or project are found to be such that it would not be reasonably compensated within an ordinary directors' remuneration, or if work is to be assigned to any company associated with a director, the committee shall present the issue to the Board and seek its approval before any additional work is carried out or any assignments made. Further reference is made to section 4.1.

The Board shall initiate such investigations as it deems necessary in order to carry out its responsibilities. The Board shall also initiate such investigations as may from time to time be required by one or more Board Members.

3.2 Financial control

3.2.1 Supervision

The Board shall ensure that it is updated on the financial situation of the Company and has a duty to ensure that the Company's operations, accounting and asset management are subject to satisfactory control. The Members of the Board have full and free access to officers, employees and the books and records of the Company. The Board shall ensure that the CEO reports monthly to the Board on the Company´s activities, position and financial situation.

3.2.2 Adequate capitalisation

The Board shall evaluate whether the Company's capital and liquidity are adequate in relation to the risks and the scope of the Company's operations at all times and whether it fulfils the minimum requirements established by law or regulation. The Board shall immediately take adequate measures should it be apparent at any time that the Company's capital or liquidity is less than adequate.

If the Board requests the general Meeting to issue a power to increase the share capital, the Board will ensure that that the increase is designated to a specific purpose. If several purposes are of relevance, each purpose should be dealt with separately in the General Meeting.

3.3 Composition

3.3.1 Number of directors

The Board shall be elected in accordance with the company's articles of association. The Company currently has no employee representatives on its Board of Directors.

3.3.2 Independent directors

The Company shall have a majority of directors that are independent from its management and main business partners, and no representatives of the management shall be a member of the Board. Further, the Board shall include at least two directors that are independent of the Company's major shareholders, i.e. shareholders holding more than 10 % of the shares.

Independence shall for these purposes mean that there are no circumstances or relationships that are likely to affect or could appear to affect the director's independent judgement. The evaluation of whether a director is independent shall be based on the criteria set out in section 8 of the Code.

The Company is in need for continuous in-depth support to the management for the day-to-day business of the Company by experienced senior professionals with profound knowledge of the Company. To the extent that one or more of the directors fulfil these criteria the Company deems it beneficial that the directors provide the required support to the Company.

This support can be provided through general consultancy agreements or specific project agreements. In order to ensure complete transparency on such consultancy agreements, and in compliance with the Code section 11, any agreements for the provision of additional services provided by directors shall be approved by the Board and, if required under the NCA Section 3-8 submitted to the shareholders for approval.

3.4 Appointment and termination – Nomination and Remuneration Committee

The directors are appointed by the shareholders in a general meeting for a period of two years. The general meeting also elects the Chairman of the Board. The shareholders in a general meeting can resolve to remove directors.

The Company's size entails that the company views it as an unnecessary costly arrangement to have a separate Nomination and Remuneration Committee, and has therefore chosen to deviate from section 7 and 9 of the Code.

3.5 Proceedings

The Board will adopt guidelines on the division of responsibilities between the management and the Board.

3.6 Annual evaluation

The Board will annually evaluate its performance in the previous year.

3.7 Risk management and internal control

The Board shall ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. Internal control and the systems shall encompass the Company's corporate values and guidelines for ethical and corporate social responsibility. The Board will carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements. In compliance with section 3-3b of the Norwegian Accounting Act.

4 REMUNERATION OF DIRECTORS AND MANAGEMENT

4.1 Remuneration of Directors

The remuneration of the directors shall be determined by the shareholders in a general meeting and be disclosed in the annual accounts of the Company. Any remuneration in addition to normal director's fee shall be approved as stated in section 3.3.2 hereof and shall be specifically identified in the annual report of the Company.

The Company deems it beneficial that the directors have aligned interests with the Company's shareholders and other stakeholders. Therefore the Company may choose to remunerate Board members through performance based remuneration schemes such as options. The Company has therefore chosen to deviate from the Code section 11.

Directors shall be encouraged to invest part of their remuneration in shares in the Company at market price.

4.2 Remuneration of executive personnel

The Board shall adopt a statement with guidelines in respect of the remuneration of executive personnel that is to be considered by the general meeting. The statement should be produced as a separate appendix to the notice for the annual general meeting. The guidelines for remuneration of executive personnel should clearly state which aspects of the guidelines are advisory and which, if any, are binding (equity-based remuneration). Based on this division, separate votes should be held on these aspects of the guidelines at the general meeting.

Remuneration including any performance related incentive to the CEO shall be determined by the Board in meeting. To this end, the Board has accepted that the present CEO is remunerated through a management service agreement made between the Company and a legal entity owned and controlled by the CEO.

All elements of remuneration to the CEO, and the total remuneration for the CEO shall appear from the annual report.

The Company has at the present time a performance related incentive to management employees, awarded by the Board. The incentive cannot exceed one year's annual salary, unless the Board decides otherwise and under the condition that incentives awarded prior to the effective date of this Policy shall be honoured.

4.3 Severance payments

No employees of the Group shall have employment contracts granting notice periods of more than 12 months.

5 DISCLOSURE AND TRANSPARENCY

5.1 General

The Company shall at all times provide its shareholders, the stock market (Oslo Børs) and the financial markets generally (through Oslo Børs' information system) with timely and accurate information. Such information will take the form of annual reports, semi-annual interim reports, press releases, stock exchange notifications and investor presentations, as applicable. The Company shall seek to clarify its long-term potential, including its strategy, value drivers and risk factors. The Company shall maintain an open and proactive investor relations policy, a best-practice website and shall give presentations regularly in connection with annual and interim results.

The Company shall disclose insider information in accordance with prevailing applicable laws. The Company will disclose certain events including, without limitation, Board and shareholder resolutions regarding dividends, mergers/de-mergers or changes in share capital, issue of warrants, convertible loans and all agreements of material importance that are entered into between group companies or related parties.

5.2 Communication with Shareholders

The Chairman and the other directors shall make themselves available for discussions with the major shareholders to develop a balanced understanding of the issues and concerns of such shareholders, subject always to the provisions of the NCA, the STA and the SER. The Chairman shall ensure that the views of shareholders are communicated to the entire Board. Information given to the Company's shareholders shall simultaneously be made available on the Company's web site.

6 FAIR TREATMENT OF SHAREHOLDERS

6.1 General

The Board shall take into account the interest of all the shareholders of the Company and treat all shareholders fairly. There is and will remain to be only one class of shares and all shares are and will remain freely transferrable. If and when applicable, the reason for any proposed deviation from the pre-emptive rights of shareholders to participate in new share capital increases will be explained and included in notifications to the market.

6.2 Approval of agreements with shareholders and other related parties

All transactions that are not immaterial between the Company and a shareholder, a director or senior manager of the Company (or related parties to such persons) will be subject to a valuation from an independent third party and shall be approved by the Board. If the consideration exceeds 5 % of the Company's share capital such transactions shall be approved by the shareholders in a general meeting, to the extent required by the NCA Section 3-8. The directors and senior management shall notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

7 AUDIT

Under Norwegian law, the Company's auditor is elected by the shareholders in a general meeting.
The Board shall make recommendations to the general meeting on the auditor's appointment, removal and remuneration and shall also monitor the auditor's independence, including the performance by the auditor of any non-audit work. The Board will at least once a year have a meeting with the auditor without the presence of any representatives from the management.
The Board will inform the shareholders in the Annual General Meeting (the "AGM") on the auditor's fees specified on audit and non-audit work respectively.

The Company shall have an audit committee that consists of two or more of the Board members that have the required qualifications. If the Board deems it beneficial all of the directors may be part of the audit committee. The Audit committee may involve specialists and nominate advisors to support the work of the audit committee.

The auditor shall annually present a plan for the auditing work to the Audit Committee or to the Board and have at least one annual meeting with the committee or the Board to go through the Company's internal control systems and to identify possible weaknesses and potential areas of improvement.

8 DIVIDEND POLICY

The Company's objective is to yield a competitive return on invested capital to the shareholders through a combination of distribution of dividends and increase in share value. In evaluating the amount of dividend, the Board of Directors places emphasis on certainty, foreseeability and stable development, the Company's dividend capacity, the requirements for sound and optimal equity capital as well as for adequate financial resources to enable future growth and investments, and the ambition to minimize the cost of capital.

The Company is currently increasing its business activities and hence expects to distribute only limited if any dividends during the next few years.
The annual general meeting can resolve to grant a mandate to the Board of directors to approve the distribution of dividends on the basis of the approved annual accounts. Such a mandate should be based on the existing dividend policy. The explanation for the proposal to grant a mandate should state, inter alia, how the mandate reflects the Company's dividend policy.

9 SHAREHOLDER MEETINGS

The shareholders represent the ultimate decision-making body of Oceanteam through the general meetings.

The AGM of the Company will be held each year within the end of June. The AGM shall approve the annual accounts and report and the distribution of dividend, and otherwise make such resolutions as required under applicable laws and regulations.

The Board may convene an extraordinary general meeting ("EGM") whenever it deems it appropriate or when otherwise such meetings are required by applicable laws or regulations. The Company's auditor and any shareholder or group of shareholder representing more than 5 % of the current issued and outstanding share capital of the Company may require that the Board convene an EGM.

The Board will make arrangements to ensure that as many shareholders as possible are enabled to exercise their shareholders rights by attending the general meetings, and that the general meetings become an active arena for meetings between the Board and the shareholders by inter alia:

- Posing the summons together with the agenda and all documents pertaining to each matter on the agenda on the Company's web-page not later than on the 21st day prior to the date of the meeting (except when otherwise decided by the general meeting, cf NCA section 5-11b) irrespective of whether or not the Company also resolves to summon the meeting by way of other forms of communication mail, facsimile or other electronic means (e-mail), ref § 7 in the Company's articles of association.

- Posing in the same manner on the web-page information about the total number of shares and voting rights at the date of the summons, as well as any draft resolutions, or if the meeting is not required to pass a resolution, a statement from the Board in respect of each item on the agenda, and any forms required to be used in order to vote by proxy or by letter, unless such forms have been submitted directly to each shareholder.
- Ensure that the shareholders are adequately informed about their right to vote by proxy and of the procedures to be observed in doing so.
- Ensure that the summons, the documents and any further supporting material are sufficiently detailed and comprehensive in order for the shareholders to understand and form an opinion on the matters at hand.
- Ensure that the summons will specify that any shareholder wishing to attend the general meeting must notify the company within a certain time limit stated in the notice, which must not expire earlier than five days before the general meeting, ref § 7 in the Company's articles of association. Shareholders failing to notify the company within the specified time limit may be denied entrance to the general meeting.
- Ensure that the shareholders' are adequately informed about their right to submit proposals to be resolved by the general meeting, cf NCA § 5-11 and that proposal which are received within 7 days prior to the date of the summons are included in the summons. If the summons has already been sent, new summons shall be issued provided that the deadline for summoning has not been exceeded.
- Ensure that all other applicable provisions of the NCA, the Regulation on shareholders meetings of 6 July 2009 no 983 ("Generalforsamlingsforskriften") and section 5-9 of the STA are observed and complied with.

The Company will publish the minutes from general meetings on its web-site within 15 days from the date of the meeting and will also keep them available for inspection at the Company's offices.

The Board will not make contact with shareholders of the Company outside the general meeting in a way that may unfairly discriminate between the shareholders or infringe on any applicable laws or regulations.

10 CHANGE OF CONTROL, TAKEOVERS

10.1 General

The shares in Oceanteam are freely transferable, and the Company shall not establish any mechanisms that may hinder a takeover or deter takeover-bids, unless this has been resolved in a general meeting by a two-third majority of votes cast and share capital represented. However, the Board may, in the case of a takeover-bid, take such actions that evidently are in the best interest of the shareholders, such as, inter alia, advising the shareholders in the assessment of the bid and, if appropriate, seeking to find a competing bidder ("white knight"), always provided that the Board should not hinder or obstruct any take-over bids for the Company's activities or shares.

In the event of a take-over bid for the Company's activities or shares, the Board has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer. The Company's Board of directors shall issue a statement including a recommendation as to whether shareholders shall or shall not accept the offer. If the Board finds itself unable to give a recommendation to shareholders on whether or not to accept the offer, it shall explain the background for not making such a recommendation. The Board's statement on a bid shall make it clear whether the views expressed are unanimous, and if this is not the case it shall explain the basis on which specific members of the Board have excluded themselves from the Board's statement. The Board shall arrange a valuation from an independent expert. The valuation shall be published and explained at the latest at the same time as the Board's statement.

10.2 Overview of Norwegian statutory provisions on takeovers

10.2.1 Voluntary offer

An offer to acquire shares in Oceanteam which, if accepted, trigger an obligation to put forward a mandatory offer must be made in an offer document and according to the requirements for voluntary offers set forth in the STA.

10.2.2 Mandatory offer

Subject to certain exceptions, a mandatory offer has to be made in the event an acquirer (together with any concert parties) acquires more than 33 %, 40% or 50% of the voting shares in the Company.

The requirement to make a mandatory offer is triggered when a purchaser becomes the owner of such percentage of the shares. A mandatory offer must be made within four weeks after the threshold was passed. The only alternative to a mandatory offer at this stage is to sell a sufficient number of shares to fall below the relevant threshold. All shareholders must be treated equally and the price to be paid is the higher of (i) the highest price paid by the purchaser during the last six months, and (ii) the market price when the obligation to make the mandatory offer was triggered The offer must be made in cash or contain a cash alternative at least equal in value to any non-cash offer.

10.2.3 Compulsory Acquisition ("Squeeze out")

Compulsory acquisition of the remaining shares may be initiated by a shareholder who holds more than 90 % of the shares and voting rights. The acquisition is initiated through a Board decision of the shareholder and payment of the price offered. Failing agreement between the parties, the price shall be determined through a valuation by the court, but the acquiror will obtain title to the shares immediately.

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Bergen, 6 July 2018

The Board of Directors of Oceanteam ASA

Keesjan Cordia	Karin Govaert	Diederik Legger
Chairman	Director	Interim CEO

CORPORATE GOVERNANCE DEVIATIONS

Oceanteam ASA ("Oceanteam" or the "Company") adopted a Corporate Governance Policy in 2017 (the "Policy") which outlines the Company's governing principles in accordance with applicable laws and regulations, as well as the Norwegian Code of Practice for Corporate Governance (the "Code"). As further set out in the Policy, any deviations from the guidelines in the Code shall be explained in accordance with the "comply or explain" principle of the guidelines.

The Company has not complied with certain provisions in the Policy in the 2017 financial year, which will be further explained below.

SECTION 3.2.1 SUPERVISION

"The Board shall ensure that it is updated on the financial situation of the Company and has a duty to ensure that the Company's operations, accounting and asset management are subject to satisfactory control". The Company's auditor has resigned in November 2017, which had negative impact on the preparation of the 2017 annual accounts. In addition, whilst the Company was building up a solid team in order to ensure satisfactory control and avoid delays in issuing the annual accounts without misstatements and inaccuracies, due to the lack of auditor delays in closing the 2017 accounts have occurred.. The risk management systems as referred to in Section 3.7 (Risk management and internal control) are currently being scrutinized by the new team and evaluated together with the management team and the newly appointed Company's auditors RSM. The Board was, and is, fully aware of these shortcomings which are a result of limited internal resources which again is due to the financial constraints that the Company has been working under. The Board has initiated an internal review to identify which actions are required and how they are to be implemented within the Company's future financial constraints.

SECTION 3.3.2 (INDEPENDENT DIRECTORS)

Pursuant to section 3.3.2 of the Policy, the Company shall have a majority of directors that are independent from its management and main business partners. When assessing whether the independence criteria are met, it is, inter alia, relevant if the directors have received or receives additional remuneration from the Company apart from directors' fees. In 2017, two of the directors of the Company received such remuneration in accordance with certain consultancy agreements (as further described in the related parties' disclosure). Hence, the independence requirements in the Policy have not been met.

The consultancy agreements were entered into as the Company was in need for continuous in-depth support to the management for the day-to-day business of the Company by experienced senior professionals with profound knowledge of the Company. The Company was of the opinion that the directors fulfil these criteria, and deemed it beneficial that the directors provide the required support to the Company. The Company had therefore chosen to deviate from section 3.3.2 of the Policy and section 8 of the Code.

In order to ensure complete transparency on such consultancy agreements, and in compliance with the Code section 11, such agreements for the provision of additional services provided by the directors have been approved by the Board of Directors of the Company. In 2018 the Company has terminated such consultancy agreements with the Directors and per the date of publication of the annual accounts 2017 does not deviate from the Code in this respect.

SECTION 3.4 (APPOINTMENT AND TERMINATION – NOMINATION AND REMUNERATION COMMITTEE)

Pursuant to section 3.4 of the Policy, the Company should have elected members to a Nomination and Remuneration Committee at its annual general meeting in 2016 in accordance with its Articles of Association. Such committee was, however, not elected, as the Company's size entails that the Company views it as an unnecessary costly arrangement to have a separate Nomination and Remuneration Committee. The Company has therefore chosen to deviate from section 3.4 of the Policy and section 7 and 9 of the Code throughout 2017 as well.

SECTION 6.2 APPROVAL OF AGREEMENTS WITH SHAREHOLDERS AND OTHER RELATED PARTIES

All transactions that are not immaterial between the Company and a shareholder, a director or senior manager of the Company (or related parties to such persons) will be subject to a valuation from an independent third party. The directors and senior management shall notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

The Company acknowledges that it is in need of improving its routines in relation to related party transactions. The Board has however ensured that all material related party transactions have been disclosed to all shareholders through the annual accounts and shareholder meetings. Further the Board has ensured that all such agreements have been entered into on arm's length terms. The Board will continue to ensure complete transparency on all related party transactions and improve its routines. The Board has approved amended procurement policy in order to improve the transparency and ensure clarity on the ultimate beneficial owners of business partners. In October 2017 a forensic investigation has been initiated covering, among others, transactions entered into by the ex-managing director of the Solutions business of the Company that do not comply with Company's ethical standards. The results of the investigation are subject to ongoing court proceedings between the ex-managing director of the Solutions business and the Company in 2018.

A further measure taken by the Company in order to improve the professional standard and prevent unethical behaviour has been the updated Code of Ethics, adopted by the Board of directors of the Company in September 2017, which applies to all employees and stands above all other company policies and guidelines. The Code of Ethics covers topics including bribery and facilitation payments, conflicts of interest, fair competition as well as gifts and hospitality, human rights, sponsorship and whistleblowing.