OCEANTEAM ASA

ANNUAL REPORT 2018

Tveitaråsveien 12

5232 Paradis, Norway

CONTENT

1. CORPORATE HIGHLIGHTS AND FINANCIAL PERFORMANCE

SUMMARY CORPORATE HIGHLIGHTS

Financing:

- In 2018, the financial restructuring was successfully completed with a debt-to-equity conversion ("Conversion") whereas USD 67.249.087 of debt under the Company's Senior Callable Bond 2012/2017, including outstanding interest, was converted into equity. The Conversion took place in two tranches. The first tranche of USD 62 million of debt was converted in April 2018 and the remainder in November / December 2018. As a result of the debt-to-equity conversion the share capital of the Company increased, bringing leverage down to 30 percent. The total number of Company's shares increased to 789,793,138 with a nominal value of NOK 0,50 per share.
- In addition to the debt to equity conversion, in April 2018 new equity for USD 2.5 million (equivalent to NOK 20 million) was issued by the Company and placed with Corinvest B.V.
- In April 2018, a short term loan of USD 1.5 million was issued by Stichting Value Partners Family Office for working capital purposes. As part of the second tranche of the conversion, a second shareholder loan of USD 1.5 million was raised in December 2018. The second loan was issued by Corinvest B.V.
- As part of the Restructuring, the Company settled all claims from Mr. Hessel Halbesma (former chairman of the Board of Directors of Oceanteam ASA), Mr. Haico Halbesma (former CEO of Oceanteam ASA) and/or their affiliates by acknowledging NOK 5,000,000 of these claims (settled by issuance of 10,000,000 Shares to Feastwood Holding Limited).
- On 7 November 2018 the Board of Directors has issued 1,000,000 shares pursuant to the settlement agreement with Ms. Pos (former member of the Board of Directors of Oceanteam ASA).

Corporate structure:

- As a result of the Conversion both the Management Team and the Board of Directors have changed. The current Board of Directors consists of the chairman, Mr. Cordia, appointed in April 2018, and members: Ms. Govaert, appointed in April 2018, and Mr. Jesse, appointed in July 2018. Mr. Legger acted as interim CEO of the Company until October 2018.
- Mr. Hazenoot was appointed as interim CFO in August 2018 and Mr. Bosman started as CEO on 15 October 2018 following the resignation of Mr. Legger as interim CEO. Mr. Legger has remained involved as advisor to the Board of Oceanteam ASA.

Vessel activities:

- CSV Southern Ocean performed under a charter agreement with Fugro from February 2018 until September 2018.
- After a short shipyard visit in which the CSV Southern Ocean was modified to obtain SPS 2008 notation, the vessel was chartered by Jay R. McDermott in relation to their subsea installation project offshore India in Q4 2018. The overall utilization of the Southern Ocean, taking the shipyard visit into account, was 81 percent in 2018.
- The CSV Bourbon Oceanteam 101 (CSV BO 101) remained on charter with Total in Angola for the entire year 2018 creating a utilization of 100 percent.
- As per the date of this report both vessels are still under contract.

Solutions activities:

- Eight contracts from 2017 were extended into 2018 (of which the majority are long-term).
- Two carousel contracts from 2017 contractually ended in 2018: one transport and one spooling project.
- In Q3-2018, a door-to-door transport project for transporting cables was executed in which Oceanteam performed the full transport, logistics and on- and off-loading scope from Norway to the Netherlands.
- In conclusion, utilization of the Solutions assets was approximately 75 percent over 2018.

Others:

- On 9 July 2018 the trading in the shares of Oceanteam (OTS) had resumed following a trading halt.
- Royal IHC acquired Oceanteam's subsidiary KCI the engineers B.V. from Oceanteam in January 2018. Final settlements have been made in the first and second quarter of 2019.
- The Norwegian courts have ruled that a public investigation in certain related parties transactions prior to the Conversion is to take place as requested by the minority shareholders. The investigation is still on-going.
- DOT Shipping, in partnership with Pacific Radiance, cancelled the purchase and chartering contracts for Tampamachoco 1 in view of the deterioration of the Mexican market.

KEY FINANCIAL FIGURES OF THE OCEANTEAM GROUP

Amounts in US Dollar million

From the comprehensive income	2018	2017	Variance
Operating income	25.3	24.4	0.9
Operating expenses	7.5	6.3	(1.2)
General & administration expenses	5.6	8.3	2.7
Operating profit (loss) (EBIT)	**6.5**	**(24.1)**	**30.6**
Net finance costs	(5.6)	14.3	19.9
Net profit (loss) from continued operations	0.9	(11.5)	12.4
Tax income (expenses)	(0.1)	(1.8)	1.7
Loss from discontinued operations	(0.9)	(0.5)	(0.4)
Profit (loss) for the year	**(0.1)**	**(12.0)**	**11.9**

From the Financial	2018	2017
Vessels and other non-current assets	113.5	113.5
Current assets	13.6	19.7
Cash	7.7	7.3
Total assets	**127.1**	**133.2**
Interest bearing debt	33.0	77.6
Equity	**88.8**	**39.7**

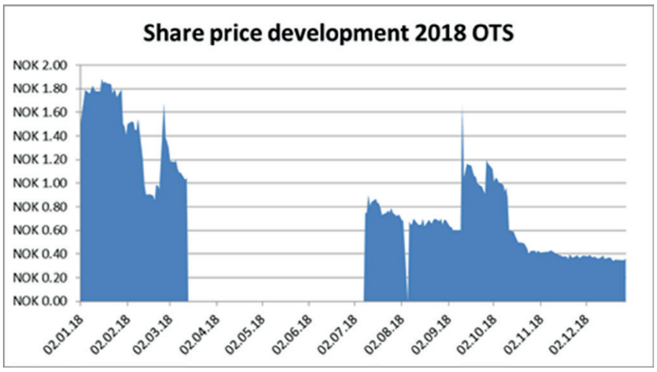
Key Figures

EBITDA	Reference 1	12.2	9.8
Current ratio	Reference 2	0.36	0.37
Equity ratio	Reference 3	70%	30%
Capital Expenditures	Sec. f. Investments	-1.5	0
Operating margin	Reference 4	48%	40%

Reference and definitions:

1. Operating profit (loss) plus depreciation and write off / impairment
2. Current ratio is currents assets divided by current liabilities
3. Equity ratio is total equity divided by total assets
4. EBITDA divided by operating income

Number of shares on 31 December 2018 / 2017	789,793,138	29,593,259



2. MESSAGE FROM THE CEO

2018 was a turbulent and good year for Oceanteam, setting the fundament for a new chapter for the company. On most financial metrics substantial improvements have been realized: Operating revenue, operating profit, net profit, EBITDA and equity ratio have all showed satisfactory improvements and better results. Also operationally the metrics were good with high utilization and outstanding safety statistics of both the Shipping and the Solutions equipment.

Financially, the bond debt has been fully converted into equity, the last remaining part in the fourth quarter of 2018. The bank debt for the fleet has been further reduced in accordance with the repayment conditions of the facility agreement. Up to the issue date of this annual report, the loans are fully serviced without default. The Company meets all financial covenants as set by the banks. As part of the successful restructuring which was completed in 2018, the Company was able to raise working capital loans through new but unsecured shareholders' loans to improve the Company's liquidity position.

Operationally, both of our vessels, the CSV Southern Ocean and CSV Bourbon Oceanteam 101, performed well without any incidents. Both vessels have been under contract for the full year except a short period for planned maintenance, repair and SPS 2008 notation upgrade for CSV Southern Ocean, continuing the trend of permanent utilisation since their delivery in 2010 and 2007 respectively.

The CSV Southern Ocean has successfully completed its contract with Fugro in Australia in 2018 followed by a 6 months' assignment with J. Ray McDermott on the Reliance Industries' subsea installation project, offshore East India. We are very pleased that J. Ray McDermott awarded this project to us as India is a very promising and upcoming market for the CSV Southern Ocean in the future.
The CSV BO 101 is still working for Total on several of her deep water projects in Angola.

The mentioned countries have relatively high entrance barriers for conducting offshore work activities. McDermott and Total have both expressed their satisfaction with respect to the suitability and performance of the vessels and their crew.

The operational performance of our Solutions business has been further improved. Oceanteam's Solutions division was able to increase its level of activity and improve its revenue by 23 percent with a 100 percent safe execution covering the full range of activities including the rental of equipment, transportation, logistics all services related hereto such as maintenance, operations and spooling.

From a corporate and governance point of view and as a result of the financial restructuring, the Board and Management of the Company have been fully replaced in 2018 after a period of financial restraints in 2017 and first half of 2018. The previous members of the Board and Management have stepped down in the first half of 2018. They have no further involvement in the current management and governance of the Company.

The new Board and Management have assessed the Company's status and performance over previous period in order to protect and maximize shareholder value. They stress the importance for full transparency and compliance with all national and international standards and regulations. The Board and Management have started the restructuring and strengthening of the internal organisation, including its operating model and distinctive capabilities, its business processes and procedures, IT systems, and its purpose and culture. Besides strengthening of the organisation, new focus has been put on building new relationships with the main contractors and oil and gas companies in the offshore business as well as with the equipment manufacturers of cables and the contractors and developers of offshore wind parks. In parallel with those day-to-day activities, the Board and Management have held regular workshops in developing a new mission, vision and strategy for the Company. Please see section 3. Corporate Identity, Mission and Vision for further details hereon.

Whilst there are still some files from the past that need closure, the new Management is very much focused on the future. Please see section 4 for further information on these files. First and foremost, the focus is on extending and maintaining full utilization of our vessels at attractive charter rates. We are in active dialogue with our current customers but also in contact with new prospects to expand the scope of business beyond existing clientele. In that respect, we are pleased that Fugro has selected the CSV Southern Ocean to work for them in Australia again after the completion of the current work for McDermott (see next section 4). In addition, we are regularly approached with investment opportunities for offshore construction (support) vessels, the likes of CSV Southern Ocean and CSV BO 101, but also other types of offshore support vessels. Although we see interesting opportunities, we have taken a conservative approach and will be very selective in acquiring additional vessels. In any case, the purchase price should fully reflect the current business outlook and should fit perfectly well with our own fleet and distinctive capabilities, and should meet our strategic objectives.

Besides the business of Oceanteam Shipping, a lot of focus will be given on building out Oceanteam Solutions in order to solidify its position in the new emerging offshore wind markets around the globe. The offshore wind market is poised to grow significantly the coming 15 year (and beyond), both in the mature North Sea market and in the new markets around the world. We target to keep our position as one of the world's largest cable handling, transportation, storage and logistics solutions provider. We expect further consolidation as projects become bigger and more complex and our customers are expanding globally and demand a larger pool of dedicated equipment and economies of scale.

Apart from investing and expanding our existing business we are not afraid investigating and expanding our business scope to other segments within the offshore services or subsea industry.

We are very satisfied being active both in our traditional subsea oil and gas business as well as in the renewable energy business through our offshore wind cable business. At this stage of the energy transition, we believe we must be active in both segments in order to make our contribution to the energy transition. We are committed to further invest in systems and equipment that help us and our customers to improve the environmental performance of our activities.

Wherever Oceanteam operates in the world, safety is our highest priority and our ambition is to be an incident-free organization. We strive to Operational Excellence. For us it is of the highest importance to have our ships and equipment in good order and well maintained at all times. This does not only allow us to conduct our operation flawless and professionally but also to execute our contracts on time and within budget. Additionally, it definitely improves the safety culture on board of our vessels and at our onshore facilities.

With the JV vessels under charter, the divestment of the minority stake in the DOT entities and the majority of the carousels in our Solutions segment on hire and extended further into the current year, 2019 has started well for us and we are confident about our future.

With respect to our Shipping business, international upstream spending is outpacing U.S. Land for the first time since 2013. We expect a slow recovery in the offshore markets benefiting subsea. Offshore activity is clearly beginning to improve with an increase in offshore drilling awards, as well as subsea tree orders. In our segment, the construction support business, we have more discussions with customers and receive promising signals that they like our vessels. But having said this, there is still too much overcapacity and hyper-competition amongst the contractors to win projects. It is still very much a buyers' market where pricing remains very competitive. We expect that will continue for the nearby future. Fortunately, our two vessels are very competitive, with low debt levels and low overhead costs, and for that reason we believe we have a competitive advantage to be able to win new charter contracts or extensions once the current contracts and the new contract with Fugro for the CSV Southern Ocean approximately mid-June 2019 (with possible extensions) and CSV BO 101 in the second half of 2019 respectively. We expect day rates paid for our vessels to become more reasonable from 2020 onwards.

I would like to thank all stakeholders for their support: the shareholders for allowing and supporting the refinancing the Company enabling us to work on the company's future, our customers for their support and trust and allowing us to help achieving their goals, and our employees and crew for all their effort and hard work. The past year, 2018, has been tough on all but we very much look forward to the future with a "renewed" Oceanteam. Our focus will be to win contracts and execute them safely, and to impress our customers in every way we operate and conduct our business. We hope to present you with many successes throughout the year and. I hope that you keep on supporting Oceanteam in the next phase, moving forward.

Leidus Bosman

CEO Oceanteam ASA

3. CORPORATE IDENTITY, MISSION AND VISION

Oceanteam is a Norwegian listed subsea and offshore wind services business, with a head office in Bergen, Norway and regional offices in Amsterdam and Velsen, the Netherlands. The Company is currently comprised of two operating segments, Oceanteam Shipping and Oceanteam Solutions.

Oceanteam Shipping currently owns 50 percent of two high-end versatile construction support vessels, the CSV Southern Ocean and CSV BO 101. The other 50 percent is currently owned by Bourbon SA. Both vessels have been 100 percent utilized since delivery in 2007 and 2010 respectively, the CSV Southern Ocean currently conducting subsea work for J. Ray McDermott on deep water projects offshore India and the CSV BO 101 for Total offshore Angola. After completion of the work in India, the CSV Southern Ocean will return to Australia, been contracted by Fugro.

Under new leadership Oceanteam completed its financial restructuring in 2018. Oceanteam is now transforming itself into an offshore services investment platform for Subsea, Solutions, Shipping and other specialized segments in the offshore and marine service industry. As an investment platform, Oceanteam is actively pursuing new organic and inorganic business opportunities. Oceanteam plans to actively use its capacity as a listed company to issue new shares as a mean to finance identified investment opportunities. Oceanteam will follow a conservative approach in relation to financial and operational leverage of the Company. In how far Oceanteam will be successful in realizing its ambitions will be dependent on a) prevailing market circumstances in the oil and gas (services) industry and offshore wind industry; b) the award of new projects in the oil and gas industry and offshore wind industry by oil and gas companies and utility companies; c) the capability of the Management team of Oceanteam to identify, assess, select, define and execute new organic and inorganic business and investment opportunities and to operate them as effective and efficient as possible.

Our Mission is to be a modern, responsible and successful offshore services investment platform for Subsea, Offshore Renewables Solutions, Shipping, and other specialized segments in the offshore and marine services industry exceeding shareholder and stakeholder expectations.

We want to build special relationships directly with our customers, being the oil and gas companies, the main offshore contractors, offshore wind developers and owners and the cable manufacturers. We strongly believe that such relations will add far more value for our customers and their customers.. We are ready to invest in our business that would further help our customers to achieve their objectives.

For more information about the Company: www.oceanteam.no.

The Company ticker on the Oslo Stock Exchange is “OTS“(www.ose.no).

4. MARKET OUTLOOK

OIL DEMAND AND SUPPLY AND INDUSTRY DYNAMICS

Global oil demand has touched the 100 million b/d mark for the first time in history in the fourth quarter of 2018. Due to low oil prices since 2014, annual demand growth has been robust. According the International Energy Agency (IEA), annual demand growth has been 8.3 million b/d in aggregate between 2013 and 2018, or 1.4 million b/d per year on average. Economic growth is the significant indicator for the trend in oil demand, as it typically reflects increased commercial and personal transportation activities, but also the growth of petro-chemicals (IEA, Oil 2019, Analysis and forecast to 2024, March 2019).

The big picture in energy is that global demand for primary energy is growing and that oil and gas is taking market share in the mix, not losing it. Despite the advocates for both renewables and transport electrification, oil and gas still has the outward appearance of a growth industry (Citi Research, Global Oil Vision, 22 March 2019). Continued economic expansion results in a continuation of the current pad of high demand growth. The IEA estimates 1.4 million b/d growth in 2019. Different scenarios forecast world oil demand of between 104 and 107 million b/d in 2025. In the IEA Oil 2019 report that came out in the first week of March 2019, the IEA projects world oil demand to increase from 99.2 million b/d in 2018 to 106.4 million b/d in 2024. This represents an annual average growth rate of circa 1.2 million b/d and a total volumes increase of 7.1 million b/d.

According to the IEA, total non-OPEC oil liquids production is projected to increase with 5.4 million b/d over the outlook period to 63.1 million b/d by 2024. Although the call on OPEC crude initially drops from 31.1 million b/d in 2018 to 30.1 million b/d in 2020, from 2021 onwards, the call on OPEC will grow again. However, certain OPEC countries might have to produce more to compensate for unplanned outages in other instable OPEC countries. As non-OPEC supply growth moderates (notably U.S. shale that sees a slower growth pad post-2020/2021), the call on OPEC crude rises to 32 million b/d by 2024. Global natural gas liquids (NGL) and condensate production is set to expand by 1.9 million b/d by 2024 led by the United States, representing 29 percent of total oil capacity growth. Globally, NGL output rises by 1.35 million b/d to 12.1 million b/d and condensates increase by 510,000 b/d to 6.5 million b/d. Global biofuels production is set to reach 3.1 million b/d by 2024, an increase of 500,000 b/d from 2018.

Supply growth currently comes predominantly from three regions: The United States of America, the Middle East and Russia. In addition, many analysts forecast a very strong pipeline of major deep water Final Investment Decisions (FID) in 2020, amongst others in Brazil, West Africa, and the Gulf of Mexico, as well as in some key natural gas plays in East Africa and Australasia. This growth in activity has actually already started in the offshore segment of the industry. After a reduction of FIDs from 83 new projects in 2012 to only 18 in 2016, 2018 saw 34 projects being approved, although most sanctioned projects were smaller in size than before 2015, resulting in a 20 percent reduction of reserves approved vs 2017 and 60 percent below long range average (Bernstein Research, Offshore Activity Monitor, 2018 Wrap-up, January 22, 2018). Project forecasts highlight a renewed growth level towards a new equilibrium, with simpler, more profitable developments, in the hands of fewer, better capitalized companies. This is driving normalization in FID levels, from the unsustainable lows of 2015 – 2018. This new phase of growth for operators should, in our view, drive a recovery in offshore-exposed oil services, after five years of downward pressure.

Financial conditions for new oil mega-projects have tightened significantly over the last five years, with the market increasingly focused on the low carbon transition and digitalization of the industry. According Goldman Sachs, this transition would severely constrain the industry's ability to pursue long-term oil production growth and may lead to an age of structural investment restraint. Further, reserve-based lending to E&Ps is down 90 percent from peak with financial institutions re-directing financing towards renewable developments. The banks that were most active in reserve-based lending have substantially reduced their exposure to oil and gas and it is likely that they will further reduce their exposure to minimal levels. Thirdly, NOCs have withdrawn from international expansion and is unlikely that excess income from eventually higher oil prices will be used to grow internationally again. Altogether, this would lead to a better market structure with higher entry barriers and improved returns. The more disciplined nature of this growth is beneficial to the oil services industry as the new cycle will not be an inflation-led one with constant unexpected cost overruns and delays, and therefore could generate more value.

Project investment delays since 2014 may create a tighter oil market for the 2020s, with a significant slowdown in non-OPEC production expected from 2021 due to halving of annual non-OPEC ex-U.S. oil production growth in 2022 and 2023 vs. 2017 - 2020. Tighter financial conditions for new oil and gas developments as described earlier have led to severe delays in many projects' Final Investment delays since 2014, translating into 7 million b/d of lost oil production from long-cycle developments by 2025 (of which 5 million b/d is lost onshore oil production) vs estimates back in 2014 and a significant shortening of the resource life (remaining recoverable resources/production) of the Top Projects that will deliver most of the new oil supply in the coming decade (Goldman Sachs, Top Project 2019, 19 March 2019). As it normally takes five to six years from FID to plateau production, it is expected that the abrupt slowdown in the pace of FIDs in 2015 will start to impact production growth from 2021. The material slow-down in non-OPEC growth is driven by a thinner pipeline of mega-project deliveries going forward and a slowing pace of U.S. shale growth post 2021 (on the back of a higher decline from a larger production base). This will lead, on their estimates, to a significant call on OPEC of 4.7 million b/d between 2021 and 2025, even assuming a material demand growth slowdown. At the same time, Big Oil is unlocking short-cycle hydrocarbon resources in their core expertise area, offshore. This is already starting to take place in the form of brownfield developments and a couple of larger greenfield ones. It is expected that this will be followed by the approval of significantly more major deep water developments in the years to come. Such increase in FIDs will eventually lead to a moderate but rising upstream capex increase led by deep water (and LNG). According IHS Markit, offshore E&P capex is expected to recover more firmly as we enter the next decade. Offshore E&P capex was USD 104.5 billion in 2018, of which roughly half spent on shallow water capex and the other half on deep water, 2019 capex is expected to increase to USD 120.9 billion (IHS Markit, Global Upstream Spending, 6 December 2018). The recovery remains muted so far as rising spending on new projects, sanctioned over the past 1-2 years, is offset by ongoing field developments being completed. However with more FIDs to come, IHS expects offshore E&P capex to gradually increase to USD 155.1 billion in 2022, of which USD 75 billion will be spent on shallow water E&P capex and USD 80.1 billion on deep water. Split between drilling and wells services, and field development, USD 60 billion and USD 95 billion will be spent in 2022 respectively. The offshore oil services industry should benefit from this healthy pace of FIDs.

U.S. shale with a short time to market has reconfigured global oil markets. U.S. shale liquids (oil and NGLs) have grown +3.1 million b/d over four years to 2018, meeting 60 percent of the 5.6 million b/d in demand over the period (Citi Research, Global Oil Vision, 22 March 2019). However, geology of shale, with high initial well productivity and rapid decline rates (70 percent declines in year 1 are not uncommon; Q4 2017-Q4 2018 oil PDP decline rates by operator were circa 42 percent for their total base production and sticky), provides different growth and decline rate characteristics vs. conventional reservoirs. Growth can be very rapid in the early years of a basin, but as the production base becomes larger, so do decline rates, especially following a couple of years of very intensive developments, when a large part of the production base is made up of high-decline wells in their first 1-2 years of life. Effectively, as shale rapidly increases its global market share, higher activity will be needed to maintain flat production. According Goldman Sachs, by 2021, 3.5 million b/d of production from new wells (crude + NGLs) will need to be added annually to maintain flat production from the big 4 U.S. shale plays. This volume is higher than the gross incremental liquids production of 3.3 million boe/day in 2018, where new wells provided circa 1.8 million boe/day net growth year-on-year and offset base declines of circa 1.5 million boe/day. As a consequence of the shale treadmill, by 2021-2023, shale is moving rapidly into maturity, with higher decline rates and slower incremental growth. At a certain moment, it will reach a stable long-term plateau. From 2021 onwards, U.S. shale production growth may not be enough to meet growing demand, even at a slower pace, and to fill the production decline gap. Hence the higher expected call on OPEC and growth in offshore and deep water developments, which now has become competitive again with U.S. shale.

The IEA Oil 2019 report presents oil liquids supply growth for the United States from 15.5 million b/d in 2018 to 18.1 million b/d in 2020 and then and a slower pace to 19.6 million in 2024, an increase of over 4 million b/d between 2018 and 2024. Apart from the United States, significant growth will also come from Brazil, Iraq, Norway and newcomer Guyana according the IEA outlook. It is satisfying to see that three of these four mentioned countries are offshore producing countries. More precisely, offshore oil, particularly deep water, has restructured itself in the last 2-3 years. Goldman Sachs notes that Deepwater enjoys the strongest recovery in profitability, up to 30 percent IRR for recent project sanctions. With the exclusion of the most expensive projects, most of the pre-sanctioned offshore developments are now competitive again with U.S. shale.

Offset by production declines at other fields, several new offshore projects in the U.S. will help to hold overall Gulf of Mexico production relatively steady over the forecast period at around 1.8 million b/d. Brazil's oil supply is expected to grow with 1.2 million b/d over the outlook period. The North Sea with about 0.5 million b/d. Oil supply from important West-African oil exporting countries will be dependent on new Final Investment Decisions. The outlook is more promising for Angola than for Nigeria. Besides oil liquids, there are also many new LNG projects been sanctioned or to be sanctioned, which will be supplied by offshore natural gas fields.

OFFSHORE INSTALLATION AND SUBSEA

The offshore marine contracting fleet consists of approximately 636 vessels worldwide, or 527 vessels if the cold-stacked are excluded (IHS). Based on current work activities, the fleet can be split in several sub segments performing a wide range of services related to installation of new platforms and subsea infrastructure, such as mooring systems, subsea umbilical's, risers and flowlines (SURF), the inspection, maintenance and repair (IMR) of such infrastructure, decommissioning and removal work, pipe laying, diving support, ROV survey work, and heavy lifting.

Of the 527 vessels, 364 vessels (320 ex 44 vessels cold-stacked) are construction vessels (IHS, Offshore Installation (DSV/ROVSV), 5 March 2019). The market segment encompasses activities under taken by four type of vessels: a) Diving Support Vessels (DSV) (83 / 69 ex cold-stacked); b) ROV Support Vessels (ROVSV) (231 / 205 ex cold-stacked); c) Multi-Service Vessels (MSV) 32 / 30 ex cold-stacked); and d) Well Intervention Vessels (18 / 16 ex cold-stacked). The remainder of the 527 vessels are pipe lay vessels and heavy lift vessels.

There are 20 new vessels on order worldwide, nearly all ready to be delivered in 2019. 7 are DSV vessels, 9 are ROVSV vessels, 1 is a MSV vessel, and 3 are well intervention vessels. It is expected that not all of these vessels will be actually delivered and accepted in 2019. Attrition of older tonnage may step up. Of the 364 vessels, 68 are older than 2000. 22 of these vessels are cold-stacked or at a repair yard. 21 one are idle, leaving 25 at work.

Our vessel CSV BO 101 (classified as a ROVSV vessel by IHS) was delivered in 2007. The total existing fleet of ex cold-stacked comprises currently 205 vessels. If all vessels with delivery date before 2007 will be excluded, the fleet will shrink to 145 vessels. According IHS, 69 of these vessels are currently idle, giving a utilization rate of 52 percent. Of the 145 vessels, 51 are doing IMR, support or survey work or are stand-by. This includes all type of ROVSV vessels of all sizes and shapes and active in all countries, including local markets such as China.

The CSV Southern Ocean (classified as a MSV vessel by IHS) was delivered in 2010. The total existing fleet of ex cold-stacked comprises currently 30 vessels. If all vessels with delivery date before 2007 will be excluded, the fleet will shrink to 18 vessels. According IHS, 3 of these vessels are currently idle, giving a utilization rate of 83 percent. 15 vessels are at work of which 6 are doing survey work, 3 well intervention work, 2 IMR and 2 accommodation support. This includes all type of MSV vessels of all sizes and shapes and active in all countries, including local markets such as China.

ROVSV and MSV vessels combined gives a total existing fleet younger than 2007 and ex cold-stacked of 163 vessels. Ten companies own 61 of these vessels. 72 of these vessels are currently idle and 84 are at work, resulting in a utilization level of 56 percent. Again, this includes all type of MSV vessels of all sizes and shapes and active in all countries, including local markets such as China. It also includes many small local vessel owners.

Oceanteam's vessels belong to the top quartile with respect to deck space, crane capacity and accommodation capacity, especially CSV Southern Ocean. Although the list does not show technical details of vessels of direct competitors, Oceanteam strongly believes there will be a higher demand for both CSV's in the future.

Due to the severe downturn, financial problems persist at many vessel contractors, and bankruptcies and liquidations have been a constant theme in the market over the past five years. Utilization of all four vessel classes – Diving Support Vessels (DSV) , ROV Support Vessels (ROVSV), Multi-Service Vessels (MSV) and Well Intervention Vessels – have materially decreased but vessel days per year are now expected to grow to earlier peak levels for ROVS vessels by 2022 and for MSV vessels already by 2020. However, for DSV vessels demand in vessel days will only see a small improvement, but to remain well below the all-time high recorded in 2013.

Demand for ROVS vessels (the CSV BO 101 vessel falls in this category), bottomed out in 2018 at 38,674 vessel days. Demand in 2019 is forecast to rise to 44,887 vessel days, up by 16 percent year-on-year. Further increases are thereafter expected in 2020 – 2023. Demand is forecasted to reach 51,456 vessel days in 2023, an all-time high (IHS, Offshore Installation (DSV/ROVSV), 5 March 2019).

Demand for MSV vessels (our CSV Southern Ocean vessel falls in this category), bottomed out in 2017 at 4,299 vessel days and improved to 5,767 vessel days in 2018, up by 34 percent. Demand in 2019 is forecast to rise to 5,535 vessel days, down 4 percent year-on-year. 2020 is expected to see a strong recovery to circa 6,250 days, and to further grow each year at a modest pace.

Based on the combined ROVSV and MSV fleet younger than 2007, the total aggregate capacity is just less than 60,000 working days per year. With a 80 percent utilization, this would be 47,500 days, or roughly equal to total vessel days demand in 2019. If one takes all 210 ROVSV and MSV vessels ex cold-stacked as of 2000 and including the new vessels to be delivered in 2019, the capacity is 76,650 vessel days. According IHS, demand for both categories is 50,422 days in 2019 (66 percent).

OFFSHORE WIND

The offshore wind market is growing fast. According IHS, the global offshore wind market is set to install over 430 GW of new capacity by 2050, the total installed capacity to grow from 20 GW in 2017 to about 450 GW in 2050. The amount involved is over USD 1 trillion, or USD 31 billion annually. Offshore wind competitiveness is improving, driven by competitive auctions in Europe. In addition, the industry, with its roots in Northwest Europe, is maturing with falling costs. Costs have been falling because of larger turbines, value-chain consolidation, industry know-how, economies of scale and lower financing costs. Also the participation is changing rapidly, with the traditional utilities now firmly re-establishing themselves as the prime developers of offshore wind parks, and several oil and gas companies now also entering the field to win offshore wind park projects auctioned by the governments.

Total expected cumulative gross additions between 2018 and 2025 in the offshore wind markets is forecasted between 52 and 65 GW. Top-10 markets are mainland China with a 22 percent share of the cumulative gross additions between 2018 and 2025, the United Kingdom with 17 percent share, The Netherlands, with 11 percent share, France with 7 percent share, Germany with 7 percent share, the United States with 6 percent share, Turkey, with 4 percent share, Denmark with 3 percent share, Belgium with 3 percent share, Poland with 3 percent share and the rest of the world with a 16 percent share.

The value chain of the offshore wind industry is dynamic and consolidating. The value chain includes the following players: the first group of players are the technology providers, who supply the wind turbines, foundations and power cables, such as Siemens, Vesta, MHI, GE, Prysmian, JDR, NKT cables, SIF, etc. The second group are the project developers, predominantly the national utilities, several oil and gas companies and some specialized offshore wind park developers. The third group are the EPCI contractors. This group include the large Dutch and Belgium marine construction and dredging companies, such as Boskalis, Van Oord, Jan de Nul and DEME, the marine contracting companies out of the offshore oil industry such as Heerema Marine Contractors, and Subsea7, and some utilities such as RWE, Vattenfall, Eneco and Orsted. Then you have the owners of the wind parks and the operators. This group comprises many of the same names as the developers plus financial infrastructure funds who support the developers and take increasingly larger equity stakes once projects are built and enter the operate phase.

In the field of cable handling, logistics, storage and transportation, the market is equally growing fast as the rest of the offshore wind industry. The business is also changing from pure rental of carousels and ancillary equipment, storage and one-off transport contracts, to more service oriented integrated solutions. There is an expectation that customers will demand for more tailored, integrated solutions on a global basis. In addition, scale and size becomes more important as projects become bigger, more complex and more international. With the growing size and complexity of larger offshore windfarm projects and the locations further offshore in deeper and more hostile waters, it is expected that EPCI contracts become more common for the cable solutions part of the project as well, either directly for this part of the work, or as sub-contractor of the main-contractors.

5. BOARD OF DIRECTORS AND MANAGEMENT TEAM

Board of Directors

Keesjan Cordia

Chairman of the Board of Oceanteam ASA since April 2018
Year of birth: 1974, Dutch national

Current positions
Director Invaco Management B.V. and Corinvest B.V.
Board member / director Ship Finance International (NYSE)
Board member / director Northern Drilling (OSE)
Board member Combifloat B.V.
Board member Kerrco Petroleum

Former positions
Owner/director of Sea Accommodation Resorts Limited (Seafox Group) B.V.

Education
Academic degree in Business economics

Karin Govaert

Member of the Board of Oceanteam ASA since April 2018
Year of birth: 1968, Dutch national

Current positions
Co-founder of shortsea company RiverMaas B.V. (investment in coastal fleet of appr. 25 vessels)
Investment Manager Rotterdam Port Fund

Former positions
Maritime consultant

Education
Academic degree in Economics at the Erasmus University in Rotterdam and a Master in Finance at the Tias Numbas Business School in Tilburg

Jan-Hein Jesse

Member of the Board of Oceanteam ASA since July 2018
Year of birth: 1961, Dutch national

Current positions
Owner of JOSCO Energy Finance and Strategy Consultancy, Amsterdam
Non-executive Director for the Dutch organization and global advisor, Centerbridge Partners, New York and London

Member of the advisory board of oneUp, Amsterdam
Expert to the IEA, Paris
Member of the editorial advisory board for GCARD, JP Morgan Center for Commodities, University of Colorado Denver Business School, Denver
Visiting Fellow, Clingendael International Energy Programme, The Hague

Former positions
CFO, Heerema Marine Contractors
Senior Acquisition & Divestment Manager, Royal Dutch Shell
Head of Energy Finance, ING bank; commodity finance manager, Chase Manhattan bank
Naval Engineer, Heerema Marine Contractors

Education
BSc. In civil and offshore engineering; Corporate Finance & Investment banking degree Chase Manhattan bank; MBA Nijenrode University; New Board Programme Nijenrode University; leadership and executive programmes at Harvard, Yale, Wharton, Insead, and Chennai

Management Team: with a combined more than 20 years of offshore industry experience

Leidus Bosman
CEO of Oceanteam ASA since 15 October 2018
Year of birth: 1967, Dutch national

Henk Hazenoot
Interim CFO of Oceanteam ASA since August 2018
Year of birth: 1961, Dutch national

6. REPORT OF THE BOARD OF DIRECTORS

a. CORPORATE STRUCTURE

The Company is the parent company of several subsidiaries, together the Oceanteam Group. These subsidiary companies are grouped under two commercial segments: Oceanteam Shipping and Oceanteam Solutions.
Oceanteam Shipping comprises Oceanteam's Construction Support Vessel companies and Fast Support Vessel companies, including incorporated JV companies partly owned by Oceanteam.
Oceanteam Solutions comprises of Oceanteam companies active in the cable transportation, storage, handling, logistics and rental business for the offshore wind industry.
The majority of the subsidiary companies are incorporated in Norway and in the Netherlands.

b. BUSINESS ACTIVITY

The Group delivers high spec assets and unique services to the oil and gas industry and the offshore wind industry. Through its Oceanteam Shipping division, Oceanteam owns, charters and manages two high-end deep water offshore construction support vessels (CSV). Through its Oceanteam Solutions division, Oceanteam provides a complete set of high quality rental equipment (turntables, tensioners and reels) and standard to tailored solutions for the transportation, storage and logistics of power cables for the offshore wind industry.

Oceanteam is active in its traditional subsea oil and gas business as well as in the renewable energy business. We see growth in both segments. At this stage of the energy transition, we believe we must be active in both segments in order to make our contribution to the energy transition. We are committed to further invest in systems and equipment that help us and our customers to improve the environmental performance of our activities.

Under new leadership Oceanteam completed its financial restructuring in 2018. Oceanteam is now transforming itself into an offshore services investment platform active in the subsea and offshore wind markets and other specialized segments in the offshore and marine 'services business. As an investment platform, Oceanteam ASA is actively pursuing new business opportunities. Oceanteam plans to actively use its capacity as a listed company to issue new shares as a mean to finance identified investment opportunities. Oceanteam will follow a conservative approach in relation to financial and operational leverage of the Company. In how far Oceanteam will be successful in realizing its ambitions will be dependent on a) prevailing market circumstances in the oil and gas (services) industry and offshore wind industry; b) the award of new projects in the oil and gas industry by oil and gas companies and by governments in the offshore wind industry; c) the capability of the Management team of Oceanteam to identify, assess, select, define and execute new business and investment opportunities and to operate them as effective and efficient as possible.

Our customer target group is wide and diversified: For Subsea activities, the target group includes the large, global main contractors, such as McDermott, Subsea7, TechnipFMC and Saipem, and smaller ones, such as Fugro, Boskalis and others, as well as the major and more regional oil and gas oil companies who have global deep water developments and operations. For the Solutions business, the target group includes the power cable manufacturers (Original Equipment Manufacturers (OEM's), the offshore contractors building offshore wind farms and installing subsea cables, and the developers, who own, develop, and operate the offshore wind parks.

Oceanteam's Mission is to be a modern, responsible and successful offshore services investment platform for Subsea, Offshore Renewables Solutions, Shipping, and other specialized segments in the offshore and marine services industry, exceeding shareholder and stakeholder expectations.

The basis of our competitive advantage lays in three distinctive segments: Distinctive Capabilities, Privileged Assets, and Special Relationships. We believe that competitive advantage stems from these three sets of unique core competences and for this reason we will further develop those core competences for each business segment we own in order to realize our vision to become a leading, sizable platform. The Company has a social responsibility towards her employees. Further reference is made in section 11.a.

c. OCEANTEAM SHIPPING INTRODUCTION

With offshore spending and activity likely to rise in 2019 over 2018, the offshore oil and gas industry is expected to gradually recover. The recovery is fragile and still uncertain. Looking ahead, we expect a continuation of recent “early recovery stage” fundamentals after a short price crash late in the fourth quarter of 2018, which took many as a surprise. In autumn of last year, we were questioning ourselves about the robustness of the strong momentum in the offshore services space as we were less certain that oil prices would rise further and would stay at elevated levels. We feel that this late 2018 setback has resulted in a more prudent outlook for this year and next, irrespective of the current increased tightness due to geo-political events.

While we do not expect robust returns in 2019 as earnings power is still poor, we expect better performance from 2020-2021 onwards. For this year and next we do not exclude the possibility of additional negative shocks, and for this reason 2019 and 2020 are likely to be a “tough recovery” for the oil services industry in general. But there is consensus among analyst that Sector valuations are at a cyclical low and Multiples are at the low-end of the historical range. Longer-term we believe in another larger broad cycle ahead – in line with the last four earlier cycles since 1995. As it looks now, oil companies have plenty of pre-sanctioned projects in their portfolios in order to avoid a supply gap half way the next decade. With a 3-5 year development time for most of these projects, it is expected that the number of Final Investment Decisions (FID’s) will further increase. Oil companies have also come to the end of their balance sheet restoration as a result of the oil price collapse in 2014. With about 20 percent fewer projects under construction than 12 months ago, whilst oil price has significantly recovered, oil and gas companies have for the first time since 2015 significant amounts of free cash flows available for new pre-sanctioned developments and thus more capex headroom. We are confident that in our space, first utilization will gradually further improve, and that charter rates will subsequently start to rise above the zero marginal cash costs rates many subsea services companies had to accept to minimize losses. Fortunately, we benefited from our long-term legacy contracts and the possibility to win new work for the CSV Southern Ocean in 2018, which puts us in a better position than many of our competitors. The Company’s low debt level and strong balance sheet was also beneficial to manage the Company through the difficult times for the offshore services and marine contracting industry.

OPERATIONS AND MARKETING PHILOSOPHY CSV SOUTHERN OCEAN AND CSV BO 101

Oceanteam ASA owns 50 percent of the ship company Oceanteam Bourbon 4 AS, which own the CSV Southern Ocean, and 50 percent of the ship company Oceanteam Bourbon 101 AS, which owns the CSV BO 101.

The joint venture company Oceanteam Bourbon 4 AS, which own the CSV Southern Ocean, is co-owned by Bourbon Norway AS (“BON”). The vessel provides essential offshore and subsea construction support services. While each of the two companies owns 50 percent of the ship company, Oceanteam has three of the five seats in the board of the ship company, including the chairman. Oceanteam ASA controls this entity and for that reason this joint venture is fully consolidated on its balance sheet. BON is currently responsible for day-to-day operations of the vessel, including crew management, and is responsible for maintenance and repair activities. Oceanteam and Bourbon are both actively engaged in the marketing and contracting of the vessel.

CSV Southern Ocean was on a long-term bareboat charter with Fugro TSM Australia since its delivery in 2010 until late in 2018. With effective date of 24 August 2018, J. Ray McDermott has contracted CSV Southern Ocean for their subsea installation project off the East Coast of India. The vessel went on-hire on 26 November 2018. The current contract expires in May 2019 when contracted work is interrupted by the monsoon season making offshore work less productive. After completion of the work for McDermott, the vessel will directly start working under a charter contract with Fugro.

The ship company Oceanteam Bourbon 101 AS, which own the CSV BO 101, is co-owned by Bourbon Norway AS (“BON”). The ship company has entered through a local company into a charter contract with Total E&P Angola in 2016. The vessel provides essential offshore and subsea services to several Total projects offshore Angola. While each of the two companies own 50 percent of the ship company, Bourbon has three of the five seats in the board of the ship company, including the chairman. Bourbon controls this entity and for that reason this ship company is consolidated according to the equity method on the balance sheet of Oceanteam. Bourbon is currently responsible for day-to-day operations of the vessel, including crew management, and is responsible for maintenance and repair activities. Both companies are actively engaged in the marketing and contracting of the vessel.

The current firm charter contract period expires in August 2019. Total has the option to extend the contract. Oceanteam and Bourbon are in active discussion with Total, as well as with other companies, for short-term and long-term charter contracts.

Both vessels are generally utilized for subsea project activities. The vessels are serving the Surf (Subsea, Umbilicals, Risers and Flowlines) market, and the IRM (Inspection, Repair and Maintenance) market. The Subsea project business could include survey, diving services, ROV operations, construction and IRM among others. Both vessels are also equipped for serving the offshore wind industry as cable lay and transport vessel, walk to work or IRM, creating immediate synergy with the Oceanteam Solutions division. Several of the Oceanteam Solutions carousels fit on the deck of the vessels. Both vessels can thus equally be utilized in the offshore renewable industry.

The Group's business concept is to engage in long-term and industrial offshore business. Oceanteam Shipping operates with a contract strategy, which focuses on long-term contract coverage. In absence of such long term contract opportunities, Oceanteam and Bourbon are actively pursuing short-term contract engagements in order to maximize utilization of the vessels.

Since the vessels came in operation in 2007 (CSV BO 101) and 2010 (CSV Southern Ocean), both vessels have been fully utilized excluding time needed for planned docking, maintenance and repair. The CSV Southern Ocean has worked predominantly in Australia, the Asian-Pacific region and India. The CSV BO 101 has predominantly worked in Angola and for a shorter period in Brazil. Both vessels are allowed to work in the North Sea.

Oceanteam runs its Shipping activities out of Amsterdam in the Netherlands and Bergen, Norway.

DIAVAZ OCEANTEAM SHIPPING (DOT SHIPPING)

Oceanteam jointly owned two Fast Support Vessels with its Mexican partner Diavaz. Due to the decline of the Mexican offshore markets, the charter income decreased significantly over 2017. During 2017 and 2018 Diavaz and Oceanteam have been in a constructive dialogue to find a new contractual structure. This has led to a decision in the first quarter of 2019 for Oceanteam to sell its stake in the joint venture companies to Diavaz. The contracts for the divestment were signed in March 2019 and payment was received in the first quarter of 2019. Reference is made to the press release dated 29 March 2019.

OCEANTEAM MEXICO SA de CV

Oceanteam Mexico SA de CV operates two Fast Support Vessels (FSVs), 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 has been impaired. Oceanteam's Management is considering all options for recovery of the vessels. In the annual results all financial risks have been impaired and provisions taken. No (legal) actions have been taken during 2018.

THE VESSEL MARKET

The charter market for construction support vessels is slowly improving from a deep recession. The bottom of the market stretched out over several years and the hope is that the fragile improvement will further strengthen. Market analysts are convinced it will. As described in more detail in the section Market Outlook, the ROVSV and MSV segments (in which the CSV BO 101 and CSV Southern Ocean belong) show the best outlook improvement of the four segments according IHS (IHS, Offshore installation (DVS/ROVSV), 5 March 2019). The ROVSV outlook shows a full recovery with respect to vessel day's demand by 2022, while the MSV market sees this already next year. Moreover, our two vessels fall in the top-quartile of both respective segments, a sector that shows the best outlook for recovery. Nevertheless, 2019 will be a challenging year as both vessels come off contract in the second half of 2019 and therefore 2019 brings more uncertainty than historically when the vessels were still chartered under long-term contracts. Although there are niches in the market that show some seasonal tightening characteristics, generally speaking the market is still a buyers' market with ship owners competing fiercely for work in order to improve utilization. For this reason, charter rates are still under pressure. At the same time, ship owners take a disciplined contracting strategy, and are not prepared to do long-term contracts at current rate levels. For 2020 and beyond we foresee a gradual improvement in utilization and day rates in line with analyst forecasts.

d. OCEANTEAM SOLUTIONS

HIGHLIGHTS

Oceanteam Solutions suffered in the beginning of 2018 from the uncertain position of the company, with customers not knowing the outcome of the restructuring. But after the successful restructuring, several new projects were won and trust was rebuilt with our main customers in the offshore wind segment. Main events of Oceanteam Solutions during 2018 were:

- Cable transport from Norway to the Netherlands for one of the biggest UK energy companies, which was successfully performed in September/ October 2018. Spooling of the cable, mobilisation and demobilisation of the barge, tug vessel and equipment was executed by and under full responsibility of Oceanteam Solutions;
- Rotterdam cable storage and handling project. This project started in October 2017 and was terminated in July 2018. In this storage project, Oceanteam Solutions delivered a barge with a 5300t carousel, loading tower and tensioners for cable storage alongside customer's quay. Spooling was performed by Oceanteam Solutions' cable handling crew;
- Long-term storage. Despite the uncertain position of the company, long-term storage customers kept faith and supported the company by not terminating and upholding their long-term storage contracts.

e. BACKLOG

The backlog for Oceanteam Shipping has shortened in time as charter contracts for both vessels come closer to the agreed end-date of the firm portion (excluding extensions) of their charter contracts. The Company is actively engaging with the current customers for renewal of the charter contracts and with new customers to win new contracts. All three existing customers – Total, McDermott and Fugro - have expressed their satisfaction regarding the vessel and crew. At the same time, Oceanteam and Bourbon are actively marketing the vessels to other (new) customers as well and several have already expressed interest in the vessels.

Oceanteam gives preference to enter in new long-term contracts, but the Company also takes a disciplined contracting strategy, and is not prepared to enter into long-term contracts at low rate levels. Overall, we expect to win new projects in 2019 but might have to accept short idle periods between projects. Given the strong financial cash position at the ship owning company level, such outcome can be absorbed adequately. Oceanteam is positive that the unique characteristics of its large CSV's will place the Company in an advantageous competitive position to re-contract the vessels with industry leaders at reasonable day rates.

Multiple cable storage projects, cable handling activities and rental of equipment are ongoing and the Company's main assets will remain under contract until late 2019 following several extensions under existing services and rental agreements.

f. COMMENTS RELATED TO THE FINANCIAL STATEMENTS

INCOME STATEMENT

EBITDA improved from USD 9.8 million in 2017 to USD 12.2 million in 2018.

Total operating income of the Oceanteam Group ("Oceanteam" or "Group") increased to USD 25.3 million in 2018 versus USD 24.4 million in 2017.

Revenues for the shipping company Oceanteam Bourbon 4 AS decreased from USD 19.6 million in 2018 to USD 15.9 in 2017 million due to less operational days and to a lower day rate in line with deteriorating market circumstances.

Total operating income includes a Net income from associates/joint ventures of USD 1.9 million in 2018, which represent the net Income from our JV shipping company Oceanteam Bourbon 101 AS (2017: loss of USD (1.2) million). The higher Net income from the JV is the result of lower shipping costs and less depreciation.

The Solutions division performed better than 2017. Revenues increased with 23 percent from USD 6.0 million to USD 7.4 million in 2018.

Total operating expenses include Operating costs, General & administration expenses, Depreciation & amortization, and Write offs/ impairments. Total operating expenses amounted to USD 18.7 million in 2018 (2017: USD 48.5 million). The main difference between both years is the decrease in write offs / impairments in 2018. In 2017 this expense was USD 26.8 million whereas in 2018 this is almost nil. The 2017 write offs / impairments of USD 18.5 million in the carrying value of CSV Southern Ocean, USD 4.1 million in goodwill, USD 1.8 million in deferred taxes and USD 2.4 million in other assets.

Combined Operating costs and General & administration expenses have been lowered from USD 14.6 million in 2017 to USD 13.1 million in 2018. The Operating costs were USD 1.2 million higher mainly due to higher operating costs of the vessel CSV Southern Ocean of USD 3.4 million This increase was the result of a combination of additional mobilisation and yard costs and a changing contract structure from bareboat in 2017 to time charter in 2018, which includes crew costs. These higher cost in the shipping segment are compensated by lower costs for cable handling and transport of several contracts in the Solutions segment.Selling, general & administration ("SG&A")costs amounted to USD 5.6 million in 2018. These costs could be further improved from USD 11.3 million in 2016 and USD 8.3 million in 2017. Costs decreased due to less professional services fees, less salary, less management expenses and less office rent.

The above facts resulted in an increase of operating profit before discontinued operations in 2018 to USD 6.5 million compared to a loss of USD (24.1) million in 2017.

In 2018 the financial expenses have been materially lowered to USD 5.7 million versus USD 11.6 million in 2017. The successful bond debt conversion into equity in Oceanteam ASA and quarterly repayment of principal under the ship finance loan facilities have substantially lowered the outstanding debt of the Group and hence lowered the financial (interest) expenses. A one-off financial effect of USD 26.7 million to the 2017 financial income occurred due to revaluation of the bond loan of Oceanteam ASA. Due to the conversion of the bond loan into equity in 2018 the reversal of the revaluation is presented in the section financial expense as a loss of USD 1.7 million (see note 18 Loans and borrowings). In aggregate, net financing costs were USD 5.6 million in 2018 compared to a positive net financing income of USD 14.3 million in 2017.

In 2018 the sale of KCI the engineers B.V. was materialized. The loss of USD (0.9) million was related to the earn-out, booked as a Loss from discontinued operations.. During 2017 the net operating loss of KCI the engineers B.V. was USD 0.5 million.

The Group made a net loss after taxes and discontinued operations of USD 0.1 million in 2018 compared to a loss of USD (12.0) million in 2017. When excluding the discontinued operations, the Company actually made a profit of USD 0.8 million compared to a loss of USD (11.5) million in 2017.

BALANCE SHEET AND CAPITAL STRUCTURE

Total assets at year-end amounted to USD 127.1 million, compared to

USD 133.2 million in the prior year. Equity as a percentage of total assets was 69.8 percent per 31 December 2018, compared to 29.8 percent per 31 December 2017.

Oceanteam has diversified capital sources consisting of equity, bank and shareholders' loans. The equity (share capital of the Company) is divided into 789,793,138 shares with a nominal value of NOK 0.50 each.

The shipping division includes two vessels, each 50 percent owned by Oceanteam. The shipping company Oceanteam Bourbon 4 AS for the CSV Southern Ocean has been fully consolidated. With respect to the shipping company Oceanteam Bourbon 101 AS for the CSV BO 101, this company is consolidated according to the equity method. Together with the Oceanteam Solutions' equipment, Non-current assets, Property, plant and equipment was USD 112.2 million on 31 December 2018 (2017 USD 112.2 million) .
The first year instalments have been further reduced in 2018 from USD 37.9 million on 31 December 2017 to USD 33.0 million on 31 December 2018.

VESSELS AND EQUIPMENT, INVESTMENT IN ASSOCIATES AND JOINT VENTURES

The net book value of vessels and equipment was USD 97.4 million on 31 December 2018 (2017: USD 101.7 million). This represents the CSV Southern Ocean and offshore wind Solutions assets. The historical cost of the CSV Southern Ocean, which is fully consolidated on the balance sheet, was USD 170.9 million on 31 December 2018. In 2018, ship related capex was USD 1.3 million, invested into the CSV Southern Ocean. The carrying amount of the vessel (net book value after depreciations and impairments) was USD 81.7 million (2017: 84.7 million). The historical cost of Equipment and Fast Support Vessels was USD 51.0 million on 31 December 2018. The carrying amount as per that date was USD 15.6 million, only representing the offshore wind Solutions equipment.

The Investment in associates and joint ventures was USD 14.9 million on 31 December 2018 (2017: USD 10.6 million). This is the investment in Oceanteam Bourbon 101 AS, the company being consolidated according to the equity method. The net book value of the CSV BO 101 was USD 51.0 million on 31 December 2018.

The Total Non-current Assets - Property, plant and equipment of USD 112.2 million represents 88 percent of the Total assets. In aggregate the net book value of both vessels was (on a 100 percent basis) USD 132.7 million. For clarity, only the CSV Southern Ocean of the two vessels is accounted for as fixed asset on the balance sheet.

The latest fair market value has been estimated by two independent surveyors in the first quarter of 2019. The average value of the CSV Southern Ocean was USD 87.6 million. For the CSV BO 101, this was USD 63.5 million.

SHAREHOLDER LOAN CONVERSION INTO EQUITY

The Company and Corinvest entered into a loan agreement on 23 April 2018, pursuant to which Corinvest agreed to provide an unsecured loan to the Company in an amount of NOK 20 million (equivalent to USD 2.5 million). On 25 April 2018, the Board of Directors used the authorisation granted at an extraordinary general meeting of the Company on 13 April 2018 to resolve a share capital increase directed at Corinvest by conversion of the Corinvest Loan into 40,000,000 new shares in the Company, each with a par value of NOK 0.50.

BOND CONVERSION INTO EQUITY

In 2018, the financial restructuring was successfully completed with a debt-to-equity conversion ("Conversion") whereas USD 67.249.087 of debt under the Company's Senior Callable Bond 2012/2017, including outstanding interest, was converted into equity. The Conversion took place in two tranches. The first tranche of USD 62.1 million of debt was converted in April, for which 620,735,700 shares were issued with a nominal value of NOK 0.50 per share. In December 2018, the remaining USD 5.2 million bond loan was also converted into equity in the Company by issuing 88,464,179 shares, also with a nominal value of NOK 0.50 per share.

ADDITIONAL SHARE ISSUES IN 2018

On 7 November 2018 the Board of Directors has issued 1,000,000 shares pursuant to the settlement agreement with Ms. Pos. As part of the restructuring, the Company settled all claims from Mr. Hessel Halbesma, Mr. Haico Halbesma and/or their affiliates by acknowledging NOK 5,000,000 of these claims (settled by issuance of 10,000,000 shares to Feastwood Holding Limited).

SHARE CAPITAL AND EQUITY

The conversion of the bond loan, the share issue of USD 2.5 million and the conversion of the Halbesma family and Ms. Pos claims (see all above) led to an increase of share capital of the Company from USD 2.6 million in 2017 to USD 50.8 million by year-end . As a result, Equity attributable to owners of the Company increased from USD 17.4 million in 2017 to USD 59.8 million by 31 December 2018. On 31 December 2018 the total number of outstanding was 789,793,138 all with a nominal value of NOK 0.50 per share.

The Non-controlling interests (related to the Oceanteam Bourbon 4 AS ship company owning the CSV Southern Ocean over which Oceanteam has significant control) increased to USD 28.9 million compared to USD 22.2 million by year-end 2017. Total equity increased from USD 39.7 million in 2017 to USD 88.8 million by year-end 2018, representing 70 percent of total equity and liabilities.

THE OCEANTEAM BOURBON 4 AND OCEANTEAM BOURBON 101 FACILITY

The Oceanteam Bourbon 4 and Oceanteam Bourbon 101 Facility is a credit and guarantee facility ("Facility") with Oceanteam Bourbon 4 AS and Oceanteam Bourbon 101 AS as Borrowers. The loans and guarantees outstanding under the Facility are provided by Sparebank 1 SMN Bank, DVB Bank SE Nordic and NIBC Bank N.V. (together "Lenders"). The original aggregate amount was USD 147 million. The aggregate remaining outstanding amount was USD 55.1 million on 31 December 2018. The outstanding long-term loan amount in relation to the CSV BO101 is not included in the Group accounts since the Group's interest in Oceanteam Bourbon 101 AS is classified as associate. Final repayment date of both loans is on July 2022. Both loans are fully performing as per the issue date of this annual report.

As part of the security under the Facility, the Lenders have, amongst others, a first priority mortgage on both the CSV vessels. Additionally there are corporate guarantees provided to the Lenders by the two Joint Venture partners. The cash amount at the ship company level was USD 5.4 million on 31 December 2018. This amount cannot be paid out to the shareholders without consent of Oceanteam.

LOAN AND BORROWINGS

Total outstanding on loans was USD 33.0 million on 31 December 2018. Of this amount, USD 30.4 million is a long-term loan to Oceanteam Bourbon 4 AS (in relation to the CSV Southern Ocean). Although this is a fully performing long-term loan as per the issue date of this annual report, due to the current financial situation of Bourbon, under the applicable accounting rules this loan has to be booked as a short-term debt callable within twelve months, and thus booked under First year instalments.

The remaining short-term loans are two unsecured shareholder loans with an aggregate amount of USD 3.1 million on 31 December 2018. These two loans were provided for general corporate purposes

CASH FLOW AND LIQUIDITY

During 2018 the Group's overall cash position increased from USD 7.3 million to USD 7.7 million. USD 5.4 million of this amount is held by Oceanteam Bourbon 4 AS and is not freely available to either Oceanteam or Bourbon and is accumulated as a reserve for future repayment of debt under the ship finance Facility.

Net cash flow from operating activities amounted to USD 3.2 million in 2018 compared to USD 4.2 million in 2017. Besides one-off elements as a result of the financial restructuring, the biggest changes in Net cash flow from operating activities were in Depreciation and amortization of tangible assets and working capital movements. Net cash flow from investing activities was negative with USD 1.5 million (including divestments) in 2018. Those investments were made in the upgrade of the CSV Southern Ocean. Net cash outflow for financing activities was negative USD 3.9 million in 2018 compared to negative USD 0.4 million in 2017. The difference is the result of the reduction in issuing new debt, which was USD 3.1 million in 2018 vs. USD 9.4 million in 2017. Net change in cash and equivalents was positive with USD 0.4 million in 2018 compared to positive USD 3.8 million in 2017.

INVESTMENTS

During 2018, investments were made for USD 1.5 million. USD 1.3 million was invested in the CSV Southern Ocean to upgrade the vessel to SPS 2008 and USD 0.2 million was invested in equipment for the Solutions division.

VESSEL VALUATION, WRITE OFF'S AND PROVISIONS

The latest fair market value has been estimated by two independent surveyors in the first quarter of 2019. The average value of the CSV Southern Ocean was USD 87.6 million. For the CSV BO 101, this was USD 63.5 million.

During the reporting period no financial impact of divestments changes in the accounting policy regarding the value of the vessels are presented in the financial results.

Specific write off for the discontinued operations of USD 0.9 million has been made for the sale of the shares of KCI the engineers B.V.

G. GOING CONCERN

In accordance with the Accounting Act § 3-3a Oceanteam ASA confirms that the consolidated financial statements and the Company's financial statements have been prepared under the assumption of going concern. This assumption is based on the Group's budget for the year 2019, the cash flow forecast and the contract backlog.

The Directors have considered all available information about the future when concluding whether the Company is a going concern on the date of approval of the financial statements. The review covers a period of at least twelve months from the date of approval of the annual report 2018.

Detailed disclosure note on future cash flows for the period of 12 months (from April 2019 until April 2020) with underlying key assumptions has been included within Financial Statement disclosure Note 3.

There is inherited risk in cash flow estimates for Company's 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.

From a going concern perspective; adding contract new backlog – short-term or long-term – for the two vessels and the Solutions segment is the main objective in order to maintain stable earnings going forward. Because the Solutions business does not have any debt service obligations, and is fully financed by equity, the Group as a whole benefits from its operating cash flow.

Revenue streams from the main contracts within the Shipping segment generated by CSV Southern Ocean and CSV BO 101 are running for 6 months and 8 months respectively after the balance sheet date and are therefore highly predictable. The financing of CSV Southern Ocean and CSV BO 101 is similarly stable and current (as per bank finance agreements). The main risks related to the Shipping segment relates to securing a new chartering contract for the CSV Southern Ocean and an extension of the current contract or also a new contract for the CSV BO 101 as per August 2019.

The Solutions division has been able to realize a good utilization of the equipment with competitive prices. Additional transport and mobilisation projects increased the total sales volume in 2018. Within this segment the maritime asset rental business is performing materially better than 2017. A higher demand from customers operating in the renewable sector improved the cash yield of this service. Yield results going forward are expected to improve as this segment experiences increase in enquiries for projects with execution in 2019 and 2020.

The Group's consolidated cash position was USD 7.7 million on 31 December 2018 compared to USD 7.3 million on 31 December 2017. Agreement has been reached on a short term loan for USD 1.5 million from Stichting Value Partners Family Office to waive repayment with at least 6 months after October 2019.

Agreement has been reached on a short term loan for USD 1.5 million from Corinvest B.V. to waive repayment with at least 6 months after December 2019.

The parent company depends on cash flows from 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.

h. RISKS

Based on the Group's activities and strategic objectives the Company has identified the main risks associated with its activities and strategy. The Group is exposed to technical, economical, commercial, operational and political (TECOP) risks, including financial, liquidity, and health, safety and environmental risks. Those risk factors may positively or 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 of Directors 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. If any of the risks described below materialise, individually or together with other circumstances, they may have a material adverse effect on the Group's business, financial condition, results of operations and cash flow and or prospects. The order in which the risks are presented below is not intended to provide an indication of the likelihood of their occurrence nor of their severity or significance. The risks mentioned herein could materialise individually or cumulatively.

The appetite for risks is extensively discussed and tested for every major individual event, such as entering into a contract, making an acquisition or divestment, deciding to make an (capex) investment, or hiring new management.

All teams in Oceanteam must identify and evaluate the risks to the achievement of any project and charter contract objectives, set boundaries for risk acceptance, and apply fit-for-purpose responses. Teams must actively manage their project and charter contract risks and accurately inform decision authorities and Management of the Group. Risk management is primarily about adopting a structured way of working that ensures risks are identified, understood, agreed, communicated and acted upon in a timely and consistent manner. An unambiguous organizational framework is a pre-requisite. Risk management is an integrated part of, and is actively used to support the decision making process.

The Company has two explicit "zero tolerance" criteria:

1) In relation to HSE: Oceanteam has zero tolerance for harm to people or for damage to the environment or to its assets in the execution of its activities.
2) In relation to Compliance: Oceanteam has zero tolerance for non-compliance with the Oceanteam's Code of Ethics and any related applicable laws and regulations.

Oceanteam is not prepared to assume excessive commercial risk in turnkey EPCI type of offshore contracting risk in its shipping segment as it cannot absorb such risks financially or manage those operationally. In the Solutions segment, the Group is willing to consider such risk to a certain extent as long the amounts involved are acceptable and within limits of the Company's financial position and capabilities. Oceanteam has limited appetite to engage with joint venture parties and vendors which relate unsatisfactory on Company's set criteria. As an investment platform, Oceanteam will only do major acquisitions subject to shareholders' consent as part of raising financing for such acquisition or issuing (new) shares.

Risk breakdown structures are excellent tools for both risk identification as well classifying, evaluating and managing risks to assist with managing sub sections of the risk register. Active risk management must help in achieving the Companies' strategic goals and objectives. The most commonly used project risk breakdown structure in Oceanteam is TECOP.

TECHNICAL RISKS

The Company is active in the offshore oil and gas services and offshore wind business. It owns large construction support vessels and heavy equipment. These assets are employed worldwide, including in deep water and hostile environments. The assets suffer from wear and tear and require regular maintenance and planned and unplanned repair. Oceanteam enters into contracts with its customers where Oceanteam is accepting certain project execution risks in line with industry practice.

Such construction risks are generally limited in nature and absorbed by the customer and or his end-client.

Key subsections of Technical Risks are Health, Safety, Environmental and Security risks, Integrity risks (of vessels, equipment and systems), Availability risks, Operability risks, Technology risks, and Maintenance risks. Together with Bourbon, Oceanteam maintains high standards for our assets and invest in our assets to minimize technical risks. Oceanteam only accepts industry standard and limited project-related risks where it believes it can manage and absorb such risk adequately or can transfer this risk to third parties.

Oceanteam is committed to pioneering new technologies that improves the safety and the efficiency of the operations and has a risk appetite to explore with its customers on better ways to design and execute its subsea and solutions activities. Oceanteam sees advantages of utilizing digital technologies and is supportive to make investments in such technologies in cooperation with its customers.
The Group devotes considerable resources to ensure its assets are performing safely and to high quality standards. Oceanteam promotes adequate day rates to allow making such investments. Control and maintenance of all equipment are vital to daily activities on board and at the sites. Fleet and equipment performance is continuously measured.

COMMERCIAL RISKS

The Group is exposed to market fluctuations which may result in lower utilization and reduced charter or rental rates for future contracts (existing charter or rental contracts are firm) and thus earnings for the Group's vessels, equipment and services. Attempts are made to reduce this risk by entering into contracts that secure long-term charters for the vessels and for the main portion of the carousels in the Oceanteam Solutions business.

Oceanteam is currently active in two streams of businesses, the subsea business, where it charters two large, versatile construction support vessels, and in the offshore wind power cable business through its Solutions business. Due to the high investments in assets involved, the portfolio is biased towards shipping. Future acquisitions might rebalance this to a certain extent financially and commercially. In any case, Oceanteam is committed to play its role in both the oil and gas services market as well as the offshore renewable market. Through this portfolio, Oceanteam will contribute to the energy transition and offer its capabilities to make such transition to happen. Moreover, the vessels are also well equipped to work in the offshore wind space.

Risks in this sub-category could be grouped along Market and competition, Contracting and procurement, Financing (Credit) and Liquidity, Business controls, Legal, Terms and conditions, and Liabilities and Compliance.

In the Shipping segment, Oceanteam generally performs its business activities under a bareboat charter or a time charter as a sub-contractor to the main-contractor who has a need for our vessel or equipment, or a hybrid form, co-mingling the two main types of contracts. In the Solutions segment Oceanteam enters in a variety of contract structures, from lump-sum fixed price contracts to rental contracts, cost-plus contracts and performance-driven type of contracts. In both segments, Oceanteam is working under long-term contracts and short-term and spot market contracts. In the shipping segment, Oceanteam pursues long-term charter contracts.
Market risk includes consequences of the cyclical nature of the industry in which Oceanteam is involved. The oil price is a significant driver for the offshore construction market, and thus for the demand for Construction Support Vessels. Policy measures set by governments and the pace of awarding and developing offshore wind parks significantly drive the demand for the equipment and services of Oceanteam Solutions. At times of high demand and positive outlooks, investors might become overly enthusiastic in setting their assumptions, which might result in ordering new vessels and equipment, which might result in oversupply and under-utilization of assets in down-turn periods of the business cycle, and thus affect Oceanteam's operations and financial performance. Customers of Oceanteam might force the Group to accept more or new type of risks, which could increase the overall risk profile of the Group, or cause regret costs of losing projects and new work to the competition.

Today, Oceanteam Shipping – as is the whole offshore oil and gas services and marine contracting industry - is still experiencing tough market conditions of industry oversupply, under-utilization of assets and price pressure. It is expected that the rise of activity that is currently seen will continue to improve. This will first result in more charters and contracts been awarded and thus in higher utilization levels, and subsequently followed by higher day rates when markets become tighter due to rising demand.

Oceanteam foresees entry barriers to increase and further consolidation of the industry, especially in the high-premium subsea markets in which it is active.

Oceanteam Solutions sees more work for many years to come. Oceanteam foresees a change in size, scope and contract structure of the business it is pursuing, and a further globalization and standardisation of the business. In Oceanteam's view, this will drive industry consolidation, increase entry barriers, demand further professionalization, and change the overall risk profile. Oceanteam has the ambition to become a leading player in the offshore wind Solutions business, serving its customers in an optimum way. Oceanteam sees the risk of its customers forward or backward integrating into Oceanteam Solutions' business as one of most important risk, potentially impacting the pace of growth the Group is pursuing. With the rapid growth of the offshore wind markets outside Western Europe, we expect offshore wind contractors to expand outside their home market.

FINANCIAL RISKS

The Company is exposed to financial risk in different areas. Financial risks include interest rate and currency fluctuations and investment, credit and liquidity risks in general. The investment risk also relates to the counter party risk in relation to Oceanteam's Joint Ventures.

On 31 December 2018, the Group was in compliance with all financial covenants under the Oceanteam Bourbon 4 and Oceanteam Bourbon 101 Facility. The shareholder loans are unsecured.

Access to multiple sources of debt and equity funding is necessary in order to entertain inorganic growth of the Investment Platform. After the successful restructuring in 2018, the Company maintains an adequate capital structure that fits well with the current reality of the business: both financial leverage and operational leverage are in good standing and provide a good base for the transformation of the Company into an offshore investment platform. At the same time, with asset values higher than book values and debt levels, the financial position of the Group is robust to withstand further headwinds might this occur.

An increase (decrease) in the interest level with 100 basepoints will give an effect of USD 0.4 million on the balance of loans and borrowings per 31 December 2018. The interest rates are also linked to the development of LIBOR margins.

The Company has sales revenues and liabilities in foreign currencies and is exposed to currency risks: 79 percent of the revenue is in USD in 2018, while the remaining 21 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 2018 due to foreign exchange fluctuations. The overall strategy to reduce currency risk is largely based on natural hedging with incoming and outgoing cash flows been made in the same currency.

The sustained challenging market situation in recent years has resulted in changes to the credit rating for Oceanteam's customers in Venezuela and Mexico, having led to non-performance under the legacy contracts and material credit risk. With the sale of the joint venture companies to Diavaz in Q1-2019, and the Venezuelan activities and assets provided for, the credit risk in relation to the Venezuelan and Mexican business is zero.

Today's Group's customers 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 customers. At year-end, trade receivables from the Shipping segment represented 79 percent of the Group's total trade receivables. These receivables were all related to the business conducted by the two Construction Support Vessels. The two Construction Support Vessels are chartered by Total and McDermott. Both companies have a good payment record. Geographically the CSV assets are currently located in Africa (Angola) and South Asia (India).

During the tendering and contract negotiations phase and dependent on the status of the charterer, Oceanteam always requests security over the receivables of the charter party; such as a parent company guarantee, bank guarantee, payment in advance or lien on assets of the charterer. Unfortunately, as a result of current market circumstances, the charterer is not always willing to provide such guarantee.

Bourbon informed Oceanteam in February 2018 that the company was in default because of a breach of covenants under its corporate financing arrangements due to non-payment of interest and instalments. This triggered a cross-default for the Group's joint venture companies, where in compliance with IFRS standards Oceanteam Group had to reclassify its debt repayments in relation to the debt financing of the CSV Southern Ocean as a short-term liability in its balance sheet. Bourbon confirmed in Q1 2019 that the discussions with its main financial partners and the active search for new financing are still ongoing, in order to balance the servicing of its debt with its performance. Bourbon has decided to close its financial statements with regards to the going concern in light of the trust it has in the outcome of the discussions with lenders and the active search of new financial partners. Bourbon also informed the market that the company has been slit in three stand-alone companies. As a result, the joint venture companies with Oceanteam are now part of the Bourbon Subsea company. Oceanteam does not take part in the discussions in relation to the restructuring of Bourbon and is therefore not aware what a possible outcome could be.

With the sale of the joint venture companies to Diavaz in the first quarter of 2019, and the Venezuelan activities and assets impaired and provided for, the credit risk in relation to the Venezuelan and Mexican business is zero. After the sale of the joint venture companies with Diavaz at the end of March 2019, Oceanteam Mexico SA de CV still owns two Fast Support Vessels (FSV), 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. No attempts to regain the vessels has been initiated in 2018. 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 provisions taken.

At year-end, trade receivables from the Solutions segment represented

21 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 customers. Geographically the credit risk for the Solutions segment can be divided into activities in European countries and with an approximate number of ten customers. Customers within the Solutions segment are in the oil and gas and the renewable offshore industry. For the Solutions segment, the majority of outstanding trade receivables per year end of USD 0.6 million have already been received in 2019.

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. Currently no provisions have been made.

Detailed disclosure note on future cash flows period of 12 months (from April 2019 until April 2020) with underlying key assumptions has been included within Financial Statement disclosure Note 3 and in Directors' report under section Liquidity risk.

Firm shipping revenues and earnings stream from the CSV contracts are running into mid-June for the CSV Southern Ocean after signing a contract with Fugro with possible extensions and CSV BO 101 in the second half of 2019 respectively. During that period, income is highly predictable. All risks related to the Shipping segment relates to renewing of contracts when these expire; Oceanteam and Bourbon have submitted several tender proposals to current and new customers and are actively in discussion with prospective customers.

CREDIT RISK

The Group has sales revenues and liabilities in foreign currencies and is exposed to currency risks. 69 percent of the revenue is in USD, 30 percent is in EUR and the remaining 1 percent is in GBP. Since the functional currency is in USD, the foreign currency exposure is for liabilities in EUR and its fluctuations with USD. Some of the local costs for Oceanteam are in NOK which also have been favourable during 2018 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 79 percent of the Group's total trade receivables. Currently, there are two main clients with good payment history.

Geographically the CSV assets are currently located in Africa (Angola) and South Asia (India). All outstanding trade receivables for the shipping segment of approximately USD 2.2 million were received in 2019. No allowance for expected credit losses is considered necessary.

For the FSV assets the geographical risk is concentrated in Mexico and Venezuela. Credit risk for the joint venture group DOT is concentrated in Mexico (Diavaz/PEMEX) and Singapore through the joint venture of DOT Holdings AS with Pacific Radiance. This risk has been eliminated in March 2019 by the sale of the minority share in the DOT Group.

Oceanteam Mexico SA de CV owns two Fast Support Vessels (FSVs), Tiburon and Mantarraya, which were on 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 in previous years. Oceanteam's management is considering all options for recovery of the vessels. No legal action has been taken to regain the vessels in 2018.

Solutions segment

At year-end, trade receivables from the Solutions segment represented 21 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 with an approximate number of 10 clients. Clients within the Solutions segment are in the oil and gas and the renewable offshore industry. In the Solutions segment, the majority of outstanding trade receivables per year end of USD 0.6 million have already been received in 2019. No allowance for expected credit losses is considered necessary.

Oceanteam

The Group's allowance for expected credit losses is determined based on lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, Oceanteam measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The need for bank guarantees, parent company guarantees and pre-payments are considered on individual basis project by project.

LIQUIDITY RISK

Liquidity risk relates to the ability to meet financial obligations as they

fall due. The market has continued to experience a downturn, which has inherently increased the liquidity risk. Oceanteam's response has been to continue cost saving programs and delay capital investments. As liquidity risk was significant during 2017 and continued to be significant into 2018, Oceanteam ASA initiated a financial restructuring in April 2018 in cooperation with its bondholders, shareholders and new investors with a target to maintain value preservation and financial flexibility while enabling value creation for all stakeholders.
During the 1st half of 2018 new equity of USD 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. Conversion of the bond loan has prevented the company from bottle necks in the cash flow.

In case of increased pressure on liquidity due to market circumstances, waivers have been agreed in which repayment of both Shareholder Loans can be suspended to a later period. Both Lenders are prepared to extend the maturity of their loans.

Oceanteam has financial obligations due to both, credit institutions and to vendors. The financial obligations to credit institutions are limited in number and in size. At the end of 2018, the balance of secured bank debt is USD 30.4 million and the balance of unsecured short term loans is USD 3.1 million. There is USD 5.2 million of trade and other payables.

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 the JVs with Bourbon; the risk is primarily that disbursements out of shipping companies are blocked except for management fees. In the JVs with Diavaz, the risks have been eliminated by the divestment in March 2019.

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 the Shipping division and the Solutions division.

The medium term risks relate to aggregation of smaller vendors as mentioned but with greater focus on Solutions performance. As Solutions has performed substantially better in 2018 than expected regarding activity and pricing for its services; cash flow variances in medium term are focused on performance from this segment. This medium risk has been managed by having contracts for a longer period in the Solutions division and the sale of the minority shareholding in the DOT Group. Long term risks relate to performance of the Solutions division and to cost containment at group level on specific survey costs for the vessels.

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. Possible legal claims should be addressed to Oceanteam Mexico S.A. De C.V. which is partially owned (49%) by Oceanteam Mexico B.V. Oceanteam Mexico B.V. will not accept any financial claims nor legal claims. The managing director of Oceanteam Mexico S.A. De C.V., Mister Joaquin Romero is the majority shareholder with a 51% shareholding. The managing director is personally responsible for any claims arising. Oceanteam Mexico B.V. will waive any claim that is put against it and will not provide any cash out for possible provisions.
Shipping revenue and earnings stream are from the main CSV contracts. All risks related to Shipping division relates to renewing of contracts when these expire. Past history has shown that even in poor market conditions Oceanteam and Bourbon have been able to find immediate employment for Oceanteam's main assets.

CSV Southern Ocean is under contract with J.Ray McDermott S.A until early May 2019. After completion CSV Southern Ocean will be on contract until mid-June with Fugro with possible extensions.

CSV Bourbon Oceanteam 101 is under contract with Total E&P Angola S.A, until mid-August 2019.

Oceanteam and Bourbon are holding ongoing discussions with various parties to ensure the vessels remain fully utilised after these dates.

Within the JVs Oceanteam Bourbon 101 AS and Oceanteam Bourbon 4 AS, as at 31 December 2018, there was combined cash of USD 7.9 million which may be considered partially restricted; and there is combined loan debt of USD 55.1 million of which USD 30.4 million is consolidated into Group reported numbers.

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.

ORGANISATIONAL RISKS

Key subsections of Organizational Risks are risks related to the Corporate structure, Resources, Competencies, Procedures, Project Controls, Knowledge management, Systems and IT, Interfaces, Reporting, Partners and Governance.
Oceanteam has gone through a major restructuring in 2017 and 2018 and this clearly had its impact on the organization. New Management and the Board of Directors have initiated a series of initiatives to

improve the organization, including its procedures, systems, resources, controls, reporting. Good successes have been made so far, while several initiatives are still running. In 2018, no big negative surprises in this field have occurred. In 2019, further focus will be put on Resources, Competencies, and Project and Risk management Controls. The Group is committed to continuously improve its organizational capabilities, processes and systems. The Structure of the Group will be further improved to support the Investment Platform as earlier described in section 3.

The Group's risk management and internal control are based on principles in the Norwegian Code of Practise for Corporate Governance. The Board of Directors' view is that continuous improvement of the Group's operations in a systemic manner is a necessity in order to manage risks and realise opportunities to ensure efficient and effective operations in line with stakeholder's expectations.

The Group has established routines for weekly, monthly and quarterly reporting regarding commercial, operations, liquidity, financing, investments, HSE, HR, and legal performance. As part of the monthly reporting, Management presents detailed budgets and forecast on a 12 month rolling-basis, and up to final maturity date of the outstanding loans. The Board of Directors considers the Group's reporting procedures to be satisfactory and in compliance with the requirements on risk management and internal control, but has initiated a programme to further improve the reporting in 2019.

POLITICAL RISKS

Key subsections of Political Risks are risks related to Government, Stakeholders, Employment, Regulation, Compliance, Reputation, NGOs, Export Controls, Localisation, Community and License to Operate.

Having sustainable operations and a good licence to operate, safe performance and track record is important for Oceanteam. The Group has the ambition to be an incident free organization, onshore and offshore. The Group strives to improve safety and environmental performance across all worksites, globally.

Oceanteam's activities are carried out in compliance with Laws and regulations valid in the relevant territory, including international protocols and conventions, which apply to the specific segments of operation. Changes to such regulatory frameworks, if not properly identified and implemented, may expose the Company to fines, sanctions or penalties. Compliance is enforced across both segments within the Group. Oceanteam's vessels have a proven track-record in working in Australia, Angola, India and Brazil; all countries with specific local requirements with respect to crewing, organizational structures and matters, local content and permits.

In 2018, the full Management and two members of the Board of Directors had a full day training given by employees of the Oslo Stock Exchange (Oslo Børs). Topics were the regulatory framework and roles, continuing obligations and key provisions, other rules of conduct. Management and the Board of Directors have taken notice of the revised version of the Norwegian Code of Practice for Corporate Governance, dated 17 October 2018. The Company is reviewing its existing code of corporate governance, which is based on the Norwegian Code of Practice for Corporate Governance 2014 and to bring it in line with the new Norwegian Code of Practice for Corporate Governance 2018.

Oceanteam ASA has 50 percent ownership in two CSV vessels which are employed globally. Currently, the CSV Southern Ocean is working in the waters of India and the CSV BO 101 is working in Angolan waters. Day-to-day operations of both vessels are currently conducted by Bourbon. Contract parties are the joint venture ship owning companies.

i. EVENTS AFTER THE BALANCE SHEET DATE

Oceanteam has completed some of the smaller remaining files from the past in the first quarter of 2019 and is hopeful to finalize the left-overs in the course of this year.

Oceanteam had written off the financial risks and liabilities of all activities and assets that were part of the Diavaz – Oceanteam (DOT) joint ventures in Norway and Mexico. After lengthy discussions, at the end of the first quarter of 2019, Oceanteam and Diavaz came to a final closure, which has resulted in an unconditional sale of all our joint venture companies with Diavaz to Diavaz.

Likewise, Oceanteam has also already written off for the financial risks and liabilities of all the activities and assets in relation to the two Fast Support Vessels in 2017 which are currently in Venezuela. Due to the political situation in Venezuela, there is currently no short-term possibility to take repossession of both vessels. It is highly questionable if we will ever be able to recover these vessels (against acceptable costs). In 2018 no (legal) actions were taken.

The sale of KCI the engineers B.V. to Royal IHC, which came effective per January 2018, has been satisfactorily completed, where Oceanteam received its Withholding Amount partially in the first quarter and partially in the second quarter 2019.

Oceanteam is indirectly still involved in the investigation initiated by the Norwegian courts during the period 2013 up to the first quarter of 2017. The investigation entails the verification of several related party transactions in the mentioned period and if minority shareholder interests have not been impeded. This investigation is ongoing and Oceanteam is fully cooperating therewith Oceanteam was forced to make substantial payments as security to the investigator ahead of its invoices. The total pre-paid fees from the first quarter 2018 to the end of the first quarter 2019 was NOK 9 million. At the same time, it is important to note that the current Board of Directors and Management repeat that they have distanced themselves from any related party transaction under investigation. It is currently unclear , how and when this investigation will be finalized.

In relation to the situation of our partner and co-shareholder in the shipping companies Bourbon, we kindly refer to their webpage (www.bourbonoffshore.com) and specifically to their press release of 14 March 2019. At this moment the outcome of the financial restructuring of Bourbon is unknown to us. The company has informed the market that several financial partners' propositions under conditions are being evaluated. There is thus a possibility that the ownership structure of Bourbon will change in the coming months.

The direct co-shareholder in our joint venture companies is Bourbon Norway AS. The respective ship owning companies (i.e. joint ventures) are the borrowers of the ship finance loans in relation to the two vessels. The generated cash revenues are currently accumulated at ship company level. The accumulated cash position was USD 7.7 on 31 December 2018. At this moment Oceanteam does not expect that a change of ownership at the Corporate Bourbon level will have a direct effect on the operational and financial structure at the ship owning entity level because no funding can be upstreamed without the consent of Oceanteam.
Status of work: Oceanteam Shipping is actively pursuing new work for its vessels once they come off contract. The same is done by its partner Bourbon. With respect to the CSV BO 101, the current firm charter contract with Total expires in August 2019. Total has the option to extend the contract.

Regarding the CSV Southern Ocean, the first phase of the project will be finalized by early May, this year. Finalization is triggered by the monsoon that starts at that time of the year in that region of the world. As a follow on from the McDermott charter, Oceanteam announced that it had won a new charter contract with Fugro for the CSV Southern Ocean. Directly after completion of the work for J. Ray McDermott, the vessel will mobilize to Australia.

Oceanteam is currently in detailed discussion with existing and new customers for new work after the firm contracts expire.. Preference is given to long-term charter contracts with preferred partner clients, but the Group will follow a disciplined contracting strategy, where it is not prepared to do long-term contracts at current rate levels.

j. SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

Shares in Oceanteam ASA are publically traded at the Oslo Stock Exchange. Per 31 December 2018 the Company had 789,793,138 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.

MARKET VALUES OF THE SHARES

The shares on the Oslo Børs Stock Exchange were traded around NOK 0,364 per year end 2018 which gives a market valuation of the Company of approximately NOK 287.5 million on 31 December 2018 (in USD approximately USD 33.1 million at the conversion rate of 8.6885), taking into account the share volume of 789,793,138 shares of the Company. The Company holds 0.37 percent treasury shares (2,934,176 shares). There are no restrictions in the Company's articles of association for trading the shares.

PARENT COMPANY

The parent company, Oceanteam ASA, showed a loss of USD 10.1 million standalone. 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 2018. In addition to this, cost remained at high level, although less than in 2017, which was significantly influenced by company capital and organisational restructuring efforts. The parent company's share capital per year-end 2018 amounted to USD 50.8 million with a total equity of USD 19.5 million. The equity changes in the parent company are explained in detail in note 13 of the parent company. Net change in cash amounted to negative USD 0.9 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.

RESULT AND EQUITY

The consolidated accounts show an "Operating profit from continued operations" of USD 6.5 million. The consolidated Total equity is USD 88.8 million as of 31 December 2018. The equity ratio as a percentage of the total assets is 69.8 percent. The equity in the parent company Oceanteam ASA is USD 19.5 million where USD 50.8 million is share capital.

ALLOCATION OF NET INCOME

The Company's financial statement has returned a loss of USD 10.1 million. The Board of Directors proposes to allocate this figure against other equity.

The Group's consolidated financial statements have returned a loss of USD 0.1 million and no Other comprehensive income. The Board of Directors proposes to allocate this figure against other equity.

7. CONFIRMATION FROM THE BOARD OF DIRECTORS AND CEO

We confirm to the best of our knowledge that the financial statements for the period 1 January to 31 December 2018 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and result for the period of the Company and the Group taken as a whole. We also confirm that the Board of Director's 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 Company and the Group.

The Board recommends that Annual General Meeting of Shareholders adopts the Financial Statements for the year 2018.

Bergen, Norway, April 25, 2019 The Board of Directors Oceanteam ASA

Keesjan Cordia	Karin Govaert	Jan-Hein Jesse	Leidus Bosman
Chairman	Director	Director	CEO

8. CORPORATE GOVERNANCE AND CSR

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 its 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 Lloyds certificates for ISO 9001:2015, standards for quality, environmental and health and safety management.

PROFESSIONAL STANDARD, BUSINESS ETHICS AND ANTI-CORRUPTION

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 matter is subject to ongoing court proceedings between the ex-managing director of the Solutions business and the Company.

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. Key personnel were required to fill in a questionnaire on anti-corruption practices. Oceanteam 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 2018, the Company employed 15 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 customers.

For the future Oceanteam intends applying a systematic approach to the performance and achievements of the employees. The aim is to encourage, acknowledge and continuously motivate employees. Uniform job profiles for the Group have been implemented throughout the Company, which helps ensure our workforce is performing at its best for Oceanteam and its customers.

The percentage sick leave for 2018 was 4.2 percent. The Company has procedures in place to ensure employees have a good working environment.

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, however a number of the staff represents other nationalities, backgrounds and cultures than those of the Netherlands and Norway.

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 QHSE 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.

In 2018, no large-scale accidents or incidents were recorded in the Oceanteam group. Nor were any personal injuries reported in any Oceanteam company in 2018. 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' Lloyds certification for ISO 9001:2015 and the Integrated Management System ensure a systematic approach to environmental management and continuous improvement throughout the Group. Our JV Partner Bourbon Offshore Norway has the safety management 14001 as well as the ISO 9001 certification.

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 2018 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 customers to operate our vessels with the lowest environmental impact.

As such, all Oceanteam 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.

b) 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

Oceanteam believes good corporate governance involves openness and trustful cooperation between all parties involved in the Group: the shareholders, the Board of Directors and the Management, employees, customers, suppliers, public authorities and society in general.
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 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 nor family 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 and the business the Company is in. 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.

The Directors of the Board are encouraged to hold shares in the company.

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 Act4, the Board will provide an account in the annual report of the main features of the Company's internal control and risk management systems as they relate to the Company's financial reporting.

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.

4.2 Renumeration of executive personnel

The Board shall adopt a statement with guidelines in respect of the renumeration 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 renumeration 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.

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

All elements of renumeration to the CEO, and the total renumeration 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.

* * *

Bergen, May 2017

The Board of Directors of Oceanteam ASA

C. 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 dated 30 October 2014 (the "Old Code"). In the meantime, the Norwegian Corporate Governance Board has issued a new corporate governance code on 17 October 2018 (the "New Code").

The Company has assessed its Policy for compliance with the New Code and is working on an amended policy, which will be adopted in due course. Oceanteam's board of directors actively adheres to good corporate governance standards and ensures at all times that the Company complies with the applicable corporate governance principles or explains possible deviations therefrom.

In relation to the above, he Company's corporate governance principles comply with the New Code, with the following exceptions:

• Nomination Committee (Section 7 of the New Code and Section 3.4 of the Policy)

The Company has not appointed a nomination committee, as in the Company's opinion, it is a costly arrangement, considering the size of the Company, therefore the Company has chosen to deviate from the New Code, acting in accordance with section 3.4 of the Policy.

• Disclosure and Transparency (Section 13 Information and Communication of the New Code and Section 5 of the Policy)

Despite its continuous efforts to ensure compliance with respect to reporting of financial and other information to the market, a violation charge has been imposed by Oslo Stock Exchange on Oceanteam for breach of the Continuing obligations of stock exchange listed companies and the duty to immediately disclose inside information to the market. The board of directors of the Company has ensured that all managerial staff and board attend a course organised by Oslo Stock Exchange in order to increase awareness of the obligations of the Company, to improve its routines and ensure compliance therewith on all levels within the Company.

• Remuneration of Directors and Management (Section 11 of the New Code and Section 4 of the Policy)

Whereas the Policy contains deviating arrangement from Section 11 of the New Code the Company has terminated any consultancy agreements with members of the board and is, at the date of this report, in compliance with the New Code.

• Equal Treatment of Shareholders and transactions with close associates (Section 4 of the New Code and Section 6.2 of the Policy)

The Company has not had satisfactory routines in relation to related party transactions in the past. The Company acknowledged the need to improve such routines and has implemented appropriate measures to identify and record such transactions with the aim to ensure that all material related party transactions have been disclosed to all shareholders through shareholder meetings and in the annual accounts, and that all such transactions have been made at arm's length. All employees are required to annually disclose their related parties and their adherence with the Company's Code of Ethics, which is also applicable for Company's associates, contractors and agents.

9. FINANCIAL STATEMENTS GROUP

Consolidated statement of profit or loss and other comprehensive income

GROUP

USD '000

	Notes	2018	2017
Revenue	5 , 6	23.367	25.620
Net income from associates/joint ventures	5, 26, 31	1.892	(1.208)
Total operating income		**25.259**	**24.411**
Operating costs	5	(7.492)	(6.340)
General & administration	5, 8, 9	(5.564)	(8.265)
Depreciation and amortisation	5, 11, 12	(5.728)	(7.069)
Write off / Impairment	5, 31	42	(26.835)
Total operating expenses		**(18.742)**	**(48.509)**
Operating profit / (loss)		**6.517**	**(24.098)**
Financial income		92	26.678
Financial expense		(5.726)	(11.644)
Foreign exchange gain / (loss)		23	(687)
Net finance	5, 10	**(5.612)**	**14.347**
Ordinary profit / (loss) before taxes		**905**	**(9.751)**
Tax expense	5, 13	(59)	(1.750)
Profit / (loss) from continuing operations		**846**	**(11.501)**
Loss from discountinued operation	5, 29	(941)	(514)
Profit / (loss) for the period		**(95)**	**(12.015)**
Other comprehensive income/cost	6	-	-
Total comprehensive income for the year		**(95)**	**(12.015)**

Consolidated statement of profit or loss and other comprehensive income

GROUP

USD ‘000

	Notes	2018	2017
Profit / (loss) attributable to:			
Owners of the company		(3.334)	(7.321)
Non controlling interests		3.239	(4.693)
Profit / (loss)		**(95)**	**(12.015)**
Total comprehensive income attributable to:			
Owners of the company		(3.334)	(7.321)
Non controlling interests		3.239	(4.693)
Total comprehensive income for the year		**(95)**	**(12.015)**
Earnings per share (in USD)			
Basic earnings per share (in USD)		(0,00)	(0,45)
Dilutive earning per share (in USD)		(0,00)	(0,45)
Weighted average number of shares during the year (‘000)		496.947	26.659

Consolidated statement of financial position

GROUP

USD '000

	Notes	2018	2017 Restated
Assets			
Non-current Assets - Property, plant and equipment			
Investment in associates and joint ventures	26 , 30	14.865	10.549
Vessels and equipment	12	97.361	101.684
Total		**112.226**	**112.232**
Non-current Assets - Other			
Deferred tax assets	13	1.250	1.250
Intangible assets	11	-	-
Goodwill	11	-	-
Total		**1.250**	**1.250**
Total non current assets		**113.476**	**113.482**
Current Assets			
Trade receivables	14	2.764	3.010
Other receivables	14, 19, 29	3.131	2.793
Total Receivables		**5.895**	**5.802**
Cash and cash equivalents	**15**	**7.729**	**7.301**
Assets held for sale	29	-	6.580
Total current assets		**13.625**	**19.683**
Total assets		**127.101**	**133.166**

Consolidated statement of financial position

Group

USD ‘000

	Notes	2018	2017 Restated
Equity and liabilities			
Share capital	17	50.807	2.595
Treasury shares		(256)	(256)
Share premium		1.304	1.304
Reserves		7.959	13.791
Equity attributable to owners of the Company		**59.814**	**17.434**
Non-controlling interests	27	28.941	22.238
Total non-controlling interests		**28.941**	**22.238**
Total equity		**88.755**	**39.672**
Loans and borrowings	18, 28	-	39.720
Total non current liabilities		**-**	**39.720**
First year installments	18, 28	33.015	37.919
Trade payables	19	1.949	5.065
Tax payable	13	57	29
Public charges		96	199
Liabilities for sale	29	-	2.641
Other current liabilities	19, 28	3.228	7.921
Total current liabilities		**38.346**	**53.773**
Total liabilities		**38.346**	**93.493**
Total equity and liabilities		**127.101**	**133.166**

Bergen - Norway, 25 April 2019

The Board of Directors of Oceanteam ASA

Keesjan Cordia	Karin Govaert	Jan-Hein Jesse	Leidus Bosman
Chairman	Director	Director	CEO

Consolidated cash flow statement

Group

USD '000

	Notes	2018	2017
Ordinary profit (loss) before taxes		846	(11.501)
Tax		59	1.750
Ordinary profit (loss) after taxes		**905**	**(9.751)**
Depreciation and amortization of tangible assets	5, 11, 12	5.728	7.069
Tax paid	13	29	93
Net income of associates	26	(1.892)	1.208
Write off assets	5 , 11, 12	(42)	26.835
Loss from discountinued operation	12	941	
Fair value adjustment on refinancing of bond / amortisation of fair value adjustment	5 , 10	2.099	(26.677)
Change in trade receivables	14	246	1.818
Change in other receivables	14	3.601	8.515
Change in trade payables	19	(3.116)	(1.290)
Change in other accruals	19 , 28	(4.796)	(4.315)
Cash in from dividends			2.700
Effects from change in accounting principle and other changes		(453)	(1.978)
Net cash flow from operating activities		**3.249**	**4.226**
Cash out due to investments	12	(1.587)	(556)
Cash in due to disposals	12	20	542
Cash in due to disinvestments		109	
Net cash flow from investing activities		**(1.458)**	**(14)**
Issuing of new debt		3.075	9.429
Repayment of debt		(7.979)	(9.854)
Dividend paid/ decrease in paid-in capital to non-controlling interest		1.040	
Net cash flow from financing activities		**(3.863)**	**(425)**
Changes in equity related to the conversion		2.500	
Net cash from changes share issue		**2.500**	**-**
Net change in cash and equivalents		**428**	**3.787**
Cash and equivalents at start of period		**7.301**	**3.514**
Cash and equivalents at end of period*		**7.729**	**7.301**

* restricted cash is USD 5.5 million. In addition to the cash and cash equivalent per 31 December 2018, the Group holds treasury shares of approximatley USD 0.1 million in current market value.

Consolidated statement of changes in equity

Group

USD '000

	Notes	2018	2017 Restated
Equity at period opening balance (Number of shares: 29,593,259)		**39.672**	**51.685**
Profit after taxes majority		(95)	(12.015)
Treasury shares			2
Issued new shares		48.212	
Capital increase related to Oceanteam Bourbon 4 AS		3.463	
Other equity related to issued new shares*		(2.498)	
Equity at period end (Number of shares: 789,793,138)		**88.755**	**39.672**

Consolidated statement of changes in equity

	Share capital	Treasury shares	Share premium	Other equity	Non controlling interests	Total equity
Equity at 1 January 2018	2.595	(256)	1.304	13.792	22.238	39.672
Profit and loss				(3.334)	3.239	(95)
Total comprehensive income	**-**	**-**	**-**	**(3.334)**	**3.239**	**(95)**
Conversion of bond loan to shares*	45.027			(2.498)		42.529
Conversions of other debt to shares**	684					684
Share issue***	2.500					2.500
Capital increase related to Oceanteam Bourbon 4 AS****					3.463	3.463
Contributions by and distributions to owners						
Equity per 31 December 2018	**50.807**	**(256)**	**1.304**	**7.960**	**28.940**	**88.755**

Consolidated statement of changes in equity

	Share capital	Treasury shares	Share premium	Other equity	Non controlling interests	Total equity
Equity at 1 January 2017	2.595	(257)	1.304	18.443	26.931	49.015
Correction of prior period error (see note 30)				2.670		2.670
Restated equity at 1 January 2017	**2.595**	**(257)**	**1.304**	**21.113**	**26.931**	**51.685**
Profit and loss				(7.321)	(4.693)	(12.015)
Total comprehensive income	**-**	**-**	**-**	**(7.321)**	**(4.693)**	**(12.015)**
Contributions by and distributions to owners						
Issue of ordinary shares		1				1
Equity per 31 December 2017	**2.595**	**(256)**	**1.304**	**13.792**	**22.238**	**39.672**

*The bond loan was converted in its entirety to shares in 2018 by two conversions which took place in April 2018 and December 2018.

The part of the bond loan which was converted in April 2018 had a nominal value of USD 62 million and a carrying value of USD 38.7 million. The difference being a result of the bond loan refinancing that took place in June 2017 falling under the category “”substantial modification of the terms of an existing financial liability”” per IAS 39 / IFRS 9. As a result of falling under this category the refinancing of the bond loan was accounted for as an extinguishment of the original financial liability and a new financial liability recognised at fair value. The fair value was lower than the nominal value of the bond loan resulting in a gain in the income statement in 2017. The accounting for this remains unchanged following IFRS 9 replacing IAS 39.

IFRIC 19 ‘Extinguishing Financial Liabilities with Equity Instruments’ requires equity instruments to initially be measured at fair value when these are issued to a creditor to extinguish all or part of a financial liability. When the equity instruments issued can not be reliably measured, the equity instruments must be measured to reflect the fair value of the financial liability extinguished. Oceanteam concluded that the fair value of the shares issued during April 2018 cannot be reliably measured and therefore the shares were measured to reflect the fair value of the part of the bond loan that was extinguished. The carrying value of the part of the bond loan which was converted in April 2018 was considered equal to the fair value of the bond loan.This resulted in the share issued having a value of NOK 0.49 per share which is less than the par value of the shares at NOK 0.50 per share. This difference multiplied by the number of shares issued of 620 735 700 gives a difference of NOK 8.8 million (USD 1.1 million) which has been taken to other equity. No gain or loss on conversion was recognised.

The part of the bond loan which was converted in December 2018 had a nominal value of USD 5.2 million and a carrying value of USD 3.6 million. The fair value of the shares issued for extinguishment of the remaining bond loan could be reliably measured at USD 3.9 million. This resulted in a USD 0.3m loss on conversion which has been recognised in financial expense in 2018 in the consolidated statement of profit and loss. The fair value of the shares issued was NOK 0.38 per share which is less than the par value of the shares at NOK 0.50 per share. This difference multiplied by the number of shares issued of 88 464 179 gives a difference of NOK 10.6 million (USD 1.2 million) which has been taken to other equity.

Incremental external transaction costs directly attributable to these equity transactions totalling USD 0.2 million have been taken to other equity.

**The conversions of other debt to shares relates to the conversion of debts to the Halbesma family and former board member Mrs Catharina Pos.

In 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 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 10 000 000 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.

Oceanteam concluded that the fair value of the shares issued during April 2018 cannot be reliably measured and therefore the shares were measured to reflect the fair value of the debt which was extinguished. This resulted in the share issued having a value of NOK 0.50 per share.

In May 2018 a settlement was reached between Oceanteam ASA and Mrs Catharina Pos and Cenzo Holding B.V. The settlement amount was NOK 500.000 which was not to be made as a cash payment but the claimants had 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 shares were issued in November 2018. The fair value of the shares issued are considered the same as the subscription price of NOK 0.5.

***As part of the restructuring of Oceanteam, Kornelis Jan Willem Cordia, Chairman of Oceanteam ASA through one of his associated companies subscribed for 40 000 000 shares at a subscription price of NOK 0.5 per share in April 2018. These shares were paid for by NOK 20 million (USD 2.5 million) in cash.

***** During an extraordinary general meeting in Oceanteam Bourbon 4 AS on 7 November 2018 share holders have decided to increase the shares of the company. The subscription amount of NOK 57.5 million has been set off against intercompany balances originated from declared dividends and share capital decrease for past years.

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 and Velsen in the Netherlands. 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 25 April 2019, and are based on the assumptions of going concern. 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 2018

The Group has adopted IFRS 9 and IFRS 15 and early adopted IFRS 16. The nature and effect of the changes as a result of adopting these new accounting standards are described below.

IFRS 9 - Financial Instruments

The Group has adopted IFRS 9 'Financial instruments' from 1 January 2018. IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The Standard includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting.

IFRS 9 introduces expanded disclosure requirements and changes in presentation. IFRS 9 requires the use of an impairment model using expected credit losses (ECL) which in some cases may result in earlier recognition of credit losses. Implementation of the

ECL model has not resulted in any changes in the timing of recognition of credit losses for the Group. The Group does not apply hedge accounting.

IFRS 9 has been adopted retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. This has resulted in there being no need to restate comparative figures.

IFRS 15 - Revenue from contracts with customers

IFRS 15 ' Revenue from Contracts with Customers' applies to annual reporting periods beginning on or after 1 January 2018. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

When first applying IFRS 15, entities should apply the standard in full for the current period, including retrospective application to all contracts that were not yet complete at the beginning of that period.

In respect of prior periods, the transition guidance allows entities an option to either:

• apply IFRS 15 in full to prior periods (with certain limited practical expedients being available); or

• retain prior period figures as reported under the previous standards, recognising the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application (beginning of current reporting period).

The Group has adopted IFRS 15 'Revenue from contracts with customers' using the cumulative effect method with the cumulative effect of initial application resulting in no adjustment to equity as of 1 January 2018.

Under IAS 18 'revenue' revenue was recognised when it was probable that any future economic benefit associated with the item of revenue would flow to the entity and the amount of revenue could be measured reliably. Under IFRS 15 revenue is recognised when separate performance obligations are satisfied. The result of the Oceanteam's assessment has shown that the timing of revenue recognition for Oceanteam's activities in the years ended 31 December 2017 and 31 December 2018 is the same under both IAS 18 and IFRS 15.

When performance obligations are satisfied at a future point in time, costs incurred relating to the performance obligations are deferred and recognised as assets in the consolidated statement of financial position. The costs incurred are expensed in line with the satisfaction of the performance obligation.

IFRS 16 - Leases

IFRS 16 'Leases' applies to annual reporting periods beginning on or after 1 January 2019. The standard replaces IAS 17 'Leases'. When first applying IFRS 16, entities should apply the standard in full for the current period, including retrospective application.

In respect of prior periods, the transition guidance allows entities an option to either:

• apply IFRS 16 in full to prior periods or

• retain prior period figures as reported under the previous standard, recognising the cumulative effect of applying IFRS 16 as an adjustment to the opening balance of equity as at the date of initial application (beginning of current reporting period).

The Group has early adopted IFRS 16 'Leases' using the cumulative effect method with the cumulative effect of initial application resulting in no adjustment to equity as of 1 January 2018. When applying the cumulative effect method, several practical expedients are available to lessees accounting for leases that were previously categorised as operating leases under IAS 17. This includes that on a lease-by-lease basis, a lessee may choose not to recognise leases whose term ends within 12 months of the date of initial application of IFRS 16. If this election is taken, these leases are accounted for as short-term leases.
Under IAS 17, there was not a lot of emphasis on the distinction between a service or an operating lease, as this often did not change the accounting treatment. IFRS 16 includes detailed guidance to help companies assess whether a contract contains a lease or a service, or both.

IFRS 16 defines a lease as when the customer has the right to control the use of an identifiable asset for a period of time in exchange for consideration.

IFRS 16 removes the distinction between operating and financing leases for lessees, and requires recognition of an asset (the right to use the leased item) and a financial liability representing its obligation to make lease payments. For lessors the distinction remains.

IFRSs and IFRICs issued but not yet effect

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

• IFRS 17, Insurance contracts - Effective date 1 January 2021
• IFRIC 23, Uncertainty over Income Tax Treatment – Effective date 1 January 2019

These are not expected to have a significant impact on the Group's consolidated financial statements.

IFRS 17 - Insurance contracts

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied.

Insurance contracts combine features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, IFRS 17:
• combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract;
• presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
• requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

IFRIC 23 - Uncertainty over Income Tax Treatment

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019.

IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty.

The interpretation clarifies how to assess tax positions when there is uncertainty about what the correct understanding of tax laws and regulations is.
Oceanteam Bourbon 4 AS****

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 consideration is 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 2018.

(b) Transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group companies.
Transactions are 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 on the reporting date. 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 (they are not re-translated)

(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. Translationdifferences 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).

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 cost

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, less their residual values, over their estimated useful lives, as follows:

- CSV vessels 25 years
- CSV vessels dry dock additions 5 years
- Fast Support Vessels 15 years
- Machinery and equipment 10–15 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 – net, in the income statement.

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 assets - 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

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 the lower of fair value less costs of sale and carrying 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:

- Design 5 years

(F) Deferred tax assets

Taxes recoverable in future periods are 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 non-financial assets, both tangible and intangible, are measured for impairment by comparing their net book value to their recoverable amount.

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.

2.8 Trade and other receivables

Trade receivables are initially measured at their transaction price (as defined in IFRS 15). Other receivables are initially recognised at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, both trade receivables and other receivables are measured at amortized cost.

The implementation of IFRS 9 resulted in a change from an incurred loss impairment model to an expected credit loss impairment model and required the Group to record allowances for expected credit losses.

At each reporting date, Oceanteam measures the loss allowance for financial instruments at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If the credit risk on a financial instrument has not increased significantly since initial recognition, an Oceanteam measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

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
- 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.
- 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

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. The defined contribution plan complies with the applicable requirements.

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

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 fast support vessels. In addition, Oceanteam provides complementary engineering services consisting of both engineering and design services and equipment rental to support our clients.

Project revenue is based on operations where Oceanteam utilises its vessels, equipment and personnel to perform services for our clients.

IFRS 15 ' Revenue from Contracts with Customers' applies to annual reporting periods beginning on or after 1 January 2018. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

Oceanteam has adopted IFRS 15 'Revenue from contracts with customers' using the cumulative effect method with the cumulative effect of initial application resulting in no adjustment to equity as of 1 January 2018.

Under IAS 18 'revenue' revenue was recognised when it was probable that any future economic benefit associated with the item of revenue would flow to the entity and the amount of revenue could be measured reliably. Under IFRS 15 revenue is recognised when separate performance obligations are satisfied. The result of Oceanteam's assessment has shown that the timing of revenue recognition for Oceanteam's activities in the years ended 31 December 2017 and 31 December 2018 is the same under both IAS 18 and IFRS 15.

When performance obligations are satisfied at a future point in time, costs incurred relating to the performance obligations are deferred and recognised as assets in the consolidated statement of financial position. The costs incurred are expensed in line with the satisfaction of the performance obligation.

The Groups' revenue streams have been categorised into the following types: Hire income, Crewing, Mobilisation fee income and Management fee income.

a) Shipping revenues

Time charter agreements are considered to contain both a service component and a lease component. The service component covering crew and operational costs. The lease component, being the hire of the vessel on a bareboat basis. The service component is within the scope of IFRS 15, while the bareboat component is within the scope of IFRS 16.

The service components of the agreements are reviewed to identify the performance obligations within the contract. If there is more than one performance obligation, the contract price is disaggregated. Separate transaction prices determined and allocated to the separate performance obligations. Revenue is recognised when separate performance obligations are satisfied.

The performance obligation of manning and operating the vessels on a continues basis leads to the satisfying of the performance obligation over time as the provision of the service by Oceanteam is received and consumed by the customer simultaneously. The service component is recognised as revenue on a straight line basis.

The performance obligation of mobilisation of vessels is recognised at a point in time. This performance obligation is considered satisfied when the vessel is delivered to the designated location and ready to begin operations.

Bareboat charter agreements, which meet the definition of leases per IFRS 16, are considered to fall in their entirety under IFRS 16. (see note 2.18)

b) Solutions revenues

Oceanteam's solutions contracts with customers consist of equipment lease contracts, service contracts and contracts which contain elements of both leasing arrangements and provision of services. Standalone service contracts and the component of contracts which relate to services are within the scope of IFRS 15.

The service contracts and service component of contracts are reviewed to identify the performance obligations within the contract. If there is more than one performance obligation, the contract price is disaggregated. Separate transaction prices determined and allocated to the separate performance obligations. Revenue is recognised when separate performance obligations are satisfied.

The performance obligation of manning and operating the equipment on a continues basis leads to the satisfying of the performance obligation over time as the provision of the service by Oceanteam is received and consumed by the customer simultaneously. The service component is recognised as revenue on a straight line basis.

The performance obligation of mobilisation / demobilisation of equipment is recognised at a point in time. This performance obligation is considered satisfied when the equipment is delivered to the designated location and ready to begin operations.

Standalone lease contracts and components of contracts which relate to leases, and meet the definition of leases per IFRS 16 are within the scope of IFRS 16. (see note 2.18)

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

IFRS 16 'Leases' applies to annual reporting periods beginning on or after 1 January 2019. The standard replaces IAS 17 'Leases'. Oceanteam has early adopted IFRS 16 'Leases' using the cumulative effect method with the cumulative effect of initial application resulting in no adjustment to equity as of 1 January 2018.

Under IAS 17, there was not a lot of emphasis on the distinction between a service or an operating lease, as this often did not change the accounting treatment. IFRS 16 includes detailed guidance to help companies assess whether a contract contains a lease or a service, or both.

IFRS 16 defines a lease as when the customer has the right to control the use of an identifiable asset for a period of time in exchange for consideration.

IFRS 16 removes the distinction between operating and financing leases for lessees, and requires recognition of an asset (the right to use the leased item) and a financial liability representing its obligation to make lease payments. For lessors the distinction remains.

(i) The Group as a lessee

All leases are recognised in the statement of financial position as a 'right of use' asset and a financial liability. There are exceptions to this recognition principle for leases where the underlying asset is of low value and for leases classified as short-term in nature (less than one year).

Lease agreements where Oceanteam is the lessee are all short term.

(ii) The Group as a lessor

Under IFRS 16, the guidance relating to lessors remains substantially unchanged from IAS 17. Lessors continue to account for leases as either operating or finance leases depending on whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset.

Finance leases

Assets leased to others are presented 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.

Oceanteam is not the lessor to any finance leases.

Operating leases

Oceanteam 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.

The hire of Oceanteam's vessels on a bareboat basis and the hire of Oceanteam's equipment are treated as operating leases.

2.19 Financial instruments

IFRS 9 replaces the classification and measurement models in IAS 39 with three different measurement models. These being amortised cost, fair value through profit and loss and fair value through other comprehensive income.

Classification and measurement of financial assets is determined based on both:

• the entity's business model for managing the financial assets
• the contractual cash flow characteristics of the financial asset.

Financial liabilities are classified and measured at fair value through profit and loss when they meet the definition of held for trading or when they are designated as such on initial recognition. Otherwise, financial liabilities are measured at amortised cost.

All financial assets and liabilities are initially measured at fair value net of transaction costs, with the exception of those classified as fair value through profit or loss and trade receivables which are measured at their transaction price (as defined in IFRS 15).

Oceanteam's financial assets include cash, trade receivables and other receivables. Oceanteam's financial liabilities include borrowings, trade payables and other current liabilities. There are all measured at amortised cost.

Note 3. Financial risk management

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

The bond loan was converted in its entirety to shares in 2018 by two conversions which took place in April 2018 and December 2018. The part of the bond loan which was converted in April 2018 had a nominal value of USD 62 million and a carrying value of USD 38.7 million. The part of the bond loan which was converted in December 2018 had a nominal value of USD 5.2 million and a carrying value of USD 3.6 million. Refer to the consolidated statement of changes in equity for further information.*

In April 2018, as part of the restructuring of Oceanteam, Kornelis Jan Willem Cordia, Chairman of Oceanteam ASA, through one of his associated companies subscribed for 40.000.000 shares. These shares were paid for by NOK 20 million (USD 2.5 million) in cash. Refer to the consolidated statement of changes in equity for further information.*

In April 2018 a short term loan of USD 1.5 million was issued by Stichting Value Partners Family Office to prevent a constrained cash flow. Refer to note 18 for further details.*

In December 2018 a short term loan of USD 1.5 million was issued by Corinvest B.V. for working capital purposes. Refer to note 18 for further details.*

In respect of the public investigation filed by shareholders of Oceanteam ASA, NOK 6 million was paid to the Norwegian law firm that the Norwegian authorities subtracted this investigation to. A further NOK 3 million was paid in 2019. The outcome of the findings are expected be issued during the second half year of 2019.

*Events have been published on the website.

As part of the restructuring, the Company settled all claims from Mr. Hessel Halbesma, Mr. Haico Halbesma and/or their affiliates by acknowledging NOK 5.000.000 of these claims (settled by issuance of 10.000.000 shares to Feastwood Holding Limited). Refer to the consolidated statement of changes in equity for further information.

On 7 November 2018 the Board of Directors has issued 1.000.000 shares pursuant to the settlement agreement with Ms. Pos. Refer to the consolidated statement of changes in equity for further information.

During 2019 the following key events affected the financial risk of Oceanteam:

In March 2019, Oceanteam and its Mexican partner Diavaz reached an agreement to terminate the joint venture structure set up by the two groups. This resulted in the sale of all of Oceanteam's Joint Venture companies with Diavaz to Diavaz for a settlement amount of USD 950.000. Oceanteam received the settlement amount in full in March 2019.*

*Events have been published on the website.

The sale of KCI the engineers B.V. to Royal IHC, which came effective per January 2018, has been satisfactorily completed, where Oceanteam received its Withholding Amount partially in the first and partially in the second quarter of 2019. Refer to note 29 for further information.

Joint Venture partnership with Bourbon

Oceanteam Bourbon 101 AS and Oceanteam Bourbon 4 AS are in compliance with the financial covenants according to their own loans and are paying both interest and instalments according to the loan agreements. However, as at 31.12.2018 the companies continue to be in a default position due to a cross-default clause in the loan agreements.

This cross default is triggered by Bourbon Offshore Norway AS (Corporate Guarantor II) which is in a default position under the Bourbon Offshore Norway group's loan agreements due to non-payment of interest and instalments.

No formal waivers have been received from the bank however it is understood the bank will allow the loans to run their course.

Oceanteam Bourbon 101 AS and Oceanteam Bourbon 4 AS are not able to declare, make or pay any dividend or other distribution without the prior consent of the bank. Payment of invoices such as management fees, operational cost invoices and crew cost invoices do not require prior consent from the bank.

In 2018, Oceanteam Bourbon 4 AS converted USD 6.9 million of the total USD 9.1 million remaining unpaid reduction of share capital made in 2015 from debt to equity. In 2018, Oceanteam Bourbon 101 AS converted the unpaid dividends declared in 2016 of USD 4.8 million from debt to equity.

(A) CREDIT RISK

The Group has sales revenues and liabilities in foreign currencies and is exposed to currency risks. 69 percent of the revenue is in USD, 30 percent is in EUR and the remaining 1 percent is in GBP. Since the functional currency is in USD, the foreign currency exposure is for liabilities in EUR and its fluctuations with USD. Some of the local costs for Oceanteam are in NOK which also have been favourable during 2018 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 79 percent of the Group's total trade receivables. Currently, there are two main clients with good payment history.

Geographically the CSV assets are currently located in Africa (Angola) and South Asia (India).
For the FSV assets the geographical risk is concentrated in Mexico and Venezuela. Credit risk for the joint venture group DOT is concentrated in Mexico (Diavaz/PEMEX) and Singapore through the joint venture of DOT Holdings AS with Pacific Radiance. This risk has been eliminated in March 2019 by the sale of the minority share in the DOT Group.

Oceanteam Mexico SA de CV owns two Fast Support Vessels (FSVs), Tiburon and Mantarraya, which were on 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 in previous years. Oceanteam's management is considering all options for recovery of the vessels. No legal action has been taken to regain the vessels in 2018.

Solutions segment

At year-end, trade receivables from the Solutions segment represented 21 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 with an approximate number of 10 clients. Clients within the Solutions segment are in the oil and gas and the renewable offshore industry.

Oceanteam

The Group's allowance for expected credit losses is determined based on lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, Oceanteam measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

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 financial obligations as they fall due. The market has continued to experience a downturn, which has inherently increased the liquidity risk. Oceanteam's response has been to continue cost saving programs and delay capital investments. As liquidity risk was significant during 2017 and continued to be significant into 2018, Oceanteam ASA initiated a financial restructuring in April 2018 in cooperation with its bondholders, shareholders and new investors with a target to maintain value preservation and financial flexibility while enabling value creation for all stakeholders.

During the 1st half of 2018 new equity of 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. Conversion of the bond loan has prevented the company from bottle necks in the cash flow.

In April 2019, both Stichting Value Partners Family Office and Corinvest B.V. issued waivers stating that if Oceanteam cannot repay the loans in full at maturity (October 2019 and December 2019 respectively), due to tight liquidity, the lenders will postpone the maturity date of the loans for another six months.

Oceanteam has financial obligations due to both credit institutions and to vendors. The financial obligations to credit institutions are limited in number and in size. At the end of 2018, the group balance of secured bank debt is USD 30.4 million and the balance of unsecured short term loans is USD 3.1 million. There is USD 5.2 million of trade and other payables.

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 the JVs with Bourbon; the risk is primarily that disbursements out of shipping companies are blocked except for management fees. In the JVs with Diavaz, the risks have been eliminated by the divestment in March 2019.

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 the Shipping division and the Solutions division.

The medium term risks relate to aggregation of smaller vendors as mentioned but with greater focus on Solutions performance. As Solutions has performed substantially better in 2018 than expected regarding activity and pricing for its services; cash flow variances in medium term are focused on performance from this segment. This medium risk has been managed by having contracts for a longer period in the Solutions division and the sale of the minority shareholding in the DOT Group. Long term risks relate to performance of the Solutions division and to cost containment at group level on specific survey costs for the vessels.

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. Possible legal claims should be addressed to Oceanteam Mexico S.A. De C.V. which is partially owned (49%) by Oceanteam Mexico B.V. Oceanteam Mexico B.V. will not accept any financial claims nor legal claims. The managing director of Oceanteam Mexico S.A. De C.V., Mister Joaquin Romero is the majority shareholder with a 51% shareholding. The managing director is personally responsible for any claims arising. Oceanteam Mexico B.V. will waive any claim that is put against it and will not provide any cash out for possible provisions.

Shipping revenue and earnings stream are from the main CSV contracts. All risks related to Shipping division relates to renewing of contracts when these expire. Past history has shown that even in poor market conditions Oceanteam and Bourbon have been able to find immediate employment for Oceanteam's main assets.

CSV Southern Ocean is under contract with J.Ray McDermott S.A until early May 2019 and immediately after under contract with Fugro Singapore Marine Pte Ltd ("Fugro") until at least mid-2019. The contract with Fugro contains various options allowing the contract to be extended to mid to end of September 2019.

CSV Bourbon Oceanteam 101 is under contract with Total E&P Angola S.A until mid-August 2019.

Oceanteam and Bourbon are holding ongoing discussions with various parties to ensure the vessels remain fully utilised after these dates. From a going concern perspective, obtaining contracts for the vessels is the main objective in order to maintain stable earnings going forward.

Additionally, the parent company cannot depend on cash flows management fees alone. The development of the offshore wind industry will strengthen the proceeds of Solution division and the effect of cost reduction objectives for operational expenditures and corporate expenses will carry on in 2019. The results and cash flow of the Solutions division will be key to maintain a stable cash flow.

At the balance sheet date, the Group had a cash position of USD 7.7 million, of which approximately. USD 5,5 million normally was restricted or pledged as collateral.

All outstanding trade receivables for the shipping segment of approximately USD 2.2 million were received in 2019. For the Solutions segment, the majority of outstanding trade receivables per year end of USD 0.6 million have already been received in 2019. No allowance for expected credit losses is considered necessary.

Within the JVs Oceanteam Bourbon 101 AS and Oceanteam Bourbon 4 AS, as at 31 December 2018, there was combined cash of USD 7.9 million which may be considered partially restricted; and there is combined loan debt of USD 55.1 million of which USD 30.4 million is consolidated into Group reported numbers.

Future cash flows

Oceanteam prepares and reviews detailed future cash flow forecasts for the group on a constant rolling basis. The 12 month forecast from April 2019 to April 2020 has been reviewed and the underlying key assumptions evaluated in determining that the group is a going concern.

There is inherent risk in cash flow estimates for Company's ability to secure new contracts within its business segments. There are certain key assumptions which are pivotal to the going concern assertion during 2019 and 2020. The key events assumed in the cash flow forecast, of the Oceanteam fully controlled group, for the 12 months from April 2019 to April 2020, are summarised below.

Cash inflows

- The Solutions division of the business is expected to maintain its revenue volumes compared with 2018 levels
- Management fees from the shipping entities are expected to continue at the same levels compared with 2018. Indirectly, cash inflows from management fees are dependent on contracts being in place for the vessels.
- Receipt in full of the amount receivable relating to the sale of KCI the engineers B.V.

Cash outflows

- General and Administrative costs are expected to decrease further during 2019. This decrease is mainly driven by the absence of restructuring and extraordinary costs. Cost saving programs have been implemented.
- Operating expenditure within the Solutions division is expected to continue at a similar level compared with 2018
- Repayment of the Stichting Value Partners Family Office loan of USD 1.7 million (USD 1.5 million principle plus USD 0.2 million interest) in October 2019*
- Repayment of the Corinvest B.V loan of USD 1.6 million (USD 1.5 million principle plus 0.1 million interest) in December 2019*

* If Oceanteam cannot repay the loans in full at maturity due to tight liquidity, the lenders will postpone the maturity date of the loans for another six months i.e until April and June 2020.

(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

The loans from Corinvest B.V. and Stichting Value Partners Family Office to Oceanteam ASA have a fixed interest rate of 7% per annum. The loan in the fully consolidated subsidiary, Oceanteam Bourbon 4 AS attracts interest of 3,75% plus 3 month LIBOR per annum. 50% of the LIBOR rate interest is hedged.

An increase / (decrease) in the LIBOR rate of 100 basepoints in 2018 would have increased the interest expense in 2018 by USD 0.4 million.

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) 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.

(C) Impairment testing

The value in use and fair value estimate of the CSVs 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 note 12 for more information.

Note 5. Operating segments

The Group has two segments, Oceanteam Shipping and Oceanteam Solutions. Oceanteam Solutions consist of engineering and equipment business. Oceanteam Shipping consists of bareboat hire, timecharter hire, provision of crew and other operational services. 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.

There is no difference between the accounting policies of the reportable segments or between the reporting segments and the Group. Intersegment revenues and costs relate to management fees charged between Oceanteam group companies. These are based on a cost plus margin basis.

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

USD '000	Oceanteam Shipping 2018	Oceanteam Shipping 2017	Oceanteam Solutions 2018	Oceanteam Solutions 2017	TOTAL 2018	TOTAL 2017
Revenue	15.939	19.576	7.429	6.044	23.367	25.620
Net income from associates/joint ventures	1.892	(1.208)	-	-	1.892	(1.208)
Operating cost	(3.903)	(557)	(3.589)	(5.783)	(7.492)	(6.340)
G&A	(3.716)	(6.497)	(1.848)	(1.769)	(5.564)	(8.265)
EBITDA	**10.211**	**11.314**	**1.991**	**(1.508)**	**12.203**	**9.806**
Intersegment revenue	582	1.022	315	299	897	1.320
Intersegment cost	(315)	(299)	(582)	(1.022)	(897)	(1.320)
Depreciation and Amortisation	(4.264)	(5.386)	(1.463)	(1.683)	(5.728)	(7.069)
Write off / Reversal of impairment	68	(20.491)	(26)	(6.344)	42	(26.835)
Reportable segment operating profit / (loss)	**6.282**	**(13.840)**	**235**	**(10.258)**	**6.517**	**(24.098)**
Financial income	109	28.822	(17)	(2.144)	92	26.678
Financial expense	(5.687)	(11.230)	(39)	(414)	(5.726)	(11.644)
Foreign exchange effects	75	(322)	(52)	(365)	23	(687)
Net finance	**(5.503)**	**17.270**	**(109)**	**(2.923)**	**(5.612)**	**14.347**
Pre-tax profit / (loss)	**779**	**3.430**	**126**	**(13.182)**	**905**	**(9.751)**
Income tax	(59)	0	-	(1.750)	(59)	(1.750)
Net result from continuing operations	**720**	**3.431**	**126**	**(14.932)**	**846**	**(11.501)**
Net result from discontinuing operations	**-**	**-**	**(941)**	**(514)**	**(941)**	**(514)**
Net result for the period	**720**	**3.431**	**(815)**	**(15.445)**	**(95)**	**(12.015)**

Information on the reportable assets and liabilities is not reviewed by the Group's CEO (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. The two vessels worked outside Europe in 2018. One of the CSV vessels is consolidated according to equity method, while the other CSV vessel, CSV Southern Ocean, is fully consolidated. Administration expenses in Oceanteam ASA are allocated to Shipping segment since material resources from Oceanteam ASA are allocated to Shipping segment. The Oceanteam Solutions segment consist of equipment business from RentOcean, an equipment department organized under Oceanteam ASA. 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.

Revenue	2018	2017
Far East & Australia	16.205	19.576
Europe	7.162	6.044
Total	**23.367**	**25.620**

Net income from joint ventures and associates	2018	2017
Australia and Africa	1.892	(1.170)
South America	0	(38)
Total	**1.892**	**(1.208)**

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

Revenue comprises:	Company/Project	2018	2017	Change in %
Revenue		23.367	25.620	-9%
Net income from joint ventures and associates		1.892	(1.208)	257%
Total		**25.259**	**24.411**	**3%**

Refer to note 6 for a breakdown of segment revenues by the type of services provided.

Major customers

Segment	Major Customer	2018	Percentage of Group's revenue	2017	Percentage of Group's revenue
Shipping	Customer 1	13.947	60%	19.608	77%
Solutions	Customer 2	2.333	10%		

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

Note 6. Revenue

US'000

Revenue comprises:	2018	2017	Change in %
CSV Shipping	15.939	19.576	(19)%
Solutions equipment handling and rental	7.429	6.044	23%
Total revenue	**23.367**	**25.620**	**(9)%**

Oceanteam derives its revenue from the transfer of goods and services over time and at a point in time from the following sources.

2018

Revenue comprises:	Shipping	Solutions	Total
Hire income	13.810	5.123	18.933
Crewing	1.753	1.467	3.220
Mobilisation fee income	330	524	854
Management fee income	46	315	361
Total revenue	**15.939**	**7.429**	**23.367**

2017

Revenue comprises:	Shipping	Solutions	Total
Hire income	19.529	4.296	23.825
Crewing	-	994	994
Mobilisation fee income	-	455	455
Management fee income	47	299	346
Total revenue	**19.576**	**6.044**	**25.620**

Hire income is recognised on a straight line basis over the term of the leases. Included within 2018 Shipping hire income is suspension rate income of USD 10.5m (2017: USD 1.6m). When the vessel CSV Southern Ocean was not being used by the charterers, Oceanteam Bourbon 4 AS received a 'Suspension Rate'.

Crewing and management fee income is recognised as revenue over time on a straight line basis as provision of the services by Oceanteam is received and consumed by the customer simultaneously. The performance obligations are satisfied on a continues basis.

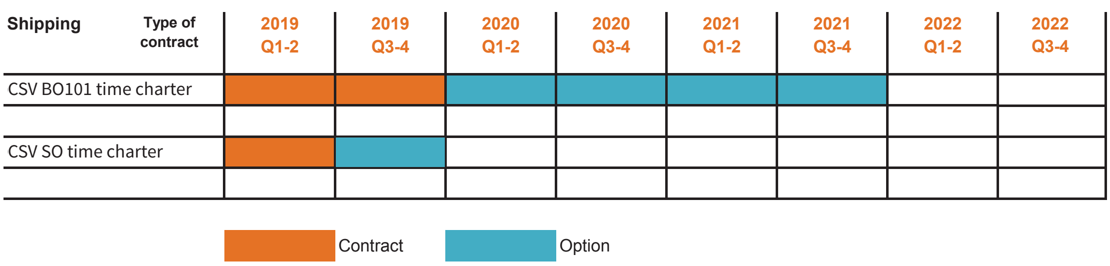
Mobilisation fee income is recognised at a point in time when the performance obligation is satisfied (the equipment/vessel is delivered to the designated location and ready to begin operations). There were no performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

When allocating the transaction price for time charter agreements between Hire income and Crewing, Oceanteam uses the expected cost plus margin approach.

Typically, invoices are sent immediately upon performance obligations being satisfied at a point in time. Performance obligations that are satisfied over time are normally invoiced on a monthly basis. Payment terms are generally 30-45 days. Oceanteam sometimes experiences delays in receiving payment from some clients which can lead to short-term fluctuations in trade receivables.

Refer to note 14 for further information on contract receivables from contracts with customers and note 19 for further information on contract liabilities from contracts with customers.

Vessel Contract Backlog



Contract backlog:

- CSV Bourbon Oceanteam 101: The vessel is under contract until August 2019 with Bourbon Gaia Supply SAS. There are two 1 year options to extend the contract.

- CSV Southern Ocean: The vessel started a new contract with McDermott in Q4 2018 which is expected to be completed in May 2019. After completion CSV Southern Ocean is under contract with Fugro until mid-June with possible extensions.

Solutions Contract Backlog

The level of secured work/tenders out are at a satisfactory level. Seasonal effects remain and projects tend to have durations of weeks and months instead of years. Activity in the oil and gas segment is low but is 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 element of the time charter agreement for CSV Southern Ocean as shown in the Vessel Contract Backlog.

The decrease in future minimum lease payments is due to CSV Southern Ocean having one year of remaining contract as at the 2017 year end and approximately 55 days of remaining contract as at the 2018 year end. In 2019, options have been exercised to extend the contract by 66 days.

USD ‘000	2018	2017
Less than one year:	1.592	10.454
Between one and five years:	-	-
More than five years:	-	-
Total	**1.592**	**10.454**

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 2019 to Q4 2036. The future minimum lease payments under non-cancellable leases are as follows:

USD ‘000	2018	2017
Less than one year:	2.176	4.451
Between one and five years:	631	971
More than five years:	1.871	2.843
Total	**4.678**	**8.266**

Future contracted expenses from leases 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	2018	2017
Less than one year:	315	945
Between one and five years:	-	-
More than five years:	-	-
Total	**315**	**945**

The ship crane mounted on the vessel CSV Southern Ocean is leased by Oceanteam Bourbon 4 AS from the associated company Oceanteam Bourbon Investments AS. This lease is treated as a short-term (operating) lease. The expense recognised by Oceanteam Bourbon 4 AS, which is fully consolidated, in respect of this lease is USD 1.260.000 in 2018 and USD 1.260.000 in 2017. This expense is recognised under Operating costs. The cash outflow is equivalent to the lease expense.

Oceanteam Bourbon Investments AS previously leased this crane from a company external to the Oceanteam group. This lease was treated as a finance lease. Oceanteam Bourbon Investments AS purchased the crane from the company external to the Oceanteam group in December 2018.

Future contracted expenses from other leases

Future contracted expenses from other leases includes office and other work area rental agreements. These leases are treated as short-term (operating) leases. These expenses are recognised under Operating costs. The cash outflows are approximately equivalent to the lease expenses.

Lease expense recognised:

USD '000	Segment	2018	2017
Bergen office	Shipping	25	24
Amsterdam office	Solutions	51	119
Velsen base	Solutions	157	145
Velsen office	Solutions	15	10
Total		**248**	**298**

The non-cancellable lease payments are as follows:

USD '000	2018	2017
Less than one year:	73	101
Between one and five years:	35	53
More than five years:	-	-
Total	**108**	**154**

Note 8. Personnel cost

USD '000

Personnel cost	2018	2017
Salary	1.585	1.879
Pensions	108	204
Social security cost	158	199
Insurance	110	130
Directors fees	88	127
Contractors fees	434	1.161
Other costs	(6)	5

Total	**2.478**	**3.705**
Number of man-years employed over the financial year	14	17

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

Management remuneration

USD '000 2018	Position	Board fees	Wages / Fees	Pension premiums	Other remuneration	Total
Haico Halbesma	CEO (until Mar 30th)		111			111
Hessel Halbesma	Chairman (until Mar 22nd)				49	49
Mrs Catharina Pos	Director (until Mar 23rd)				17	17
Diederik Legger	Director (until May 16th) and interim CEO (until Oct 15th)	10	109			120
Meindert van Genderen	Interim CEO (from Mar 28th until May 16th)		70			70
Jos Van Dijk	CFO (until Aug 23rd)		178	15	28	221
Kornelis Jan Willem Cordia	Chairman (from Apr 13th)	34				34
Karin Antoinette Yvonne Govaert	Director (from Apr 13th)	26				26
Hendrik Johannes Jesse	Director (from Jul 12th)	17				17
Hendrik Hazenoot	Interim CFO (from Aug 23)		87			87
Leidus Bosman	CEO (from Oct 15th)		61	4		65
Total		**88**	**615**	**19**	**94**	**817**

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**

The former CEO, Haico Halbesma, had a service agreement through his company Heer Holland B.V with an annual fee of EUR 360.000 (USD 424.800). From 1 January until 31 March 2018 he received EUR 90.000 (USD 110.665). 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 Oceanteam ASA and Heer Holland has been waived as part of the overall settlement agreement entered into on 13 April 2018 with Feastwood Holdings Limited., Heer Holland BV, Haico Halbesma, Hessel Halbesma and all parties related to them.

The former chairman, Hessel Halbesma, had a service agreement through Feastwood Holdings Limited and charged fees of EUR 40.000 (USD 49.366) through Feastwood Holdings Limited. Hessel Halbesma resigned as chairman on 22 March 2018.

Former director Mrs Catharina Pos has received two months of service fees through her company Cenzo B.V. totalling EUR 13.334 (USD 16.571). Mrs Catharina Pos resigned as a director on 23 March 2018.

As a director, Diederik Legger received an annual salary of USD 120.000 in addition to annual board fees of NOK 200.000. During his time as a director in 2018 (1 January - 16 May) he received USD 51.118 in salary, classified as wages/fees, and NOK 83.333 (USD 10.327) in board fees. Following his appointment as Interim CEO, contracts were established with Marstrat B.V through which fees totalling EUR 50.000 (USD 58.167) were charged in respect of his management services as CEO (16 May - 15 October) and advisory services (15 October - 31 December). These fees have been classified as wages/fees.

Former interim CEO, Meindert van Genderen, had an interim management agreement through Seaconomy B.V., from 27 March 2018 - 30 April 2018 through which fees of EUR 18.750 (USD 23.426) were charged. He also had an interim management agreement through Marstrat B.V from 1 May 2018 - 31 August 2018 through which fees of EUR 40.000 (USD 46.769) were charged.

Former CFO, Jos Van Dijk, left Oceanteam on 23 August 2018. He received a full annual salary in 2018 of EUR 138.888 (USD 164.510) attracting a holiday allowance at 8% totalling EUR 11.111 (USD 13.168). These have been classified under wages/fees. He also received a termination fee of EUR 25.000 (USD 28.397) classified under other remuneration.

For the year 2018, the agreed annual fee for the chairman of the board is NOK 400.000 (USD 48.990) and NOK 300.000 (USD 36.743) for the other members of the board.Kornelis Jan Willem Cordia, chairman of the board, was appointed on the 13 April 2018 and has received board fees of NOK 286.667 (USD 34.489) in 2018. Director, Karin Antoinette Yvonne Govaert, was appointed on 13 April 2018 and has received board fees of NOK 215.000 (USD 25.866) in 2018. Director, Hendrik Johannes Jesse, was appointed on 12 July 2018 and has received board fees of NOK 141.667 (USD 16.899) in 2018.

As at 31 December 2018, Oceanteam had no obligation to pay special compensation upon termination of, or change to, the chairman's appointment. As at 31 December 2018, there were no agreements between Oceanteam and the chairman providing for bonuses, profit sharing, options or similar benefits.

Hendrik Hazenoot was appointed as Interim CFO on 23 August 2018. He has a service agreement through DTN Noordwijk B.V. and has charged fees of EUR 75.275 (USD 86.743) in 2018 for his services.

Leidus Bosman was appointed as CEO on 15 October 2018. He receives an annual salary of EUR 198.000 (USD 233.631) which attracts a holiday allowance at 8%. From 15 October 2018 to 31 December 2018 he received EUR 49.500 (USD 56.517) in salary and EUR 3.690 (USD 4.527) in holiday allowance which have been classified under wages/fees. As at 31 December 2018, Oceanteam had no obligation to pay special compensation upon termination of, or change to, the CEO's employment. The employment agreement contains a variable pay provision, which leaves room for negotiation on the remuneration package. No liability or expense was incurred in respect of this as at 31 December 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.

The phantom share award scheme, which had a vesting period from October 2014 - September 2016, has been fully settled as at 31 December 2018.

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

Note 9. Auditor's fee

Auditor's fee consists of the following:

USD '000	2018	2017
Statutory audit	464	673
Other assurance services	25	33
Tax advisory	41	25
Other	10	58
Total	**540**	**790**

Note 10. Financial income and financial expenses

USD '000	2018	2017
Bank Interest income	92	27
Other financial income/cost*	-	26.651
Foreign exchange gain/loss	23	(687)
Interest expense**	(5.175)	(10.973)
Call premium***	-	(357)
Other financial expense	(552)	(314)
Total interest costs	**(5.612)**	**14.347**

* The income of USD 26.7 million in other financial income/cost in 2017 relates to the derecognition and new recognition of the bond loan following the amendment of terms in June 2017. Refer to the consolidated statement of changes in equity for further information.

** Included within Interest expense in 2018 is USD 1.8 million relating to amortisation of the above mentioned adjustment and USD 0.3 million relating to the loss on conversion of the bond loan. Refer to the consolidated statement of changes in equity for further information.

*** Amortization expense related to Oceanteam ASA's 2012/2017 USD 92.5 million bond issuance for nil months in 2018 (2017:9 months).

Note 11. Non-current assets - other

USD '000

2018	Deferred tax	Goodwill	Customer relations	IP licences, concept	OTS Designs	Total
Historical cost 1 January 2018	6.000	13.000	4.400	573	1.773	25.745
Additions-Internally developed				-		
Additions - Acquired separately						-
Disposals		(13.000)	(4.400)			(17.400)
Historical cost 31 December 2018	6.000	-	-	573	1.773	8.345
Accumulated amortisation 1 January 2018	-	-	(4.400)	(347)	(1.254)	(6.001)
Amortisation						-
Impairments / reversals						-
Disposals			4.400			4.400
Accumulated amortisation 31 December 2018	-	-	-	(347)	(1.254)	(1.601)

Accumulated impairments 1 January 2018	(4.750)	(13.000)	-	(226)	(520)	(18.496)
Impairments / reversals						-
Disposals		13.000				13.000
Accumulated impairments 31 December 2018	**(4.750)**	**-**	**-**	**(226)**	**(520)**	**(5.496)**
Book value 31 December 2018	**1.250**	**-**	**-**	**-**	**-**	**1.250**
Amortization rates	Not Amortized	Not Amortized	5 years Linear	5 years Linear	5 years Linear	

2017	Deferred tax	Goodwill	Customer relations	IP licences, concept	OTS Designs	USD '000 Total
Historical cost 1 January 2017	6.000	13.000	4.400	573	1.773	25.745
Additions-Internally developed						-
Additions - Acquired separately						-
Disposals						-
Historical cost 31 December 2017	**6.000**	**13.000**	**4.400**	**573**	**1.773**	**25.745**
Accumulated amortisation 1 January 2017			(4.400)	(256)	(755)	(5.411)
Amortisation				(91)	(499)	(590)
Impairments / reversals						-
Accumulated amortisation 31 December 2017	**-**	**-**	**(4.400)**	**(347)**	**(1.254)**	**(6.001)**
Accumulated impairments 1 January 2017	(3.000)	(3.700)				(6.700)
Impairments / reversals	(1.750)	(9.300)		(226)	(520)	(11.796)
Accumulated impairments 31 December 2017	**(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	5 years	
Amortization Method			Linear	Linear	Linear	

Oceanteam's goodwill originated from acquiring KCI the engineers B.V. The shares of KCI the engineers B.V were sold on 15 January 2018. The goodwill has been recognised as a disposal in 2018.

Oceanteam's IP licenses and Designs were fully impaired as at 31 December 2017. Assessments performed indicate these continue to not have any future economic value and therefore should continue to have a carrying value of nil.

Note 12. Tangible assets

USD'000

Carrying values	Southern Ocean	Fast Support Vessels, Machinery & other	Total
Carrying values per 1 January 2018	84.666	17.018	101.684
Additions	1.320	267	1.587
Disposals	-	(182)	(182)
Depreciation tangible asset	(4.250)	(1.477)	(5.728)
Impairment/reversals	-	-	-
Carrying values per 31 December 2018	**81.735**	**15.626**	**97.361**

Carrying values	Southern Ocean	Fast Support Vessels, Machinery & other	Total
Historical Cost 1 January 2018	169.557	50.918	220.475
Additions	1.320	267	1.587
Disposals	-	(182)	(182)
Historical Cost 31 December 2018	**170.877**	**51.003**	**221.880**
Accumulated depreciation 1 January 2018	(18.315)	(21.474)	(39.789)
Depreciation	(4.250)	(1.477)	(5.728)
Disposals depreciation	-	-	-
Accumulated depreciation 31 December 2018	**(22.566)**	**(22.951)**	**(45.517)**
Accumulated impairments 1 January 2018	(66.576)	(12.426)	(79.002)
Impairments/reversals			-
Accumulated impairments 31 December 2018	**(66.576)**	**(12.426)**	**(79.002)**
Total carrying amount per 31 December 2018	**81.735**	**15.626**	**97.361**

Carrying values	Southern Ocean	Fast Support Vessels, Machinery & other	Total
Historical Cost 1 January 2017	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 1 January 2017	(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 1 January 2017	(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 December 2017	**84.666**	**17.018**	**101.684**

Depreciation rates	5-25 years	3-25 years	
Depreciation method	linear	linear	

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 2018. 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.

Impairment Testing

Because of the volatile market and other impairment indicators, impairment tests have been done on all tangible assets.

Construction Support Vessels (CSV's)

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).

All vessels in this category are equity accounted for except for the CSV Southern Ocean, in Oceanteam Bourbon 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 the net present value of future cash inflows from estimated time charter rates and bareboat charter rates and cash outflows from 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 from the reporting date until the end of the vessel's life and discounted using a weighted average costs of capital (WACC) to find the net present value. The net present value is the value in use.

Oceanteam have applied a WACC of 10,9 percent when testing the CSVs.

The calculated WACC has the following assumptions:

a) Risk free rate of 1.79% (10 year government bond from Norges Bank)
b) 46 / 54 ratio of equity /debt
c) 1,4 Equity Beta
d) Market risk premium 5.7%

Assumptions made in determining the recoverable amount of CSV Southern Ocean:

a) Vessel utilization of 75%
b) Significant increases in the hire rate in 2021 and 2022
c) Increases to operating costs of 1.5% year on year
d) Dry dock costs of USD 4.5 million every 5 years
e) Residual value of USD 10 million

The below parameters for CSV Southern Ocean have been determined by performing sensitivity analysis on a single variable at a time in the value in use calculation. These parameters indicate the limit of each variable before the vessel would be considered impaired.

Minimum consistent time charter day rate (USD)*	61.000
Minimum vessel utilisation	72,08%
Maximum WACC	11,49%

*the value in use calculation includes estimated time charter day rates which increase in 2021 and decrease in 2023. For the purpose of performing sensitivity analysis we have applied a consistent / flat time charter day rate.

Machinery

Oceanteam have applied a WACC of 9.6 percent when testing the Machinery. The calculated WACC has the following assumptions:

a) Risk free rate of 1.79% (10 year government bond from Norges Bank)
b) 50 / 50 ration of equity / debt
c) 1,1 Equity Beta
d) Market risk premium 5.5%

Assumptions made in determining the recoverable amount of Machinery:

a) Machinery utilization of average utilization in 2017 and 2018 minus 10%
b) Increases in the hire rates of 2% year on year
c) Increases to operating costs of 2% year on year
d) Maintenance costs amounting to 5% of the machines' historic costs to be incurred every other year

e) Residual values of 10% of the machines' historic costs

Impairment scope:

1. Impairment reviews have been performed on all vessels within Oceanteam.
2. Impairment reviews have been performed on all tangible assets within the Oceanteam solutions segment.

The impairment tests of the CSV Southern Ocean resulted in no impairment being necessary for 2018. Value in use workings were performed and the fair value less costs to sell determined by obtaining external brokers valuations. Both the value in use and fair value less costs to sell were higher than the carrying value of the vessel as at 31 December 2018. Indicators that the impairment losses recognized in prior periods may no longer exist or may have decreased were assessed. This assessment concluded that no reversal of impairment should be recognized.

The impairment tests of Machinery resulted in no impairment being necessary for 2018. Value in use workings were performed which demonstrated that the value in use was in excess of the carrying values.

The two Fast Support Vessels, Mantarraya and Tiburon, were written down to nil in previous years and continue to have a carrying value of nil. It is highly doubtful that Oceanteam can recover the vessels from Venezuela.

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 .

USD'000

Tax income / (expense) comprises:	2018	2017
Tax charge on profit / loss for the year	-	-
Withholding taxes	(59)	
Adjustments in respect of prior years	-	-
Changes in deferred tax	-	(1.750)
Other changes	-	-
Deferred tax from equity transactions	-	-
Total income tax expense	**(59)**	**(1.750)**
Tax base calculation		
Profit/(loss) before income tax	905	(9.751)
Permanent differences	(3.236)	7.927
Income taxable under Norwegian tonnage tax regime	(5.304)	(9.821)
Changes in temporary differences	509	523
Correction from previous periods	-	477
Translation differences	3.718	1.311
Utilisation of carried forward losses	(10.668)	-
Tax base	**(14.076)**	**(9.334)**
Temporary differences:		
Fixed assets	(1.432)	(1.816)

Non-current receivables	-	-
Non current assets	-	-
Current assets	-	-
Profit and Loss account	76	100
Tax-deductible part of write-down	-	-
Taxable income from Subsidiairies	-	-
Effect foreign exchange on long-term liabilities	-	-
Other temporary differences	(868)	-
Total	**(2.225)**	**(1.716)**
Loss carry forward*	(205.908)	(275.466)
Total	**(208.133)**	**(277.182)**
Temporary differences included in base for tax calculation	5.000	5.000
Temporary differences not included in base for calculating deferred tax	203.133	272.182
Net deferred tax asset/(liability) - (2018: 22%, 2017: 24%)	44.689	65.324
Net deferred tax asset/(liability) recorded in balance sheet - (2018: 25%, 2017: 25%)	1.250	1.250

Effective tax rate	2018	2017
Expected income taxes		
Tax rate 23% (2017: 24%)	(208)	(2.477)
Permanent differences 23% (2017: 24%)	744	10.645
Deferred tax from equity transactions	-	-
Income taxable under Norwegian tonnage tax regime	1.220	(2.357)
Withholding taxes	(59)	-
Change in temp. differences not recognised	(4.210)	(7.561)
Deferred tax from share of loss in subs.	-	-
Utilisation of carried forward losses	2.454	-
Income tax expense	**(59)**	**(1.750)**
Effective tax rate in %	6,5 %	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 relating to carry forward taxable losses for the operations in the Netherlands. Oceanteam has utilised USD 10.668 million of carried forward losses in the Dutch entities in 2018. The deferred tax asset is related to the equipment business, and is based on latest forecast for this business segment. Plans indicates that there will be sufficient taxable profit to offset some of the tax loss carry forward before 2020. 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. The basis for potential deferred tax loss is estimated to amount to USD 182 million as at 31 December 2018 for the Norwegian entities. Confirmation from the tax authorities for a cumulative carry forward tax loss of NOK 1.575 million (USD 181 million) for the year 2017 was received in October 2018. 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 regimes.

Note 14. Receivables

USD '000	2018	2017
Trade receivables at nominal value	2.766	9.339
Less: allowance for expected credit losses	(2)	(6.329)
Net trade receivables	**2.764**	**3.010**

Movements in the group allowance for expected credit losses of trade receivables are as follows:

At 1 January	6.329	4.545
Allowance for expected credit losses movement	(6.327)	1.784
At 31 December	**2**	**6.329**

Trade receivables - Ageing	**Due 1-30 days**	**Due 31- 60 days**	**Due 61- 90 days**	**Due > 90 days**	**Total**
Shipping	433	888	862	-	2.183
Solutions equipment handling and rental	255	217	117	(7)	581
Total trade receivables	**688**	**1.105**	**979**	**(7)**	**2.764**

Other receivables	2018	2017
Prepayments	165	1
Accrued Revenue	1.513	(0)
Receivable from the sale of KCI the engineers B.V	1.011	-
Receivables from JV's and associates	209	2.526
Other short term receivables	233	266
Other current receivables	**3.131**	**2.793**

The allowance for expected credit losses was assessed under the requirements of IFRS 9. Management concluded that no adjustment was required.

The reduction in the allowance for expected credit losses in 2018 is due to amounts included within trade receivables and the allowance for expected credit losses being netted off. These amounts have been netted off as Oceanteam is no longer pursuing payment of these trade receivables.

Trade receivables as at 31 December 2018 do not include transactions with parties in respect of which there has historically been allowances for expected credit losses.

Contract Receivables

The below tables includes assets relating to contracts with customers recognised under IFRS 15 'Revenue from Contracts with Customers'.

		Trade receivables		Accrued Revenue		Total	
USD '000	Segment	2018	2017	2018	2017	2018	2017
Mobilisation fees	Shipping	180	650	-	-	80	650
Crewing	Shipping	117	37	552	-	668	37
Suspension rate income	Shipping	1.747	1.547	-	-	1.747	1.547
Total Shipping contract assets		**2.044**	**2.233**	**552**	**-**	**2.595**	**2.233**
Mobilisation fees	Solutions	-	110	-	-	-	110
Crewing	Solutions	170	22	-	-	170	22
Total Solutions contract assets		**170**	**132**	**-**	**-**	**170**	**132**
Total contract assets		**2.214**	**2.365**	**552**	**-**	**2.766**	**2.365**

Lease receivables

The below tables includes assets relating to lease agreements recognised under under IFRS 16 'Leases'.

		Trade receivables		Accrued Revenue		Total	
USD '000	Segment	2018	2017	2018	2017	2018	2017
Equipment and vessel hire	Shipping	139	76	961	-	1.100	76
Equipment and vessel hire	Solutions	410	569	-	-	410	569
Total lease receivables		**550**	**644**	**961**	**-**	**1.511**	**644**

Note 15. Cash and cash equivalents

USD '000	2018	2017
Cash	7.729	7.301
Cash and cash equivalents	**7.729**	**7.301**
Of which is restricted deposits*	**5.537**	**7.157**

* Restricted deposits	2018	2017
Amounts within Oceanteam Bourbon 4 AS**	5.443	6.174
Escrow account of the bondholders.	-	863
Legal issue with Alexander van Doorn (EUR 54.200)	63	75
Tax deducted from employees, deposited in a separate bank account amounts to NOK 266.520 (2017: NOK 366.280)	31	45
Total	**5.537**	**7.157**

**Payment of dividends and other distributions that may be considered dividends from Oceanteam Bourbon 4 AS are subject to the prior approval of SpareBank 1 SMN in accordance with the loan agreement. The bank accounts within Oceanteam Bourbon 4 AS are jointly controlled by Oceanteam ASA and Bourbon Offshore Norway AS. Any payments have to be agreed upon by both JV partners.

Note 16. Investments in subsidiaries and other consolidated entities

USD '000

Overview subsidiaries:	Profit / (Loss) 2018	Equity / (Negative Equity)	Ownership percentage	Voting share	Head Office / Country of registration
Subsidiary companies:					
Oceanteam II B.V.	6.012	7.470	100%	100%	Amsterdam, Netherlands
RentOcean B.V	4.702	3.130	100%	100%	Amsterdam, Netherlands
North Ocean 309 AS	(102)	(932)	100%	100%	Bergen, Norway
Oceanteam Shipping Monaco SAM	(288)	15	100%	100%	Monte Carlo, Monaco
Oceanteam Bourbon 4 AS*****	5.302	41.791	50%	60%	Bergen, Norway
2nd level Subsidiaries					
Oceanteam Shipping B.V.*	3.969	8.199	100%	100%	Amsterdam, Netherlands
Kingfisher Enterprise B.V*	(879)	(6.075)	100%	100%	Amsterdam, Netherlands
Oceanteam Shipping GmbH*	2	4	100%	100%	Wilhelmshaven, Germany
Oceanteam Mexico B.V.*	(7)	(21)	100%	100%	Amsterdam, Netherlands
3rd level Subsidiaries					
Oceanteam Mexico S.A. de C.V.****	6.375	(140)	90%	49%	Cd, del Carmen, Mexico
Oceanteam Solutions B.V.**	(45)	29	100%	100%	Amsterdam, Netherlands
Oceanteam GmbH**	-	-	100%	100%	Wilhelmshaven, Germany
4th level Subsidiary					
Oceanteam Power & Umbilical GmbH***	-	-	100%	100%	Wilhelmshaven, Germany

Refer to Note 18 for details of restrictions in place in consolidated entities. For further discussions on the consolidation of the entities, refer to note 27.

The group consolidated financial statements include parent company Oceanteam ASA and 13 subsidiaries.

KCI International B.V changed its name to Kingfisher Enterprise B.V in 2018.

* The shares are directly owned by Oceantem II B.V. a subsidairy 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 Oceanteam GmbH, a subsidiary of Oceanteam Shipping B.V.

**** Oceanteam Mexico B.V, a subsidiary of Oceanteam II B.V, 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 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

USD ‘000

	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 Norwegian GAAP. The information is before intercompany eliminations with other companies in the Group.

	Oceanteam Bourbon 4 AS	
USD ‘000	2018	2017
Operating income	15.893	19.608
Operating expenses	(8.547)	(7.578)
Net finance costs	(1.985)	(2.209)
Tax on ordinary result	(59)	(2)
Net profit / (loss) for the year	**5.302**	**9.819**
Adjustments made at group level:	(100)	(18.475)
Net profit / (loss) for the year	**5.203**	**(8.656)**
Other comprehensive income	-	-
Total comprehensive income	**5.203**	**(8.656)**
Profit / (loss) attributable to non-controlling interests	**2.601**	**(4.328)**
Current assets	9.421	8.532
Non-current assets	65.617	68.448
Current liabilities	(33.247)	(47.419)
Non-current liabilities	-	-
Net assets	**41.791**	**29.561**
Adjustment made at group level:	16.118	16.218
Net assets	**57.909**	**45.779**
Net assets attributable to non-controlling interests	**28.955**	**22.889**

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. 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.

In 2018, Oceanteam Bourbon 4 AS converted USD 6.9 million of the total USD 9.1 million remaining unpaid reduction of share capital made in 2015 from debt to equity. As at 31 December 2017 the unpaid reduction of share capital to be converted was included in liabilities to Oceanteam ASA of USD 3.5 million and liabilities to Bourbon Offshore Norway AS of USD 3.5 million.

The consolidated group's total cash consists of USD 7.7 million out of which USD 5.4 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 December 2018, The share capital of the Company is NOK 394.896.569 (USD 50.806.665) divided into 789.793.138 shares with a nominal value of NOK 0.50 (USD 0.06). All shares are given equally voting rights.

Oceanteam owns a total of 2.934.176 own shares representing 0,4% of the shares in the Company. The calculations are made on the basis of 789.793.138 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
Euroclear Bank S.A./N.V.		434.982.790	55,1%
UBS Switzerland AG	2	153.932.759	19,5%
CLEARSTREAM BANKING S.A.		62.246.566	7,9%
State Street Bank and Trust Comp		35.781.160	4,5%
PICTET & CIE (EUROPE) S.A.		18.709.602	2,4%
Hessel Halbesma	1	17.395.058	2,2%
Citibank (Switzerland) AG		5.507.503	0,7%
Bank Julius Bär & Co. AG		3.250.862	0,4%
OCEANTEAM SHIPPING ASA		2.934.176	0,4%
IMAGINE CAPITAL AS		2.753.760	0,3%
ZACHRISSON		2.704.662	0,3%
MOMO INVEST AS		2.436.085	0,3%
SIX SIS AG		2.300.406	0,3%
ØYTOSKI AS		1.930.290	0,2%
NESHEIM		1.366.887	0,2%
PERSHING LLC		1.101.853	0,1%
Nordnet Bank AB		1.057.247	0,1%
Deutsche Bank Aktiengesellschaft		1.000.650	0,1%
BAKKEN		885.453	0,1%
Norchem A/S		881.830	0,1%
Subtotal 20 largest		**753.159.599**	**95,4 %**
Others		36.633.539	4,6 %
Total		**789.793.138**	**100,0 %**

Shareholders	Notes	Number of shares	Percentage of total
Board:			
Hessel Halbesma (Chairman until Mar 22nd)	1	17.395.058	2,2 %
Kornelis Jan Willem Cordia (Chairman from Apr 13th)	2	151.600.000	19,2 %
Total for Board		**168.995.058**	**21,4 %**

1. Former Chairman, Hessel Halbesma personally owns 17.395.058 shares.

2. Through UBS Switzerland AG, Kornelis Jan Willem Cordia, Chairman of Oceanteam ASA, owns 151 600 000 shares."

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 date 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 are no net-settled derivative financial liabilities.

USD ´000

At 31 December 2018	Q1	Q2	Q3-Q4	Over 1 year	Total
Total outstanding on loans	29.940		3.075		33.015
Total outstanding on loans	**29.940**	**0**	**3.075**	**0**	**33.015**

	0 to 1 years	1 to 2 years	2 to 5 years	over 5 years	Total
At 31 December 2017					Total
outstanding on loans	37.919		39.720		77.639
Total outstanding on loans	**37.919**		**39.720**	**0**	**77.639**

Loans/ Currency of loans		True rate of interest	Description	31.12.18	31.12.17
Oceanteam ASA (USD)	Senior Unsecured	LIBOR + margin	FRN Oceanteam ASA Senior Callable Bond Issue 2012/2017	-	66.381
			Bond loan fair value adjustment	-	(26.661)
Oceanteam ASA (USD)	Unsecured	Interest 7%	Stichting Value Partners Family Office	1.572	-
Oceanteam ASA (USD)	Unsecured	Interest 7%	Corinvest B.V.	1.503	-
CSV Southern Ocean (U SD)	Secured	LIBOR + margin*	** SpareBank 1 SMN Bank USD 81 million	30.375	38.475
***Borrowing costs				(435)	(556)
****Total short-term debt**				**33.015**	**77.639**

* 50% of the LIBOR interest rate is fixed.

** The loan is classified as a short-term debt as the loan is in a cross-default position.

*** Borrowing costs related to the refinancing of the loan have been capitalised and classified as a reduction of debt.

"The CSV vessels and various equipment are collateral for the SpareBank 1 SMN Bank loan. The carrying amount of CSV Southern Ocean is USD 81.7 million per 31 December 2018.

The Senior Callable Bond and accrued interest were converted into equity in 2018.

Financial costs	2018	2017
CSV Southern Ocean (USD)	2.099	2.215
Bond loan (USD)*	1.470	8.993
Bond loan other (USD)**	2.099	-
Oceanteam Solutions (EUR)	-	189
Other	58	247
Total interest costs	**5.726**	**11.644**

*Included within Bond loan in 2018 is USD 1.0 million relating to interest and USD 0.5 million relating to other financial cost.

**Included within Bond loan other in 2018 is USD 1.8 million relating to amortization of the effect from the derecognition and new recognition of the bond loan related to the amendment of terms in June 2017. The remaining USD 0.3 million relates to the loss on conversion of the bond loan.

Total bank facilities

As per 31 December 2018 the total interest bearing debt of the Group is USD 33 million. The Group had free cash of USD 2.2 million. The equity ratio was 69,8 percent per balance sheet date.

Cross default

The CSV Southern Ocean loan in Oceanteam Bourbon 4 AS is in compliance with the financial covenants according to its own loan and is paying both interest and principle instalments according to the loan agreement. However, as at 31 December 2018 the company is in a default position due to a cross-default clause in the loan agreement.

Loans in consolidated group companies

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

The Group 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, were revised in June 2017. In April 2018 USD 62.0 million was converted into equity. The conversion amount of USD 62.0 million, consisted of USD 52.5 million original bond loan plus USD 9.5 million payment in kind interest. In December 2018 the remaining Callable bond of USD 5.2 million has been converted into equity. The conversion amount of USD 5.2 million, consists of USD 5.0 million original bond loan plus USD 0.2 million payment in kind interest.

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. 100% is included in the group accounts since this is a consolidated subsidiary.

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 2018 is USD 30.4 million. The current interest is 3 month LIBOR + 3,75 % margin p.a. The loan is repaid in quarterly instalments of USD 2.025 million. The Group has entered a Swap agreement with Sparebank 1 SMN where 50% of the principal will be repaid with a fixed interest rate of 1,69% + 3,75% Margin.

The revised “”Fleet Financing”” was signed on 17 July 2017 and executed under JVs (Oceanteam Bourbon 101 AS and Oceanteam Bourbon 4 AS between Oceanteam ASA and Bourbon Offshore Norway AS) and the same bank group (SMN, DVB and NIBC). The loans were renewed until November 2021.

The old loan was amortising over 10 years but running for 5 years i.e. equivalent of 5 years amortisation in balloon payment. The facility was extended by 5 years (until November 2021) with the same amounts being amortised, therefore no balloon payments are expected at maturity.

Key loan covenants for the borrower include:

> Free cash of minimum USD 500.000

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

> Market 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 CSV Southern Ocean in the table above.

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

Stichting Value Partners Family Office - USD 1.500.000 - Oceanteam ASA

Oceanteam ASA entered into a loan agreement on 23 April 2018 with Stichting Value Partners Family Office for the amount of USD 1.5 million. The loan is unsecured and attracts interest of 7% per annum. The repayment date was 6 months after the granting the loan. A waiver has been given by Stichting Value Partners Family Office to unconditionally extend the maturity of the loan for another 12 months (until 23 October 2019) if, for whatever reason, the ready liquidity effects the going concern assumption.

Corinvest B.V. - USD 1.500.000 - Oceanteam ASA

Oceanteam ASA entered into a loan agreement on 21 December 2018 with Corinvest B.V. for the amount of USD 1.5 million. The loan is unsecured and attracts interest of 7% per annum. The loan has a repayment date of 12 months after the granting the loan (21 December 2019).

Loans in associated group companies

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

All amounts below are presented on 100 percent basis. This loan is not included in the group accounts since the Group's 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 2018 is USD 24.8 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 has entered a Swap agreement with Sparebank 1 SMN where 50% of the principal will be repaid with a fixed interest rate of 1,69% + 3,75% Margin.

The revised “”Fleet Financing”” was signed on 17 July 2017 and executed under JVs (Oceanteam Bourbon 101 AS and Oceanteam Bourbon 4 AS between Oceanteam ASA and Bourbon Offshore Norway AS) and the same bank group (SMN, DVB and NIBC). The loans were renewed until November 2021.

The old loan was amortising over 10 years but running for 5 years i.e. equivalent of 5 years amortisation in balloon payment. The facility was extended by 5 years (until November 2021) with the same amounts being amortised, therefore no balloon payments are expected at maturity.

Key loan covenants for the borrower include:

> Free cash of minimum USD 500.000

> Working capital to be positive at all times. First year instalments are deducted from short term liabilities. > Market 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)

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

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

All amounts below are presented on 100 percent basis. This loan is not included in the group accounts since the Group's interest in DOT Shipping AS is classified as associate.

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.

The loan balance per 31 December 2018 is USD 4.1 million.

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 day	Due 61-90 days	Due > 120 days	Total
Shipping	634	31	86	474	1.224
Solutions equipment handling and rental	99	11	-	616	725
Total trade payables	**733**	**41**	**86**	**1.089**	**1.949**

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

Other payables	2018	2017
Incurred interest cost	392	565
Holiday and wages due	84	145
Preinvoicing	59	393
JV Partner balance	1.065	4.212
Other short term debt	1.628	2.605
Total other current liabilities	**3.228**	**7.921**

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature. Included within trade payables, as at 31 December 2018, is an amount of payable to 4C Offshore Ltd of USD 404.453 which was being disputed at the year end. Refer to note 21 for further details.

Contract Liabilities

The below tables includes liabilities relating to contracts with customers recognised under IFRS 15 'Revenue from Contracts with Customers'.

		Preinvoicing	
USD '000	Segment	2018	2017
Management fees	Shipping	6	-
Management fees	Solutions	53	-
Total contract liabilities		**59**	**-**

Lease Liabilities

The below tables includes liabilities relating to lease agreements recognised under under IFRS 16 'Leases'.

		Preinvoicing	
USD '000	Segment	2018	2017
Equipment hire	Solutions	-	393
Total lease liabilities		**-**	**393**

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. 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, former CEO of Oceanteam ASA, 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. 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.

Seaconomy B.V.

Seaconomy B.V. provided key management personnel services in 2018 through former CEO, Meindert Van Genderen. Transactions include management fees and the recharge of travel expenses. The management agreement was from March 2018 - April 2018. Refer to note 8 for more details.

Marstrat B.V.

“Marstrat B.V provided key management personnel services in 2018 through former CEO, Meindert Van Genderen and former director / former interim CEO Diederik Legger.

Meindert Van Genderen had an interim management agreement from May 2018 - August 2018.

Diederik Legger had an interim management agreement from June 2018 - August 2018 and has an agreement in respect of advisory services which runs for 2 years from September 2018.

Refer to note 8 for more details.

DTN Noordwijk B.V.

DTN Noordwijk B.V. is controlled by Hendrik Hazenoot, Interim CFO of Oceanteam ASA. Transactions include invoicing of management fees and recharges for travel expenses. Refer to note 8 for more details.

Invaco Management B.V.

Invaco Management B.V. is controlled by Kornelis Jan Willem Cordia, Chairman of Oceanteam ASA. Transactions relate to the recharge of travel expenses.

USD '000

	Income/recharged expense		Cost		
Company	2018	2017	2018	2017	Type of transaction
Cenzo BV	-	-	(17)	(86)	Other services than Board committee
Feastwood Holding Ltd (1)	28	385	(49)	(412)	see above
Feastwood Holding Ltd (2)	-	-	-	-	see above
Heer Holland BV	-	-	(111)	(409)	see above
Groom Hill S.A.R.L	-	-	-	(38)	Other services than Board committee
Challenger Management Services S.A.M	-	-	-	(33)	Other services than Board committee
Toha Invest BV	-	-	-	(349)	Rental of Amsterdam office
Imperator AS	-	-	-	(887)	Management Services
4C Offshore Ltd	-	-	(38)	(222)	see above
Annerieke Vonk	-	-	-	(4)	see above
Seaconomy B.V.	-	-	(29)	-	see above
Marstrat B.V (Meindert Van Genderen)	-	-	(47)	-	see above
Marstrat B.V (Diederik Legger)	-	-	(58)	-	see above
DTN Noordwijk B.V.	-	-	(94)	-	see above
Invaco Management B.V.	-	-	(4)	-	see above

USD '000

	Amounts receivable		Vendor & accrued balance	
Company	2018	2017	2018	2017
Cenzo BV	-	-	-	(136)
Feastwood Holding Ltd (1)	-	220	-	-
Feastwood Holding Ltd (2)	-	-	-	(666)
Heer Holland BV	-	-	-	(134)
Groom Hill S.A.R.L	-	-	-	(78)
Challenger Management Services S.A.M	-	-	-	(5)
Toha Invest BV	-	-	-	(61)
Imperator AS	-	-	-	(805)
4C Offshore Ltd	-	-	(404)	(491)
Annerieke Vonk	-	-	-	(13)
Seaconomy B.V.	-	-	(7)	-
Marstrat B.V (Meindert Van Genderen)	-	-	-	-
Marstrat B.V (Diederik Legger)	-	-	(11)	-
DTN Noordwijk B.V.	-	-	(10)	-
Invaco Management B.V.	-	-	-	-

In 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. Refer to the consolidated statement of changes in equity for further details.

Transactions with Group companies

USD '000

	Crane Hire expense		Interest Income		Management fee income	
Company	2018	2017	2018	2017	2018	2017
Oceanteam Bourbon 101 AS			-	-	350	333
Oceanteam Bourbon Investments AS**	(1.260)	(1.260)	8	22	12	12
North Ocean 105 AS*			-	94	-	-

Only transactions 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.

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

**The equity accounted associate, Oceanteam Bourbon Investments AS, has charged the fully consolidated subsidiary, Oceanteam Bourbon 4 AS amounts in respect of crane hire. Refer to note 7 for further details.

Stichting Value Partners Family Office

Stichting Value Partners Family Office is controlled by Mr Hendrik Marius van Heijst. During 2018, Mr Hendrik Marius van Heijst has held a shareholding in Oceanteam ASA of greater than 20% and is therefore considered to have significant influence. In April 2018 a loan was issued by Stichting Value Partners Family Office.

Corinvest B.V.

Corinvest B.V. is controlled by Kornelis Jan Willem Cordia, chairman of the board. In December 2018 a loan for USD 1.5 million was issued by Corinvest B.V. See note 10 for further details.

USD '000

	Loans		Accrued interest on loans	
Company	2018	2017	2018	2017
Stichting Value Partners Family Office	1.500	-	72	-
Corinvest B.V.	1.500	-	3	-

Refer to note 18 for more details.

Note 21. Contingent liabilities

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

As at 31 December 2018, the liability to 4C Offshore Ltd, as shown in note 20, was being disputed. A settlement agreement was signed in February 2019 resulting in a gain on settlment for Oceanteam of USD 34.564.

Note 22. Contingent assets

The amount receivable from Royal IHC in respect of the sale of KCI the engineers B.V. is contingent on KCI the engineers B.V receiving payment from its customers and retention of employees. Refer to note 29 for further details.

Note 23. Guarantees

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

Oceanteam ASA is one of three guarantors for the loan in the equity accounted associate, Oceanteam Bourbon 101 AS, and the fully consolidated subsidiary, Oceanteam Bourbon 4 AS. There is an unconditional and irrevocable pro rata on-demand guarantee for the balance of the loans. Refer to note 18 for further details.

Note 24. Events after the balance sheet date

Sale of DOT Group

In March 2019, Oceanteam ASA sold its 40 percent shareholding in DOT Group to Diavaz. As part of the sale, all intercompany receivables Oceanteam ASA held which were owed from DOT Group companies were either repaid or converted to shares and subsequently sold. The total settlement amount was USD 950.000 which was received in full in March 2019. Refer to note 29 for further details.

JV Partner Bourbon

In relation to the situation of our partner in the shipping companies, Bourbon, we kindly refer to their webpage (www.bourbonoffshore.com) and especially to their press release of 14 March 2019. At this moment in time, the outcome of the financial restructuring of Bourbon is unknown to us. The direct co-shareholder in our joint ventures is Bourbon Offshore Norway AS. The respective ship owning companies (i.e. joint ventures) are the borrowers of the ship finance loans in relation to the two vessels.

Loan waivers

In April 2019, both Stichting Value Partners Family Office and Corinvest B.V. issued waivers stating that if Oceanteam cannot repay the loans in full at maturity (October 2019 and December 2019 respectively), due to tight liquidity, the lenders will postpone the maturity date of the loans for another six months.

KCI the engineers B.V.

The sale of KCI the engineers B.V. to Royal IHC, which came effective per January 2018, has been satisfactorily completed with Oceanteam receiving its Withholding Amount partially in the first and partially in the second quarter of 2019. Refer to note 29 for further details.

Investigation

On 8 February, 2018, the Bergen District Court passed a ruling to initiate a corporate investigation of certain related party transactions in the Company upon request of a shareholder. The corporate investigation commenced in February 2018, when the Bergen District Court appointed an investigator to (i) investigate the factual circumstances, in the time period from 1 January 2013 until 31 December 2017, related to, inter alia, related party transactions and agreements between the Company and members of the board of directors and CEO, and between their respective related parties and the Company and to conduct a legal assessment of whether the factual circumstances uncovered are in violation the provisions governing related party transactions in the Norwegian Public Limited Liability Companies Act.

Pursuant to the Norwegian Public Limited Liability Companies Act, the costs of these types of corporate investigations are for the account of the company under investigation. In accordance with the ruling of the Bergen District Court per the date of this report the Company has deposited NOK 9.000.000 on account of estimated investigation costs. NOK 6.000.000 was paid in 2018 and NOK 3.000.000 in 2019.

The investigation is, as of the date of this report, ongoing, and, the Company does not have knowledge as to whether the investigation has uncovered any findings or as to when the results of the investigation are scheduled to be disclosed.

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. Shares are stated in thousands.

	2018	2017
Net Profit (USD '000)	**(95)**	**(12.015)**
Shares per 1 January	29.593	29.593
Holding of own shares 1 January	(2.934)	(2.959)
Issued during the year	760.200	-
Shares 31 December	789.793	29.593
Own shares 31 December	(2.934)	(2.934)
Weighted average of shares during the year	**496.947**	**26.646**
Earnings per share (USD)	**(0,00)**	**(0,45)**

Diluted earnings per share is the same as the basic earnigs 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).

Refer to note 17 for Share Capital and Shareholders information and the consolidated statement of changes in equity for further information regarding the shares issued during the year.

Note 26. Investment in joint ventures and associates

USD'000

Investments in joint ventures and associates	Investment in Oceanteam	Investment in DOT Shipping Group Bourbon 101 AS	Investment in Oceanteam Bourbon Investments AS	Total Restated
Type of investment	**Associate**	**Joint venture**	**Joint venture**	
Carrying amount of investment per 31 December 2017 (restated)	10.549			10.549
Conversion of debt to equity*	2.427			2.427
Net result from investment in 2018	1.888			1.888
Total carrying amounts 31 December 2018	**14.865**	**-**	**-**	**14.865**

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

In 2018, Oceanteam Bourbon 101 AS has convert the unpaid dividends declared in 2016 of USD 4.849 million from debt to equity. As at 31.12.2017 these unpaid dividends were included in liabilities to Oceanteam ASA of USD 2.4 million and liabilities to Bourbon Offshore AS of USD 2.4 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 Group.

The following is summarised financial information for DOT Shipping companies and Oceanteam Bourbon Investments AS. Their financial statements are prepared in accordance with IFRS.

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

All companies mentioned above are equity accounted in the Group.

	DOT Shipping companies	Oceanteam Bourbon Investments AS
Nature of relationship with the Group	FSV Icacos	Equipment business
	FSV Cobos	
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	DOT Shipping companies		Oceanteam Bourbon Investments AS	
	2018	2017	2018	2017
Revenue	2.392	2.534	1.260	1.260
Profit before tax	(291)	(12.638)	190	(62)
Tax				
Net result	**(291)**	**(12.638)**	**190**	**(62)**
Current assets	4.094	1.807	18	190
Non current assets	4.677	7.211	141	1.008
Current liabilities	(4.874)	(3.534)	(227)	(1.457)
Non-current liabilities	(17.133)	(21.333)	-	-
Net assets	**(13.235)**	**(15.850)**	**(68)**	**(259)**

In USD '000	DOT Shipping companies		Oceanteam Bourbon Investments AS	
	2018	2017	2018	2017
Group's interest in net assets of investee at beginning of year				(96)
Investments				
Total comprehensive income attributable to the Group	-	-	-	96
Total other comprehensive income attributable to the Group				
Dividends received during the year				
Carrying amount of interest in investee at 31 December	**-**	**-**	**-**	**-**

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. The Group has classified its interest in Oceanteam Bourbon 101 AS as an associate, which is equity accounted for.

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

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

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 basis 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.

In USD '000	Oceanteam Bourbon 101 AS	
		2017
	2018	Restated
Revenue	14.426	14.965
Profit before tax	3.781	3.150
Tax	(3)	-
Net result	**3.778**	**3.150**
Current assets	6.755	9.650
Non current assets	51.028	54.810
Current liabilities	(28.053)	(43.363)
Non-current liabilities	-	-
Net assets	**29.730**	**21.098**

In USD '000	Oceanteam Bourbon 101 AS	
		2017
	2018	Restated
Group's interest in net assets of investee at beginning of year	10.549	15.853
Conversion of debt to equity	2.427	(6.879)
Total profit / loss attributable to the Group	1.888	1.575
Total other comprehensive income attributable to the Group	-	-
Dividends received during the year	-	-
Carrying amount of interest in investee at 31 December	**14.865**	**10.549**

Refer to note 30 for more information on the restatement.

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 into place. The control is currently also affirmed by Oceanteam ASA being represented by three of a total of five directors on the company's board. However, in general, the owner companies, Bourbon Offshore Norway AS and Oceanteam ASA have equal voting shares in general meetings.

Oceanteam Bourbon 4 AS operates the vessel CSV Southern Ocean.

Note 28. Classification financial assets and liabilities

Financial assets

USD '000	2018 Financial assets measured at amortized cost	2017 Financial assets measured at amortized cost
Trade receivables	2.764	3.010
Other receivables	3.131	2.793
Cash and Cash equivalents	7.729	7.301
Total financial assets	**13.625**	**13.103**

Financial liabilities

USD '000	2018 Financial assets measured at amortized cost	2017 Financial assets measured at amortized cost
Loans and borrowings	-	39.720
First year instalments	33.015	37.919
Trade payables	1.949	5.065
Other current liabilities	3.381	8.148
Total financial liabilities	**38.346**	**90.852**

For further information, please refer to loans and borrowings in note 18 and accounting principles in note 2.

Note 29. Assets held for sale and discontinued operations

KCI the engineers B.V.

Negotiations with Royal IHC regarding the sale of KCI the engineers B.V. began in November 2017. The associated assets and liabilities were consequently presented as held for sale as at 31 December 2017. The sum of the post-tax loss and loss recognised on the measurement of assets to fair value less cost to sell were consequently presented as a single amount on the face of the consolidated statement of profit or loss and other comprehensive income under discontinued operations in 2017.

The final purchase agreement was signed on 15 January 2018 and the estimated purchase price of the shares was EUR 3.4 million (USD 3.9 million). Following the sale, the associated assets and liabilities of KCI the engineers B.V. were derecognised and a receivable recognised. There was no profit or loss on sale in 2018 as the net asset held for sale at the 2017 year end had been impaired down to the selling price.

Payment of the receivable, recognised following the sale, is partially contingent on KCI the engineers B.V receiving payment from its customers and retention of employees. EUR 1.8 million (USD 2.1 million) was received in 2018. The receivable was impaired by EUR 0.5 million (USD 0.8 million) in 2018 due to non-payment of some of KCI the engineers B.V.'s customers and due to some employees leaving the company. This impairment of USD 0.8 million along with legal costs directly associated with the sale of USD 0.1 million have been classified under loss from discontinued operations in the consolidated statement of profit or loss and other comprehensive income in 2018.

The amount receivable as at 31 December 2018 stands at USD 1 million.

KCI the engineers B.V. was classified within Oceanteam's Solutions operating segment.

Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 December 2017:

000'USD

Assets classified as held for sale	2018	2017
Goodwill	-	5.236
Property, plant and equipment	-	488
Intangible assets	-	715
Trade and other receivables	-	555
Cash and cash equivalents	-	(413)
Total assets of disposal group held for sale	**-**	**6.580**

Liabilities directly associated with assets classified as held for sale	2018	2017
Trade creditors	-	1.240
Other payables	-	1.401
Total liabilities of disposal group held for sale	**-**	**2.641**

Financial performance of discontinued operation

000'USD	2018	2017
Revenue	-	7.963
Expenses	(941)	(8.477)
Loss before income tax	**(941)**	**(514)**
Income tax expense	-	-
Loss after income tax from discontinued operation	**(941)**	**(514)**

Cash flows of discontinued operation

000'USD	2018	2017
Net cash inflow from operating activities	-	(13)
Net cash inflow from financing activities	-	(87)
Net cash inflow from investing activities	-	(221)
Net increase / (decrease) in cash generated by the subsidiary	**-**	**(320)**

Movement in the amount receivable

000'USD	2018
Amount receivable as at 15 January 2018	3.939
Cash received in 2018	(2.117)
Impairment recognised in 2018	(811)
Amount receivable as at 31 December 2018*	**1.011**

*EUR 0.6 million (USD 0.7 million) was received in March - April 2019. The remaining USD 0.3 million is expect to be received in full late in 2019.

DOT Group

Negotiations between Oceanteam and its Mexican partner Diavaz regarding the sale of Oceanteam's shares in and receivables from DOT Group began late in 2018. Oceanteam's investment in DOT Group and receivables from DOT Group were consequently presented as held for sale as at 31 December 2018. Immediately before the initial classification of the assets as held for sale, the carrying amount of the assets were measured in accordance with the applicable IFRSs. The Investment in DOT Group was accounted for applying the equity method in accordance with IAS 28 resulting in the carrying value being nil. The receivables were accounted for in accordance with IFRS 9 resulting in the carrying value being nil.

After classification as held for sale, the assets held for sale, in accordance with IFRS 5 were measured at the lower of their carrying amount and fair value less costs to sell. This being nil.

Oceanteam's share of the profit in DOT Group in 2018 is nil as the share of losses not recognised is greater than the share of the profits. The share of profit recognised of nil is classified in the consolidated statement of profit or loss and other comprehensive income under discontinued operations.

The final purchase agreements were signed in March 2019. The settlement amount was USD 950.000 which was received in full in March 2019.

DOT Group was classified within Oceanteam's Shipping operating segment.

000'USD

Assets classified as held for sale	2018	2017
Investment in associates and joint ventures (DOT Group)	-	-

Liabilities directly associated with assets classified as held for sale	2018	2017
Investment in associates and joint ventures (DOT Group)	-	-

Financial performance of discontinued operation	2018	2017
Net income from associates/joint ventures (DOT Group)	-	-

As DOT Group is equity accounted for and the cash flows are immaterial to Oceanteam in 2017 and 2018, cash flow information has not been disclosed.

Note 30. Correction of prior period error

Oceanteam has discovered an error in the Oceanteam group consolidation workings relating to the equity accounted associate, Oceanteam Bourbon 101 AS. This error arose in the year ended 31 December 2014. This error resulted in net income from associates/joint ventures in the year ended 31 December 2014 and Investment in associates and joint ventures as at 31 December 2014 both being understated by USD 2.671 million.

The error has been corrected retrospectively by restating each of the affected financial statement line items for the prior period as follows:

Consolidated statement of financial position	31.12.2017	Increase/ (Decrease)	31.12.2017 (Restated)
Investment in associates and joint ventures	7.878	2.671	10.549
Total non current assets	**110.812**	**2.671**	**113.482**
Total assets	**130.495**	**2.671**	**133.166**
Reserves	11.121	2.671	13.791
Equity attributable to owners of the Company	**14.764**	**2.671**	**17.434**
Total equity	**37.002**	**2.671**	**39.672**
Total equity and liabilities	**130.495**	**2.671**	**133.166**

Note 31 - Comparative figures

In the 2017 group annual report, Oceanteam chose 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 was applied retrospectively in accordance to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Oceanteam has not sufficiently documented the classification of effects between write off / impairment and net income from associates/joint ventures in the 2017 group annual report.

The 2017 figures in this report are unchanged from the 2017 group annual report with regard to this and therefore there is uncertainty in the classification of the 2017 figures which may impact comparability with the 2018 figures.

For the avoidance of doubt, subject to the uncertainty of classification within the 2017 Consolidated Statement of Profit or Loss and Other Comprehensive Income mentioned above, all amounts stated in this report have been sufficiently documented and audited.

10. FINANCIAL STATEMENTS PARENT

Income Statement

USD '000	Notes	2018	(Restated) 2017
Operating expenses			
Payroll expenses	3, 14, 19	1.313	1.895
Depreciation	7	14	510
Other operating expenses	16, 20	1.509	1.030
Total operating expenses		**2.835**	**3.436**
Operating profit / (loss)		**(2.835)**	**(3.436)**
Financial Income and expense			
Profit on investment in joint ventures, subsidiaries and associates	2, 4	-	2.866
Interest from group companies	4, 20	71	2.643
Foreign exchange result	4	49	(280)
Write-offs and forgiven debt	4, 9	(5.847)	(49.641)
Other financial expenses	4	(605)	(1.077)
Interest expense	4, 20	(968)	(7.228)
Net finance		**(7.301)**	**(52.717)**
Profit / (loss) before income tax		**(10.136)**	**(56.153)**
Tax on ordinary income	5	-	-
Net Profit / (loss)		**(10.136)**	**(56.153)**
Attributable to:			
Other equity	13	(10.136)	(56.153)
Total		**(10.136)**	**(56.153)**

Further information on the 2017 restatement can be found in note 22.

Statement of financial position 31 December 2018

Assets

USD '000	Notes	2018	(Restated) 2017
Non-current assets			
Intangible assets			
Project strategy,concessions & rights	7	-	-
OTS Designs	7	-	-
Total intangible assets		**-**	**-**
Tangible assets			
Office equipment	7	41	55
Total tangible assets		**41**	**55**
Financial assets			
Investments in joint ventures and subsidiaries	8	10.160	1.897
Loans to group companies	9	11.110	27.241
Investments in associates	8	2.718	294
Total financial assets		**23.988**	**29.432**
Total non current assets		**24.029**	**29.487**
Current assets			
Receivables			
Other receivables	10	5	10
Total receivables		**5**	**10**
Cash and cash equivalents	11	55	1.002
Total current assets		**60**	**1.012**
Total assets		**24.089**	**30.499**

Statement of financial position 31 December 2018

Equity and liabilities

Amount in USD '000	Notes	2018	(Restated) 2017
Equity			
Owners equity			
Share capital	12, 13	50.807	2.595
Holdings of own shares	12, 13	(256)	(256)
Share premium reserve	13	23.526	1.304
Total owners equity		**74.077**	**3.643**
Accumulated profits			
Other equity	13, 22	(54.579)	(43.564)
Total accumulated profits		**(54.579)**	**(43.564)**
Total equity		**19.498**	**(39.920)**
Bond loan	10, 13	-	65.616
Total other non current liabilities		**-**	**65.616**
Current liabilities			
Loans and borrowings	10	3.075	-
Accounts payable	10	646	2.622
Public duties payable	10	29	58
Other current liabilities	10	841	2.123
Total current liabilities		**4.592**	**4.803**
Total Liabilities		**4.592**	**70.419**
Total equity and liabilities		**24.089**	**30.499**

Bergen - Norway, 25 April 2019

The Board of Directors of Oceanteam ASA

Keesjan Cordia	Karin Govaert	Jan-Hein Jesse	Leidus Bosman
Chairman	Director	Director	CEO

Cash flow statement

USD '000	Notes	2018	(Restated) 2017
Cash flow from operating activities			
Profit / (loss) before income taxes		(10.136)	(56.153)
Depreciation		14	510
Amortisaton		61	-
Write-offs and forgiven debt		5.847	49.641
Change in accounts receivable		5	13
Change in accounts payable		(1.369)	817
Items classified as investment/financing activities		1	(1.796)
Change in other current liabilities		(1.114)	(2.345)
Interest expense on bond converted to shares		746	-
Net cash flow from operating activities		**(5.945)**	**(9.312)**
Cash flow from investing activities			
Paid-out from purchase of fixed assets		-	(4)
Paid in dividend from subsidiaries		-	2.200
Proceeds from sales of shares		-	10.652
Repayment of debt from subsidiaries, joint ventures and associates		-	-
Conversion of receivables from subsidiaries to shares		(8.464)	-
Conversion of receivables from associates to shares		(2.424)	-
Net cash flow from investing activities		**(10.889)**	**12.849**
Cash flow from financing activities			
Paid-in from new loans raised		3.000	-
Issuance of shares		2.500	-
Paid out non current liabilities		-	(2.700)
Proceeds from sale of treasury shares		-	5
Changes in intragroup balances		10.485	-
Changes due to conversion of debt to equity		(99)	-
Net cash flow from financing activities		**15.887**	**(2.695)**
Net change in cash and cash equivalents		(947)	842
Cash and cash equivalent at 01.01		1.002	160
Cash and cash equivalents at 31.12		**55**	**1.002**

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, the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect as of 31 December 2018, consist of the income statement, statement of financial position, 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 cost which are not 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 statements. 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 22 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 2018 is 8.689. The average exchange rate for the 2018 year applied was 8.165.

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-downs. 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

	2018	2017
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.

** In 2017, Oceanteam ASA reversed out dividends accrued in 2015 which were not subsequently declared.

Note 3. Employees, Board and auditor

USD '000

	2018	2017
Employee benefits expense		
Salaries*	820	764
Social security	81	100
Pension costs	16	21
Other benefits	3	5
Contractor fees**	393	1.005
Total	**1.313**	**1.895**

Number of man-years employed in Oceanteam ASA over the financial year.	4	6

*Salaries includes Oceanteam ASA employees' salaries and the recharge of salary costs from Oceanteam Shipping B.V in respect of Jos Van Dijk (former CFO) and Leidus Bosman (CEO).

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

Management remuneration

USD '000

	Position	Board fees	Wages / Fees	Pension premiums	Other remuneration	Total
Haico Halbesma	CEO (until Mar 30th)		111			111
Hessel Halbesma	Chairman (until Mar 22nd)				49	49
Mrs Catharina Pos	Director (until Mar 23rd)				17	17
Diederik Legger	Director (until May 16th)	10	109			120
and interim CEO (until Oct 15th)						
Meindert van Genderen	Interim CEO		70			70
	(from Mar 28th until May 16th)					
Jos Van Dijk	CFO (until Aug 23rd)		178	15	28	221
Kornelis Jan Willem Cordia	Chairman (from Apr 13th)	34				34
Karin Antoinette Yvonne Govaert	Director (from Apr 13th)	26				26
Hendrik Johannes Jesse	Director (from Jul 12th)	17				17
Hendrik Hazenoot	Interim CFO (from Aug 23)		87			87
Leidus Bosman	CEO (from Oct 15th)		61	4		65
Total		**88**	**615**	**19**	**94**	**817**

	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**

The former CEO, Haico Halbesma, had a service agreement through his company Heer Holland B.V with an annual fee of EUR 360.000 (USD 424.800). From 1 January until 31 March 2018 he received EUR 90.000 (USD 110 665). 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 Oceanteam ASA and Heer Holland has been waived as part of the overall settlement agreement entered into on 13 April 2018 with Feastwood Holdings Limited., Heer Holland BV, Haico Halbesma, Hessel Halbesma and all parties related to them.

The former chairman, Hessel Halbesma, had a service agreement through Feastwood Holdings Limited and charged fees of EUR 40.000 (USD 49.366) through Feastwood Holdings Limited. Hessel Halbesma resigned as chairman on 22 March 2018.

Former director Mrs Catharina Pos has received two months of service fees through her company Cenzo B.V. totalling EUR 13.334 (USD 16.571). Mrs Catharina Pos resigned as a director on 23 March 2018.

As a director, Diederik Legger received an annual salary of USD 120.000 in addition to annual board fees of NOK 200.000. During his time as a director in 2018 (1 January - 16 May) he received USD 51.118 in salary, classified as wages/fees, and NOK 83.333 (USD 10.327) in board fees. Following his appointment as Interim CEO, contracts were established with Marstrat B.V through which fees totalling EUR 50.000 (USD 58.167) were charged in respect of his management services as CEO (16 May - 15 October) and advisory services (15 October - 31 December). These fees have been classified as wages/fees.

Former interim CEO, Meindert van Genderen, had an interim management agreement through Seaconomy B.V., from 27 March 2018 - 30 April 2018 through which fees of EUR 18.750 (USD 23.426) were charged. He also had an interim management agreement through Marstrat B.V from 1 May 2018 - 31 August 2018 through which fees of EUR 40.000 (USD 46.769) were charged.

Former CFO, Jos Van Dijk, left Oceanteam on 23 August 2018. He received a full annual salary in 2018 of EUR 138.888 (USD 164.510) attracting a holiday allowance at 8% totalling EUR 11.111 (USD 13.168). These have been classified under wages/fees. He also received a termination fee of EUR 25.000 (USD 28.397) classified under other remuneration.

For the year 2018, the agreed annual fee for the chairman of the board is NOK 400.000 (USD 48.990) and NOK 300.000 (USD 36.743) for the other members of the board.

Kornelis Jan Willem Cordia, chairman of the board, was appointed on the 13 April 2018 and has received board fees of NOK 286.667 (USD 34.489) in 2018. Director, Karin Antoinette Yvonne Govaert, was appointed on 13 April 2018 and has received board fees of NOK 215.000 (USD 25.866) in 2018. Director, Hendrik Johannes Jesse, was appointed on 12 July 2018 and has received board fees of NOK 141.667 (USD 16.899) in 2018.

As at 31 December 2018, Oceanteam had no obligation to pay special compensation upon termination of, or change to, the chairman's appointment. As at 31 December 2018, there were no agreements between Oceanteam and the chairman providing for bonuses, profit sharing, options or similar benefits.

Hendrik Hazenoot was appointed as Interim CFO on 23 August 2018. He has a service agreement through DTN Noordwijk B.V. and has charged fees of EUR 75.275 (USD 86.743) in 2018 for his services.

Leidus Bosman was appointed as CEO on 15 October 2018. He receives an annual salary of EUR 198.000 (USD 233.631) which attracts a holiday allowance at 8%. From 15 October 2018 to 31 December 2018 he received EUR 49.500 (USD 56.517) in salary and

EUR 3.690 (USD 4.527) in holiday allowance which have been classified under wages/fees. As at 31 December 2018, Oceanteam had no obligation to pay special compensation upon termination of, or change to, the CEO's employment. The employment agreement contains a variable pay provision, which leaves room for negotiation on the remuneration package. No liability or expense was incurred in respect of this as at 31 December 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.

The phantom share award scheme, which had a vesting period from October 2014 - September 2016, has been fully settled as at 31 December 2018.

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	2018	2017
Statutory audit	287	643
Other assurance services	25	33
Tax advisory	16	8
Other	6	51
Total	**335**	**735**

VAT is not included in the auditor's fee.

Note 4. Financial income and financial expenses

USD ‘000	2018	2017
Finance income		
Dividend from subsidiaries	-	(4.100)
Dividend from associates	-	2.500
Profit from sale of shares	-	4.466
Interest income from group companies*	71	2.643
Other financial income (foreign exchange gains)	277	137
Total finance income	**348**	**5.646**
Finance costs		
Write-down investments / receivables	(5.847)	(49.641)
Interest expenses	(968)	(6.920)
Call premium	-	(402)
Other financial expenses	(605)	(983)
Other financial cost (foreign exchange losses)	(228)	(416)
Total finance costs	**(7.649)**	**(58.362)**
Result financial items	**(7.301)**	**(52.717)**

*Oceanteam ASA waived USD 2.274.265 of interest earned in 2018 from intercompany balances with subsidiary companies. Refer to note 20 for further details.

Note 5. Income taxes

USD '000	2018	2017
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	(10.136)	(56.153)
Permanent differences	5.847	46.590
Changes in temporary differences	509	523
Corrections from previous periods		477
Translation differences	3.718	1.311
Tax base	**(62)**	**(7.252)**

Temporary differences:		
Fixed assets	(1.432)	(1.816)
Non-current receivables	-	-
Non current assets	-	-
Current assets	-	-
Profit and Loss account	76	100
Tax-deductible part of write-down	-	-
Taxable income from Subsidiairies	-	-
Effect foreign exchange on long-term liabilities	-	
Other temporary differences	(868)	-
Total	**(2.225)**	**(1.716)**
Loss carry forward	(175.988)	(186.297)
Total	**(178.213)**	**(188.013)**
Loss carry forward plus temporary differences	(178.213)	(188.013)
Deferred tax liability / (asset) - (2018: 22%, 2017: 23%)*	(39.207)	(43.243)

Effective tax rate	2018	2017
Expected income taxes at statutory		
Tax rate 23% (2017: 24%)	(2.331)	(13.477)
Permanent differences 23% (2017: 24%)	1.345	11.182
Change in temp. differences not recognised	986	2.295
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 1 529 million (USD 176 million) for the year 2017 was received 24 October 2018.

Cumulative carryforward tax loss at year-end 2018 is estimated to NOK 1 529 million (USD 176 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	2018	2017
IP licences		
Acquisition cost at 01.01.	573	573
Additions	-	-
Disposals	-	-
Acquisition cost at 31.12	**573**	**573**
Accumulated depreciation 01.01	(573)	(267)
Depreciation in the year	-	(91)
Write down	-	(215)
Accumulated depreciation 31.12	**(573)**	**(573)**
Net book vlaue	**-**	**-**
OTS Designs		
Acquisition cost at 01.01.	1.348	1.344
Additions	-	4
Disposals	-	-
Acquisition cost at 31.12	**1.348**	**1.348**
Accumulated depreciation 01.01	(1.348)	(500)
Depreciation in the year	-	(279)
Write down	-	(569)
Accumulated depreciation 31.12	**(1.348)**	**(1.348)**
Net book vlaue	**-**	**-**

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	2018	2017
Property, plant and equipment		
Acquisition cost at 01.01.	589	589
Additions	-	
Disposals	-	
Acquisition cost at 31.12	**589**	**589**
Accumulated depreciation 01.01	(534)	(394)
Depreciation in the year	(14)	(140)
Accumulated depreciation 31.12	**(548)**	**(534)**
Net book vlaue	**41**	**55**
The useful economic life is estimated to be:	3-10 years	3-10 years

The depreciation method is straight line.

Note 8. Investment in subsidiaries, joint ventures and associates

	Year aquired / 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 Investments 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%
Kingfisher Enterprise 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%

*KCI international B.V. Changed the name of the company from KCI International B.V. to Kingfisher Enterprise B.V. in 2018.

Kingfisher Enterprise B.V. sold its 100% shareholding in KCI the engineers B.V. In January 2018.

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 2018	Net book value	The company's total equity	Net profit (loss) 2018
Oceanteam II B.V.	22	18.000	-	5.000	7.470	6.012
RentOcean B.V.	11	10.000	-		3.130	4.702
North Ocean 309 AS	17	100	-		(932)	(102)
Oceanteam Shipping Monaco SAM	215	1.500	-	15	15	(288)
Oceanteam Bourbon 4 AS*	4.215	100	-	5.145	41.791	5.302
DOT Shipping B.V.	14	10.000	-		83	77
Oceanteam Bourbon Investments AS	5	30	-		(68)	190
DOT Holdings AS	434	2.400	-		(4.464)	1.726
DOT Servicios Navieros, S.A. de C.V.	3	50	-		(6.371)	(2.678)
NorHol, S.A. de C.V.	-	50	-		-	-
Sum	**4.936**		**-**	**10.160**	**40.654**	**14.941**

Associates

Company name	Share capital	Number of shares issued	Write downs in 2018	Net book value	The company's total equity	Net profit (loss) 2018
Oceanteam Bourbon 101 AS*	556	2.610	-	2.718	29.730	3.784
Sum	**556**		**-**	**2.718**	**29.730**	**3.784**

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 / Forgiven debt in 2018	(reversal of write downs) in 2018	Balance 2018	Balance 2017
Oceanteam Bourbon 101 AS	-	-	76	2.516
Oceanteam Bourbon 4 AS	-	-	1.066	4.545
Oceanteam Bourbon Investments AS	-	(194)	133	204
Oceanteam Shipping GmbH	-	-	2	(9)
Oceanteam II B.V.	2.000	(3.490)	716	4.192
Oceanteam Mexico S.A de C.V.	-	110	-	-
Oceanteam Mexico B.V.	-	-	21	19
Kingfisher Enterprise B.V	-	867	1.085	3.939
North Ocean 309 AS	-	109	-	-
Oceanteam Shipping Monaco SAM	(102)	-	-	(377)
Oceanteam Solutions B.V.	-	-	1.469	(75)
RentOcean B.V.	4.000	(1.572)	2.481	5.254
Oceanteam Shipping B.V.	4.000	-	4.061	6.911
KCI the engineers B.V.	-	-		-
DOT Servicios Navieros, S.A. de C.V.	-	-	-	-
DOT Shipping B.V.	-	-	-	-
DOT Shipping AS	-	3	-	3
DOT Holdings AS	-	117	-	120
Sum	**9.898**	**(4.050)**	**11.110**	**27.241**

Note 10. Receivables and Liabilities

USD '000	2018	2017
Receivables		
Prepayments	5	10
Non-current liabilities		
Bond Loan - nominal value	-	(66.381)
Bond loan - borrowing cost (to be amortized over loan period)	-	766
Total non-current liabilities	**-**	**(65.616)**
Current liabilities		
Loans and borrowings	(3.075)	-
Accounts payable	(646)	(2.622)
Public duties payable	(29)	(58)
Other current liabilities	(841)	(2.123)
Total current liabilities	**(4.592)**	**(4.803)**

The bond loan was converted, in its entirety, to equity in 2018. Refer to note 13 for further details.

Oceanteam ASA entered into a 6 month loan agreement on 23 April 2018 with Stichting Value Partners Family Office for the amount of USD 1.5 million. The loan is unsecured and has an interest of 7%.

Oceanteam ASA entered into another loan agreement on 21 December 2018 with Corinvest B.V. for the amount of USD 1.5 million. The loan is unsecured and has an interest rate of 7% per annum. The repayment date is 21 December 2019.

In April 2019, both Stichting Value Partners Family Office and Corinvest B.V. issued waivers stating that if Oceanteam cannot repay the loans in full at maturity (October 2019 and December 2019 respectively), due to tight liquidity, the lenders will postpone the maturity date of the loans for another six months.

Note 11. Bank deposits

Tax deducted from employees, deposited in a separate bank account amounts to NOK 266.520 (USD 30.675).

Note 12. Share Capital and Shareholder Information

As per 31 December 2018, the share capital of the Company is NOK 394.896.569 (USD 50.806.665) divided into 789.793.138 shares with a nominal value of NOK 0,50 (USD 0,06). All shares are given equally voting rights.

Oceanteam owns a total of 2.934.176 own shares representing 0,4% of the shares in the Company. The calculations are made on the basis of 789.793.138 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
Euroclear Bank S.A./N.V.		434.982.790	55,1%
UBS Switzerland AG	2	153.932.759	19,5%
CLEARSTREAM BANKING S.A.		62.246.566	7,9%
State Street Bank and Trust Comp		35.781.160	4,5%
PICTET & CIE (EUROPE) S.A.		18.709.602	2,4%
HESSEL HALBESMA	1	17.395.058	2,2%
Citibank (Switzerland) AG		5.507.503	0,7%
Bank Julius Bär & Co. AG		3.250.862	0,4%
OCEANTEAM SHIPPING ASA		2.934.176	0,4%
IMAGINE CAPITAL AS		2.753.760	0,3%
ZACHRISSON		2.704.662	0,3%
MOMO INVEST AS		2.436.085	0,3%
SIX SIS AG		2.300.406	0,3%
ØYTOSKI AS		1.930.290	0,2%
NESHEIM		1.366.887	0,2%
PERSHING LLC		1.101.853	0,1%
Nordnet Bank AB		1.057.247	0,1%
Deutsche Bank Aktiengesellschaft		1.000.650	0,1%
BAKKEN		885.453	0,1%
Norchem A/S		881.830	0,1%
Subtotal 20 largest		**753.159.599**	**95,4 %**
Others		36.633.539	4,6%
Total		**789.793.138**	**100,0 %**

Shareholders	Notes	Number of shares	Percentage of total
Board:			
Hessel Halbesma	1	17.395.058	2,2 %
Kornelis Jan Willem Cordia (Chairman from Apr 13th)	2	151.600.000	19,2 %
Total for Board		**168.995.058**	**21,4 %**

1. Former Chairman, Hessel Halbesma personally owns 17 395 058 shares.

2. Through UBS Switzerland AG, Kornelis Jan Willem Cordia, Chairman of Oceanteam ASA, owns 151 600 000 shares.

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
Restated Equity 01.01.18	2.595	(256)	1.304	(43.564)	(39.920)
Net profit / (loss) for the year				(10.136)	(10.136)
Conversion of bond loan	45.027		22.222		67.249
Other conversions	684				684
Share issue	2.500				2.500
Conversion of bond loan transaction costs				(880)	(880)
Equity 31.12.18	**50.807**	**(256)**	**23.526**	**(54.579)**	**19.498**

In April 2018 a debt-to-equity conversion took place whereby USD 62.073.570 of debt under the Company's Senior Callable Bond 2012/2017, including outstanding interest, was converted into equity. In December 2018 a further debt-to-equity conversion took place whereby USD 5.175.523, being the remaining debt under the Company's Senior Callable Bond, was also converted into equity.

In April 2018, several of the outstanding balances with the Halbesma family and their companies were converted to equity resulting in an increase in share capital of USD 625.078. In November 2018, the outstanding balances with Mrs Catharina Pos and her companies were converted to equity resulting in an increase in share capital of USD 59.054.

In April 2018, Oceanteam ASA issued new shares, subscribed for by Corinvest B.V (100% owned by Kornelis Jan Willem Cordia, chairman of the board) which increased share capital by USD 2.500.000.

Please see note 22 for restated balances.

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.
All employees within Oceanteam ASA are included within the pension scheme. Refer to note 3 for the number of employees.

Note 15. Events after the balance sheet date

Sale of DOT Group

In March 2019, Oceanteam ASA sold its 40 percent shareholding in DOT Group to Diavaz. As part of the sale, all intercompany receivables Oceanteam ASA held which were owed from DOT Group companies were either repaid or converted to shares and subsequently sold. The total settlement amount was USD 950.000 which was received in full in March 2019.

JV Partner Bourbon

In relation to the situation of our partner in the shipping companies, Bourbon, we kindly refer to their webpage (www.bourbonoffshore.com) and especially to their press release of 14 March 2019. At this moment in time, the outcome of the financial restructuring of Bourbon is unknown to us. The direct co-shareholder in our joint ventures is Bourbon Offshore Norway AS. The respective ship owning companies (i.e. joint ventures) are the borrowers of the ship finance loans in relation to the two vessels.

Loan waivers

In April 2019, both Stichting Value Partners Family Office and Corinvest B.V. issued waivers stating that if Oceanteam cannot repay the loans in full at maturity (October 2019 and December 2019 respectively), due to tight liquidity, the lenders will postpone the maturity date of the loans for another six months.

KCI the engineers B.V.

The sale of KCI the engineers B.V. to Royal IHC, which came effective per January 2018, has been satisfactorily completed with Oceanteam receiving its Withholding Amount partially in the first and partially in the second quarter of 2019.

Investigation

On 8 February, 2018, the Bergen District Court passed a ruling to initiate a corporate investigation of certain related party transactions in the Company upon request of a shareholder. The corporate investigation commenced in February 2018, when the Bergen District Court appointed an investigator to (i) investigate the factual circumstances, in the time period from 1 January 2013 until 31 December 2017, related to, inter alia, related party transactions and agreements between the Company and members of the board of directors and CEO, and between their respective related parties and the Company and to conduct a legal assessment of whether the factual circumstances uncovered are in violation the provisions governing related party transactions in the Norwegian Public Limited Liability Companies Act.

Pursuant to the Norwegian Public Limited Liability Companies Act, the costs of these types of corporate investigations are for the account of the company under investigation. In accordance with the ruling of the Bergen District Court per the date of this report the Company has deposited NOK 9.000.000 on account of estimated investigation costs. NOK 6.000.000 was paid in 2018 and NOK 3.000.00 in 2019.

The investigation is, as of the date of this report, ongoing, and, the Company does not have knowledge as to whether the investigation has uncovered any findings or as to when the results of the investigation are scheduled to be disclosed.

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 2019 – 2020 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 and executed in 2018.

During 2018, the entire bond loan was converted into equity and two USD 1.5m loans obtained from Stichting Value Partners Family Office and Corinvest B.V. This has greatly improved the company's equity and the group's liquidity.

(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 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 company's loans 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

There were no material contingent liabilities at the year-end.

Note 18. Contingent assets

There were no material contingent assets at the 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. Refer to note 3 for more details.

Feastwood Holdings Limited (1)

Feastwood Holdings 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 Holdings Limited (2)

Former CEO, 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 B.V. 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, former chairman of Oceanteam ASA and Haico Halbesma, former CEO of Oceanteam ASA. 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.

Seaconomy B.V.

Former interim CEO, Meindert Van Genderen, provided management and consultancy services through this company. Minor travel costs have also been recharged through this company. Refer to note 3 for more details.

Marstrat B.V.

Former interim CEO, Meindert Van Genderen and former director/former interim CEO Diederik Legger provided interim management and consultancy services through this company. Refer to note 3 for more details.

DTN Noordwijk B.V.

DTN Noordwijk B.V. is controlled by Interim CFO, Henrik Hazenoot. Transactions consist mostly of invoicing for monthly management and consultancy services. Minor travel costs have also been recharged through this company. Refer to note 3 for more details.

Invaco Management B.V.

Invaco Management B.V. Is controlled by Chairman, Kornelis Jan Willem Cordia. Transactions consist mostly of invoicing for expenses related to the board meetings.

USD '000	**Income/recharged expense**		**Cost**		
Company	2018	2017	2018	2017	Type of transaction
Cenzo B.V.	-	-	(17)	(86)	Other services than board committee
Feastwood Holdings Limited (1)	28	385	(49)	(412)	see above
Feastwood Holdings Limited (2)	-	-	-	-	see above
Heer Holland B.V.	-	-	(111)	(409)	see above
Groom Hill S.A.R.L	-	-	-	(38)	Other services than board committee
Challenger Management Services S.A.M	-	-	-	2	Other services than board committee
Imperator AS	-	-	-	(887)	
Management					Services
4C Offshore Ltd	-	-	(38)	(163)	see above
Seaconomy B.V.	-	-	(29)	-	see above

Marstrat B.V (Meindert Van Genderen)	-	-	(47)	-	see above
Marstrat B.V (Diederik Legger)	-	-	(58)	-	see above
DTN Noordwijk B.V.	-	-	(94)	-	see above
Invaco Management B.V.	-	-	(4)	-	see above

USD ‘000

	Amounts receivable		**Vendor & accrued balance**	
Company	2018	2017	2018	2017
Cenzo BV	-	-	-	(136)
Feastwood Holdings Limited (1)	-	220	-	-
Feastwood Holdings Limited (2)	-	-	-	(666)
Heer Holland B.V,	-	-	-	(134)
Groom Hill S.A.R.L	-	-	-	(78)
Challenger Management Services S.A.M	-	-	-	(5)
Imperator AS	-	-	-	(805)
4C Offshore Ltd	-	-	(375)	(358)
Seaconomy B.V.	-	-	-	-
Marstrat B.V (Meindert Van Genderen)	-	-	-	-
Marstrat B.V (Diederik Legger)	-	-	(11)	-
DTN Noordwijk B.V.	-	-	(10)	-
Invaco Management B.V.	-	-	-	-

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 Holdings Limited subscribed for 10 million shares in May 2018.

The settlement amount lead to a loss for Oceanteam of USD 79.785.

In May 2018 a settlement was reached between Oceanteam ASA and Catharina Petronella Johanna Pos and Cenzo Holding B.V. The settlement agreements states 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. Cenzo Holding B.V. subscribed for 1 million shares in November 2018.

The settlement amount lead to a gain for Oceanteam of USD 96.954.

Stichting Value Partners Family Office

Stichting Value Partners Family Office is controlled by Mr Hendrik Marius van Heijst. During 2018, Mr Hendrik Marius van Heijst has held a shareholding in Oceanteam ASA of greater than 20% and is therefore considered to have significant influence. In April 2018 a loan was issued by Stichting Value Partners Family Office.

Corinvest B.V.

Corinvest B.V. is controlled by Kornelis Jan Willem Cordia, chairman of the board. In December 2018 a loan for USD 1.5m was issued by Corinvest B.V. See note 10 for further details.

USD '000	Loans		Accrued interest on loans	
Company	2018	2017	2018	2017
Stichting Value Partners Family Office	1.500	-	72	-
Corinvest B.V.	1.500	-	3	-

Refer to note 10 for more details.

Note 20. Transactions with Group companies

USD '000

	Interest Income / (Expense)		Management fee income	
	2018	2017	2018	2017
Kingfisher Enterprise B.V**	-	395	-	22
KCI the Engineers B.V	-	132	-	-
Oceanteam Shipping B.V.**	-	429	475	680
Oceanteam II B.V.**	-	581	-	5
Oceanteam Mexico B.V.	2	1	-	5
Oceanteam Mexico SA de CV	-	449	-	220
Oceanteam Shipping GmbH	(1)	(1)	-	-
Oceanteam Equipment Base Ltd	-	-	-	-
Oceanteam Bourbon 101 AS	-	-	35	217
Oceanteam Bourbon 4 AS	-	-	35	967
North Ocean 309 AS	76	61	16	22
Oceanteam Shipping Monaco SAM	(32)	(31)	-	-
Oceanteam Solutions B.V.	18	(6)	12	15
Oceanteam Bourbon Investments AS	8	22	12	12
RentOcean B.V.**	-	518	95	300
North Ocean 105 AS*	-	94	-	-
DOT Holdings AS	-	-	-	-
Total	**71**	**2.643**	**680**	**2.465**

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

**Oceanteam ASA waived 2018 interest income due from Kingfisher Enterprise B.V of USD 669.326, Oceanteam Shipping B.V. of USD 733.816, Oceanteam II B.V. of USD 281.788 and RentOcean B.V. of USD 589.335.

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.

As at 31 December 2017, Oceanteam ASA had accrued income relating to unbilled management fees to DOT Holdings AS of USD 2.170.000. This was impaired in full during 2017 with the cost recognised under Write-offs.

During 2018 it became evident that this income would never come to fruition therefore the accrued income was reversed in 2018. As the accrued income had already been impaired in full the effect of this has not been shown in the Income Statement.

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.

Note 22. Restatement

The Company has concluded that certain items in respect of the 2017 reporting period should be restated due to errors made. Oceanteam ASA's receivable balance from Kingfisher Enterprise B.V (formerly named KCI International B.V) should have had a carrying value of USD 3.94 million (not nil). Oceanteam ASA's payable balance to KCI the engineers B.V of USD 1.12 million should have had a carrying value of nil.

The errors have been corrected by restating each of the affected financial statement line items for the prior period as follows:

Income statement

Amount in USD '000	2017	Profit Increase/ (Decrease)	2017 (Restated)
Financial Income and expense			
Write-off	(54.695)	5.054	(49.641)
Net finance	**(57.771)**	**5.054**	**(52.717)**
Profit / (loss) before income tax	**(61.207)**	**5.054**	**(56.153)**
Net Profit / (loss)	**(61.207)**	**5.054**	**(56.153)**
Attributable to:			
Other equity	(61.207)	5.054	(56.153)
Total	**(61.207)**	**5.054**	**(56.153)**

Statement of financial position

Amount in USD '000	2017	Profit Increase/ (Decrease)	2017 (Restated)
Financial assets			
Loans to group companies	22.187	5.054	27.241
Total financial assets	**24.378**	**5.054**	**29.432**
Total non current assets	**24.433**	**5.054**	**29.487**

Total assets	**25.445**	**5.054**	**30.499**
Other equity	(48.618)	5.054	(43.564)
Total accumulated profits	**(48.618)**	**5.054**	**(43.564)**
Total equity	**(44.974)**	**5.054**	**(39.920)**
Total equity and liabilities	**25.445**	**5.054**	**30.499**

RSM Norge AS

Filipstad Brygge 1, 0252 Oslo
Pb 1312 Vika, 0112 Oslo
Org.nr: 982 316 588 MVA

T +47 23 11 42 00
F +47 23 11 42 01

www.rsmnorge.no

To the General Meeting of Oceanteam ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Qualified opinion

We have audited the financial statements of Oceanteam ASA, which comprise:

- The financial statements of the parent company Oceanteam ASA (the Company), which comprise the balance sheet as at 31 December 2018, the income statement showing a loss of USD 10 136 000 and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Oceanteam ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2018, the income statement showing a loss of USD 95 000, statement of changes in equity and statement of cash flows 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 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 Company as at 31 December 2018, 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 consolidated financial statements, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, give a true and fair view of the financial position of the Group as at 31 December 2018, 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

For 2017 we were not able to obtain sufficient and appropriate audit evidence related to the classification of effects in the consolidated statement of profit or loss between write off/impairment and net income from associates/joint ventures. Our audit opinion on the financial statements for the period ended December 31, 2017 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures. We emphasize that this is not a modification to the classification in the consolidated statement of profit or loss for 2018, but a modification related to the comparatives. We draw attention to note 31 in the financial statements.

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (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 and that there is inherent risk in cash flow estimates depending on the Group's ability to secure new contracts within its business segments. 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, even though the management has taken measures to mitigate risk of uncertainty, indicate that a material uncertainty still 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying value of Vessels and equipment

Vessels and equipment constitute a significant share of the total assets in the Group with a carrying amount of USD 97.4 million at 31 December 2018. Due to the continued difficult market conditions, management identified indications of impairment for the Group's vessels. Consequently, they have carried out an impairment assessment and estimated recoverable amount of the assets, which is the highest of fair value less costs of disposals and value in use. Based on the results of the impairment assessments, no impairment charge was recognised in 2018 due to recoverable amount being higher than the carrying value. When estimating recoverable amount, management used assumptions regarding the future market and economic conditions. Important estimates included future day rates, utilization rate, operating expences, capital expenditure and discount rate. Considering the uncertainty of estimates and the complexity of calculations, we consider impairment assessment a key audit matter.

We refer to note 2 for the Group's accounting policy for impairment of non-financial assets, and note 12 where the management explain their evaluation process for the Group's tangible assets.

Our audit procedures in this area included, among others:

- We obtained management's impairment model and considered whether the model contained the elements and methodology IFRS require from such models. We found the model to be in accordance with our expectations.
- We challenged management's key assumptions such as the projected utilisation, charter hire rates, operating expenses and discount rates, and compared with historical performance, management's internal forecasts and management long term strategic plans.
- We assessed the weighted average cost of capital by comparing input with external data such as risk free interest on government bonds, beta and market risk premium and assessed adjustments for company specific factors.
- We tested the mathematical accuracy of the valuation model and compared management's value in use calculations with the third party valuation reports obtained by the Company.
- We also performed a sensitivity analysis of the critical assumptions.

Bond loan conversion

The bond loan “FRN Oceanteam ASA Senior Callable Bond Issue 2012/2017” was converted in its entirety to shares in 2018 by two conversions which took place in April and December 2018. In April 2018 USD 62.0 million was converted into equity, and in December 2018 the remaining Callable bond of USD 5.2 million was converted into equity. The bond loan conversion increased the equity in the Group by total 42.5 million in 2018. Due to circumstances where trading of Oceanteam ASA's shares was suspended in the period between 13 March to 6 July, management identified indications that the bond loan conversion in April 2018 did not take place in an orderly transaction as defined by IFRS 13 and that the fair value of the shares issued could not be reliably measured. Consequently, management have carried out an assessment in accordance with IFRS 13 related to circumstances that may indicate that a transaction is not orderly. Based on the results of the management assessments the bond loan conversion in April 2018 was not considered an orderly transaction, hence the fair value of the shares issued in April 2018 was measured to reflect the fair value of the portion of the bond loan extinguished in accordance to IFRS 9 and IFRIC 19. We focused on this area due to the size of the bond loan and the complexity in determining the fair value of the shares issued taken into account the above mentioned circumstances.

In our audit, we performed procedures to understand the equity transactions and the circumstances which they took place. We also obtained management’s assessment of the bond loan conversions and considered whether the assessment contained the elements and methodology IFRS require from such assessments and assessed its rationale and conclusion through discussions with management and the Board of Directors. We refer to the Consolidated statement of changes in equity where the management explain their assessment for the Group’s equity transactions.

Other Information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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 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 consolidated 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 Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated 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 International Standards on Auditing, 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's or 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 and 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 and 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 proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

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 has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 25 April 2019
RSM Norge AS

Lars Løyning
State Authorised Public Accountant