Annual Report 2016

Eidesvik

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2016 – A YEAR FILLED WITH GREAT CHALLENGES

It is well known to everyone that the industry of which we are a part, has faced fairly substantial challenges in 2016. This is also true for us, as market conditions in all three segments where we operate, could be called challenging at best.

We have implemented the plans for cost-reducing measures established in 2015, and have reinforced them further.

We acknowledge that it may still take some time before the markets improve, and we therefore prepare to negotiate agreements for new equity in combination with restructuring debt. This is to adapt repayment profiles to the reduced earnings as circumstances dictate.

Throughout the year, we have had a close dialogue with CGG regarding renegotiating contracts for some of our seismic vessels, and these negotiations led to the establishment of new ship-owning companies owning a total of 7 vessels. Eidesvik became the owner of 50 % in these companies as part of a mutually agreed solution. This gives us predictability in the seismology segment, although our income will be considerably reduced in the future.

During the course of 2016 we sold supply vessel Viking Nereus, and in the first quarter of 2017 we sold subsea vessel Viking Poseidon. This made it possible for us to redeem our NOK 300 million bond loan at a 60 % rate. Considerable uncertainty associated with future financial restructuring was thus removed.

Through targeted efforts we are now established in the wind market, as Acergy Viking is adapted to this segment and has contracts with Siemens.
Likewise, the organisation has been able to establish new contracts with Technip for 2017 for subsea vessel Viking Neptun. Not least, this has been possible because of the excellent work done by our colleagues on board in operating this vessel.

We are very pleased that we have not had a single lost time injury in 2016. This proves that our goal of no lost time injuries is achievable!

The year 2016 was demanding and challenging for all of us in Eidesvik, and I would like to take the opportunity to thank all our employees for your efforts in 2016. Together with our employees, owners and banks, I hope that we will make it through the difficult years we are currently in.

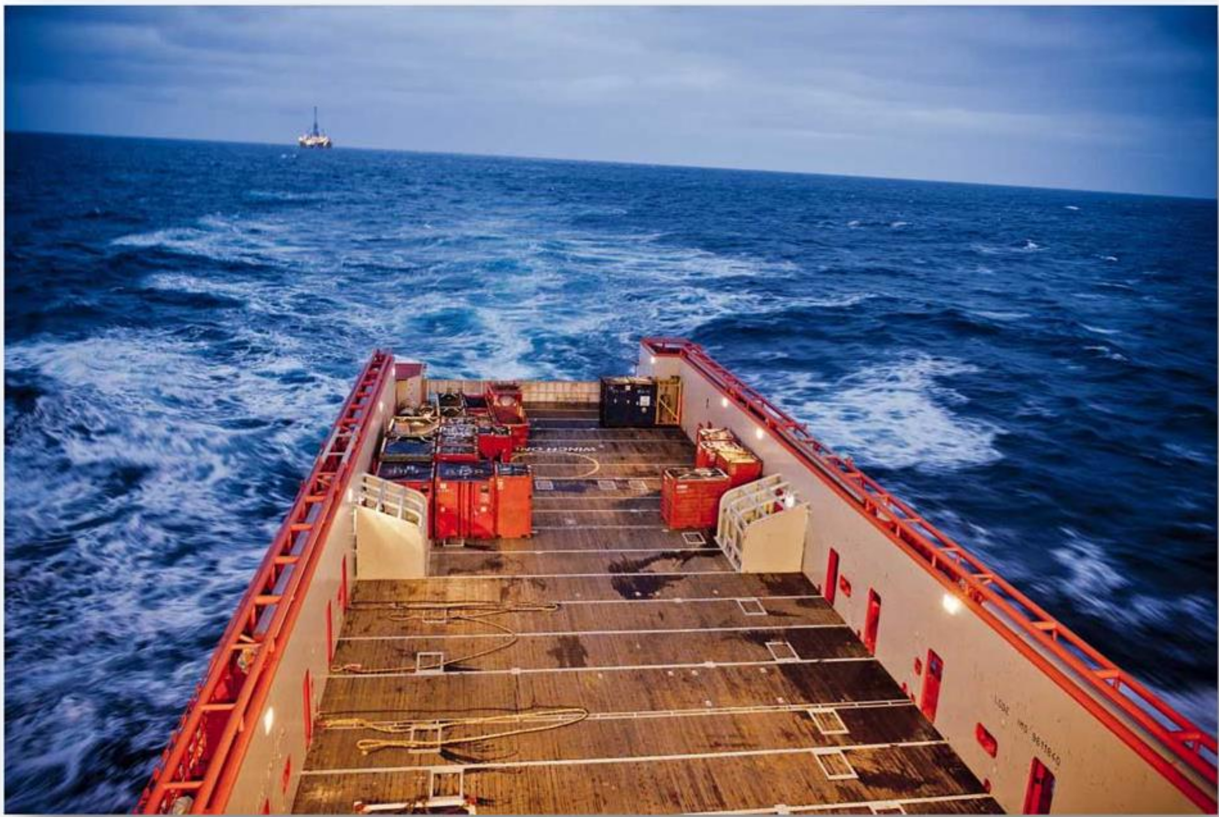
Jan Fredrik Meling CEO

Key figures

(all figures in TNOK)	**2016**	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating income	**784,106**	1,238,936	984,749	993,745	980,494	999,557	1,054,705	1,234,285	946,761	749,950
EBITDA	**415,284**	770,286	492,173	551,242	558,876	465,735	490,166	675,195	426,962	306,246
EBITDA margin	**53 %**	62 %	50 %	55 %	57 %	47 %	46 %	55 %	45 %	41 %
Profit/loss for the year	**-564,519**	-239,892	-230,575	140,863	282,170	70,439	-55,970	1,091,352	-603,611	-46,617
Annual profit per share	**-18.34**	-6.53	-5.77	4.67	9.36	2.34	-1.86	36.20	-20.02	-1.55
Total assets	**5,068,060**	6,070,157	5,556,166	5,700,197	5,631,445	5,101,359	5,067,460	5,267,012	4,543,585	4,273,040
Equity	**1,457,051**	2,041,814	2,125,385	2,348,288	2,180,283	1,932,961	1,853,662	1,901,514	818,837	1,478,693
Equity ratio	**29 %**	34 %	38 %	41 %	39 %	38 %	37 %	36 %	18 %	35 %
Value adjusted equity	**2,701,029**	3,676,354	4,190,385	4,476,288	4,228,283	3,866,961	3,597,662	3,390,514	3,021,837	3,347,693
Value adjusted equity ratio	**43 %**	48 %	55 %	57 %	55 %	55 %	53 %	50 %	45 %	55 %
Market value as at 31 December	**186,629**	289,139	738,675	1,040,175	994,950	892,440	1,145,700	883,395	551,745	1,590,413
Market value per share as at 31 December	**6.19**	9.59	24.50	34.50	33.00	29.60	38.00	29.30	18.30	52.75
Paid dividend per share	**0.00**	0.00	1.00	1.00	1.00	1.00	0.50	0.50	1.00	1.00
Liquid assets incl. unused deductions	**549,738**	702,276	549,556	782,773	454,988	411,552	229,914	306,295	211,190	122,581
Working capital incl. unused deductions	**395,827**	420,631	-40,897	259,292	171,423	174,930	42,913	180,236	–2,021	-41,550
Cash flow	**190,069**	684,328	422,970	505,719	461,406	367,012	320,372	470,824	278,360	202,306
First year's instalment of long-term debt	**322,187**	335,039	391,243	324,073	319,054	270,469	259,022	328,826	246,834	167,663

DEFINITIONS:

EBITDA:	"Operating profit before depreciation and amortization" (cf. Profit and loss accounts)
EBITDA margin:	"Operating profit before depreciation and amortization" / "Operating income"
Equity ratio:	"Equity" / "Total assets"
Value adjusted equity:	"Equity" + broker estimates on contract-free vessels – "Vessels" (cf. Balance sheet)
Value adjusted total assets:	"Total assets" + broker estimates on contract-free vessels – "Vessels" (cf. Balance sheet)
Value adjusted equity ratio:	"Value adjusted equity! / "Value adjusted total assets"
Working capital incl. unused deductions:	"Current assets" (cf. Balance sheet) – "Short-term liabilities" (cf. Balance sheet)
Cash flow:	Profit before taxes plus depreciation and amortization, adjusted for currency gain/losses and changes in value of interest derivatives.




SKB 684
CBS 317

HSEQ report for 2016

Introduction

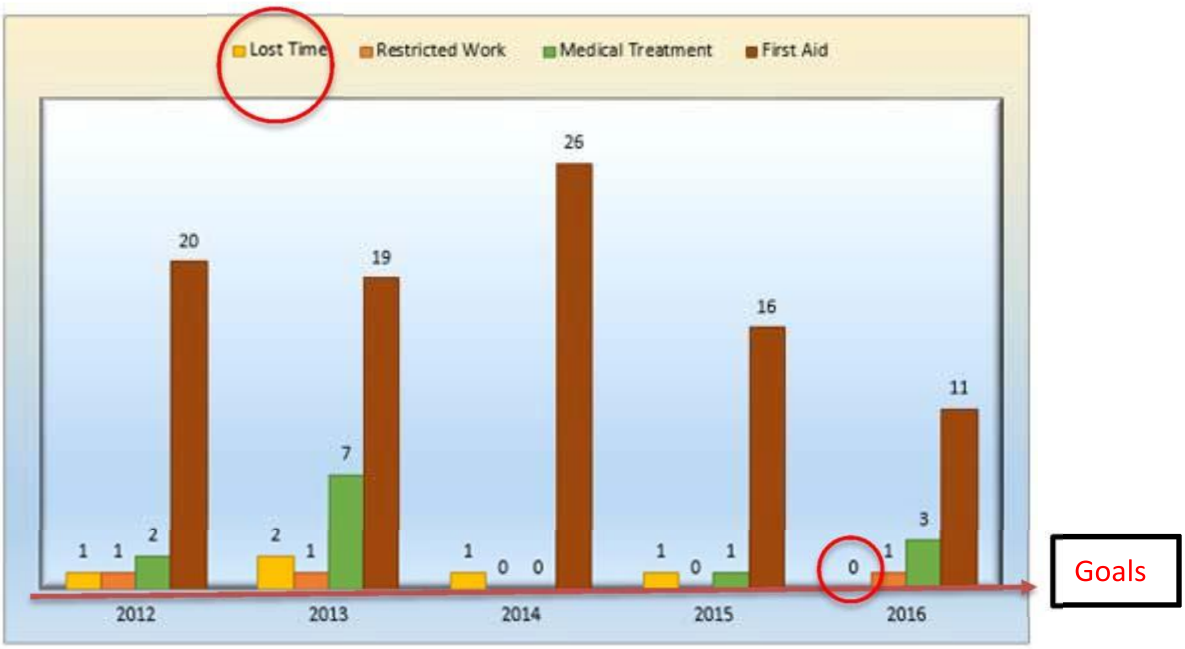
The quality and safety system "Eidesvik Management System" is certified by DNV GL to meet the requirements of the ISM Code / ISO 9001:2008 / ISO 14001:2004 / MLC 2006, and the ISPS Code.

Eidesvik activities are governed by overarching goals of 0 damages to personnel, environment, and assets. Priority tasks to achieve this goal are to keep constant focus on compliance and raising awareness of the "Eidesvik Management System" (EMS). Good working environments are also established on board the company's vessels, in addition to awareness and monitoring of the environmental aspects identified by Eidesvik AS. Throughout 2016, the EMS project has been running for a "Simplified and improved version of the safety management system", and the first version was tested on board 5 of our vessels in 2015 with good results. All our subsea and supply vessels received the revised manuals on board in December, and they have been adopted. The deadline of the EMS project has been extended to mid July 2017 before full implementation throughout the organisation.

Eidesvik has prepared an annual HSE programme which specifically addresses future focus areas, such as "Key Performance Indicator" (KPI). The KPI has been communicated to all vessels and departments. Eidesvik focuses on a strong commitment to the HSE programme in order to achieve the goals within the various areas. The governing documents are continuously evaluated in order to ensure optimal and functioning operating procedures for employees at sea and on land.

The company had 0 lost time injuries in 2016.

Statistics show the number of injuries per million working hours in the past 5 years.



Emphasizing the analysis of causal relationships and underlying causes is important in order to form a basis for transferring experience to other vessels in Eidesvik AS. Focusing on work operations and compliance with the EMS are important accompanying measures. In addition to preventing and precluding injuries, we focus on the following measures:

- A high focus on the reporting method “Safety observations”. This has contributed to increased reporting. The reports are reviewed at safety meetings on board. In 2016, 4,457 “Safety observations” have been reported. This constitutes a large percentage of the total number of reports in the HSE field.

- Extensive use of risk analyses. This enables the company to avoid accidents and injuries by reviewing the jobs step by step, and any hazards are highlighted and measures implemented in order to reduce and/or remove the hazards. In 2016, 261 new and/or revised risk analyses were made.

- Implementing TBT (Tool Box Talk) meetings. This helps us avoid accidents and injuries, since the people participating directly in the jobs, plan the jobs and receive information on hazards in connection with the job, if any. 8,022 TBT meetings were held in 2015.

- Work on board is carried out according to a PTW (Permit To Work) system”. This helps us avoid accidents and injuries, since permission from the vessel’s management must be obtained in order to perform jobs that may pose a risk to personnel, environment, and vessel.

Deviation reporting
In 2016, a total of 1,337 deviation reports were registered in all categories. Also, 738 experience transfer reports were reported from the vessels. Deviation and experience transfer reports are a positive foundation for learning and implementing specific measures with regard to incidents and suggestions for improvements. A good and sound reporting culture enables the administration to identify development and trends within specific operations or tasks. This is used to improve areas in order to prevent incidents from happening again. Reporting incidents has a preventative effect, and the shipping company has a strong focus on this.

Quality
Our goal is that our services are to have a quality that surpasses the expectations of our clients.
Our operations department performs continuous investigations of customer satisfaction.

Working environment initiatives
In 2016, the efforts to follow up on absence due to illness continued, as well as the further development of Eidesvik as an Inclusive Working Life Organisation (IWL Organisation). In 2016, Eidesvik chose to extend the agreement as an IWL Organisation. Feedback on these initiatives has proven to be very positive. Various measures have been implemented, focusing on both the physical and the psycho-social working environment.

The shipping health service has performed internal health inspections on board several vessels. Eidesvik is otherwise the only shipping company in the country with its own shipping health service, which can be used for free by all employees and their families.

All the vessels of the fleet, as well as the office, are equipped with defibrillators.

Absence due to illness
Absence due to illness was 4.1 % in 2016, a 1.6 % decrease from 2015.
There is increased focus on preventative measures and closer follow-up from the company and the line management in order to increase presence. It has also been opened for purchasing private health services, as well as coverage of physical therapy. The company’s shipping health service is an important supporter in these efforts.

Outer environment

The overview below shows an excerpt from our environmental accounts for 2016 related to the vessels' consumption and emissions by category:

TYPE OF RAW MATERIAL	AMOUNT CONSUMED	ENVIRONMENTAL IMPACT
Marine Diesel	34.386 tonnes	CO_2, NOX, and SO_2
Natural gas	6.884 tonnes	CO_2, NOX
Lubricating oil	182.288 litres	CO_2, NOX, and SO_2
Chemical substances (cleaning)	700 litres	Small
Coolant	10 Kg	Small
Bilge water separated	1.057,000 litres	None
Bilge water delivered ashore	138,000 litres	None
Food waste	27,161 Kg	None
Emissions to air		
CO_2	92,922 tonnes	Greenhouse gas
NOX	1,078,915 Kg	Particle pollution
SOX	39,227 Kg	Greenhouse gas

TYPE	AMOUNT DELIVERED ASHORE	PROCESSING/EFFECT
Paper and cardboard	3,560 Kg	Recycled
Wood	31,250 Kg	Recycled
Metal	7,464 Kg	Recycled
Plastic	4,245 Kg	Recycled
Glass	1,215 Kg	Recycled
Sludge	427 M3	Recycled
Batteries	481 Kg	Recycled
Oil barrels	1,280 pcs.	Recycled
Special waste	1,415 Kg	Special processing
Incinerator ashes	1,630 Kg	Special processing
Paint	1,215 Kg	Special processing
First aid equipment/medication	1 Kg	Special processing

Small amounts are reported released by accident:

Hydraulic oil	182 litres	Environmental impact was negligible.

The most important measures to reduce emissions to the outer environment:

TYPE	ENVIRONMENTAL IMPACT	MEASURE
Exhaust	Air pollution	Install gas machinery Install exhaust catalyst Rebuilding machinery Latest generation equipment Adaptive autopilot Polishing propellers Logistics optimization Optimize the use of engines Optimal trimming of vessels Improve maintenance Implement battery technology Develop fuel cell technology further
Incinerator	Air pollution	Increased delivery to shore Improve maintenance Improve design
Boiler	Air pollution	Improve maintenance Replace with better types
Oil and Chemicals	Pollution of the sea	Improve maintenance/routines Oil spill/cleaning drills
Ballast	Pollution of the	Install cleaning systems for ballast water in new vessels according to future IMO requirements

The focus on eco-friendly emissions will continue on the company's new vessels, and on existing vessels in collaboration with the charterer.

The company will continue to programme to optimize operations in order to reduce the consumption of fuel and energy. The programme is called EEEP (Eidesvik Energy Efficiency Programme).

EXPLANATION OF THE COMPANY’S CORPORATE GOVERNANCE

Principles and core values for corporate governance in Eidesvik Offshore ASA

The Board of Eidesvik Offshore ASA (the Company) shall ensure that the company follows the “Norwegian code of practice for corporate governance” of 30 October 2014. The group’s compliance and deviations, if any, from the code of practice shall be commented by the Board with regard to each item of the Norwegian code of practice for corporate governance, and made available to the Company’s stakeholders in connection with the Company’s annual report.

The purpose of the guidelines for corporate governance in Eidesvik Offshore ASA is to clarify the distribution of roles between shareholders, General Meeting, Board and company management beyond what is evident in legislation.

The principles and core values for corporate governance in Eidesvik Offshore ASA are evident from the following documents (complete documents are available at the company website www.eidesvik.no):

- The Board’s annual explanation of the company’s corporate governance.
- Articles of Association of Eidesvik Offshore ASA of 14 April 2010.
- Instructions for the Board
- Instructions for the CEO
- Guidelines for planning and budgeting.
- The Company’s core values and ethical guidelines.
- The Company's guidelines for social responsibility.
- Guidelines for handling price-sensitive information and inside trade.
- Guidelines for determining salary and other remuneration to the management.
- Guidelines for the access to using the auditor as an advisor for the Company.
- Guidelines for information from the Company.

Operations shall be based on open interaction and affiliation between the company shareholders, board and management, as well as other stakeholders such as employees, clients, suppliers, public authorities, and society at large.

The core values and ethical guidelines of Eidesvik Offshore ASA are evident from “Ethical guidelines and core values for Eidesvik Offshore ASA”, and the Company's social responsibility is evident from “Human rights policy” and
“Environmental policy”.

COMMENT: *No deviations from the Norwegian code of practice for corporate governance.*

Operations

The Company’s operations are evident from § 3 of the Company’s Articles of Association. The Board determines the group’s overall goals and strategy. The strategy plan is revised annually. The Articles of Association mission statement and the Company’s goals and main strategies are evident from the Company’s Annual Report, which is also published on the company website, www.eidesvik.no.

COMMENT: *No deviations from the Norwegian code of practice for corporate governance.*

Company capital and dividends

The Board shall ensure that the Company has an equity which is appropriate on the basis of the risk and scope of the Company’s operations, cf. “Instructions for the Board”.
The Board's authorization to make capital increases and to purchase own shares is limited to defined purposes, and is normally not to be given for a longer period than until the next ordinary General Meeting.
The Board determines the Company’s dividend policy, and presents this as well as a proposal for dividend to the Company’s General Meeting.

COMMENT: *No deviations from the Norwegian code of practice for corporate governance.*

Equal treatment of shareholders and transactions with related parties

Eidesvik Offshore ASA has only one share class.
In the event of capital increases, the principle of the same right for all shareholders to buy shares, applies. Own shares are bought at the exchange at market value. In connection with transactions between the companies of the group, there are guidelines in "Instructions for the Board of Eidesvik Offshore ASA".
In case of significant transactions between the company and shareholders, board members, senior executives or related parties to these, an independent valuation shall be present. This does not apply when the General Meeting is to process the case according to the provisions of the Public Limited Liability Companies Act. The same applies to transactions between the companies of the group where there are minority shareholders.
The instructions for the Board, the instructions for the CEO, and the ethical guidelines have for qualification.

COMMENT: *No deviations from the Norwegian code of practice for corporate governance.*

Free negotiability

The company shares are listed and freely negotiable. The Articles of Association do not impose any form of restriction on negotiability.

COMMENT: *No deviations from the Norwegian code of practice for corporate governance.*

General Meeting

Summons and procedure for the Company's General Meeting follow the provisions given by the Public Limited Liability Companies Act with regard to contents and deadline. The registration deadline is set as close to the meeting as practicable. Shareholders who are unable to attend, may vote by proxy.
Summons, proposed decisions, proxy forms, other case documents and information on the shareholder's right to have matters addressed at the General Meeting, are made available at the company website as soon as they are present. The Board and the chairperson shall facilitate that the General Meeting is able to vote for each candidate in the election for corporate bodies.
The minutes of the General Meetings are made available at the company website as soon as possible.

COMMENT*: Deviates from the Norwegian code of practice for corporate governance by the Chairman of the Board and the auditor attending the General Meeting, although the entire Board does not attend. Following an overall assessment, it is not considered necessary for all Board members to attend the General Meeting.*
The General Meeting complies with the provisions of the Public Limited Liability Companies Act, and the Board has not established separate procedures for chairing in the General Meeting.

Election committee

COMMENT: *Deviates from the Norwegian code of practice for corporate governance by Eidesvik Offshore ASA not having an election committee. The reason is the current share structure where the main owner holds more than 50 % of the shares.*

Corporate assembly and Board, composition and independence

The Board of Eidesvik Offshore ASA is composed in such a way that it can protect the interests of the shareholders and the company's need for competence, capacity and diversity. It is taken into consideration that the Board shall function well as a collegial body.
The Board is composed in such a way that it can act independently of special interests.
The majority of the members elected by shareholders, are independent of the Company's general management and significant business associates.
At least two of the members elected by shareholders, are independent of the Company's main shareholders. Representatives of the general management are not members of the Board.
The Chairman is elected by the Board, following an agreement that the company is not to have a corporate assembly. The Board members are elected for two years at a time. In the annual report, the Board provides information on matters which could shed light on the board members' competence and capacity, as well as which board members are considered independent.

The provisions of the Limited Liability Companies Act regarding the employees' right to representation in boards and corporate assemblies do not apply to companies operating international maritime traffic, cf. Regulation of 1998-12-18 no. 1205: on the employees' right to representation in

the boards and corporate assemblies of limited liability companies and public limited liability companies, etc. (the Representation Regulation) § 3, first subsection, no. 3. On this basis, the Company does not have employee representatives on the Board.
Board members are encouraged to own shares in the company.

COMMENT: *Deviates from the Norwegian code of practice for corporate governance by not providing information in the annual report on attendance at board meetings. This is not considered relevant, since board members are normally present either physically or by telephone.*

The Board's work

A separate instruction for the Board of Eidesvik Offshore ASA has been prepared.

COMMENT: *No deviations from the Norwegian code of practice for corporate governance.*

Risk management and internal control

According to the instruction for the Board of Eidesvik Offshore ASA, the Board ensures that the Company has good internal control and appropriate systems for risk management. The Board receives monthly status reports of company operations, including consolidated accounts with variance analyses.

COMMENT: *No deviations from the Norwegian code of practice for corporate governance.*

Remuneration for the Board

The remuneration for the Board is determined by the General Meeting and does not depend on results. Information on remuneration is given in the annual report.

COMMENT: *No deviations from the Norwegian code of practice for corporate governance.*

Remuneration to senior executives

The Board has determined guidelines for remuneration for senior executives stating the main principles of the Company's executive remuneration policy. This is submitted annually to the General Meeting.

COMMENT: *No deviations from the Norwegian code of practice for corporate governance.*

Information and communication

The Board has determined guidelines for the company's contact with shareholders outside the General Meeting. This is evident from the Board's annual statement. The Company publishes a financial calendar annually, and all interim reports and presentations of results are made available on the company website and Oslo Stock Exchange.

COMMENT: *No deviations from the Norwegian code of practice for corporate governance.*

Corporate takeover

The Board has not prepared main principles for how one should act in the event of a corporate takeover bid.

COMMENT: *Deviations from the Norwegian code of practice for corporate governance. This is due to the fact that with the current composition of shareholders, corporate takeover is not considered an option.*

Auditor

The Board has an annual plan for the audit and the auditor's attendance of board meetings. This is to give the Board a good insight into the auditor's work, and to benefit from the auditor's knowledge and competence in connection with the Board's processing of the annual accounts.

COMMENT: *No deviations from the Norwegian recommendation for corporate governance*

BOARD MEMBERS

Kolbein Rege (Chairman of the Board)
is the General Manager of Eidesvik Invest AS, which owns 67 % of the shares in Eidesvik Offshore ASA. He is a lawyer by education, and has extensive experience in banking and as a lawyer in private practice. Rege is associated with the main shareholder of the Company.

Borgny Eidesvik (Board member)
is the owner and General Manager of Bømmelfjord AS, which owns 55 % of the shares in Eidesvik Invest AS. Eidesvik Invest AS owns 67 % of Eidesvik Offshore ASA. Borgny Eidesvik is associated with the main shareholder of the Company.

Lars Eidesvik (Board member)
is the owner and General Manager of Evik AS, which owns 45 % of the shares in Eidesvik Invest AS. Eidesvik Invest AS owns 67 % of Eidesvik Offshore ASA. Lars Eidesvik is associated with the main shareholder of the Company.

John Stangeland (Board member)
is a mechanical engineer by education, and he has a BBA in Economics and management from University of Texas, Austin. He also has an Executive MBA from BI and Nanyang Technological University, Singapore from 2011. He was a shipbroker in Seabrokers AS, Stavanger from 1990 to 1997, and then a business developer in Eidesvik AS until 2003. From 2004 he has been employed by base company NorSea Group AS, and he has been CEO since 2012.

Synne Syrrist (Board member)
is a civil engineer from NTH in 1996 and a financial analyst from NHH from 2004. She has extensive experience as a financial analyst and consultant. For the past 9 years she has been working as a professional board member and been part of a number of boards, where she has acquired considerable insight into the oil service industry. She is a member of the boards of companies such as Awilco Drilling Plc, Awilco LNG ASA, and others. Syrrist is independent of the main shareholder of the Company.


Kolbein Rege


Borgny Eidesvik


Lars Eidesvik


John Stangeland


Synne Syrrist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ANNUAL STATEMENT 2016

Eidesvik Offshore ASA shall be a leading "Partner in Shipping" in offshore logistics, seismology and subsea operations. We shall exercise good seamanship and be a powerhouse for progressive shipping and operational solutions. Our main goal is to increase and secure the company's long-term value creation, and thereby create the basis for further growth, secure jobs and higher share values. We seek to achieve this through ensuring that our vessels have the highest degree of long-term employment as possible.

The market for the company's vessels has deteriorated further throughout 2016. There is a significant overcapacity in the segments where Eidesvik operates. A combination of several vessels in layup as well as phasing out older vessels is necessary in order to improve the industry's profit. The company is making continuous cost reducing efforts in order to meet he challenging market.

Eidesvik is planning for the difficult market conditions to last for years.

BUSINESS ACTIVITIES

Eidesvik Offshore ASA is the parent company of the Eidesvik group.
The purpose of the company is, according to the Articles of Association, to "operate a shipping business and all that relates to this, including owning stocks and shares in companies operating similar or related businesses".
In 2016, this purpose was realized through operating 24 vessels, whereof 19 are wholly or partly owned by the Eidesvik group. During the year, the company has sold the supply vessel Viking Nereus.

We seek to charter the vessels mainly on long-term contracts in the segments Supply, Seismology and Subsea. Due to the weak market, more vessels have been operating on short-term contracts in 2016 than in previous years. At the year end, the company had one seismic vessel, one subsea vessel and two supply vessels in layup.

Eidesvik's activities are managed from the headquarters in Langevåg at Bømlo. The shipping business is organised in accordance with the special tax rules for shipping companies. The vessels are owned in various shipowning companies, and Eidesvik AS performs the general and business management functions for the shipowning companies.

The group's seismic fleet is mainly operated through operating company CGG Eidesvik Ship Management AS, which is located in Bergen. Eidesvik owns 51 % of the shares, while the remaining 49 % are owned by CGG.

The company had 479 employees at the end of the year. There were also 150 contracted employees. The company believes that diversity is important in order to achieve our goals as a company and organisation. Traditionally, mainly men have chosen maritime education. However, the industry has over time encouraged women to seek maritime education. The company supports this, and we currently have several women at management level. As part of an international industry, the group's employees represent several nationalities. Our focus is to make all employees, regardless of nationality, gender and cultural background, comfortable in the company, and there are no indications that this is not the case.

HEALTH, ENVIRONMENT, SAFETY AND QUALITY

In 2016, the company has had considerable focus on developing the health, safety and environment efforts further. The quality and safety system "Eidesvik Management System" is certified by DNV GL to meet the requirements of ISM / ISO 9001 / ISO 14001 / MLC 2006, and the ISPS Code. The EMS project was initiated in the 3rd quarter of 2014, focusing on simplification and ease of use for all employees in the company. Among other things, this means fewer words in procedures, combining procedures and transfer to a more checklist based system, like in the aviation industry. The EMS project will be fully implemented in the third quarter of 2017.
The management is continuously carrying out awareness work in HSEQ, and has particular focus on the exchange of experience, which facilitates continuous improvement.

Absence due to illness in 2016 was 4.1 %. This is a 1.6 % decline from 2015. Eidesvik AS had no lost time injuries due to accidents on board in 2016.

The group continues the agreement with NAV on Inclusive Working Life, which ensures close follow-up of employees on sick leave. In order to prevent and preclude injuries, the following has been given special focus in 2016:

- Implementing and following up on HSE meetings and safety rounds
- The familiarization programme
- The Eidesvik training portal
- A high focus on the reporting method “Safety observation”
- “Time Out for Safety” meetings
- Increased understanding and implementation of risk assessments
- “Tool Box talks” meetings
- “Stop the Job” option for everyone on board
- Increased focus on safety representatives and the safety and environmental work
- Work on board is carried out according to a “permit to work system”

Outer environment

Eidesvik has a conscious and targeted environmental focus on its operations. Eidesvik has continued the efforts to develop environmentally friendly and energy saving vessels. Phase 3 of the Fellowship project has been completed on board supply vessel Viking Lady. This project is a technology collaboration between Eidesvik, DNV GL and Wartsila. The project met all the expectations to both fuel cell technology and battery technology, and another milestone was reached for the company in a global environmental context. In 2014, Fellowship was granted support for phase 4, and through phase 4, Eidesvik AS will continue the development of hybrid solutions using battery technology, and we have a stronger focus on the context between new technology and energy efficiency. This project was ongoing through 2016.

Based on the results from Fellowship phase 3, we have projected solutions for battery installation on other vessels. A battery pack was installed in a vessel in 2015, and a battery pack was installed on another vessel in 2016. We consider this technology with great environmental potential, and it is relatively easy to implement. Our goal is to implement hybrid solutions on more vessels in the coming years.

Our operations at sea are run in accordance with international and national laws and regulations. In order to reduce the risk of accidents, there is great focus on preventative maintenance, as well as manning the vessels with highly qualified personnel. Eidesvik AS is working continuously to reduce the total emission balance associated with operating the vessels.

Continuing blue:E, the company’s programme for environmentally friendly operation, has the same focus and resources in 2016. blue:E is important to the company’s goal of maintaining an environmentally friendly yet cost effective operation. Awareness of energy efficiency is gradually increasing, and is an important part of the daily operation.

All vessels in the Eidesvik fleet are approved with regard to the mew IMO requirements for an energy efficiency plan. This task is in line with the company’s blue:E initiative and has been easy to implement.

Environmental index ESI (Environmental Ship Index) is acknowledged by the Norwegian Coastal Administration and several ports as the basis for environmental differentiation of fees/rates. 10 of our vessels are registered in ESI, all with a very favourable environmental profile.
The remaining vessels are planned to be registered in 2017. This has given a lot of positive mention, and it illustrates that it is possible to reduce costs through environmentally sound choices.

Eidesvik’s blue:E programme also includes the company’s land based operations. Through this we achieve less pollution of the outer environment.

A separate HSEQ report has been prepared and included in Eidesvik’s annual report.

SHAREHOLDERS, CORPORATE GOVERNANCE AND MANAGEMENT

At the end of the year, there were a total of 30,150,000 shares in the company owned by a total of 852 shareholders. At the end of 2016, foreign investors had an ownership interest of 2.1 %. In 2016, the share was last traded at NOK 6.19.

The Board has been given authorisation to buy back own shares with a total nominal value of NOK 150,000, though in such a way that the nominal value does not exceed 10 % of the at all times registered share capital. The authorisation is valid until the Ordinary General Meeting in 2017. The authorisation has not been used. The Board proposes that the authorisation is renewed for one year by the company's General Meeting. As at 31/12/2016, the Company owned no own shares.

All information is provided in such a way that all shareholders are treated equally. The information is shared through stock exchange announcements, press releases and open presentations, and will also be available on the Eidesvik website.

The "Norwegian code of practice for corporate governance and company management" forms the basis for the Board's and management's exercise of these duties. Minor, company-specific changes and adaptations have been made to the code of practice. A separate explanation has been provided in the annual report and on the Eidesvik website.

PROFIT/LOSS, BALANCE SHEET AND FINANCIAL RISK

The consolidated accounts have been submitted in accordance with IFRS, as approved by the EU.
The company accounts for parent company Eidesvik Offshore ASA are submitted in accordance with the Norwegian Accounting Act and the Generally Accepted Accounting Principles in Norway.

Profit/loss

Consolidated operating income for Eidesvik in 2016 is NOK 784.1 million (NOK 1,238.9 million in 2015).

Operating profit before depreciation and amortization (EBITDA) for 2016 is NOK 415.3 million (NOK 770.3 million). Depreciations and amortizations were recorded by NOK 801.3 million in 2016 (NOK 612.1 million). Proportionate shares of the results from associated companies and joint ventures are recorded by NOK -80,3 million (NOK 77.0 million). This includes depreciation of shares in joint ventures by NOK 162.7 million after depreciation of vessels in two of the joint ventures. This gives a total operating income of NOK -466,3 million (NOK 235.2 million).

Based on the weak prospects for profit for the company's vessels, it has been decided to make total depreciations of NOK 671.5 million in 2016. This includes shares in vessels in joint ventures. This applies to vessels in all three segments where the company owns and operates vessels. The assessment is based on estimated utility value of the vessels for the remaining expected economic life. Broker estimates of the vessels are generally higher, and would, if they were to form the basis for the depreciation assessment, lead to a considerably lower depreciation.

In the net financial result of NOK -99.0 million (NOK -471.3 million), the net financial and interest expenses of NOK 144.9 million (NOK 163.0 million), as well as net profit associated with currency and derivatives of NOK 46.0 million (NOK -308.3million), are included.

Annual profit/loss after taxes was NOK -564.5 million (NOK -239.9 million), and the total profit/loss was NOK -584.8 million (NOK -134.4 million).

For the parent company Eidesvik Offshore ASA, the annual profit/loss after taxes is NOK -10.5 million (NOK -24.1 million).

Balance Sheet

Book equity of the group is NOK 1.457.1 million (NOK 2.041.8 million). This constitutes 28.7 % (33.6 %) of the group's total capital. For the parent company, Eidesvik Offshore ASA, the equity is NOK 542.7 million (NOK 553.2 million).

Vessels constitute NOK 3.706.4 million, an NOK 800 million reduction. The items are reduced primarily due to depreciation and amortization as well as the sale of vessels. Current assets are reduced by NOK 48.5 million. Total assets constitute NOK 5.068.1 million (NOK 6.070.2 million), an NOK 1.002.1 million reduction.

Value estimate of the consolidated part of the fleet from two independent brokers estimates the consolidated fleet value in a non-contract state to NOK 4,950 million (NOK 6,141 million). This constitutes an added value before tax of NOK 1,244 million (NOK 1,635 million) in relation to the book value of the vessels. However, the Board is aware that there is little sale of vessels of the type Eidesvik owns, and there is therefore some uncertainty with regard to the market value in the current market.

The group's long-term liabilities constitute NOK 3,115.6 million (NOK 3,509.2 million). Ordinary instalments and a strengthening of NOK relative to USD have led to a reduction of the accounting value of liabilities. In March 2017, the company has repaid the bonded loan of NOK 300 million at a 60 % rate, and the mortgage is reduced by NOK 202 million after the sale of vessel Viking Poseidon. The short-term liabilities constitute NOK 495.4 million (NOK 519.1 million).

The parent company has assets worth NOK 844.9 million (NOK 854.6 million). The company's assets consist mainly of investments and loans to subsidiaries, as well as cash. The parent company has liabilities of NOK 302.2 million (NOK 301.4 million). These consist of long-term bonded liabilities of NOK 299.4 million (NOK 298.6 million) and short-term liabilities of NOK 2.8 million (NOK 2.8 million). The company's bonded loan was repaid in 2017 at a 60 % rate. The company's equity is NOK 542.7 million (NOK 553.2 million), which constitutes an equity ratio of 64 % (64 %).

Cash flow

Holdings of cash and cash equivalents are reduced from NOK 702.3 million at the end of 2015 to NOK 549.7 million as at 31/12/2016.

Net cash flow from operational activities for 2016 was NOK 346.1 million (NOK 649.3 million).

Net cash flow from investment activities of NOK 12.8 million (NOK -706.8 million) is mainly due to sale of vessels and received dividend from joint ventures.

The group has a negative cash flow from financial activities of NOK -492.2 million (NOK 229 million). This year's cash flow has been spent on ordinary interest and instalments as well as repayment of loans associated with a sold vessel.

The parent company has a cash reserve of NOK 54.6 million (NOK 58.0 million). Throughout the year, the cash reserve has been reduced through net disbursements in connection with operations by NOK -9.3 million, while an interest revenue of NOK 6.9 has increased the cash reserve. The cash reserve reduced by a total of NOK 3.4 million.

Allocation of net income

The Board proposes that the NOK -10.5 million net income of the year for Eidesvik Offshore ASA is covered by transfer from other equity.

Continued operation

The market for the company's vessels has deteriorated further throughout 2016. In order to meet a continued weak market, the company completed the refinancing of some loans in 2015, where instalments on parts of the company's mortgage debt were reduced. The dialogue with the banks has continued through 2016, aiming to obtain a complete refinancing of all mortgage debt in the company in 2017. A number of operational savings measures have also been implemented on board the vessels as well as in the organisation on land. After the year end, a vessel has been sold where about NOK 380 million of the proceeds from the sales have been used to repay a debt of about NOK 500 million. The company's contract situation, as well as the liquidity reserves and prognoses for 2017, gives the Board reason to believe that the company's and the group's financial position is satisfactory in the short term. The Board believes that the prerequisites for continued operations are present, and the financial statements have been prepared under this assumption.

Financial risk

Currency risk

In 2016, Eidesvik had its revenues in NOK, USD, EUR, and GBP. Operational costs are mainly in NOK. Eidesvik is therefore exposed to fluctuations in the currency rates between NOK and the other currencies. In order to reduce the risk, cash flow hedges have been established by having parts of the group's long-term financing in USD. Forward contracts are also made where parts of the operational income in USD, EUR, and GBP are pre-sold with settlement in NOK.

Credit risk
Eidesvik's clients are mainly solid companies with good solvency. The risk that the contract partners have no financial ability to fulfil their obligations, is considered low, although there is still uncertainty regarding the company's largest client, CGG, and in 2017, the company has had to accept lower rates on some of the existing contracts.

Liquidity risk
The group refinanced several loans in 2015, and 2 vessels were sold. Another vessel was sold in 2016, and one was sold in 2017. The company has also repaid the bonded loan which matured in 2018. After this, the company has no loan maturities beyond ordinary deductions until 2020, and the sale of a vessel has led to a considerable cash reserve. After this, the liquidity situation for the next year is satisfactory.

FRAMEWORK CONDITIONS

The access to and development of highly qualified personnel is vital in order to ensure good operation and delivery of an optimal product, helping our clients to a better total result. In order to ensure that Norwegian maritime competence is also developed and utilized in the future, the industry is dependent on stable and predictable framework conditions.

The availability of training positions is vital in order to build competence over time, even in a cyclical industry.

Eidesvik currently uses both Norwegian and international staff on board its vessels.

The entire petro-maritime cluster, both oil companies, shipping companies, shipyards and other oil service companies, will depend on building maritime competence also in the future.

Legislation of net pay schemes is a positive move on the part of political authorities. However, Eidesvik believes that the net pay schemes should be further reinforced.

CORPORATE GOVERNANCE 2016

The core values and ethical guidelines of Eidesvik Offshore ASA are evident from "Ethical guidelines and core values for Eidesvik Offshore ASA", and the Company's social responsibility is evident from "Human rights policy" and "Environmental policy". Here it is evident that the efforts to reach the business goals shall be carried out with a high ethical standard and in a manner that is as gentle as possible with regard to the environment and society at large. This means that we should act with respect and honesty towards clients, suppliers, employees, authorities, owners and society at large, and that the company and the individual should comply with relevant legislation. The policy states that the company and the individual employee should refrain from all forms of corruption, and it is stated how the company's employees should act if they are offered gifts or other benefits because of their employment.

It is further stated that the company and all employees shall comply with all recognized rules for human rights, including refraining from all forms of discrimination.

No policy violations have been found in 2016.

Historically the company has been at the forefront of recruiting more Norwegian seafarers. Considerable funds have been allocated to this work through initiatives to make maritime education more attractive to young people. The company collaborates in various forums to strengthen and further develop Norwegian maritime competence. At the same time, the industry faces more competition internationally, also with regard to competence and costs. It is thus an important prerequisite for future initiatives with regard to Norwegian maritime competence that the framework conditions make it attractive for the industry to build Norwegian maritime competence over time.

BUSINESS AREAS AND FUTURE PROSPECTS

Eidesvik owns and operates vessels in the 3 segments supply, seismology, and subsea/wind.

Supply

At the end of the year, Eidesvik owned and operated 7 supply vessels (2 in layup). 5 vessels use LNG as fuel. 1 vessel operating on LNG is in layup.

The company's contract for Viking Princess with Chevron UK has been extended with another 12 months starting in direct continuation with the existing contract.

Viking Nerus was sold and delivered to the new owner in November 2016.

Viking Energy had a battery pack installed, and as the first supply vessel it received the class notation "Battery Power". We experience significant fuel savings on Viking Energy in certain operating modes thanks to the battery installation.

The market for supply vessels is expected to remain challenging for a while. Improved rates depend on increased activity as well as phasing out some older supply vessels permanently.

Seismology

Eidesvik owns a total of 6 vessels in this segment.

3 of our seismic vessels are operated by joint venture company CGG Eidesvik Ship Management AS in Bergen. They also have the operational responsibility for another 3 vessels with other owners.

Viking Vanquish was laid up from the first quarter of 2016 at the charterer's expense. The contract for Viking Vanquish has been renegotiated in 2017. The reduced rate has been compensated with listed bonds and claim in another joint venture shipowning company.

It was agreed with the charterer of Viking Vision to terminate the contract from October 2016 with full financial settlement for the remaining contract period. The vessel was laid up from July 2016.

We have obtained contracts with CGG for Veritas Viking and Vantage, respectively. The contracts started in December 2016, and the contracts have a 6-month duration with further options.

In 2017, the company has established a new shipowning joint venture company with CGG for 7 seismic vessels. This consists of two vessels already owned by the two owners in joint venture, and another 5 vessels fully owned by CGG.

The seismology market is very challenging. The seismic companies have taken out considerable capacity in marine seismology without seeing any significant improvement in the market so far. With the considerable reduction in capacity, we expect some improvement in the market.

Subsea/wind

Eidesvik currently has 4 vessels in the subsea/wind segment.

Viking Neptun has been in operation throughout 2016, and has secured work also for parts of 2017. The vessel has had extremely good operation since delivery.

Acergy Viking was rebuilt in the summer of 2016 for an 8-month contract with Siemens Wind. The contract started in mid-August 2016, and the company has renewed the contract with Siemens, securing the vessel employment for the rest of 2017.

As a result of the charterer's bankruptcy, the contract for Viking Poseidon was terminated in the second quarter of 2016. The company had a 75-day contract together with Siemens in the summer of 2016, and the vessel was laid up again from September 2016. This vessel was sold in March 2017.

Seven Viking and Subsea Viking have been operating on long-term contracts throughout the year. We also consider the subsea market challenging in the short run. However, we expect activity to increase in the future, and we have a positive outlook on the segment in the years to come. We see that companies are beginning to secure vessels on framework contracts, which indicates that increased activity is expected. With considerable reductions in the cost level for new field developments, there is reason to expect increased activity in the subsea/construction segment.

We expect an increase in demand of vessels in development and maintenance in the offshore wind market.

Bømlo, 25 April 2017

Kolbein Rege *Chairman of the Board*	Borgny Eidesvik *Board member*	Lars Eidesvik *Board member*
John Stangeland *Board member*	Synne Syrrist *Board member*	Jan Fredrik Meling *Managing Director*

DECLARATION FROM THE BOARD AND THE CEO

Today, the Board and the CEO have processed and determined the annual report and the consolidated annual accounts with notes for Eidesvik Offshore ASA as at 31 December 2016 and for the year 2016, including consolidated comparative figures as at 31 December 2015 and for the year 2015.

The annual accounts are submitted in accordance with the requirements of IFRS as determined by the EU and additional Norwegian requirements in the Securities Trading Act.

According to best of the Board's and CEO's knowledge, the annual accounts for 2016 have been prepared in accordance with applicable accounting standards, and that the information in the accounts give a true picture of the group's assets, liabilities, financial position and overall performance as at 31 December 2016 and 31 December 2015. According to best of the Board's and CEO's knowledge, the annual report gives a true account of important events during the accounting period and their influence on the annual accounts. According to best of the Board's and CEO's knowledge, the description of the most important risk and uncertainty factors the business is facing in the next accounting period, as well as the description of significant transactions with related parties, gives a true account.

Bømlo, 25 April 2017

Kolbein Rege Chairman of the Board	Borgny Eidesvik Board member	Lars Eidesvik Board member
John Stangeland Board member	Synne Syrrist Board member	Jan Fredrik Meling Managing Director

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

(NOK 1,000)

	Note	**01/01/– 31/12/ 2016**	01/01/– 31/12/ 2015
Freight revenue		**748,800**	1,123,931
Other income	5	**35,306**	115,005
Total operating income	4	**784,106**	1,238,936
Personnel costs	11	**235,791**	314,154
Other operating costs	6	**133,031**	154,496
Total operating costs		**368,822**	468,650
Operating profit before depreciation and amortization		**415,284**	770,286
Ordinary depreciations	12	**292,459**	322,106
Depreciation of tangible fixed assets	12	**508,819**	290,000
Operating profit before profit from joint ventures		**-385,994**	158,181
Profit from joint ventures	7	**-80,284**	77,017
Operating Profit		**-466,278**	235,198
Financial income	8	**3,742**	4,610
Financial costs	8	**-148,672**	-167,585
Change in value derivatives	8	**0**	20,913
Net currency gains/losses	8	**45,968**	-329,211
Net financial profit		**-98,962**	-471,274
Profit before taxes		**-565,241**	-236,076
Tax costs	9	**721**	-3,816
Profit/loss for the year		**-564,519**	-239,892
Assigned annual profit/loss:			
Profit/loss of the year accrued to the parent company's shareholders		**-553,001**	-196,914
Non-controlling interests		**-11,518**	-42,978
Profit/loss for the year		**-564,519**	-239,892
Earnings per share	10	**-18.34**	-6.53
Diluted earnings per share	10	**-18.34**	-6.53

CONSOLIDATED STATEMENT OF TOTAL INCOME

(NOK 1,000)

	Note	**01/01/–31/12/ 2016**	01/01/–31/12/ 2015
STATEMENT OF TOTAL INCOME			
Profit/loss for the year		**-564,519**	-239,892
Items that will not be reclassified over profit/loss in later periods			
Actuarial gains/losses pensions		**-4,887**	33,656
Items that will be reclassified over profit/loss in later periods			
Translation differences joint ventures	7	**-15,351**	71,849
Profit/loss result for the year		**-584,757**	-134,386
Assigned profit/loss for the year			
Profit/loss of the year accrued to the parent company’s shareholders		**-573,239**	-91,409
Non-controlling interests		**-11,518**	-42,978
Profit/loss result for the year		**-584,757**	-134,386

CONSOLIDATED BALANCE SHEET – ASSETS

(NOK 1,000)

	Note	31/12/2016	31/12/2015
ASSETS			
Fixed assets			
Vessels	12	**3,706,412**	4,506,172
Vessels under construction	12		
Buildings, land and other assets	12	**22,773**	26,861
Investments in joint ventures	7	**444,613**	591,176
Equities	22	**1,720**	5,930
Pension funds	19	**1,165**	0
Other long term receivables	13	**136**	244
Total fixed assets		**4,176,819**	5,130,381
Current assets			
Accounts receivable	14	**203,006**	189,989
Derivatives	24	**1,756**	0
Other current assets	15	**136,742**	47,511
Cash and cash equivalents	16	**549,738**	702,276
Total current assets		**891,241**	939,775
Total assets		**5,068,060**	6,070,157

CONSOLIDATED BALANCE SHEET

(NOK 1,000)

	Note	31/12/2016	31/12/2015
EQUITY AND LIABILITIES			
Equity			
Equity assigned to the company's shareholders			
Share capital	17	**1,508**	1,508
Other paid-in equity		**629**	635
Other income and costs		**-21,021**	-16,134
Translation differences	18	**143,200**	158,551
Other retained earnings		**1,292,283**	1,845,284
Total equity majority shareholders		**1,416,599**	1,989,843
Non-controlling interests		**40,452**	51,971
Total equity		**1,457,051**	2,041,814
Liabilities			
Long-term liabilities			
Interest-bearing liabilities	21	**3,115,595**	3,496,938
Pension commitments	19	**0**	12,260
Total long-term liabilities		**3,115,595**	3,509,199
Short-term liabilities			
Interest-bearing liabilities	21	**340,259**	354,676
Derivatives	24	**0**	9,272
Payables		**49,559**	40,150
Tax due	9	**471**	4,649
Other short-term liabilities	20	**105,125**	110,397
Total short-term liabilities		**495,414**	519,144
Total liabilities		**3,611,010**	4,028,343
Total equity and liabilities		**5,068,060**	6,070,157

Bømlo, 25 April 2017

Kolbein Rege *Chairman of the Board*	Borgny Eidesvik *Board member*	Lars Eidesvik *Board member*
John Stangeland *Board member*	Synne Syrrist *Board member*	Jan Fredrik Meling *Managing Director*

CONSOLIDATED CASH FLOW STATEMENTS

(NOK 1,000)

	Note	**01/01/–31/12/ 2016**	01/01/–31/12/ 2015
Cash flow from operations			
Payments from clients		**746,222**	1,109,291
Payments to suppliers, employees and others		**-399,167**	-462,543
Paid interest income		**3,089**	3,801
Net paid and refunded taxes		**-4,003**	-1,299
Net cash flow from operational activities		**346,142**	649,250
Cash flows from investment activities			
Sale of fixed assets	12	**32,972**	235,832
Sale of other investments	12	**2,068**	0
Purchase of tangible fixed assets	12	**-73,195**	-974,308
Purchase of other investments		**0**	-2,165
Received dividend	7	**50,928**	33,888
Net cash flow spent on investment activities		**12,774**	-706,753
Cash flow from financing activities			
Payments from minority		**0**	6,454
Borrowing		**0**	2,613,220
Realization currency futures		**0**	-151,221
Repayment of debt		**-355,545**	-2,069,397
Paid travel costs		**-136,646**	-169,407
Net cash flows from financing activities		**-492,191**	229,649
Currency gain/loss on cash, cash equivalents, and used credit facilities		**-19,262**	-19,426
Net increase (decrease) in cash and cash equivalents		**-152,538**	152,720
Cash and cash equivalents in the beginning of the year	16	**702,276**	549,556
Cash and cash equivalents at the end of the year	16	**549,738**	702,276

CONSOLIDATED EQUITY STATEMENT

(NOK 1,000)

Note		Majority share						Minority share	Total equity
		Share equity	Other reserves	Other paid-in equity	Translated diff.	Other capital	Total		
	Equity as at 01/01/2015	1,508	-56,866	635	86,701	2,049,275	2,081,252	44,134	2,125,386
	Profit/loss for the year	0	0	0	0	-196,914	-196,914	-42,978	-239,892
	Actuarial loss	0	33,656	0	0	0	33,656	0	33,656
	Other income and costs directly recognized in equity	0	0	0	71,849	0	71,849	0	71,849
	Total result 2015	0	33,656	0	71,849	-196,914	-91,409	-42,978	-134,387
19	Dismantling of defined benefit pension schemes in Eidesvik AS*	0	7,077	0	0	-7,077	0	0	0
	Increase in capital	0	0	0	0	0	0	50,815	50,815
	Total other equity adjustments 2015	0	7,077	0	0	-7,077	0	50,815	50,815
	Equity as at 31/12/2015	1,508	-16,134	635	158,550	1,845,283	1,989,843	51,971	2,041,814
	Profit/loss of the year	0	0	0	0	-553,001	-553,001	-11,518	-564,519
	Foreign currency translation	0	0	0	-15,350	0	-15,350	0	-15,350
	Actuarial loss	0	-4,887	0	0	0	-4,887	0	-4,887
	Total result 2016	**0**	**-4,887**	**0**	**-15,350**	**-553,001**	**-573,238**	**-11,518**	**-584,756**
	Establishment costs subsidiary	0	0	-6	0	0	-6	0	-6
	Total other equity adjustments 2016	0	0	-6	0	0	-6	0	-6
	Equity as at 31/12/2016	**1,508**	**-21,021**	**629**	**143,200**	**1,292,283**	**1,416,600**	**40,452**	**1,457,051**

*The defined benefit pension scheme was dismantled for most land employees in December 2015 (Eidesvik AS). This was replaced by a defined contribution scheme effective from 31/12/2015. 63 employees are covered by this scheme.

NOTES TO THE CONSOLIDATED ACCOUNTS

Note 1

Eidesvik Offshore ASA (the company) and subsidiaries (collectively the group) offer services within the maritime sector. The group conducts business in several segments, where the main segments are seismology, subsea and platform vessel services. The group's vessels are located across large parts of the world.

Eidesvik Offshore ASA is a public limited company registered in Norway and headquartered at Langevåg in Bømlo Municipality. Eidesvik Offshore ASA is listed at the Oslo Stock Exchange, and is subject to the provisions of the Public Limited Liability Companies Act with regard to limitations in shareholders' liability to the company's creditors. The annual accounts were submitted by the Board on 25 April 2017 and approved for publication. The General Meeting approves the final annual accounts and is authorized to require changes to the accounts before it is approved. All amounts are presented in Norwegian Kroner (NOK), and are rounded to the nearest thousand unless otherwise specified.

Information on the ultimate parent company is presented in Note 25.

Overview of group relations:

Company	*Reg. office*	*Ownership interest*
Eidesvik Shipping AS	Bømlo	100 %
Eidesvik AS	Bømlo	100 %
Eidesvik MPSV AS	Bømlo	100 %
Eidesvik Shipping International AS	Bømlo	100 %
Eidesvik Subsea Vessels AS	Bømlo	100 %
Eidesvik Management AS	Bømlo	100 %
Eidesvik OCV AS	Bømlo	100 %
Eidesvik Maritime AS	Bømlo	100 %
Eidesvik Neptun AS	Bømlo	74.7 %
Eidesvik Neptun II AS	Bømlo	74.7 %
Eidesvik Supply AS	Bømlo	80 %
Hordaland Maritime Miljøselskap AS	Bømlo	91 %
Norsk Rederihelsetjeneste AS	Bømlo	100 %
Eidesvik Shipping II AS	Bømlo	100 %
Eidesvik UK LTD	UK	100 %

Joint Ventures:

Eidesvik Seismic Vessels AS	Bømlo	51 %
Oceanic Seismic Vessels AS	Bømlo	51 %
CGG Eidesvik Ship Management AS	Bergen	51 %
Eidesvik Seven AS	Bømlo	50 %
Eidesvik Seven Chartering AS	Bømlo	50 %

In addition, the group has the following shares:

Simsea AS	Haugesund	10.4 %
Bleivik Eiendom AS	Haugesund	22.6 %
Eidesvik Ghana Ltd.	Ghana	49 %

The total book value of these amounts to MNOK 1.7, and is not considered material. Please refer to Note 22 for further information.

Note 2 Accounting principles

The most important accounting principles used in the preparation of the consolidated accounts are described below. These principles are applied in the same way in all periods presented, unless otherwise stated in the description.

2.1 Main principles
The consolidated accounts of the Eidesvik Offshore Group have been prepared in accordance with the Financial Reporting Standards (IFRS) as adopted by the EU and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated accounts have been prepared on the basis of the historical cost principle, however, it has been modified for the following: financial derivatives and financial assets classified as "fair value through the profit and loss account", which have been valuated at fair value.

An asset is presented as short-term if it is expected to be realized within twelve months of the balance sheet date as part of ordinary operations, if it is an asset owned with purchase and sale as its main purpose, or if it is cash or cash equivalents.

Debt is presented as short-term if there is no unconditional right to postpone payment at least twelve months from the balance sheet date, or it is a debt with purchase and sale as its main purpose. Long-term debt is reclassified as short-term debt when there are 12 months left to maturity. The same applies to the first year's instalment on long-term debt maturing within twelve months from the balance sheet date.

The accounts are prepared in accordance with IFRS. This means that the management has used estimates and assumptions that have affected assets, debt, income, expenses, and information on potential liabilities.

Cash flow statements are prepared according to the direct method.

2.2 Principles of consolidation
The consolidated accounts include parent company Eidesvik Offshore ASA and companies controlled by Eidesvik Offshore ASA. Control is obtained when the group is exposed to, or is entitled to, variable return resulting from the group's involvement, and the group is able to influence the return through its influence in the company.

a) Subsidiaries
Subsidiaries are all entities where the group has controlling influence on the entity's financial and operational strategy, normally through owning more than half the voting capital. When determining whether there is controlling influence, one includes the effect of potential voting rights which can be exercised or converted on the balance sheet date. Subsidiaries are consolidated from the time control is transferred to the group, and are excluded from consolidation when control ceases. Stocks and shares in subsidiaries are recorded at cost, and eliminated against the equity of the subsidiary at the time of takeover or establishment.

b) Joint ventures
Companies where the group has joint control with another party, are defined as joint ventures. Joint ventures exist if there is 50/50 ownership, or if it is otherwise regulated so that the parties have joint control. Investments in joint ventures are consolidated in accordance with the equity method.
The group does not capitalize its share of deficits if this means that the capitalized value of the investment will be negative (including unhedged receivables on the entity), unless the group has assumed liabilities or provided guarantees for the joint venture's liabilities.

c) Non-controlling interests
Non-controlling interests' (minority interests) share of the equity is shown on a separate line in the group's equity. Non-controlling interests include the minority share of the capitalized value of subsidiaries, including the share of identifiable added value at the time of acquisition of a subsidiary.

2.3 Segment information
Segments are reported in the same way as for reporting to the company's supreme decision maker. The Board is defined as the company's supreme decision maker, and is responsible for allocating resources and assessment of earnings in the various segments. The group's reporting format is associated with business areas, secondary information associated with geographical areas is not used, as this does not make sense strategically. The three primary operational segments are divided into Supply vessels (PSV), Subsea, and Seismology. In addition to this, Other activities, which includes, among other things, vessels under construction, is placed in a separate segment.

As the joint ventures are significant with regard to the core activities, gross figures from underlying companies are included in segment information.

2.4 Conversion of foreign currencies
a) Functional currency and presentation currency
The accounts of the individual entities in the group are measured in the currency mainly used in the economic area there the entity operates (functional currency). The consolidated accounts are presented in Norwegian Kroner (NOK), which is both the functional currency and the presentation currency of the parent company. In order to calculate the share of profit from joint ventures, balance sheet figures in a different currency are translated at the exchange rate of the balance sheet date, while profit and loss items are translated at the quarterly average exchange rate. Translation differences are recognized as other income or costs directly in the equity.

b) Transactions and balance sheet items
Transactions in foreign currencies are translated to the functional currency using the transaction exchange rate. Currency gain and loss occurring when paying such transactions, and when translating monetary items (assets and liabilities) in foreign currencies at year end on the balance sheet date, are recognized. Monetary items and liabilities in other currencies are translated at the exchange rate of the balance sheet date.

Currency gains and losses are included in the income statement as "net currency gain/loss".

2.5 Vessels, depreciations and other fixed assets
Vessels and other fixed assets are recorded at historical cost with accumulated depreciations and write-downs deducted.
Each part of the assets that has material value of the total cost, is depreciated separately and linearly over the useful life of the asset. Components with the same useful life are depreciated as one component. The depreciation period and method is evaluated at each balance sheet date to ensure that the method and the period used correspond with the financial realities of the asset. The same applies to scrap value, which is subject to an annual assessment.

Estimated useful life:

Vessels	15–30 years
Property/fixtures	5–20 years
Equipment	3-5 years

At the time of delivery for new vessels, an amount corresponding to the expected cost at the first ordinary classification/periodic maintenance is separated. This amount is depreciated over the period until the next docking date. Costs associated with subsequent periodic maintenance are capitalized and depreciated until the next periodic maintenance, mainly over 30–60 months. Costs of ongoing maintenance and minor repairs and maintenance are expensed as they are incurred.

Financial leases
Financial leases are agreements that transfer the major part of financial risk and return to the lessee. The group presents financial leases in the accounts as assets and liabilities, as fair value of the asset or, if lower, the current value of the cash flow to the lease. When calculating the current value of the lease, the implicit interest cost of the lease is used when it can be determined. If it cannot be determined, the company's marginal borrowing rate in the market is used. Direct costs associated with the lease are included in the asset cost. Monthly lease is separated into an interest element and a repayment element.
The interest cost is allocated to various periods so that the effective interest rate for the residual debt is the same in different periods.

Assets included in a financial lease, are depreciated. The depreciation period is consistent for similar assets owned by the group. If there is no certainty that the company will take over the asset at the end of the lease, the asset is depreciated over the shortest period of the lease term and depreciation time for similar assets owned by the group.

If a "sale and rentback" transaction results in a financial lease, any profit will be deferred and recorded over the lease period.

Currently, the company has no leases classified as financial leases.

Operational leases
Leases where the major part of the risk is not transferred to the lessee, are classified as operational leases. Lease payments are classified as an operational expense, and they are recognized over the contract period.

If a "sale and rentback" transaction results in an operational lease, and it is evident that the transaction was made at fair value, any profit or loss will be recognized when the transaction is completed. If the sales price is below fair value, any profit or loss is recognized directly, except in situations where this leads to future lease payments below market value. In such cases the profit/loss is amortized over the lease period. If the sales price is above fair value, the excessive price is amortized over the estimated period of use for the asset.

2.6 Depreciation of fixed assets
Book value of tangible fixed assets are assessed for loss of value when events or changes in circumstances indicate that book value cannot be recovered. If such indications are discovered, and book value exceeds the recoverable amount, the asset is written down to the recoverable amount, which for tangible fixed assets is the highest of expected net sales price and utility value. Utility value is calculated as the current value of future cash flows. If the reason for the write-down lapses at a later time, and the lapse can be tied to an event taking place after the impairment is recognized, the previous write-down is reversed.

2.7 Sale of vessels
Profit or loss from the sale of vessels is recorded on the line of Other income.

2.8 New constructions
Vessels under construction with paid construction futures, as well as costs directly associated with the construction, such as construction supervision, other construction costs, and interest on external financing during the construction period. Capitalized value is reclassified to vessels when the vessel is delivered from the shipyard and the vessel is ready for use. Depreciation of vessels starts on the same date.

2.9 Financial assets
The group's financial assets are classified in the following categories: financial assets at fair value with changes in value through the profit and loss account, loans and receivables. Classification depends on the purpose of the asset.

The group uses derivatives such as currency contracts and interest swaps to reduce the risk associated with currency and interest fluctuations. The derivatives are presented as an asset at positive value and a liability at negative value.

a) Financial instruments at fair value through the profit and loss account
A financial asset is classified in this category if it is acquired primarily with regard to give profit from short-term price fluctuations, or if the management chooses to classify it in this category. Derivatives are also classified as held for trading purposes. Assets in this category are classified as current assets if they are held for trading purposes or if they are expected to be realized within 12 months after the balance sheet date.

Profit or loss from changes in fair value of assets classified as “financial assets at fair value through the profit and loss account”, including interest income and dividends, is included in the income statement under “change in value derivatives” in the period where they occur.

b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed payments that are not traded in an active market. They are classified as current assets, unless they mature more than 12 months after the balance sheet date. In such cases, they are classified as fixed assets. Loans and receivables are classified as “accounts receivable and other receivables” on the balance sheet.

Ordinary acquisitions and sales of investments are recorded at the time of the transactions. All financial assets that are not recorded at fair value through the profit and loss account, are recognized the first time at fair value plus transaction costs. Financial assets recorded at fair value through the profit and loss account are recognised upon acquisition at fair value, and the transaction costs are recognized. Investments are removed from the balance sheet when the entitlement to cash flows from the investments cease, or when such entitlement is transferred and the group has basically transferred all risk and all potential gain of the ownership. Financial assets available for sale and financial assets at fair value through the profit and loss account are valuated at fair value after the first recognition. Loans and receivables are recorded at amortized cost using the effective interest method.

Book value of financial assets at amortized cost are assessed for loss of value when events or changes in circumstances indicate that book value cannot be recovered. This could, for example, be at an observable fall in market value where there is an active market, or in the form of inquiries from a debtor with payment difficulties, composition or bankruptcy, or when the debtor fails to settle at maturity.

2.10 Derivatives and hedging
The group does not use accounting hedging, and none of the group’s derivatives are designated hedging instruments.

2.11 Accounts receivable
Accounts receivable are measured at fair value at the first recognition. For subsequent measurements, accounts receivable is assessed at amortized cost determined by using the effective interest method, less provision for expected loss. Provisions for losses are recorded when there are objective indicators that the group will not receive settlement in accordance with the original condition. Substantial financial problems with the client, the likelihood that the client will go bankrupt or undergo financial restructuring, and delayed or missing payments are considered indications that accounts receivable must be written down. The provision constitutes the difference between nominal and recoverable amount, which is the current value of expected cash flows, discounted with effective interest. Changes in the provision are recognized as other operational expenses.

2.12 Cash and cash equivalents
Cash and cash equivalents consist of cash, bank deposits, other short-term, easily negotiable investments with a maximum of three months’ original maturity and overdraft facilities. In the balance sheet, overdraft facilities are included in loans under short-term liabilities.

2.13 Share capital
Ordinary shares are classified as share capital.
Expenses directly associated with issuing new shares or options with tax deductions, are recorded as reduction in received consideration in equity (premium on shares).

2.14 Payables
Payables are measured at fair value at the first recognition. For subsequent measurements, payables are assessed at amortized cost determined by using the effective interest method.

2.15 Loans
Loans are recorded to the accrued amount when the loan is disbursed, less transaction costs. In subsequent periods, loans are recorded at amortized cost using the effective interest. The difference between the disbursed loan amount (less transaction costs) and the redemption value is recognized over the term of the loan.

2.16 Pension liabilities, bonus schemes and other compensation schemes for employees
a) Pension liabilities
The companies in the group have different pension schemes. Pension schemes are mainly financed through payments to insurance companies or pension funds. The group’s pension schemes are a defined contribution scheme and defined benefit plans. A defined benefit plan is typically a pension scheme which defines a pension payment an employee will receive when retiring. Pension payments normally depend on several factors, such as age, number of years in the company, and salary.

The recognized liability associated with defined benefit plans is the current value of the defined benefits on the balance sheet date less fair value of the pension funds (in cases where the scheme is hedged). The pension liability is calculated annually by an independent actuary using a linear earning method. The current value of the defined benefits is determined by discounting estimated future disbursements based on the interest on corporate bonds with high credit rating on the basis of the OMF interest.

Changes in benefits of the pension plan are recorded as income or charged to expense on an ongoing basis, unless the rights under the new pension scheme are conditional on the employee remaining in service for a specified period in the vesting period. In this case the cost is amortized in connection with the changed benefit linearly through the vesting period.

b) Bonus agreements and severance pay
In some cases, employment agreements are made which give the right to bonus in relation to fulfilment of defined financial and non-financial criteria, as well as agreements which give the right to severance pay if the employer terminates the employment. The group records reserves in cases where there is a formal obligation to make disbursements.

2.17 Reserves
The group records reserves for environmental improvements and legal requirements, if any, when: There is a statutory or self-imposed obligation as a result of previous events, there is a preponderance that the obligation will become effective in the form of a transfer of financial resources, and the size of the obligation can be estimated with a sufficient degree of reliability.

In cases where there is more than one obligation of the same nature, the probability of the obligation becoming effective, will be determined by assessing the group as a whole. Reserves for the group are recorded even though the probability for becoming effective with regard to the individual elements of the group, is low.

Reserves are measured at current value of expected disbursements to fulfil the obligation. A discount rate before tax is used which reflects the current market situation and risk specific to the obligation. Increase in the obligation due to change in time value is recorded as interest cost.

2.18 Income and expense recognition principles
Income from the sale of goods and services are valuated at fair value, net after deduction of commission, rebates and discounts. Group-internal sales are eliminated. Income is recognized as follows:

a) Sale of services
Except for the seismic fleet, most of the group’s vessels have been contracted on time charters (TC) throughout the year. This means that the freight is agreed as lease for a vessel with crew. The charterer decides (within agreed limitations) how the vessel is to be used. The time charter ceases in periods when the vessel is not operational (is “off hire”), for example during repairs. The shipping company pays for the crew, supplies, insurance, repairs, administration, etc., while the charterer pays the “travel dependent” expenses such as bunkers, port expenses, and expenses for loading and unloading.

In addition to leasing vessels, there are in some cases agreements for additional services in the form of hiring extra crew, sale of provisions and coverage of other operating expenses.

Lease income for leasing vessels is recorded linearly through the lease period. The lease period starts from the time when the vessel is at the lessee’s disposal, and ends on agreed return.

Lease of crew and compensation for covering other operating expenses are recorded linearly through the

contract period. When a contract is cancelled, the remaining contract is recorded as income then the vessel is

returned.

b) Interest income
Interest income is recognized proportionally over time in accordance with the effective interest method. When writing down receivables, the receivable’s capitalized value is reduced to the recoverable amount. Recoverable amount is the estimated future cash flow discounted with the original effective interest. After the write-down, the interest income is recognized on the basis of the original effective interest rate.

c) Dividend income
Dividend income is recognized when this has been determined by the General Meeting.

2.19 Government grants
Grants regarding the net wage scheme and the reimbursement scheme for seafarers are recorded as a cost reduction (“payroll and other personnel costs”).

2.20 Dividends
Disbursements of dividends to the company’s shareholders are classified as debt from the date when the dividend is determined by the General Meeting.

2.21 Events after the balance sheet date
New information after the balance sheet date on the company’s financial position on the balance sheet date has been considered in the annual accounts. Events after the balance sheet date that do not affect the company’s financial position on the balance sheet date, but will affect the company’s financial position in the future, are reported if they are significant.

2.22 Profit/loss of the year per share accrued to the parent company's shareholders
The calculation of profit per share is based on the majority's share of the net profit by using the weighted average of outstanding number of shares through the year. The diluted profit per share based on the majority's share of the net profit by using the average of outstanding number of shares and outstanding options.

2.23 Taxes
Taxes are expensed as incurred. The tax costs consist of payable taxes and the change in deferred taxes. Deferred tax/deferred tax asset is calculated based on the liability method. Deferred tax/deferred tax asset is calculated based on tax rates and tax legislation which is adopted or in essence adopted on the balance sheet date, and which is assumed to be used when the deferred tax is settled. Deferred tax/deferred tax asset is calculated per tax area and is presented gross in the balance sheet.

Deferred tax assets are recognised in the extent that it is likely that future taxable income will be present, and that the temporary differences can be deducted from this income.

The parent company and some other companies in the group are subject to ordinary taxation. Several companies in the group are subject to tonnage tax.

Taxes abroad is recorded in the periods in which they are incurred. In the extent that taxes are calculated on the basis of revenue, this is classified as income reduction and is presented with operating income. Taxes abroad calculated on the basis of net profit, are classified as tax costs.

2.24 Discontinued operations – Assets and liabilities held for sale
Fixed assets (or disposal groups) are classified as held for sale when the capitalized amount is mainly realized through a sales transaction, and a sale is considered highly likely. Assessment is done at the lowest capitalized value and fair value less sales costs.

2.25 Changes in accounting principles
Applied accounting principles are consistent with the principles of previous periods, except for the adjustments in IFRS which have been implemented by the group in the current period.

There are no new or changed IFRS and IFRIC interpretations effective from 2016 that give significant effect for the group. Thus, no changes have been implemented.

Certain new standards, adjustments and interpretations which have been published, but are not yet in effect, have not been used for the annual accounts submitted as at 31/12/2016. This applies to the following standards, which may be relevant for the company:

• IFRS 15 Income from client contracts
– IASB has published a new standard for income recognition, IFRS 15. The standard replaces all existing standards and interpretations for income recognition. The core principle of IFRS 15 is that income is recognized in order to reflect the transfer of agreed goods or services to clients, and then at an amount that reflects the compensation to which the company expects to be entitled in exchange for these goods or services. The standard applies to all income contracts and contains a model for recognition and assessment of the sale of certain non-financial assets (such as the sale of real estate, facilities and equipment). The new standard is expected to be effective from 01 January 2018.

More note information is expected. Beyond this, the standard is not expected to have significant effect on the consolidated accounts.

• IFRS 16 Leases
IFRS 16 Leases replaces the existing IFRS standard for leases, IAS 17 Leases. IFRS 16 provides principles for recognition, assessment, presentation, and information on leases for both parties of a lease, i.e. the client (lessee) and the supplier (lessor). The new standard requires that the lessee recognizes assets and liabilities for mot leases, which is a significant change from the current principles. For the lessor, IFRS 16 continues in essence the existing principles of IAS 17. In line with this, the lessor shall continue to classify its leases as operational or financial leases, and record these two types of leases differently. IFRS 16 will be effective for accounting years starting on 01 January 2019 or later.

More information in the notes is expected, as well as the balance sheet being affected by the leases listed in Note 23. Beyond this, the standard is not expected to have significant effect on the consolidated accounts.

• IAS 1 Presentation of the financial accounts
The amendments to IAS 1 are meant to promote the use of a larger degree of professional discretion with regard to what information is to be included in notes, and how the accounts are to be structured.

• IAS 7 Cash flow statement (amendment)
The amendments introduce note requirements that make it possible to evaluate changes in liabilities due to financing activities, including changes with and without cash effect. IAS 7 (amendment) will be effective for accounting years starting 01 January 2017 or later, however, the EU has not approved the amendment.

2.26 Significant accounting estimates and important matters associated with uncertainty in estimates
Preparing accounts in accordance with applicable standards and practice requires that the management prepares estimates and makes assessments that affect recorded assets and liabilities as well as information on conditional assets and latent obligations on the reporting date,

including income and costs for the reported period. The final outcomes may deviate from the estimates. Some amounts included in or with effect on the accounts and associated notes require estimates, which again entail that the group must make assessments with regard to values and matters which are not known at the time of preparing the accounts. A significant “accounting estimate” could be defined as an estimate which is important in order to give a correct picture of the group’s financial position, and which at the same time is a result of difficult, subjective and complex assessments made by the management. Such estimates are often uncertain by nature. The management evaluates such estimates on an ongoing basis, both based on history and experience, but also by consultations with experts, trend analyses, and other methods which are considered relevant for each estimate. Estimates and assessments that could have a significant effect on the accounts, are provided below.

a) Vessels
- Economic life/useful life
The level of depreciation depends on the estimated economic life of the vessels. The estimate is based on history and experience associated with the vessels which are included in the group. The group’s main strategy is to keep the vessels until they are scrapped. However, there are ongoing evaluations where the main strategy can be deviated from when financial conditions dictate. The estimate is reviewed annually. A change in the estimate will affect depreciations in future periods.

- Residual value at the end of economic life
The level of depreciation depends on the estimated residual value on the balance sheet date. Expected residual value is based on the knowledge of scrap values of vessels. The scrap value is dependent on steel prices. The estimate for scrap value is subject to an annual review.

- Write-downs
On the balance sheet date, the group has made an assessment of whether there are indicators that vessels may need to be written down. When such indicators exist, the recoverable amount for the vessel in estimated, and the vessel’s value is written down to the recoverable amount.

Please refer to Note 12 for more details on the principles that have been applied.

b) Leases
When signing leases, the contracts are classified either as operational or as financial. The classification is based on the following assumptions:

• The lease period is defined as the “non-cancellable” period where the lessee is obliged to lease the asset, with the addition of an extended lease period (option), if any, if it is not already reasonably certain at the conclusion of the contract that the lessee will exercise this option.

• The lessee’s call option on the asset, if any, is also considered when the leases are classified. If it is considered reasonably certain that the option will be exercised, the contract is classified as financial. If there is a call option at the conclusion of the contract at a price which is considered to be significantly lower than the market value at the exercise date, it is considered reasonably certain that the option will be exercised.

• When calculating a net current value of the minimum lease payment in order to assess the relationship between the net current value of lease payments and the asset’s market value, the group uses the implicit interest rate in the lease. Using other interest rates could have led to other conclusions for the classification of the lease.

• The assessment of “reasonably certain” requires the use of discretion and estimates. The estimates economic life and residual value of assets, as described above, are also relevant when classifying leases.

c) Pension liabilities
Determination of the obligations under defined benefit plans is a complex area because it requires estimates for both actuarial and financial assumptions. The commitments are also measured on the basis of current value because the benefit is being paid many years into the future. The group's assumptions are based on recommended assumptions from the Norwegian Accounting Foundation for the Norwegian schemes. Calculation of the pension commitments are mainly influenced by the prerequisite of discount rate.

d) Acquisition of assets
When more assets are acquired together, their individual cost must be determined. The group uses valuation methods and value assessments from third parties in order to determine the fair value of each identified asset, and allocates the total cost in relation to the individual values.

Note 3 Financial risk management

Financial risk
The group is exposed to various financial market risks through its business activities. Financial market risk is the risk that fluctuations in exchange rates, interest rates and freight rates will affect the value of the group’s assets, liabilities and future cash flows.

The group’s overall risk management plan focuses on the unpredictability of the capital markets and attempts to minimize the potential negative effects on the group’s financial results. Elements included in the management of financial risks, are contract lengths on charters, the use of currency and interest instruments, as well as taking loans in the same currency as expected payments of freight revenues in currency. The main focus for the management of interest and currency risk is to hedge future cash flows. The hedge positions for cash flows are recorded at market value on the balance sheet date, which exposes the account to fluctuations in the value of the hedging instruments. In Eidesvik Offshore ASA, risk management of the profits reported in the accounts, is subordinate to the consideration of risk management of the cash flows.

Risk management for the group is handled by the administration in accordance with guidelines from the Board.

a) Market risk

(i) Currency risk (see also Note 24)
The group operates internationally, and is exposed to fluctuations in exchange rates for several currencies. Currency risk occurs from future transactions, and associates with capitalized assets and liabilities.

In order to manage the currency risk from future commercial transactions and capitalized assets and liabilities, the group uses currency derivatives. The group also takes loans in the same currency as future payments in currency.

The group is particularly exposed to fluctuations in USD, as the group has considerable freight income, but low operational costs, in this currency. One seeks to reduce fluctuations by means of loans and currency futures in the same currency. The group's long-term liabilities were distributed to 52 % NOK and 48 % USD as at 31/12/2016, in 2015 the distribution was 51 % NOK and 49 % USD.

The table below shows estimated change in net profit before tax in million NOK if the USD rate against NOK had been 50 øre higher/lower in 2016.

	+50 øre.	-50 øre.
Operating profit before profit from associated companies and joint ventures	13.3	-13.3
Profit from joint ventures	-5.7	5.7
Net financial profit excluding currency gain	-0.5	0.5
Currency gain long-term liabilities and currency futures	-80.8	80.8
Net profit	-73.7	73.7
Translation differences shares	19.1	-19.1
Total net profit	-54.6	54.6

(ii) Price risk
The group is exposed to price risk since the spot rates have been historically volatile. The group seeks predictability, and its strategy is therefore to have a contract portfolio consisting of long contracts with an approximately fixed price. For 2017, the fixed contracts represent 57 % of available vessel days. As at 31/12/2016, 3 of the group's vessels were laid up, and one was operated in the spot market. See also Note 23 for contract status.
For some long contract signed a long time ago, there is a risk that the counterparty pushes for a rate reduction. This is because the rate levels are very different from the current rates in the market, or that the counterparty is facing financial challenges. This is a general observation in the market. For the consolidated group this applies to one vessel, and for joint ventures, it applies to two vessels, where a rate reduction has been agreed after the balance sheet date. See also Note 28.

The group has very low exposure to price risks on bunkers and other goods.

(iii) Interest risk (see also Note 24)
The group's interest risk is associated with long-term liabilities and deposits of surplus liquidity. Loans with floating interest rates involve a risk for the group's cash flow. Fixed-rate loans expose the group to fair value interest risk. The interest risk is managed by using interest derivatives (swaps and options) within a framework determined by the Board.

The effect of a change in the interest level is simulated in order to support decisions on the conclusion of fixed-rate contracts. The simulation illustrates the cash effect of an interest rate fluctuation given the size of the loan and the level of the current interest hedging. A 1 per cent shift in the interest rate, everything else unchanged, would reduce the net profit before tax by MNOK 29. The group's loans are recorded at amortized cost, and will thus not be reflected in the form of change in value from interest rate fluctuations.

(b) Credit risk
The group has a concentration risk because charters are made with relatively few clients. Eidesvik's clients are mainly solid companies with good solvency. The risk that the contract partners have no financial ability to fulfil their obligations, is considered low, although there is still uncertainty regarding the company's largest client, CGG, and in 2017, the company has had to accept lower rates on some existing contracts.
The following table categorizes the group's receivables according to the risk of non-recovery of outstanding amounts:

Accounts receivable	**2016**	2015
Group 1	**126,628**	174,470
Group 2	**20,633**	15,395
Group 3	**55,746**	123
Total	**203,006**	189,989

Group 1: Established client relationship, good solvency/willingness to pay

Group 2: New clients, or slow recovery

Group 3: Established client relationship, weaker solvency/willingness to pay

Maximum risk exposure is represented by the capitalized value of the financial assets, including derivatives, on the balance sheet. Since the counterparty in derivatives trading is large, well-known banks, the credit risk associated with derivatives is considered small.

(c) Liquidity risk

The group aims at flexibility in financing through established credit facilities, as well as managing cash flow from operations through the focus on long-term charters with little price volatility.

Surplus liquidity is mainly placed in ordinary bank deposits.

The group monitors the risk of lack of available capital through liquidity budgets for the subsequent year as well as a monthly 24-month liquidity prognosis. Longer liquidity prognoses of up to 5 years are prepared several times per year, as well as when signing newbuild contracts.

Due to the uncertainty with regard to being able to refinance the company's bonded loan, which matures in 2018, the company sold a laid-up vessel in the first quarter of 2017 in order to provide liquidity to repay both the vessel's attached liabilities and the outstanding bonded loan at the rate of 60. The risk of being in breach of the working capital covenant (see Note 21) is reduced after the balance sheet date due to this. At the same time, the negative net profit in 2016 has led to weakened equity, which, in isolation, has increased the risk of being in breach of the equity covenant. The covenant requirement to the company's equity ratio is 25 %, and the actual equity ratio was 29 % on 31/12/2016. This means that the equity could have been TNOK 253,381 lower on the balance sheet date before the company would have been in breach of the equity covenant. In the event that the company's net profit reduces the equity with this amount in the future, there will be risk of breach of covenant. Currency fluctuations in particular could affect the equity ratio since the company has considerable liabilities in USD. Since the company is still paying instalments in accordance with the original instalment plan (see the table below), and is also actively seeking to reduce debts, the equity amount necessary to maintain the covenant requirement, is reduced. Due to repayment of the company's bonded loan in the first quarter of 2017, the covenants associated with this loan have ceased after the balance sheet date. The company will continue negotiations with creditors in order to obtain the necessary reliefs in the company's repayment plan.

See also Note 21 for note information on instalment profile/refinancing needs for long-term liabilities.

The following table sums up the maturity profile for the company's liabilities based on contractual, non-discounted cash flows. Estimated interest is based on current interest and exchange rate as at 31/12/2016.

Maturity statement capitalized liabilities	2017	2018	2019	2020	2021	Later
Loans	322,187	663,120	367,720	709,388	1,235,267	159,375
Accrued interest	18,072	0	0	0	0	0
Payables	49,559	0	0	0	0	0
Other short-term liabilities	*105,125*	*0*	*0*	*0*	*0*	*0*
Subtotal liabilities excl. market value derivatives	494,943	663,120	367,720	709,388	1,235,267	159,375
Assumed interest						
Interest payments existing loans	131,894	110,290	87,215	67,210	25,163	13,723
Adjustment incurred 31/12/2016	-18,072	0	0	0	0	0
Subtotal estimated interest	113,823	110,290	87,215	67,210	25,163	13,723
Leases						
Leases (note 23)	6,466	5,842	5,842	5,842	5,842	61,377
Total contractual liabilities coming to maturity	615,231	779,252	460,777	782,440	1,266,273	234,475

Risk management of capital

A primary goal for the group is to secure long-term financing of the assets. The company's long-term strategy is to follow a moderate dividend policy in order to maintain a relatively strong equity ratio. In light of the challenging market, measures have been implemented to strengthen the group's liquidity and capital through the sale of three vessels, repurchasing bonded loan at a discount, negotiations with creditors on instalment reductions, as well as raising new equity. One seeks to obtain agreements which secure the group through years of weak markets and corresponding revenue. Please refer to Note 21 where covenants are discussed.

Assessment of fair value

IFRS 7 requires that financial instruments measured at fair value on the balance sheet date, are presented per level with the following level classification for measuring fair value:

1) Listed price in an active market for an identical asset or liability (level 1)
2) Valuation based on observable factors, either directly (price) or indirectly (derived from the price), other than the listed price (used in level 1) for the asset or liability (level 2)
3) Valuation based on factors not taken from observable markets (non-observable assumptions) (level 3)

The following balance sheet items represent financial instruments at fair value:

Balance sheet item:	Level
Derivatives	2
Cash and cash equivalents	1

Derivatives are recognized on the basis of valuations from the counterparty (mark to market).

Debt to credit institutions with floating interest rates are recognized at amortized cost, and are valuated at approximately fair value. Fixed-rate loans (CIRR) are recorded at amortized cost, and the estimated value is stated in Note 24. Fair value for fixed-rate loans is calculated by discounting the difference between the fixed rate and the market rate as at 31/12/2016 with duration similar to the term of the loan.
The group's TNOK 300,000 bonded loan is valuated in the accounts at amortized cost. Cost is considered equivalent to fair value for the equity investments discussed in Note 22.

Note 4 Segment information

The group's activities are divided into strategic operational segments according to the nature of the vessels' activities. The various operational segments offer different shipping services, address partially different client groups, and have different risk profiles.

The group is divided into the following operational segments:

a. Seismology
b. Sub sea
c. Supply
d. Other

The seismology segment delivers shipping services to clients who produce seismic data, and the market is characterized by relatively long contracts. The vessels belonging to this segment are not bound to particular geographical areas, they operate all over the world according to the clients' needs.

The subsea segment delivers shipping services to subsea work for the oil industry. The vessels are specially adapted to tasks such as subsea inspection, maintenance and construction.

The supply segment delivers services to the oil industry offshore. The vessels deliver supplies to rigs, and function as part of the rig's emergency preparedness.

Transactions between the segments are eliminated. These are mainly administration costs that are charged to each segment.

Long-term financial items in the group are not allocated, as the group's liabilities are mainly included in fleet facilities.

Short-term liabilities are allocated to the segments to the extent possible. What does not fall naturally under any of the segments, is recorded on the segment "other".

Segment performance is assessed on the basis of operating profit, and is consistently measured against operating profit in the consolidated financial accounts.

Operational segment

(NOK 1,000)	Seismology		Subsea		Supply		Other		Consolidated	
Operational segment	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Net profit segment										
Operating income	**189,144**	211,386	**314,436**	639,843	**254,416**	366,256	**26,110**	21,451	**784,106**	1,238,936
Share of operating income from joint ventures*	**126,269**	120,906	**80,023**	80,493	**0**	0	**0**	0	**206,292**	201,399
Total operating income	**315,413**	332,292	**394,459**	720,336	**254,416**	366,256	**26,110**	21,451	**990,398**	1,440,335
Operating costs	**14,745**	14,852	**153,376**	197,424	**178,754**	221,061	**21,946**	35,310	**368,821**	468,647
Share of operating costs from joint ventures*	**520**	388	**31,975**	32,661	**0**	0	**0**	0	**32,495**	33,049
Total operating costs	**15,265**	15,240	**185,351**	230,085	**178,754**	221,061	**21,946**	35,310	**401,316**	501,696
Depreciations/write-downs	**55,365**	60,901	**265,051**	138,965	**479,026**	410,276	**1,837**	1,964	**801,279**	612,106
Share of depreciations/write-downs from joint ventures*	**141,647**	45,198	**18,150**	17,721	**0**	0	**0**	0	**159,796**	62,919
Total depreciations	**197,012**	106,099	**283,201**	156,686	**479,026**	410,276	**1,837**	1,964	**961,075**	675,025
Operating profit incl. share of joint ventures*	**103,136**	210,953	**-74,092**	333,565	**-403,364**	-265,081	**2,327**	-15,823	**-371,993**	263,614
Net finance and taxes in joint ventures*	**-79,021**	-10,133	**-15,264**	-18,281	**0**	0	**0**	0	**-94,285**	-28,414
Operating Profit	**24,115**	200,820	**-89,356**	315,284	**-403,364**	-265,081	**2,327**	-15,823	**-466,278**	235,198
Net financial costs									**-98,962**	-471,274
Tax costs									**721**	-3,816
Profit/loss for the year									**-564,519**	-239,892

In 2016, the Supply segment has a TNOK 379,108 depreciation, and the Subsea segment has a TNOK 129,710 depreciation. In 2015, the Supply segment has a TNOK 290,000 depreciation. The Subsea segment contains a TNOK 95,846 sales profit in 2015.

(NOK 1,000)	Seismology		Subsea		Supply		Other		Consolidated	
Operational segment	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Segment assets	**712,973**	784,751	**2,119,880**	2,294,721	**993,359**	1,642,249	**247,498**	54,985	**4,073,710**	4,776,706
Share of assets in joint ventures*	**884,876**	1,139,829	**430,063**	443,404	**0**	0	**0**	0	**1,314,940**	1,583,233
Non-allocated assets (cash)									**549,738**	702,276
Assets incl. share of joint ventures*	**1,597,849**	1,924,580	**2,549,943**	2,738,125	**993,359**	1,642,249	**247,498**	54,985	**5,938,387**	7,062,215
Segment short-term liabilities (not mortgages)	**-44,046**	-3,838	**-27,965**	-20,612	**-9,065**	-15,095	**-92,151**	-156,820	**-173,227**	-196,365
Share of liabilities from joint ventures*	**-555,006**	-658,761	**-315,321**	-333,297	**0**	0	**0**	0	**-870,327**	-992,058
Segment mortgages and bonded loans	**-641,043**	-732,501	**-1,481,281**	-1,648,810	**-1,014,361**	-1,149,799	**-301,097**	-300,868	**-3,437,782**	-3,831,978
Total liabilities incl. share joint ventures*	**-1,240,095**	-1,395,100	**-1,824,567**	-2,002,719	**-1,023,426**	-1,164,894	**-393,248**	-457,688	**-4,481,336**	-5,020,401
Investments in fixed assets (excluding periodic maintenance)	**0**	0	**24,894**	1,264,505	**13,027**	15,478	**0**	504	**37,922**	1,280,487
Gross sale of fixed assets	**0**	58,080	**0**	178,303	**34,417**	0	**2,251**	0	**0**	0

*) For shares in joint ventures, the figures in the table are included with a share corresponding to the group's ownership interest.

Information on large clients

The majority of the group's income in 2016 was earned from a small number of large clients. The table below shows the total operating income from all clients representing more than 10 % of the group's operating income. The amounts are distributed on segments. Shares from joint ventures are included.

Segment	**Amount**
Seismology	315,413
Subsea	331,072
Supply	106,358

Secondary segments are not reported. Business segments seismology, subsea, and supply are the only groups reported internally. Although the vessels operate in various parts of the world, this is mainly a consequence of the clients' preferred area of operation, not necessarily a decision on a geographical focus area. Secondary segmentations are therefore omitted.

Note 5 Other income

(NOK 1,000)	2016	2015
Termination fee Veritas Vantage	**0**	22,216
Termination fee Viking Vision	**35,306**	0
Gain/loss from the sale of vessels	**0**	92,789
Other income	**35,306**	115,005

Profit/loss from the sale of vessels applies to sales profit European Supporter and loss Viking II in 2015.

Viking Vision was returned on 03/10/2016, while Eidesvik is entitled to day rates until 31/07/2017.
All remaining bareboat lease is recorded at return because Eidesvik does not have any further obligations in the lease.

Viking Nereus was sold in 2016. However, there was no profit or loss associated with the sale, since the vessel was depreciated as at Q3 with an amount equivalent to the agreed sales price in Q4.

Vantage was returned on 28/02/2015.

Note 6 Other operational costs

(NOK 1,000)	2016	2015
Technical operation vessels	**83,172**	87,996
Insurance	**13,047**	19,289
Communication costs	**13,255**	15,871
Administrative costs	**23,528**	31,192
Research and development	**29**	151
Other expenses	**0**	-3
Other operating costs	**133,031**	154,496

Technical operation vessels include current operating expenses and maintenance of the group's vessels, classification expenses are activated and depreciated until the next classification, and are thus not evident as another operating expense.

Administrative costs consist mainly of travel, consultancy, legal, audit (see Note 25), lease and other office expenses. Auditor:

(NOK 1,000)	2016	2015
Statutory audit	**1,375**	1,204
Other financial auditing	**0**	6
Other certification services	**100**	84
Total auditing	**1,475**	1,294

Note 7 Investments in joint ventures and associated companies – NOK 1000

The group Eidesvik Offshore ASA has the following investments in joint ventures:

Unit	Country	Industry	Owner/ voting share	Book value 31/12/2014	Profit/loss share 2015	Translation differences	Dividends	Addition / Disposal	Book value 31/12/2015
Eidesvik Seismic Vessel AS	Norway	Shipping company	51.0 %	181,045	33,926	34,712	-16,944	0	232,739
Oceanic Seismic Vessel AS	Norway	Shipping company	51.0 %	195,435	31,261	37,137	-16,944	0	246,890
CGG Eidesvik Ship Management AS	Norway	Ship Manager	51.0 %	1,439	0	0	0	0	1,439
Eidesvik Seven AS	Norway	Shipping company	50.0 %	95,641	8,235	0	0	0	103,876
Eidesvik Seven Chartering AS	Norway	Shipping company	50.0 %	2,636	3,595	0	0	0	6,232
Total				**476,197**	**77,017**	**71,849**	**-33,888**	**0**	**591,176**

Unit	Country	Industry	Owner/ voting share	Book value 31/12/2015	Profit/loss share 2016	Translation differences	Dividends	Addition / disposal	Book value 31/12/2016
Eidesvik Seismic Vessel AS	Norway	Shipping company	51.0 %	232,739	-16,114	-6,679	-21,299	0	**188,647**
Oceanic Seismic Vessel AS	Norway	Shipping company	51.0 %	246,890	-78,805	-8,672	-19,629	0	**139,785**
CGG Eidesvik Ship Management AS	Norway	Ship Manager	51.0 %	1,439	0	0	0	0	**1,439**
Eidesvik Seven AS	Norway	Shipping company	50.0 %	103,876	10,879	0	-10,000	0	**104,755**
Eidesvik Seven Chartering AS	Norway	Shipping company	50.0 %	6,232	3,756	0	0	0	**9,987**
Total				**591,176**	**-80,284**	**-15,351**	**-50,928**	**0**	**444,613**

Eidesvik Seismic Vessels AS, Oceanic Seismic Vessels AS, and CGG Eidesvik Ship Management AS are classified as joint ventures, as there is a shareholders' agreement with CGG Veritas, which gives the owners equal control of the company.

Eidesvik Seven AS and Eidesvik Seven Chartering AS are classified as joint ventures, as Subsea 7 Norge AS and Eidesvik own 50 % of the shares in the company, respectively.

Dividend from Eidesvik Seismic Vessels and Oceanic Seismic Vessels in the overview above is dividend from 2015, which was paid in 2016. It has been decided to pay a dividend of TUSD 4,000 for 2016, whereof Eidesvik will receive TUSD 2040.

The Board of Eidesvik Seven AS has proposed a TNOK 10,000 dividend, however, this has not been adopted by the General Meeting, and is therefore not reduced in investments in joint ventures.

The TNOK 10,000 in the above overview is 50 % of the total TNOK 20,000 dividend for 2015, which was paid in 2016.

Please also refer to Note 28 Events after the balance sheet date, regarding rate reductions for seismic vessels Oceanic Vega and Oceanic Sirius, which are owned by joint ventures Eidesvik Seismic Vessels AS and Oceanic Seismic Vessels AS.

Summary of financial information on the individual joint ventures:

2015

Unit	Assets	Fixed assets	Current assets	Of which bank	Equity	Liabilities	A long-term	Short-term
Eidesvik Seismic Vessel AS	1,043,364	958,098	85,266	61,108	456,352	587,012	495,705	91,307
Oceanic Seismic Vessel AS	1,153,100	1,102,429	50,671	25,987	484,097	669,003	578,214	90,789
CGG Eidesvik Ship Management AS	38,495	637	37,858	1,015	2,822	35,673		35,673
Eidesvik Seven AS	836,296	763,099	73,198	72,565	187,752	648,545	622,222	26,323
Eidesvik Seven Chartering AS	30,512	0	30,512	7,278	12,463	18,049	8,000	10,049

Entity	Revenue	EBITDA	Depreciation	Financial income	Financial cost	Financial profit	Taxes	Net profit	Group share
Eidesvik Seismic Vessel AS	113,163	112,724	41,949	16,313	20,567	-4,254	0	66,521	33,926
Oceanic Seismic Vessel AS	123,908	123,586	46,674	9,868	25,484	-15,615	0	61,297	31,261
CGG Eidesvik Ship Management AS	39,521	670	200	139	665	-526	56	0	0
Eidesvik Seven AS	86,997	85,221	35,442	991	34,300	-33,309	0	16,469	8,235
Eidesvik Seven Chartering AS	160,986	10,443	0	64	614	-549	2,703	7,191	3,595
									77,017

2016

Unit	Assets	Fixed assets	Current assets	Of which bank	Equity	Liabilities	Long-term	Short-term
Eidesvik Seismic Vessel AS	866,676	783,438	83,238	59,507	371,269	495,407	405,925	89,482
Oceanic Seismic Vessel AS	849,386	800,752	48,634	24,406	275,105	574,281	487,154	87,127
CGG Eidesvik Ship Management AS	21,380	413	20,967	24,129	2,822	18,558	0	18,558
Eidesvik Seven AS	777,627	720,719	56,908	13,044	199,509	578,117	560,519	17,599
Eidesvik Seven Chartering AS	72,500	0	72,500	50,496	19,975	52,525	0	52,525

Unit	Revenue	EBITDA	Depreciation	Financial income	Financial expenses	Financial profit	Taxes	Profit/loss for the year	Group share
Eidesvik Seismic Vessel AS	118,183	117,677	69,787	12,129	91,615	-79,487	0	-31,596	**-16,114**
Oceanic Seismic Vessel AS	129,403	128,890	207,952	7,387	82,844	-75,457	0	-154,519	**-78,805**
CGG Eidesvik Ship Management AS	33,556	-6	200	215	9	206	0	0	**0**
Eidesvik Seven AS	87,235	85,820	36,299	398	28,162	-27,763	0	21,758	**10,879**
Eidesvik Seven Chartering AS	160,045	10,276	0	60	302	-242	2,523	7,512	**3,756**
									-80,284

Note 8 Net financial costs

NOK 1,000	2016	2015
Interest income	**3,742**	4,610
Interest expenses on loans	**-143,580**	-135,587
Cost of interest derivative recorded at fair value over the profit and loss account	**0**	-23,487
Other interest expenses	**-175**	-324
Other financial expenses	**-4,917**	-8,187
Total financial expenses	**-148,672**	-167,585
Change in value interest derivatives recorded at fair value through the profit and loss account (see also Note 24)	**0**	20,913
Realized currency gains (losses)	**-19,774**	-458,104
Unrealized currency gain (loss) – linked to other items	**54,714**	-6,744
Change in value currency futures recorded at fair value over the profit and loss account	**11,028**	135,637
Total currency gains	**45,968**	-329,211
Net financial profit	**-98,962**	-471,274

Note 9 Taxes

NOK 1,000	2016	2015
Tax payable Norway and abroad	**0**	3,816
Insufficient /excess tax allocated previous years	**-721**	0
Tax costs	**-721**	3,816
Temporary differences	**-3,593**	-840
Profit and loss account	**-43**	-54
Pension commitments	**1,165**	11,434
Loss carry forwards	**-613,491**	-564,062
***Total temporary differences**	**-615,962**	-553,523
Recognized deferred tax asset	**0**	0
Applied tax rate	**25 %**	27 %
Tax payable		
Tax payable for the year in the tonnage tax regime Other corporate tax payable, Norway and abroad	**471**	4,649
Total tax payable	**471**	4,649
Explanation of taxes in the income statement:		
Profit before taxes	**-401,822**	-236,076
Estimated 25 % / 27 % tax	**-100,456**	-63,740
Tax effect of		
Permanent differences / results subject to tonnage tax/difference tax rate abroad	**99,735**	67,556
Estimated tax for the year	**-721**	3,816
The group's effective tax rate	**0 %**	-2 %

Note 10 Net profit per share

NOK 1000	2016	2015
Profit/loss of the year accrued to the parent company's shareholders	**-553,001**	-196,914
Average weighted number of outstanding shares 31 December		
Average weighted number of issued ordinary shares	**30,150**	30,150
Average weighted number of outstanding shares 31 December	**30,150**	30,150
Earnings per share	**-18.34**	-6.53
Diluted earnings per share	**-18.34**	-6.53

Average outstanding shares are weighted on the basis of the number of days. See Note 17 for changes in the number of shares.

No dividends have been paid in 2016, and the Board has proposed no payment of dividends in 2017.

Note 11 Payroll and number of employees

NOK 1,000	2016	2015
Payroll after net pay refund	**165,912**	212,028
Social costs	**31,076**	42,757
Pension costs defined benefit plans (see also Note 19)	**-4,869**	10,390
Contracted personnel	**15,233**	23,246
Other personnel costs	**28,439**	25,733
Total personnel costs	**235,791**	314,154

Payroll and payroll tax are shown after deduction for the reimbursement scheme for seafarers.

The pension cost is “positive” due to net deductions of MNOK 13.7 by members in 2016. The reduction in members in Eidesvik Maritime AS is a total of 164 active members. The reduction is 176 active members and 28 new employees in 2016, the remaining effect is pensioners.
59 active members have been moved to CGG Crewing AS with an effect of MNOK 3.7.

Average number of full-time positions was:	**539**	666
Number of employees at year end:	**479**	534

In 2016, NOK 54,805 (NOK 68,458 in 2015) was received in connection with the reimbursement scheme for seafarers. in 2016, a net amount of NOK 3,004 (NOK 6,960 in 2015) was received from the Norsk Maritim Kompetanse foundation.

Note 12 Fixed assets

2015

NOK 1,000	Property	Port facilities	Movables	Total other fixed assets vessels	Vessels	Periodic maintenance	Total	New build contracts	total
Acquisition cost									
01 January 2015	40,091	3,717	38,213	82,021	5,963,952	127,916	6,091,868	347,371	6,521,260
Addition	268	0	236	504	1,279,983	41,333	1,321,316	0	1,321,820
Disposal	0	0	-142	-142	-484,374	0	-484,374	-347,371	-831,887
31 December 2015	40,359	3,717	38,307	82,383	6,759,561	169,249	6,928,811	0	7,011,194
Accumulated write-downs and depreciations 01 January 2015	18,345	3,494	31,720	53,559	2,096,401	57,422	2,153,823	0	2,207,382
This year's depreciations	157	0	1,807	1,964	265,997	54,145	320,142	0	322,105
This year's write-downs/reversed write-downs (-)	0	0	0	0	290,000	0	290,000	0	290,000
Disposal	0	o	0	0	-341,326	0	-341,326	0	-341,326
31 December 2015	18,502	3,494	33,527	55,523	2,311,072	111,567	2,422,639	0	2,478,162
Recorded value	21,857	223	4,780	26,860	4,448,490	57,682	4,506,172	0	4,533,032

2016

NOK 1,000	**Real estate**	**Port facilities**	**Movables**	**Total other fixed assets**	**Vessels**	**Periodic maintenance**	**Total vessels**	**New build contracts**	**Total**
Acquisition cost									
01 January 2016	40,359	3,717	38,307	82,383	6,759,561	169,249	6,928,811	0	7,011,194
Addition	0	0	0	0	37,912	37,534	75,446	0	75,446
Disposal	-2,198	0	-53	-2,251	-185,739	-13,740	-199,479	0	-201,730
31 December 2016	**38,161**	**3,717**	**38,254**	**80,133**	**6,611,734**	**193,043**	**6,804,777**	**0**	**6,884,910**
Accumulated write-downs and depreciations									
01 January 2016	18,502	3,494	33,527	55,523	2,311,072	111,567	2,422,639	0	2,478,162
This year's depreciations	148	0	1,688	1,837	243,895	46,727	290,623	0	292,459
This year's write-downs/reversed write-downs (-)	0	0	0	0	508,819	0	508,819	0	508,819
Disposal	0	0	0	0	-110,751	-12,963	-123,715	0	-123,715
31 December 2016	**18,650**	**3,494**	**35,215**	**57,360**	**2,953,034**	**145,331**	**3,098,365**	**0**	**3,155,725**
Recorded value	**19,511**	**223**	**3,039**	**22,773**	**3,658,699**	**47,713**	**3,706,412**	**0**	**3,729,185**

Please refer to Note 21 for information on mortgaged assets.

Please refer to Note 2, item 2.5, for details on depreciation time and decomposition of vessels.

Write-down tests are performed on individual cash generating entities (vessels) when write-down indicators are identified. Seen in light of the market situation as at 31 December 2016 with decreasing freight rates and an increasing number of vessels laid up, as well as falling stock market values, this represents clear write-down indicators. A number of write-down tests have been performed. When the capitalized value of an asset exceeds the recoverable amount, a write-down is performed. The write-down tests in the fourth quarter of 2016 are mainly based on utility values. Broker estimates are not used as approximate sales value on the balance sheet date due to few observed sales of the type of vessels the company owns. In the assessment of utility value, expected future cash flows are used, discounted to net current value using a discount rate after taxes reflecting market based time value of money, as well as risk specific to the asset. The discount rate is derived from a weighted average cost of capital (WACC) for market players. Applied WACC in the calculation is in the area 7.5 to 8.1 %, depending on currency and cash characteristics, with a weighted average of 7.9 %. Future cash flows are estimated on the basis of estimated useful life, and this may exceed 5 years. Applied capital structure in the weighted average cost of capital is based on assumed capital structure in comparable companies with similar assets in a normal situation. Equity cost is based on expected required rate of return for the company's investors. Liability cost is based on the terms of the loan agreement entered into in 2016, and which is marginally above the company's weighted average for all interest-bearing liabilities, also when bonded liabilities are included. The beta factors are evaluated annually on the basis of publicly available market data on identified comparable companies and the main index at the Oslo Stock Exchange. Other important elements in estimated cash flows are the long-term inflation rate, the contract situation (order reserve), the utilization rate, ordinary operating expenses, periodic maintenance (docking), freight rates, and exchange rates. The fact that the business falls within the tonnage tax scheme, is taken into consideration.

It has been decided to write down 8 supply vessels and 1 subsea vessel with a total of MNOK 508.8 in 2016. Recoverable amount for the 9 vessels is MNOK 1,499, whereof one supply vessel was sold in 2016, and a subsea vessel in the first quarter of 2017. The sold vessels were depreciated to net sales value, and the others to utility value. In 2015, supply vessels were depreciated by a total of MNOK 290.

There is great uncertainty associated with the assumptions for utility value calculations. The utility value calculation is based on the fact that the market prospects are weak in all three of the group's segments on a short and medium-term basis. On an overall level, it is estimated that the seismology market will have a period of 3–4 years after the balance sheet date where layup or rate reduction is assumed for the vessels that do not have permanent contracts. The subsea market is estimated in the same way, where it is assumed a weaker rate for 4 years after the balance sheet date for vessels without contracts. The same applies to the supply market, with a 4-year period of layups of weaker rates, before the profit moves back towards historical levels.

The expected future earnings used in the calculations, are implicitly adjusted for utilization rate adapted to this overall market view. Therefore, sensitivity calculations have also been performed for the utility value calculations and the impaired amounts, in order to visualize the uncertainty of the calculations.

If the earnings or utilization rate of the entire fleet are assumed to be reduced by 5 %, the impaired amount would have increased by MNOK 147 and included the same number of vessels, and in the event of a 5 % increase, the impaired amount would be reduced by MNOK 138 and include one less vessel. If the WACC had been 1 percentage point higher, the impaired amount would have increased by MNOK 96 and included the same number of vessels, and in the event of a reduction by 1 percentage point, the impaired amount would be reduced by MNOK 110 and include the same number of vessels.

Subsea vessel Viking Neptun alone represents about 32 % of the group's recorded value of vessels. Like the group's other vessels, this vessel has been thoroughly evaluated with regard to utility value and broker estimates regarding a possible write-down. The estimated utility value and broker estimate are 21 % and 7 % above recorded value, respectively. Earnings assumptions which form the basis for the utility value, are considerably lower than what the vessel has achieved historically. The vessel is also relatively new (built in 2015), and can be assumed to have a long economic life after the balance sheet date.

Note 13 Other long-term receivables

NOK 1,000	2016	2015
Loans to employees	**1**	217
Deposits apartments	**27**	27
Loan to Slappen inventory	**109**	0
Total other long-term assets	**136**	244

More details regarding loans to employees are provided in Note 25.

Note 14 Accounts receivable

NOK 1,000	2016	2015
Accounts receivable	**195,197**	136,797
Accounts receivable related parties/joint ventures	**9,759**	53,193
Provisions for losses	**-1,951**	0
Total accounts receivable	**203,006**	189,989
Of matured accounts receivable related to other than related parties,		
the distribution before provisions for los is as follows:		
0–3 months	**65,614**	15,178
3–6 months	**351**	7,043
6 months <	**7,569**	260
Total matured accounts receivable	**73,533**	22,480
Recorded value of the group's accounts receivable per currency:		
EUR	**19,803**	0
USD	**106,206**	85,275
GBP	**13,994**	4,861
NOK	**63,003**	99,853
Total accounts receivable	**203,006**	189,989
Movement in provisions for write-downs of accounts receivable:		
As at 01 January	**0**	0
Provisions for write-downs of receivables:	**1,951**	664
Receivables depreciated for loss during the year	**0**	664
As at 31 December	**1,951**	0

Harkand Gulf Contracting Limited was placed under administration due to the company's financial situation in May 2016, and the contract the company had with subsea vessel Viking Poseidon, was terminated.
As a result, the company has lost contracted payments of TNOK 53,460 in 2016. However, this amount has not been recorded, and is therefore not recognized as loss.

Provisions for losses on accounts receivable of TNOK 1,951 are associated with sold vessels European

Supporter and Viking Nereus. The major part of accounts receivable as at 31/12/2016 have been paid during

the first quarter of 2017.

Note 15 Other current assets

NOK 1,000	2016	2015
Inventory (bunkers and lubricating oil)	**13,100**	9,603
Other shares	**34**	34
VAT receivable	**1,642**	4,190
Insurance settlement receivable	**49,678**	2,850
Accrued non-billed income	**10,424**	0
Termination fee Viking Vision	**26,954**	0
Net payroll	**6,085**	5,914
Pre-paid expenses	**28,824**	24,919
Total other current assets	**136,742**	47,511

Insurance settlement receivable is mainly associated with a compressor breakdown on seismic vessel Viking Vision. The size of the amount is determined by Marsh S.A.S. (CGG's insurance agent).

Pre-paid expenses include expenses for pre-paid insurance, provisions for refunds for crew costs and other grants, non-billed expenses for clients, as well as loans to employees (see Note 25).

Note 16: Cash and cash equivalents

Of total cash and cash equivalents of NOK 549,738 (702,276), restricted tax funds represent NOK 5,988 (7,406). There are no restricted funds beyond this.

Note 17: Share capital and shareholders

Changes in paid share capital and premiums:

	Number of shares		Share capital	
	2016	2015	**2016**	2015
Ordinary shares				
Opening balance Capital reduction	**30,150**	30,150	**1,508**	1,508
As at 31 December	**30,150**	30,150	**1,508**	1,508

Nominal value per share in Eidesvik Offshore ASA is NOK 0.0.5 (5 øre).
The Board is authorized to buy back up to 3,000,000 own shares, although no more than 10 % of the total outstanding shares. The company has not used the authorization, and it has no own shares as at 31/12/2016.

The 20 largest shareholders in Eidesvik Offshore ASA as at 31/12/2016

Shareholder	**Country**	**Number of shares**	**Ownership interest**
EIDESVIK INVEST AS	NORWAY	20,180,000	66.9 %
PARETO AKSJE NORGE	NORWAY	1,660,995	5.5 %
TVEITÅ, EINAR KRISTIAN	NORWAY	840,704	2.8 %
HJELTEFJORDEN AS	NORWAY	570,000	1.9 %
VINGTOR INVEST AS	NORWAY	458,000	1.5 %
KLP AKSJENORGE	NORWAY	431,901	1.4 %
KOMMUNAL LANDSPENSJONSKASSE	NORWAY	382,836	1.3 %
BERGTOR AS	NORWAY	350,000	1.2 %
STANGELAND HOLDING AS	NORWAY	350,000	1.2 %
AGASØSTER INVEST AS	NORWAY	349,887	1.2 %
PARETO AS	NORWAY	254,000	0.8 %
TRI PLUSS AS	NORWAY	212,500	0.7 %
DNB NOR MARKETS, AKSJEHAND/ANALYSE	NORWAY	201,892	0.7 %
TVEITÅ, OLAV MAGNE	NORWAY	201,700	0.7 %
DANSKE BANK AS	DENMARK	167,580	0.6 %
GEMSCO AS	NORWAY	157,000	0.5 %
HELLAND A/S	NORWAY	151,500	0.5 %
SKANDINAVISKA ENSKILDA BANKEN AB	SWEDEN	134,000	0.4 %
MELING, JAN FREDRIK	NORWAY	130,000	0.4 %
CALIFORNIA INVEST AS	NORWAY	126,000	0.4 %
Other		2,839,505	9.4 %
Total		30,150,000	100.0 %

The company had 852 shareholders as at 31/12/2016, and a foreign ownership interest of 2.07 %.

See also note 25.

Note 18: Equity items

Changes in reserves

NOK 1,000	Translation differences	Total
Balance sheet 01/01/2015	86,701	86,701
Translation differences	71,849	71,849
Other reserves 31/12/2015	158,550	158,550
Translation differences	-15,350	-15,350
Other reserves 31/12/2016	**143,200**	**143,200**

Dividends

	2016	2015
Paid dividends:	**0**	0

Dividends

For 2017 it is proposed not to pay dividends.

Note 19: Pensions and other long-term employee benefits

The company is obligated to have an occupational pension scheme according to the Mandatory Occupational Pensions Act. The company's pension schemes meet the requirements of this act.

Defined benefit pension

The defined benefit pension scheme was dismantled for most land employees in December 2015. This was replaced by a defined contribution scheme effective from
31.12.15. All employees at sea in the group's companies participate in a defined benefit pension scheme. The group has several contracts, where the main difference between the contracts consists in whether one is employed on board a vessel (seafarers) or in land-based activities. The main terms are 60 % pension of leaving salary and 30 years' pensionable service in all contracts. In the contract for maritime employees, the contract gives the right to pension from the age of 60. Other group schemes give the right to pension from the age of 67. This scheme also includes dependent's pension and disability pension, as well as children's pension. The schemes had 325 (492) members as at 31/12/2016.

The liability is calculates using linear earning. Estimate deviations due to changes in actuarial assumptions, are included in other income and costs (OCI) in the period in which they occur.

Capitalized liability is determined as follows:

NOK 1,000	2016	2015
Current value of accumulated pension commitments in fund based schemes	**100,851**	118,744
Fair value of pension funds	**-102,015**	-106,484
Net capitalized pension liability/(funds) 31 December	**-1,165**	12,260

Adjustments in the defined benefit pension liability during the year:

	2016	2015
Pension commitments 01 January	**118,744**	185,568
Current value of this year's pension contributions	**8,868**	23,479
Interest expenses	**2,669**	4,206
Transfer/acquisition/moving members/new contracts	**-18,589**	-53,120
Payroll tax on employer's contribution	**-1,661**	-2,089
Actuarial losses/(gains)	**-4,492**	-32,339
Paid benefits	**-4,689**	-6,961
Pension commitments 31 December	**100,851**	118,744

Adjustments in fair value of pension funds:

	2016	2015
Pension funds 01 January	**106,484**	133,142
Expected return on pension assets	**2,609**	2,856
Transfer/acquisition/moving members/new contracts	**-4,791**	-38,682
Actuarial (gains)/losses	**-9,379**	1,317
Payroll tax on employer's contribution	**-1,661**	-2,088
Employer's contribution	**13,443**	16,900
Paid benefits	**-4,689**	-6,961
Pension funds 31 December	**102,015**	106,484

Total cost included in net profit:

	2016	2015
Cost of pension contribution for the current period	**11,119**	20,114
Net changes in plans, scaling down, settlement	**-13,798**	-12,654
Interest expenses	**-164**	463
Expected return on pension assets	**264**	890
Administrative costs	**262**	294
Payroll tax on pension costs	**1,610**	1,284
Changes to this year's pension contributions (Service Cost) special events incl. payroll tax	**-4,161**	0
Total, incl. in payroll costs (Note 11)	**-4,869**	10,390

59 active members have been moved to CGG Crewing AS with an effect of MNOK 3.7.

Estimate deviations due to changes in actuarial assumptions, are included in other income and costs (OCI):

	2016	2015
Changes in the discount rate	**1,450**	-13,979
Changes in other financial assumptions DBO	**8,636**	-5,751
Changes in other DBO	**-5,941**	-13,174
Changes in other – pension funds	**99**	-1,767
Funds and interest guarantees	**643**	1,015
Changes in estimates loss / (profit) against OCI	**4,887**	-33,656

Pension funds are placed in various investments through external insurance companies. They manage all transactions regarding pension schemes. Distribution on investment categories:

Equities	**7 %**
Bonds	**44 %**
Real estate	**7 %**
Money market	**24 %**
Other	**18 %**

When calculating pension costs and net pension liabilities, the following assumptions form the basis:

	2016	2015
Discount rate	**2.60 %**	2.70 %
Return on pension funds	**2.70 %**	2.70 %
Wage increase	**2.50 %**	2.50 %
Pension adjustments	**0.00 %**	0.00 %
G adjustment	**2.25 %**	2.25 %

The discount rate is set based on interest on bonds with preferential rights, whereupon this was previously set based on the government bond rate.

Mortality table K2013 BE is used as assumption for mortality. Sensitivity in calculating pension commitments in the event of changes in the assumptions:

The table below shows an estimate for potential effects of a change in certain assumptions for defined benefit pension plans in Norway.

The estimates are based on facts and conditions as at 31/12/2016. Actual results may deviate significantly from these estimates.

	Pension commitments		Net pension cost	
	+ 1 %	- 1 %	+ 1 %	- 1 %
Discount rate	-89,164	115,165	7,541	10,341
Wage increase in %	124,218	-80,286	11,380	-6,672

Risk assessment
Through defined benefit schemes, the group is affected by a number of risks due to uncertainty in assumptions and future development. The most central risks are described here:

Anticipated lifespan
The group has assumed an obligation to pay pensions to the employees for the remainder of their lives. Thus, an increase in anticipated lifespan among the members will lead to a larger obligation for the company.

Return risk
The group is affected by a reduction in the actual return on the pension funds. This will lead to a larger obligation for the company, as return on the funds will not be sufficient to fulfil the obligation.

Inflation and wage inflation risk
The group's pension obligation has risk associated with both inflation and wage development, although wage development is closely linked to inflation. Higher inflation and wage development than what is assumed in the pension estimates, will lead to a larger obligation for the group.

Note 20: Other short-term liabilities

NOK 1,000	2016	2015
Public taxed and charges	**25,605**	40,812
Payroll and holiday pay	**27,127**	38,249
Accrued costs	**52,393**	31,336
Total other short-term liabilities	**105,125**	110,397

Accrued costs mainly apply to provisions for accrued operational costs and dockings/breakdowns.

Note 21: Long-term liabilities

NOK 1,000		Maturity	Recorded value 2016	2015
Mortgage (NOK)	CIRR loans	March 2024	**215,625**	244,375
Mortgage (NOK)	NIBOR loans	June 2020	**74,071**	77,071
Mortgage (NOK)	NIBOR loans	January 2021	**114,000**	139,333
Mortgage (NOK)	CIRR loans	January 2021	**114,000**	139,333
Mortgage (NOK)	CIRR loans	October 2017	**233,333**	262,500
Mortgage (NOK)	NIBOR loans	June 2021	**128,200**	145,000
Mortgage (NOK)	NIBOR loans	June 2021	**182,200**	195,000
Mortgage (NOK)	NIBOR loans	June 2021	**55,600**	60,000
Mortgage (NOK)	NIBOR loans	June 2021	**132,200**	140,000
Mortgage (NOK)	NIBOR loans	June 2021	**131,600**	140,000
Mortgage (NOK)	NIBOR loans	September 2020	**138,000**	147,600
Mortgage (USD)	LIBOR loans	February 2021	**588,532**	637,886
Mortgage (USD)	LIBOR loans	February 2021	**374,520**	419,182
Mortgage (USD)	LIBOR loans	June 2020	**372,097**	424,300
Mortgage (USD)	LIBOR loans	June 2021	**59,650**	70,472
Mortgage (USD)	LIBOR loans	June 2021	**141,540**	154,158
Mortgage (USD)	LIBOR loans	September 2020	**67,956**	83,571
Mortgage (USD)	LIBOR loans	June 2020	**33,932**	78,253
Bonded loans (NOK)	NIBOR loans	May 2018	**300,000**	300,000
Other loan			**896**	867
Capitalized establishment costs			**-20,171**	-26,924
Total interest-bearing long-term liabilities			**3,437,782**	3,831,978
Total long-term liabilities			**3,437,782**	3,831,978
Short-term part of long-term liabilities			**-322,187**	-335,039
Total long-term liabilities excl. first year's instalment			**3,115,595**	3,496,939
Loans short-term				
First year's instalment of long-term debt			**322,187**	335,039
Accrued interest			**18,072**	19,636
Total			**340,259**	354,675
Book value of liabilities in currency				
NOK			**1,799,555**	1,964,156
USD			**1,638,227**	1,867,822
Total			**3,437,782**	3,831,978

Instalment profile on long-term liabilities	
2017	322,187
2018	663,120
2019	367,720
2020	709,388
2021	1,235,267
Later	159,375
Total instalments	3,457,057

In one of the group's loan contracts, it is possible to postpone one instalment with repayment over the remaining term of the loan. Of the total long-term liabilities, MNOK 3,123 are secured against mortgages in vessels recorded at MNOK 3,706.

The group's 300,000 bonded loan is valuated in the accounts at amortized cost.

Of the group's loans as at 31/12/2016, TNOK 228,000 are repaid during the first quarter of 2017 in connection with the sale of vessels as well as buyback of the group's entire bonded loan with original maturity in May 2018 at a nominal value of TNOK 300,000, at the rate of 60. The bonded loan was then deleted.

Covenants
The main part of the company's fleet is financed through mortgages, mainly maritime mortgages. The most important financial covenants associated with this financing are:

- Eidesvik Offshore ASA shall be listed on the Oslo Stock Exchange.
- Book equity of the group shall be at least 25 %, or the company shall have a cash flow from operations (net profit before tax plus depreciations and adjusted for currency gain/loss) exceeding the first year's instalment on long-term loan by 125 %.
- Working capital in the group adjusted for 50 % of 1 year's instalment on long-term debt shall be positive.
- No dividends shall be paid from Eidesvik Offshore ASA until 2019 at the earliest.

The company has one bonded loan. The most important financial covenants associated with this financing are:
- Eidesvik Offshore ASA shall be listed on the Oslo Stock Exchange.
Value adjusted equity shall be at least 30 %, or at least 25 % if the contract coverage for the fleet is more than 70 %.
– The issuer (parent company Eidesvik Offshore ASA) shall hold cash and cash equivalents of at least TNOK 50,000.
- Working capital in the group adjusted for 50 % of 1 year's instalment on long-term debt shall be positive.

No company in the Eidesvik Offshore Group was in violation of loan terms as at 31/12/2016 or during 2016.

Note 22: Equities

The group Eidesvik Offshore ASA has the following investments in other companies:

NOK 1,000

Unit	Country	Industry	Book value 31/12/2016	Book value 31/12/2015
Simsea AS	Norway	Exchange rate	**0**	3,110
Bleivik Eiendom AS	Norway	Real estate	**655**	655
Eidesvik Ghana Ltd.	Ghana	Shipping	**1,065**	2,165
Total			**1,720**	5,930

Simsea is a simulation centre for training nautical personnel. Bleivik Eiendom AS rents out properties to companies conducting safety training of maritime personnel.

Simsea AS is written down to NOK 0 because the company went bankrupt in the winter of 2017. Eidesvik Ghana Ltd is written down to its share of book equity. Investments are valuated in accordance with the equity method.

Note 23: Leases

Other leases	Type	Annual lease	Start	Lease period	Options
Langevåg Senter	Office	5,716	01/01/2013	20 years	6 x 5 years
Langevåg Bygdatun	Office	170	01/01/2005	10 years	2 x 5 years
Warehouse		330	01/01/2012	5 years	9 x 5 years
Vehicles		377		12 months	

Lease of offices and warehouse are adjusted according to the consumer price index
Lease of vehicles is based on the development in interest rates and use beyond agreement. These are usually made for 36 months and are renewed continuously with new vehicles based on the current needs at all times.

Future minimum lease associated with non-cancellable leases mature as follows:

Next 1 year	6,466
2 to 5 years	23,369
After 5 years	61,377
Future minimum lease	**91,212**

The group as lessor
The group's main activity is leasing of offshore tonnage.

Vessels, consolidated	Contract type	Client	Contract expiry fixed	Contact expiry, counterparty option	
Viking Queen	Time Charter	Lundin Norway	December 2017	February	2018
Viking Avant	Time Charter	Statoil	March 2017	December	2019
Viking Energy	Time Charter	Statoil	April 2018	April	2019
Viking Prince	Time Charter	Statoil	February 2017	August	2017
Viking Princess	Time Charter	Chevron UK	January 2018	January	2019
Acergy Viking	Time Charter	Siemens	December 2017	June	2019
Subsea Viking	Time Charter	Subsea 7	December 2017	December	2019
Viking Neptun	Time Charter	Technip	March 2017		
Viking Vanquish	Bareboat	CGG	November 2020	November	2030
Veritas Viking	Time Charter	CGG	June 2017	August	2017
Vantage	Time Charter	CGG	June 2017	August	2017

Vessels in joint ventures	Contract type	Client	Contract expiry fixed	Contract expiry, counterparty option	
Oceanic Vega	Bareboat	CGG	July 2022	July	2042
Oceanic Sirius	Bareboat	CGG	October 2023	October	2043
Seven Viking	Time Charter	Subsea 7	January 2021	January	2023

Vessels on contracts shorter than one year are classified as spot tonnage.

Future minimum lease associated with non-cancellable leases mature as follows:

Next 1 year	430,000
1 to 5 years	96,000
After 5 years	0
Future minimum lease	**526,000**

Note 24: Financial instruments

Capitalized financial assets and liabilities

Capitalized value corresponds with fair value except for loans. See the section "Interest" further down in this note for a discussion of fair value of loans. The group does not practice hedge accounting, but keeps financial derivatives as financial hedging which is recorded at fair value.

NOK 1,000	**2016**	2015
Assets		
Market-based shares, trading purposes	**9**	9
Currency derivatives	**1,756**	0
Accounts payable (note 14)	**203,006**	189,989
Cash and cash equivalents (Note 16)	**549,738**	702,276
Total	**754,508**	892,274
Liabilities		
Currency derivatives	**0**	-9,272
Loans (note 21)	**3,457,057**	3,858,035
Total	**3,457,057**	3,848,763

Currency

The group has entered into currency derivatives as part of the management of the group’s currency exposure. The contract terms are as follows:

As at 31/12/2016:	Currency	Amou	Maturity year	Exchange rate (avera	Fair value (MTM)
Currency derivatives					
Currency futures for sale of current cash flow	EUR	4,500	2017	9.5213	1,756
		4,500			**1,756**

As at 31/12/2015:	Currency sold	Amount	Maturity year	Exchange rate (average)	Fair value (MTM)
Currency derivatives					
Currency futures for sale of current cash flow	USD	7,410	2016	7.8859	-6,836
cash flow	GBP	2,400	2016	12.0240	-2,436
		9,810			-9,272

Interest

The group uses several types of interest derivatives in order to hedge against fluctuations in earnings following changes in interest levels.

As at 31/12/2016

Type	Currency	Floor	Cap/Swap	Maturity	NOK principal amount	value (excl. accrued interest)	Annual Fair downscaling before maturity
Fixed-rate loans	NOK		4.90 %	13/01/2021	**114,000**		25,333
Fixed-rate loans	NOK		3.36 %	30/03/2024	**215,625**		28,750
Fixed-rate loans	NOK		3.41 %	13/09/2024	**233,333**		29,166
Unhedged					**2,894,099**		
Total liabilities hedged and unhedged					**3,457,057**		

As at 31/12/2015

Type	Currency	Floor	Cap/Swap	Maturity	NOK principal amount	Fair value (excl. accrued interest)	Annual downscaling before maturity
Fixed-rate loans	NOK		4.90 %	13/01/2021	139,333		25,333
Fixed-rate loans	NOK		3.36 %	30/03/2024	244,375		28,750
Fixed-rate loans	NOK		3.41 %	13/09/2024	262,500		29,166
Unhedged					3,211,827		
Total liabilities hedged and unhedged					3,858,035		

As at 31/12/2016, 16 % (17 %) of the group’s loans had fixed interest.

The group had three fixed-interest loans in NOK with a maturity of 12 years originally (CIRR), which are recorded at amortized cost in the balance sheet. In the event that these loans were to be refinanced today with a new margin and money market rate, and maintained the same repayment profile, the current value of the difference between the current interest payments and the refinanced interest payments would be MNOK 30.8. If these loans were recorded at fair value, they would have been reported correspondingly higher.

See Note 21 for information on long-term loans.

Other note information

No financial assets have been reclassified in such a way that the valuation method has been changed from amortized cost to fair value, or vice versa.

For assessment of fair value (MTM), see Note 3.

Note 25: Transactions with related parties

The group has some transactions with related parties, this concerns crew hire, management services for vessel operations, as well as business and accounting services as well as lease of offices. All transactions are based on the arm's length principle.

	2016	2015
Sale of crew and management services to Viking Dynamic AS	**23,480**	39,768
Sale of crew and management services to Viking Fighter AS	**2,950**	19,338
Lease of vessels to Maritime Logistic Services AS	**38,575**	107,172
Lease of offices from AS Langevåg Senter	**-5,294**	-6,125
Lease of offices to Evik AS	**542**	511
Lease of offices to Bømmelfjord AS	**545**	516
Lease of offices and other services to Eidesvik Invest AS	**721**	603
Sale of crew and management services to Eidesvik Seven Chartering AS	**66,380**	71,200
Sale of management services to Eidesvik Seven AS	**2,022**	126
Sale of management services to Eidesvik Seismic Vessels AS	**431**	426
Sale of management services to Oceanic Seismic Vessels AS	**431**	452
Sale of crew and office services to CGG Eidesvik Ship Management AS	**101,732**	164,615
Acquisition of technical operations and layup services from Bømlo Skipsservice AS	**-5,477**	-1,992

The balance sheet includes the following amounts resulting from transactions with related parties:

	2016	2015
Accounts receivable	**9,759**	33,118
Payables	**-1,357**	-2,179
Total	**8,403**	30,939

Shares owned/controlled by Board members / senior executives:

	2016	2015
Eidesvik Invest AS (1)	**20,180,000**	20,180,000
Kolbein Rege	**35,450**	35,450
John Egil Stangeland	**10,000**	NA
Jan Fredrik Meling	**130,000**	130,000
Jan Lodden	**1,242**	1,242
Svein Ove Enerstvedt	**1,242**	1,242

(1) Controlled by Borgny Eidesvik, Board member, with 55 % through 100 % ownership in Bømmelfjord AS. The remaining 45 % is owned by Lars Eidesvik, Board member, through 100 % ownership in Evik AS.

The group Eidesvik Offshore ASA is a subsidiary of Eidesvik Invest AS, which in turn is a subsidiary of the ultimate parent company Bømmelfjord AS.

Remuneration to senior executives:

2016	Payroll	Benefits in kind	Pension costs
CEO	2,087	127	236
COO	1,537	16	104
CFO	1,411	164	101
Total 2016	5,035	307	441

2015	Payroll	Benefits in-kind	Pension costs
CEO	2,114	148	210
COO	1,456	33	211
CFO	1,473	160	178
Total 2015	5,043	341	598

The CEO has a TNOK 47 (217) loan on the company as at 31/12/2016, the loan runs for 22 years with an interest equal to the standard interest rate for employees, the interest rate was 2.2 % as at 31/12/2016. The company has mortgage in the CEO’s home.

The CEO has a bonus scheme on given terms up to NOK 500, which is subject to an overall assessment.

The entire Executive Team except the CEO have a mutual notice period of 3 months; the CEO has a mutual notice period of 6 months and is entitled to 18 months of severance pay on certain terms.

Remuneration to the Board	2016	2015
Kolbein Rege	384	480
Borgny Eidesvik	208	260
Lars Eidesvik	176	220
Kjell Jacobsen	176	220
Synne Syrrist	208	260
John Egil Stangeland	0	NA
	1,152	1,440

Board remuneration is decided by the General Meeting, disbursements for 2016 are for the period up until the next General Meeting. Kjell Jacobsen left the Board on 20/09/2016, and John Egil Stangeland was elected as a new Board member from the same date.

Note 26: Liabilities and unforeseen events

The framework agreement signed in 2014 between Reach Subsea AS and Eidesvik for the lease of ROV services on the vessel Viking Neptun, amounting to MNOK 30.2 over 3 years, has been repaid as at 31/12/2016.

Note 27: Exchange rates

	Average exchange rate 2015	Exchange rate 31/12/2015	**Average exchange rate 2016**	**Exchange rate 31/12/2016**
Euro	8.953	9.619	**9.290**	**9.086**
British Pounds	12.342	13.072	**11.373**	**10.613**
US Dollars	8.074	8.809	**8.399**	**8.620**

The average exchange rate is taken from the accounts where the exchange rate is updated weekly based on data from Norges Bank.

Note 28: Events after the balance sheet date

Eidesvik has been awarded a new contract with Siemens Wind Power for Acergy Viking in the German sector. The contract is for 6 months plus options, and it starts in June 2017. The vessel is under reconstruction at a shipyard for this contract.

The contract with Chevron North Sea Ltd. for Viking Princess, has been extended. This contract is a direct continuation of the existing contract with a 1 year duration plus options. With this contract extension, both vessels are committed until the end of 2017.

Eidesvik and CGG have agreed to amend the bareboat contract for seismic vessel Viking Vanquish which runs until November 2020, with effect from January 2017. The day rate is reduced for the remainder of the contract period. Eidesvik receives compensation in the form of listed bonds maturing in 2021 and other debt instruments.

The company has sold and delivered the vessel Viking Poseidon in March 2017. The vessel was written down by MNOK 130 in the fourth quarter of 2016. The sale generated a positive liquidity effect of MNOK 180 after the loan was repaid.

After the sale of vessel Viking Poseidon, the bonded loan of NOK 300 million was repaid at 60 % of the nominal value. In this context, the company took a NOK 30 million loan from Eidesvik Invest AS. On certain conditions, Eidesvik Invest has also agreed to contribute with new equity in the order of NOK 100 million if the company obtains acceptable terms in connection with refinancing the company's bank debt.

Eidesvik has established a new shipowning company structure together with CGG for 7 seismic vessels. This is done by establishing a holding company owning two shipowning companies. One owns the two vessels Oceanic Sirius and Oceanic Vega, which are currently owned in two joint ventures between Eidesvik and CGG, and the other owns five vessels (Geo Coral, Geo Caribbean, Geo Celtic, Cgg Alize and Oceanic Challenger) which are currently wholly owned by CGG, and of which four are currently laid up.
The two shipowning companies have separate financing, and no guarantees are established between these two companies or from the owners. The new holding company is owned by Eidesvik and CGG on a 50/50 basis, and is in operation from the beginning of the second quarter of 2017. In connection with the establishment, the banks have approved reduced instalments on existing loans. CGG is obliged to charter Geo Coral (from the second quarter of 2017), Geo Caribbean and Geo Celtic on an ongoing basis as other chartered vessels are going off contract. In connection with the transaction, the rates for Oceanic Sirius and Oceanic Vega are reduced. This has been compensated through contract extensions and ownership interests in the 5 vessels. The ownership company for the 5 vessels has the right to lease the vessels out at higher rates from 2020, and the owning company for Oceanic Vega and Oceanic Sirius have such right from 2022 and 2023.

ANNUAL ACCOUNTS – PARENT COMPANY

INCOME STATEMENT – PARENT COMPANY

(NOK 1,000)

	Note	01/01/–31/12/ 2016	01/01/–31/12/ 2015
Payroll, etc.	8.9	**3,801**	4,012
Depreciation	3	**158**	214
Other operating expenses	8.11	**5,845**	7,050
Total operating expenses		**9,804**	11,275
Operating Profit		**-9,804**	-11,275
Interest income from companies within the group	6	**24,184**	25,226
Other interest income		**405**	901
Depreciation of financial fixed assets	2	**-7,374**	-20,159
Other interest expenses	10	**-17,718**	-18,664
Other financial expenses		**-199**	-107
Net financial profit		**-702**	-12,802
Ordinary profit before taxes		**-10,506**	-24,077
Tax costs	4	**0**	0
Net profit		**-10,506**	-24,077
Allocation (coverage) of the net profit			
Transferred from other equity		**10,506**	24,077
Total allocations (covered)		**-10,506**	-24,077

BALANCE SHEET – PARENT COMPANY
(NOK 1,000)

	Note	31/12/2016	31/12/2015
ASSETS			
Tangible fixed assets			
Buildings and land		**8,921**	8,921
Movables		**392**	550
Total fixed assets	**3**	**9,313**	9,471
Financial fixed assets			
Investments in subsidiaries	2	**180,754**	187,128
Loans to companies within the group	6	**599,880**	599,746
Other financial fixed assets	8	**56**	273
Pension funds	9	**192**	21
Total financial assets		**780,882**	787,168
Total fixed assets		**790,195**	796,639
Current assets			
Receivables			
Other receivables		**49**	0
Total receivables		**49**	0
Bank deposits, cash, etc.	1	**54,637**	58,005
Total current assets		**54,685**	58,005
TOTAL ASSETS		**844,880**	854,644

BALANCE SHEET – PARENT COMPANY

(NOK 1,000)

	Note	31/12/2016	31/12/2015
EQUITY AND LIABILITIES			
Paid-in capital			
Share capital	7	**1,508**	1,508
Other paid-in equity		**549**	549
Total paid in equity		**2,057**	2,057
Retained earnings			
Other retained earnings		**540,650**	551,155
Total retained earnings		**540,650**	551,155
Total equity	5	**542,706**	553,212
LIABILITIES			
Other long-term liabilities			
Bonded loan	10	**299,346**	298,594
Total other long-term liabilities		**299,346**	298,594
Short-term liabilities			
Payables		**157**	536
Public duties payable		**272**	237
Other short-term liabilities		**2,399**	2,065
Total short-term liabilities		**2,828**	2,838
Total liabilities		**302,174**	301,432
TOTAL EQUITY AND LIABILITIES		**844,880**	854,644

Bømlo, 25 April 2017

Kolbein Rege *Chairman of the Board*	Borgny Eidesvik *Board member*	Lars Eidesvik *Board member*
John Stangeland *Board member*	Synne Syrrist *Board member*	Jan Fredrik Meling *Managing Director*

CASH FLOW STATEMENTS – PARENT COMPANY

(NOK 1,000)

	Note	01/01/–31/12/ 2016	01/01/– 31/12/ 2015
Cash flow from operations			
Payments to suppliers and employees	8.11	**-9,655**	-10,709
Paid interest income		**402**	901
Net cash flows from operations		**-9,253**	-9,808
Cash flows from investment activities			
Acquisition of shares		**-1,000**	0
Acquisition of other financial fixed assets		**0**	214
Net cash flow spent on investment activities		**-1,000**	214
Cash flow from financing activities			
Borrowing		**752**	0
Paid travel costs	10	**-17,917**	-18,024
Loans to subsidiaries/associated companies	6	**24,050**	-36,637
Net cash flows from financing activities		**6,885**	-54,661
Net increase (decrease) in cash and cash equivalents	1	**-3,368**	-64,255
Cash and cash equivalents in the beginning of the year	1	**58,005**	122,260
Cash and cash equivalents at the end of the year		**54,637**	58,005

NOTES TO THE ANNUAL ACCOUNTS 2016 – PARENT COMPANY

Accounting Principles
The financial statements have been prepared in accordance with the Accounting Act of 1998 and generally accepted accounting principles.

Classification and valuation of balance sheet items
Current assets and short-term liabilities include items maturing within one year after the balance sheet date. Other items are classified as fixed assets/long-term liabilities.

Current assets are valuated at the lowest acquisition cost and fair value. Short-term liabilities are capitalized at nominal value at the time of establishment.

Fixed assets are valuated at acquisition cost, but depreciated to fair value if the impairment in value is not expected to be transient. Long-term liabilities are capitalized at nominal value at the time of establishment.

Accounts receivable
Accounts receivable and other receivables are listed in the balance sheet at fair value after deduction of provisions for expected loss. Provisions for loss are made on the basis of individual assessments of individual receivables. An unspecified provision is also made for other accounts receivable in order to cover presumed loss.

Currency
Monetary items in foreign currency are valuated according to the exchange rate at the end of the accounting year.

Subsidiaries/associated companies
Subsidiaries and associated companies are valuated according to the cost method in the company accounts. The investment is valuated at acquisition cost for the shares, unless write-downs have been necessary. Group contributions to subsidiaries, with taxes deducted, are listed as increased cost for shares. Dividend/group contribution is recorded in the same year as the provision is made in the subsidiaries/associated companies. When dividend/group contribution substantially exceeds the share of retained result after acquisition, the excess amount is considered repayment of invested capital, and is deducted from the value of the investment in the balance sheet.

Please refer to Note 6 for loans to subsidiaries.

Tangible fixed assets
Tangible fixed assets are capitalized and are depreciated over the useful life of the asset. Maintenance of fixed assets are expensed on an ongoing basis under operational costs, while upgrades or improvements are added to the asset's cost and depreciated in step with the asset. The distinction between maintenance and upgrades is calculated in relation to the asset's condition when the asset was acquired.

Taxes
The tax costs in the income statement include both payable taxes for the period and the change in deferred taxes. Deferred tax asset is calculated with 25 % on the basis of the temporary differences that exist between accounting and tax values, as well as equal carry-forward loss at the end of the accounting year. Temporary differences that increase and decrease taxes and that reverse or may reverse during the same period are offset and netted.

Pension liabilities
The company finances its pension liabilities to the employees through a group pension scheme. Accounting is done in line with the NRS 6 accounting standard for pension costs. Pension liabilities are calculated as the current value of future pension benefits considered incurred on the balance sheet date, based on the fact that employees acquire their pension rights evenly throughout their working period.
Pension funds are valuated at fair value and are netted against the pension liabilities for each pension scheme. Net pension funds are presented as long-term receivables under financial fixed assets. The net pension cost of the period in included in payroll and social costs, and it consists of the pension entitlements of the period, interest costs on the calculated pension liabilities, expected returns on the pension funds, recorded effect of changes in estimates and pension plans, recorded effects of discrepancies between actual and expected returns, as well as accrued payroll tax.
The effect of changes in pension plans are expenses in the period where they occur.

Cash flow statements
Cash flow statements are prepared according to the direct method. Cash and cash equivalents include cash, bank deposits, other short-term liquid placements which can be converted to known cash amounts immediately and without significant risk of bankruptcy, and which mature in less than three months from the date of acquisition.

Note 1 – Bank deposits

Of the TNOK 54,637 (58,005) bank deposits, restricted tax funds represent TNOK 151 (140).

Note 2 – Investments in subsidiaries as at 31/12/2016

Company	Company share capital	Ownership interest/ voting share	Number	Nominal value	Recorded	Equity as at 31/12/2016 (*)	Net profit 2016 (*)
Eidesvik Shipping AS	170,749	100 %	291,380	586	164,038	1,077,382	-347,706
Eidesvik AS	11,000	100 %	11,000	1,000	13,454	22,527	-7,318
Eidesvik Shipping Int. AS	100	100 %	100	1,000	104	28,429	21,208
Eidesvik Subsea Vessels AS	100	100 %	1,000	100	112	-20,115	-21,242
Hordaland Maritime Miljøs. AS	4483	91 %	39,933	100	626	702	-8,081
Eidesvik Management AS	100	100 %	1,000	100	9	-1,490	-16
Norsk Rederihelsetjeneste AS	100	100 %	100	1,000	1,225	1,176	578
Eidesvik Maritime AS	100	100 %	1,000	100	112	23,583	20,578
Eidesvik Neptun II AS	88	74.75 %	747,474	0.10	75	-9,436	-15,919
Eidesvik Shipping II AS	100	100 %	1	1,000	1,000	-158,280	-159,274
Eidesvik UK Ltd.	0	100 %	1	1	0	524	524
Total					**180,754**		

Shares in Hordaland Maritime AS were written down by MNOK 7.4 (MNOK 13.7). Shares in Eidesvik AS were written down by MNOK 6.3.

(*) Based on preliminary result.

Note 3 – Overview of fixed assets

	Residential property	Transport equipment	Furniture and equipment	Non-depreciable fixed assets	Total
Acquisition cost 01 January	8,921	510	1,248	156	10,835
Addition	0	0	0	0	0
Disposal	0	0	0	0	0
Acquisition cost 31 December	8,921	510	1,248	156	10,835
Accumulated depreciations 01 January	0	190	1,174	0	1,364
This year's depreciations	0	89	69	0	158
Disposal depreciations	0	0	0	0	0
Accumulated depreciations 31 December	0	279	1,243	0	1,522
Capitalized value 31 December	**8,921**	**231**	**5**	**156**	**9,313**
Depreciation rates	0 %	20 %	10 %	0	
Depreciation method		Linear	Linear		

Note 4 – Taxes

Tax expenses for the year

Tax due:	**2016**	2015
Profit before taxes	-10,506	-24,077
Permanent differences	16	8
Impairment of shares	7,374	20,158
Changes in temporary differences (A)	-99	-170
Taxable income	**-3,215**	-4,081
Hereof for tax payable	0	0
Tax expenses for the year	**0**	0

		Temporary differences	
Deferred tax:	**31/12/2016**	**01/01/2016**	**Change**
Fixed assets	-113	-41	71
Pension funds	192	21	-170
Total temporary differences (A)	**79**	**-20**	**-99**
Tax loss carry forward	-36,126	-32,911	3 215
Basis for deferred tax assets	**-36,047**	**-32,931**	**3,116**
Total deferred tax, 25 %	**-9,012**	**-8,233**	**779**

Deferred tax/deferred tax asset is not recorded.

Note 5 – Equity

	Share capital	Other paid-in equity	Other equity	Total
Equity 01/01/2015	1,508	549	575,232	577,289
Profit/loss for the year			-24,077	-24,077
Equity 31/12/2015	1,508	549	551,155	553,212
Profit/loss for the year			-10,506	-10,506
Equity 31/12/2016	**1,508**	**549**	**540,649**	**542,706**

Note 6 – Long-term loan to subsidiary

	2016	2015
Eidesvik AS	**28,448**	43,748
Eidesvik Shipping AS	**559,540**	547,981
Eidesvik Management AS	**2,955**	2,894
Eidesvik Supply AS	**1,481**	312
Eidesvik Neptun AS	**5,014**	2,664
Eidesvik OCV AS	**1,267**	1,520
Eidesvik MPSV AS	**1,173**	627
Eidesvik Maritime AS	**2**	0
Total	**599,880**	599,746

The interest on the intercompany balance is calculated quarterly by 3 months NIBOR + 1 % margin.
The company has provided guarantee for loans in subsidiaries. A guarantee commission of 0.25–1.00 % has been charged for this.

Depending on the counterparty based on net loan amount covered by the guarantee.
Guarantees have been provided for loans outstanding in Eidesvik Shipping AS of a total of MNOK 1.270, for Eidesvik Neptun AS of MNOK 963, For Eidesvik MPSV AS of MNOK 446, for Eidesvik OCV AS of MNOK 227, and for Eidesvik Supply AS of MNOK 216.

A guarantee has been given to subsidiary company Eidesvik UK Limited for an audit exemption under UK Companies Act 2006 Section 479A/C.

Note 7 – Share capital and shareholder information

The company's share capital consists of 30.150.000 shares of

NOK 0.05 each. All shares carry equal voting rights.

For the 20 largest shareholders in Eidesvik Offshore ASA as at 31/12/2016, see Note 17 to the

consolidated accounts. Shares owned/controlled by Board members and the CEO:

	2016	2015
Eidesvik Invest AS (1)	**20,180,000**	20,180,000
Kolbein Rege (2)	**35,450**	35,450
Jan Fredrik Meling	**130,000**	130,000

(1) (1) Controlled by Borgny Eidesvik, Board member, with 55 % through 100 % ownership in Bømmelfjord AS. The remaining 45 % is owned by Lars Eidesvik, Board member, through 100 % ownership in Evik AS.
(2) (2) Of which 35,000 shares are through Nieblok Invest AS.

Note 8 – Payroll, number of employees, remunerations, loans to employees

Payroll	**2016**	2015
Payroll	**2,056**	2,162
Payroll tax	**448**	434
Pension costs	**118**	-13
Board remuneration	**1,152**	1,440
Other remuneration	**26**	-11
Total	**3,801**	4,012

The company had 1 employee at year-end.
An individual pension agreement has been made with the CEO, see Note 12. The company has signed an occupational pension scheme.

Remuneration to the CEO:	**2016**	2015
Payroll	**2,087**	2,114
Pension cost	**236**	210
Other remuneration	**127**	148
Total	**2,450**	2,472

The company has given the CEO a loan which as at 31/12/2016 had a balance of NOK 47 (2016). The loan has a maturity of 13 years, and the interest is set to the standard interest rate for employees, which was 2.2 % in 2016. The company has mortgage in the CEO's home. The CEO has a bonus scheme on given terms up to NOK 500, which is subject to an overall assessment.
The CEO has a mutual notice period of 6 months. He is also entitled to 18 months of severance pay on certain terms.

Remuneration for the Board	**2016**	2015
Kolbein Rege	**384**	480
Borgny Eidesvik	**208**	260
Lars Eidesvik	**176**	220
Kjell Jacobsen	**176**	220
Synne Syrrist	**208**	260
	1,152	1,440

*Board remuneration is decided by the General Meeting, disbursements for 2016 are for the period up until the next General Meeting.

Auditor	**2016**	2015
Expensed remuneration to the auditor is distributed as follows:		
Statutory audit	**640**	510
Other financial auditing	**100**	6
Total remuneration to the auditor excl. VAT	**740**	516

NOTE 9 – Pension costs and obligations

The company's pension schemes meet the requirements of the Mandatory Occupational Pensions Act.

The company has pension schemes which include the company's only employee. The schemes give rights to future benefits. These depend mainly on the number of qualifying ears, wage level at retirement and the size of the benefits from national insurance. The liabilities are covered through an insurance company.

	2016	2015
Estimated commitment	**1,894**	1,737
Value of pension funds	**2,062**	1,755
Estimated payroll tax	**24**	2
Under-/overfunded	**192**	21

Determination of this year's pension expenses	**2016**	2015
Current value of this year's pension contributions	**190**	208
Interest expenses on pension commitments	**5**	4
Expected return on pension assets	**-2**	2
Administrative costs	**8**	8
Changes in this year's pension earnings incl. interest and payroll tax	**-9**	0
Net changes in plans, scaling down, settlement incl. payroll tax	**-18**	0
Net pension cost	**173**	222

The following financial and actuarial assumptions form the basis of the calculations:

Discount rate	**2.60 %**	2.70 %
Expected return on pension assets	**2.70 %**	2.70 %
Annual expected wage increases and G adjustment	**2.25 %**	2.25 %
Adjustment of pension during payment	**0.00 %**	0.00 %

Note 10 – Long-term liabilities

	2016	2015
Long-term liabilities – Bonded loan	**300,000**	300,000
Capitalized establishment costs long-term liabilities	**-654**	-1,406
Total long-term liabilities	**299,346**	298,594

The loan is an unsecured unpaid bond loan maturing on 22/05/2018.
The loan expires by 3 months. NIBOR + 4.50 %.

The most important covenants associated with debt in subsidiaries where the company has provided guarantees

- Eidesvik Offshore ASA shall be listed on the Oslo Stock Exchange.
- Book equity of the group shall be at least 25 %, or the group shall have a cash flow from operations exceeding the first year's instalment on long-term loan by 125 %.
- Working capital in the group shall be positive.
- No dividends shall be paid from Eidesvik Offshore ASA until 2019 at the earliest.

The most important financial covenants associated with the company's bonded loans are:

- Eidesvik Offshore ASA shall be listed on the Oslo Stock Exchange.
– Consolidated value adjusted equity shall be at least 30 %, or at least 25 % if the contract coverage for the fleet is more than 70 %.
– The issuer (parent company Eidesvik Offshore ASA) shall hold cash and cash equivalents of at least TNOK 50,000.
- Working capital in the group adjusted for 50 % of 1 year's instalment on long-term debt shall be

positive. The company was not in violation of loan terms as at 31/12/2016 or during 2016.

Financial market risk

The company's bonded loan with a nominal value of TNOK 300.000, with original maturity in May 2018, was bought back during the first quarter of 2017 at a rate of 60. The bonded loan was then deleted. The buyback was financed by partial repayment of loan to subsidiary, own liquidity and a new shareholder loan from Eidesvik Invest AS. The company has guaranteed all ship's mortgage debt in the consolidated subsidiaries. The guarantees involve considerable risk. The company has no currency risk. Otherwise, please refer to the discussion of financial risk management in Note 3 of the consolidated accounts.

Note 11 – Other operating expenses

	2016	2015
Business management and accounting	**5,000**	5,000
Investor relations expenses	**609**	611
Statutory audit	**571**	767
Consultancy services	**545**	447
Legal assistance	**345**	0
Office lease	**468**	212
Other expenses	**-1,692**	13
Total other operating expenses	**5,845**	7,050

Thereof from related parties:
Business management and accounting 5,000 (5,000) provided by subsidiary Eidesvik AS.
Offices leased from Langevåg Senter AS, a wholly owned subsidiary of Eidesvik Invest AS, the largest shareholder in the company. The lease contract for the offices expires in 2033, with subsequent 6 x 5 year options.
The premises are subleased, whereof 23 % to companies associated with the main shareholder, and 69 % to subsidiary Eidesvik AS. 8 % of the premises are used in own business. The item office lease represents this portion.

FLEET LIST

SUBSEA

2015 VIKING NEPTUN

Type: Offshore Construction Vessel · **Built:** 2015 · **Class:** DNV +1A1, EO, DYNPOS-AUTRO, CLEAN DESIGN, BIS, NAUT-OSV(A), DK(+), TMON, COMF-V(2), COMF-C(3), ICE-1B, DEICE, HELDK-SH, SPS · **Length:** 146,5m · **Beam:** 31m · **Draught:** 9m · **Deadweight:** Appr. 13.500

2012 SEVEN VIKING

Type: SX148-IMR · **Built:** 2013 · **Class:** DNV +1A1, SF, ICE-C, HELDK SH, EO, DYNPOS-AUTRO, CRANE, VIBR., NAUTOSV, COMF-V(3), COMF-C(3), OPP-F · **Length:** 106,5 m · **Beam:** 24 · **Draught:** 8m · **Deadweight:** Appr. 10.000

2009 VIKING POSEIDON

Type: SX121-CSV · **Built:** 2008/2009 · **Class:** DNV + 1a1, Sf, Eo, Dynpos-Autro, Naut-Osv, Opp-F, Crane, Clean ,Comfv(3), Comfc(3), Dk(+), Helidk-Sh. · **Length:** 130,2 m · **Draught:** 7,0m · **Deadweight:** 8.900

2007 ACERGY VIKING

Type: TYPE: VS495 SV · **Built:** 2007 · **Class:** DNV + 1A1, SF, ICE 1c, Deice, Heldk SH, E O Dynpos AUTR, Clean Design, Comf-V(2) and Comf-C(3), Crane, Register notation DK (+) · **Length:** 97,60 m · **Deadweight:** 3300

1999 SUBSEA VIKING

Type: VS 4103 MPSV-IMR · **Built:** 1999 Umoe Sterkoder. · **Class:** Det Norske Veritas +1A1 Supply Vessel, SF, Dynpos AUTRO, EO (LFL*), SMB Helidk-SH, dk(+). · **Length:** 103 m · **Beam:** 22 m **Draught:** 9,6 m GRT: 7.401 · **Deadweight:** 6.874

SEISMIC

2011 OCEANIC SIRIUS

Type: SX120 Seismic Research Vessel · **Built:** 2010 · **Class:** DNV 1A1 ICE-C COMF-V(3)C(3) HELDK-SH OPP-F RP EO NAUT-AW CLEAN DESIGN · **Length:** 106,0m · **Beam:** 24/28m · **Draught:** 8m · GRT: Appr. 11.900t · **Deadweight:** Appr. 5.530

2010 OCEANIC VEGA

Type: SX120 Seismic Research Vessel · **Built:** 2010 · **Class:** DNV 1A1 ICE-C COMF-V(3)C(3) HELDK-SH OPP-F RP EO NAUT-AW CLEAN DESIGN · **Length:** 106,0m · **Beam:** 24/28m · **Draught:** 8m ·GRT: Appr. 11.900 · **Deadweight:** Appr. 5.530

2008 GEOWAVE VOYAGER

Type: Seismic Research Vessel · **Built:** 2008· **Class:** GL + 100A5 + S4D11 + MC AUT SURVEY VESSEL **Length:** 92,65 · **Beam:** 22 · **Draught:** 6,7 · GRT: 7.955 · **Deadweight:** 2.387

2008 OCEANIC ENDEAVOUER

Type: Seismic Research Vessel · **Built:** 2008 BG Fosen · **Class:** DNV 1A1, SF, COMF-V(3)C(3), Helidk-SH, EO, RP, CLEAN **Length:** 106,5 · **Beam:** 22 mtr waterline, 26,5 extreme · **Draught:** 7,3 · GRT: 11.570 · **Deadweight:** 6.313

Eidesvik

FLEET LIST *CONT.*

SEISMIC

2007 VIKING VANQUISH

Type: SEISMIC RESERCH VESSEL · **Built:** 1998 · **Rebuilt:** 2007 · **Class:** DNV+1A1, SF, AUTR, EO, HELDK, DK+
Length: 93,36 m · **Beam:** 22,20 m · **Draught:** 6,85 m · **GRT:** 2.586 · **Deadweight:** 3.400

2007 VIKING VISION

Type: SEISMIC RESERCH VESSEL · **Built:** 2007 · **Class:** DNV 1A1, ICE-C SF, COMF-V(3), HELDK RP EO CLEAN
Length: 105 m · **Beam:** 24 m · **Draught:** 8,50 m · **GRT:** 9.811 · **Deadweight:** 5.539

2007 GEOWAVE CHAMPION

Type: Seismic Vessel · **Built:** 1994 · **Rebuilt:** 2007 · **Class:** DNV 1A1 HELDK
Length: 106,3 · **Beam:** 22,40 · **Draught:** 7,4 · **GRT:** 9.405 · **Deadweight:** 2.822

2002 VERITAS VANTAGE

Type: VS 492 Seismic Survey Vessel · **Built:** 2002 Mjellem & Karlsen Verft · **Class:** Det Norske Veritas +1A1 SF, EO HELDK, SMB · **Length:** 93,35 m · **Beam:** 22 m · **Draught:** 7,05 m · **GRT:** 7.886 · **Deadweight:** 4.833

1998 VERITAS VIKING

Type: VS 492 Seismic Survey Vessel · **Built:** 1998 Mjellem & Karlsen Verft · **Class:** Det Norske Veritas +1A1 SF, EO HELDK, SMB · **Length:** 93,35 m · **Beam:** 22 m · **Draught:** 7,05 · **GRT:** 7.886 · **Deadweight:** 4.833

PSV

2012 VIKING FIGHTER

Type: STX PSV 08 CD · **Built:** July 2012 · **Class:** DNV 1A1 Offshore Service Vessel, SF, EO, DYNPOS-AUTR, DK(+), HL(2,8), CLEAN DESIGN, NAUT-OSV(A), COMF-V(3), ICE C, Fire Fighter II, OILREC, Standby Vessel, LFL* (NOFO 2009, NMD Rescue 200 · **Length:** 81,7 m · **Draught:** 6,5 m · **Beam:** 18 m · **Deadweight:** 4.000

2012 VIKING PRINCESS

Type: VS 489 PSV-LNG · **Built:** September 2012 · **Class:** DNV 1A1 Supply Vessel, SF, DYNPOS-AUTR, EO, GAS FUELLED, CLEAN DESIGN, COMF-V(3)C(3), LFL*, NAUT-OSV(A), DK(+), HL(2,8), ICE C, OILREC, Standby Vessel(S) (NOFO 2009, NMD Rescue 270) · **Length:** 89,6 m · **Draught:** 7,6 m · **Beam:** 21 m · **Deadweight:** 5.800

2012 VIKING PRINCE

Type: VS 489 PSV-LNG · **Built:** March 2012 · **Class:** DNV 1A1 Supply Vessel, SF, DYNPOS-AUTR, EO, GAS FUELLED, CLEAN DESIGN, COMF-V(3)C(3), LFL*, NAUT-OSV(A), DK(+), HL(2,8), ICE C, DEICE, OILREC, Standby Vessel(S) (NOFO 2009, NMD Rescue 270) · **Length:** 89,6 m · **Draught:** 7,6 m · **Beam:** 21 m · **Deadweight:** 5.800

2009 VIKING LADY

Type: VS 493 AVANT LNG Clean Design · **Built:** Westcon, Yard No 30, 2009 · **Class:** DNV 1A1, Supply Vessel, SF, EO, Dynpos AUTR, Gas Fuelled, LFL*, Oil Rec, Clean Design, Comfort-V (3), Ice C, NAUT OSV (A), Fi-Fi 1. Register notations DK (+) and HL (p), NOFO 2005 · **Length:** 92,20 m · **Draught:** 7,30 m · **Deadweight:** Appr. 5.500

Eidesvik

FLEET LIST *CONT.*

PSV

2008 VIKING QUEEN

Type: VS 493 AVANT - LNG · **Built:** 2008 · **Class:** DNV +1A1, Supply Vessel, SF, EO, Dynpos- AUTR, Gas-Fuelled, LFL*, Oil-Rec, Clean Design, Comfort-V(3), Ice-C, Reg.Not.DK(+) and HL(p) Compliance with NAUT- OSV Guidelines **Length:** 92,20 m · **Draught:** Appr 7,60 m · **Deadweight:** Appr. 5.900

2004 VIKING ATHENE

Type: VS470 MK II · **Built:** 2006 · **Class:** DNV, 1A1 Standby Vessel(S) Fire Fighter I SF LFL* EO DYNPOS-AUTR CLEAN DK(+) HL(2.5) · **Length:** 73,40 m · **Deadweight:** Approx 3.550

2004 VIKING AVANT

Type: VS493 SUPPLY VESSEL · **Built:** 2004 · **Class:** Det Norske Veritas 1A1, Ice C, SF, EP. Dynpos Autr, LFL*, CLEAN, COMF-V (3) Standby Vessel, oilrec, deice comp with deice C,con-tainer, Reg. Notation DK(+) and HL(p), NOFO 2009 · **Length:** 92,20 m · **Beam:** 20,40 m · **Draught:** 9,0 m · **GRT:** 6.250 · **Deadweight:** 6.545

2004 VIKING NEREUS

SOLGT

Type: UT755L · **Built:** 2004 · **Class:** DNV, 1A1 SF EO DYNPOS- … L (p) · **Length:** 72,20 m **Beam:** 20,40 m · **Draught:** 7 m · **GTR:** 2.151 · **Deadweight:** Ap…

2003 VIKING ENERGY

Type: VS 4403 · **Built:** 2003 Kleven Verft · **Class:** DnV +1A1, Supply Vessel, SF, EO, Dynpos AUTR, Gas Fueled, LFL*, Oil Rec, Clean Class, Comfort Class rating 3, Register notations DK (+) and HL (p) · **Length:** 94,90 m **Beam:** 20,40 m · **Draught:** 9,60 m · **GRT:** 5.014 · **Deadweight:** 6.500.

2002 VIKING DYNAMIC

Type: VS490 Platform Support Vessel · **Built:** 2002 Aker Aukra · **Class:** Det Norske Veritas +1A1, Supply Vessel, SF, EO, LFL*, Dynpos AUTR. Register notations DK (+) and HL (p) Clean · **Length:** 90,2 m · **Beam:** 19 m **Draught:** 8,4 m · **GRT:** 3.590 · **Deadweight:** 4.505

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2003 Viking Energy:
Verdens første LNG drevne PSV
– First LNG fuelled PSV in the World

2004 Viking Avant:
Fullstendig nytt PSV design
– Totally new PSV design

2009 Viking Lady:
Første skip med brenselcelle
– First vessel with fuel cell installed

2012 Viking Prince og Viking Princess
To nye skip med LNG drift
– two new vessel fuelled with LNG

2013 Viking Lady:
Intigrert hybridløsning med batteri
– Integrated hybride solution with battery

2013 Seven Viking
– Ship of the Year

2015 Viking Neptun

2016 Viking Energy
– First vessel with battery notation

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