Annual Report 2017

Eidesvik

CONTENT

2017 – an exciting and challenging year

Maybe more important than anything, we reached agreement on a good financial restructuring for the Company during the year. The agreement was formalized in January this year. We want to send a thank you to our banks, shareholders and all employees for the effort that have been done to reach this agreement. The agreement give us predictability in liquidity and debt handling, and we can look forward for new and exciting assignments for our clients.

In all segments of the offshore market where we operate, 2017 was another year with low activity, low rates and a substantial surplus of tonnage. With the financial restructuring agreement in order, we can lower our shoulder somehow, but we still have to put sobriety in the high seat, as we expect that 2018 will be a challenging year as well for our industry.

In the first half year we entered an agreement with CGG regarding the establishment of Global Seismic Shipping, a company owing seven seismic vessels, and we hold 50% of the shares. This, combined with CGG's financial restructuring, gives us predictability in the seismology segment.
We have also entered the market for nodal seismic, and at end of the year we entered contracts in this segment for the subsea vessel "Subsea Viking" and the seismic vessel "Vantage".

During the year we fortified our position in the wind market. "Acergy Viking's" contract was extended for two years to January 2020, and "Viking Neptun" secured occupation through the fall 2017 to April this year.

The organization has kept the wheels rolling for our supply vessels. Both "Viking Princess" and "Viking Energy" secured contracts through 2018. It is pleasant to see that in these challenging years, we still manage to improve our operations of supply vessels regarding fuel consumption and reduction of pollution. Four of our six large supply vessels have hybrid solutions. We should be well positioned for a future where expectations regarding environmentally friendly operations are likely to be stricter.

Unfortunately, we had one lost time injury in 2017. Until then, we had operated the business without any lost time injuries since February 2015. We will continue our preventive work regarding safety; this is a field where we never can say that we are good enough!

I know this year have offered large challenges for the most of us. The uncertainty has marked the everyday, and the strains have for many been larger than what was possible to predict. I have the greatest respect for this, and I am impressed and thankful for the incredible effort everyone have contributed. It is this great effort that convince me that we have all possibilities to succeed in the coming years!

Jan Fredrik Meling
CEO

Key figures

(all figures in TNOK)	**2017**	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating income	**754 716**	784 106	1 238 936	984 749	993 745	980 494	999 557	1 054 705	1 234 285	946 761	749 950
EBITDA	**385 291**	415 284	770 286	492 173	551 242	558 876	465 735	490 166	675 195	426 962	306 246
EBITDA margin	**51 %**	53 %	62 %	50 %	55 %	57 %	47 %	46 %	55 %	45 %	41 %
Profit/loss for the year	**147 368**	-564 519	-239 892	-230 575	140 863	282 170	70 439	-55 970	1 091 352	-603 611	-46 617
Profit per share	**5,15**	-18,34	-6,53	-5,77	4,67	9,36	2,34	-1,86	36,20	-20,02	-1,55
Total assets	**4 297 512**	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	**1 542 006**	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	**36 %**	29 %	34 %	38 %	41 %	39 %	38 %	37 %	36 %	18 %	35 %
Value adjusted equity *)	**2 434 806**	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	**47 %**	43 %	48 %	55 %	57 %	55 %	55 %	53 %	50 %	45 %	55 %
Market value at 31 December	**244 215**	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 at 31 December	**8,10**	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	0,00	1,00	1,00	1,00	1,00	0,50	0,50	1,00	1,00
Liquid funds	**557 440**	549 738	702 276	549 556	782 773	454 988	411 552	229 914	306 295	211 190	122 581
Working capital	**264 646**	395 827	420 631	-40 897	259 292	171 423	174 930	42 913	180 236	-2 021	-41 550
First year instalment of long term debt	**304 836**	322 187	335 039	391 243	324 073	319 054	270 469	259 022	328 826	246 834	167 663

*) Booked equity with added value of brokerage on contract free vessels compared to booked value of vessels.

HSEQ report for 2017

Introduction

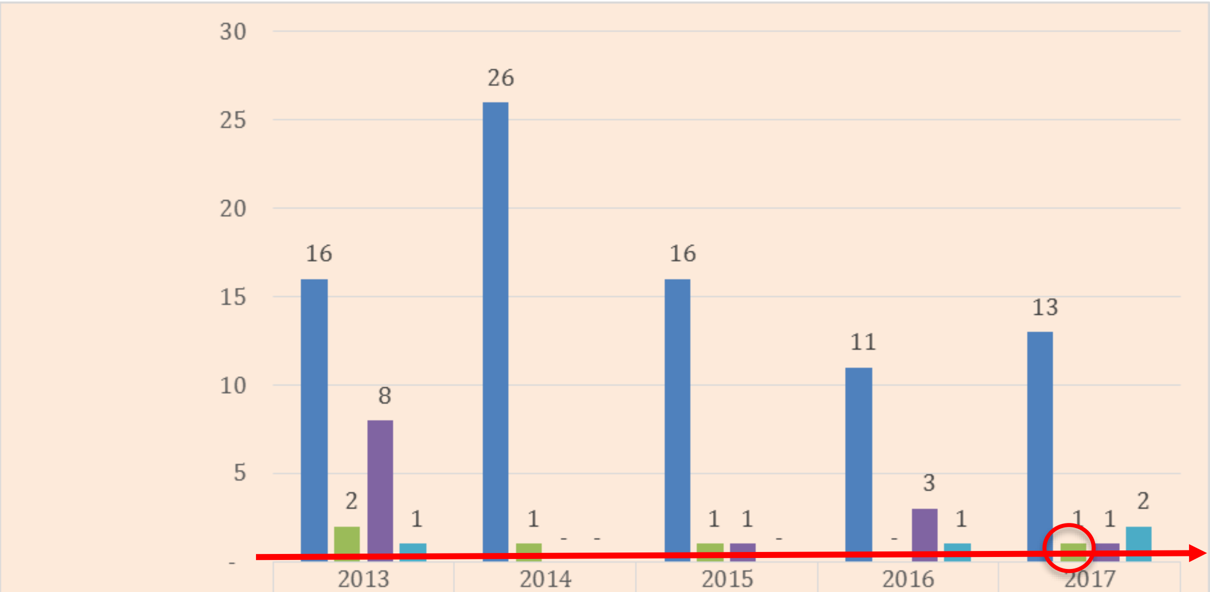
The quality and safety system "Eidesvik Management System" is certified by DNV GL to meet the requirements of the ISM Code / ISO 9001:2008 / ISO 14001:2004 / MLC 2006, and the ISPS Code.

Eidesvik activities are guided by the main goals of 0 damages to personnel, environment and assets. Priority tasks to achieve this goal are to keep constant focus on compliance and awareness of the "Eidesvik Management System" (EMS). In addition, good working environments are established on board the Group's vessels, with focus on awareness and monitoring of the environmental aspects identified by Eidesvik AS. Throughout 2017, the EMS project has been running for a "Simplified and improved version of the safety management system", and all of our sailing vessels have applied updated manuals for the bridge, deck, machinery etc., and the feedback has been very good. The deadline of the EMS project has been extended to the end of 2018 before full implementation throughout the organization.

Eidesvik has prepared an annual HSE program that 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 program in order to achieve the goals within the various areas. The guiding documents are continuously evaluated in order to ensure optimal and functioning operating procedures for employees at sea and on land.

The Group had 1 lost time injury in 2017.

The statistics show the number of personnel injuries the last 5 years.



	2013	2014	2015	2016	2017
First Aid	16	26	16	11	13
Lost Time Incident	2	1	1	-	1
Medical Treatment	8	-	1	3	1
RWC	1	-	-	1	2

Emphasizing the analysis of causal relation and underlying causes are important in order to form a basis for transferring experience to other vessels in Eidesvik. Focusing on operations and compliance of the EMS are important accompanying measures. To prevent injuries, we also focuses on the following actions:

- Focus on the reporting method “Safety observations”. This has contributed to an increase in reporting. The reports are reviewed at safety meetings on board. In 2017, 4,488 “Safety observations” have been reported. This constitutes a large percentage of the total number of reports in the HSE field.

- Extensive use of risk analysis. This enables the Group to avoid accidents and injuries by reviewing the jobs step by step, and any hazards are highlighted and actions are implemented in order to reduce and/or remove the hazards. In 2017, 471 new and/or revised risk analysis were made.

- Arrange TBT (Tool Box Talk) meetings. This helps us avoid accidents and injuries, since the people performing the jobs, do the planning and receive information on potential hazards in connection with the job. 9,282 TBT meetings were held in 2017.

- Work on board is performed 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.

Incident reporting

In 2017, a total of 1,055 incident reports were registered in all categories. I addition, 519 transfer of experience reports were reported from the vessels. Incident reports and transfer of experience reports are a positive foundation for learning and implementing specific actions with regard to incidents and suggestions for improvements. A good and healthy culture for reporting 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 reoccur. Reporting of incidents have a preventive effect, and the Group has a strong focus on this.

Quality

Our goal is to provide services with quality that exceeds the client’s expectations. The operation department are continuously performing surveys regarding client satisfaction.

Work environment actions

In 2017, the work 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). Eidesvik chose to extend the agreement as an IWL Organisation in 2017. Feedback on these actions have proven to be very positive. Various actions 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.

Sick leave

Sick leave was 4.4 % in 2017, a 0.3 % increase from 2016.
The focus has increased on preventive actions, closer follow-up from the company and the management, in order to increase presence. It has also been opened for purchasing of private health services, as well as coverage of physical therapy. The Group’s shipping health service is an important supporter in these efforts.

External environment

The overview below shows an extract from our environmental accounts for 2017 related to the vessels' consumption and emission by categories:

RAW MATERIAL	AMOUNT CONSUMED	ENVIRONMENTAL IMPACT
Marine Diesel	28,010 tons	CO_2, NOX, and SO_2
Natural gas	5,070 tons	CO_2, NOX
Lube oil	283,842 liters	CO_2, NOX, and SO_2
Coolant	476 Kg	Small
Bilge water separated	3,602,000 liters	None
Bilge water delivered onshore	331,000 liters	None
Food waste	44,128 Kg	None
AIR EMISSION		
CO_2	100,540 tons	Greenhouse gas
NOX	1,360,025 Kg	Particle pollution
SOX	47,287 Kg	Greenhouse gas

TYPE	AMOUNT DELIVERED ONSHORE	PROCESSING/EFFECT
Paper and cardboard	22,868 Kg	Recycled
Wood	11,159 Kg	Recycled
Metal	24,515 Kg	Recycled
Plastic	13,969 Kg	Recycled
Glass	4,462 Kg	Recycled
Sludge	1,048 M3	Recycled
Batteries	917 Kg	Recycled
Oil barrels	1,892 pcs.	Recycled
Special waste	1,850 Kg	Special processing
Incinerator ash	5,086 Kg	Special processing
Paint	2,115 Kg	Special processing
First aid equipment/medication	9 Kg	Special processing
Cooking oil	2,065 Kg	Recycled
Electric waste	1,835 Kg	Recycled

Minor spill are reported:

Hydraulic oil	182 liters	Negligible environmental impact

The most important actions to reduce emission to external environment:

TYPE	ENVIRONMENTAL IMPACT	ACTIONS
Exhaust gas	Air pollution	Install gas machines Install exhaust catalyst Rebuilding of machines Latest generation of equipment Adaptive autopilot Polishing of propellers Logistics optimization Optimize use of engines Optimize trimming of vessels Improve maintenance Implement battery technology Implement shore power connection
Incinerator	Air pollution	Increase delivery to shore Improve maintenance Improve design
Boiler	Air pollution	Improve maintenance Upgrades
Oil and chemicals	Pollution of the sea	Improve maintenance/routines Practices in cleaning oil spill
Ballast water	Pollution of the sea	Install cleaning system for ballast water in new vessels according to future IMO requirements

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

The Group continues the program for optimizing operations in order to reduce the consumption of fuel and energy. The program is called EEEP (Eidesvik Energy Efficiency Program).

CORPORATE GOVERNANCE

Governance principles and core values

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 roles between shareholders, General Meeting, Board and executive management exceeding 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 use 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’s shareholders, Board and management, as well as other stakeholders such as employees, clients, suppliers, public authorities, and society in general.

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.*

Business

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 published on the company website as well, www.eidesvik.no.

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

Equity and dividends

The Board shall ensure that the Company holds an equity which is appropriate relative to the risk and scope of the Company’s operations, cf. “Instructions for the Board”.
The Board's authorization to increase the share capital and to purchase treasury shares, is restricted to defined purposes, and is normally not 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 the 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 class of shares.

In the event of an increase in share capital, the principle of the same right for all shareholders to buy shares, applies.
Treasury shares are bought at the stock exchange at market value. Regarding transactions between companies of the Group, there are guidelines in “Instructions for the Board of Eidesvik Offshore ASA”.
When significant transactions between the company and shareholders, board members, senior executives or related parties of 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 companies of the Group where there are minority shareholders.
The instructions for the Board, the instructions for the CEO, and the ethical guidelines have requirement as to impartiality.

<u>COMMENT:</u> *No deviations from the Norwegian code of practice for corporate governance.*

Freely negotiable shares

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

<u>COMMENT:</u> *No deviations from the Norwegian code of practice for corporate governance.*

General Meeting

The notice and procedure for the Company’s General Meeting follow the regulations 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.
Notification, proposed decisions, proxy forms, other case documents and information on the shareholder’s rights to have cases addressed at the General Meeting, are made available at the company website as soon as they are present. The Board and the chairperson of the General Meeting shall facilitate that the shareholders are able to vote for each candidate nominated in the election for corporate bodies.
The minutes of the General Meetings are made available at the company website as soon as possible.

<u>COMMENT</u>*: Deviates from the Norwegian code of practice for corporate governance by the Chairman of the Board and the auditor attending the General Meeting, but 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 regulations of the Public Limited Liability Companies Act, and the Board has not established separate procedures for chairing in the General Meeting.*

Nomination committee

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

Board, composition and independence

The Board of Eidesvik Offshore ASA is composed to 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 executive 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 executive 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 of the board members’ competence and capacity, as well as which board members are considered independent.

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

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 deviation analysis.

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

Remuneration of the Board

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

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

Remuneration of executive management

The Board has determined guidelines for remuneration for 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.*

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 code of practice for corporate governance.*

THE BOARD OF DIRECTORS

Kolbein Rege (Chairman of the Board)
is the General Manager of Eidesvik Invest AS, which owns 67 % of the shares in Eidesvik Offshore ASA at 31.12.2017. 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 at 31.12.2017. 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 at 31.12.2017. Lars Eidesvik is associated with the main shareholder of the Company.

John Stangeland (Board member)
is a mechanical engineer by education, and 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 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. Stangeland is independent of the main shareholder of the Company.

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 14 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

DIRECTORS REPORT 2017

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 increased 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 have been weak in 2017. It has been, and still is, overcapacity in the segments where Eidesvik operates. A combination of increased activity as well as phasing out older vessels are necessary in order to improve the industry's profit. The Company is making continuous cost reducing efforts in order to meet the challenging market.

As a result of the continuous weak market, the Company started negotiations with its lenders in 2017 to be prepared for weaker market conditions. The subsea vessel "Viking Poseidon" was sold, and the remaining debt on the vessel of NOK 223 million was repaid. The Company's bond loan of NOK 300 million was also repaid for NOK 180 million. In January 2018, the Company agreed with its lenders to amend the terms of repayment of the Company's long term loans. NOK 180 million was obtained as new equity, whereof NOK 150 million was obtained in new liquidity during the first quarter of 2018. The Company has through the agreement with its lenders reduced the yearly amortizations with about NOK 220 million to July 2021. At the same time, the liquidity position has been strengthen with NOK 150 million in the private placement and the subsequent offer, and a shareholder loan of NOK 30 million has been converted to equity. An additional repayment of loan of NOK 54 million has been paid as part of the new agreement with the lenders. The new debt maturity plan and strengthened liquidity position is due to some years with weaker markets, and the new financial covenants are oriented for giving a low risk of not being in accordance with them. For further details regarding the financial restructuring, please see Note 27.

Major changes in one of the Company's joint ventures were done in 2017. The charter parties for two joint venture vessels were amended, and additional five vessels were added to the joint venture. Five of joint venture vessels are secured long time charter parties with CGG, starting in the period from 2017 to 2020, and runs to 2027. See Note 7 for further details.

THE BUSINESS

Eidesvik Offshore ASA is the parent company of the Eidesvik Group.
The Company's purpose is, according to the Articles of Association, to "operate a shipping company and all that relates to this, including owning shares in companies operating similar or related businesses". This purpose is through 2017 realized by operating 23 vessels, whereof 22 vessels are wholly or partly owned by the Eidesvik Group. During the year, the Company has sold the subsea vessel Viking Poseidon.

We seek to charter the vessels mainly on long term contracts in the segments Supply, Seismology and Subsea/wind. Due to the weak market, more vessels have been operating on short term contracts in 2017 compared to previous years. At the year end, the Company had two seismic vessels and two supply vessels in layup, and three seismic vessels in layup in joint ventures.

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

The Group's seismic fleet is mainly operated through the operating company, CGG Eidesvik Ship Management AS, which is located in Bergen. Eidesvik holds 51% of the shares, and CGG holds the remaining 49%.

The Groups wholly-owned subsidiaries had by year end 361 permanent employees. In addition, there were 87 contracted workers. The Company is of the opinion that diversity is important to achieve our goals as a company and organization. There are traditionally mainly men that choose the 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 a part of an international industry, the employees in the Group represents several nationalities. Our focus are to make all employees, regardless of nationality, gender and cultural background, comfortable in the Group, and we have no indications that this is not the case.

HEALTH, ENVIRONMENT AND SAFETY

In 2017, the Company has focused on developing the health, safety and environment efforts further. The quality and safety system "Eidesvik Management System" (EMS) 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 usability for all employees in the Company. Among other things, this implies fewer words in procedures, combining procedures and transfer to a more checklist based system, like in the aviation industry. In 2017, the EMS project has been running for "Simplified and improved safety management", and all of our operating vessels are using updated manuals for the bridge, deck, machine etc., with very good feedback. The deadline for full implementation in the organization, the EMS project is extended to year end 2018.

The management is continuously carrying out awareness work within HSEQ, and has particular focus on the exchange of experience, which facilitates continuous improvement.

Absence due to illness in 2017 was 4.4 %. This is a 0.3 % increase from 2016. Eidesvik AS had one lost time injury due to an accident on board.

The Group continues the agreement with NAV of including working life, which ensures close follow-up of sick leave.

To avoid and prevent injuries, the main focuses in 2017 have been:

- Execution and follow-up on HSEQ meetings, and safety rounds
- The familiarization program
- The Eidesvik training portal
- Highly focus on the reporting form "Safety Observation"
- "Time out for safety" meetings
- Increased understanding and execution of risk assessments
- "Tool Box talks" meetings
- "Stop the Job" option for all onboard
- Increased focus on safety representatives and the safety and environmental work
- Work on board is carried out according to "Permit to work system"

External 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 Wärtsilä. 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 2017.

Based on the results from Fellowship phase 3, we have projected solutions for battery installation on other vessels. A battery pack was installed on a vessel in 2015, and a battery pack was installed on another vessel in 2016. In 2017, a battery pack was installed on a vessel with the DNVGL classification "Supply vessel battery (power)". 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, it 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 program for environment friendly operation, has the same focus and resources as in 2016. blue:E is important to the Company's goal of operate the business on environmental friendly and cost efficient way. 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 new 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.

The 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 favorable environmental profile. The remaining vessels are planned to be registered when taken out of layup. This has given a lot of positive mention, and it illustrate that it is possible to reduce costs through environmentally choices.

Eidesvik's blue:E program also includes the Company's land based operations. Through this we achieve less pollution of the external environment.

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

SHAREHOLDERS, CORPORATE GOVERNANCE AND MANAGEMENT

At year end, there were a total of 30,150,000 shares in the company owned by a total of 904 shareholders. Foreign investors had an ownership of 2.5 %. In 2017, the share was last traded at NOK 8.10.

The Board has been given authorization 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 authorization is valid until the Ordinary General Meeting in 2018. The authorization has not been used. The Board will propose that the authorization is renewed for one year by the company's General Meeting. As at 31.12.2017, 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 the 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 2017 is NOK 754.7 million (NOK 784.1 million in 2016), whereof NOK 138.2 million is related to a settlement due to amendment in contract for a vessel. The compensation was partly listed notes and other debt instruments, and partly receivables to a joint venture. NOK 17.2 million is related to gain on sale of the vessel Viking Poseidon. The revenues in 2016 including a termination fee of NOK 35.3 million for a vessel.

Operating profit before depreciation and amortization (EBITDA) for 2017 is NOK 385.3 million (NOK 415.3 million). Depreciations and amortizations were recorded by NOK 428.3 million in 2017 (NOK 801.3 million). Proportionate shares of the results from associated companies and joint ventures are recorded by NOK 181.4 million (NOK -80.3 million). This includes a one-time effect total of NOK 213.4 million related to the received compensation due to amendments in contract for two vessels in joint venture, as well as impairment of shares in joint venture. In 2016, impairment of shares in joint ventures were NOK 162.7 million after impairment of vessels in two of the joint ventures. This gives a total operating income of NOK 138.4 million (NOK -466.3 million).

Based on the weak outlook for profit for the Company's vessels, it has been decided to make total impairments of NOK 203.0 million in 2017. This applies to vessels in all three segments where the company owns and operates vessels. The assessment is based on estimated value in use 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 impairment assessment, not lead to depreciation.

Net financial result of NOK 12.3 million (NOK -99.0 million) is including financial income of NOK 134.4 million (NOK 3.7 million), whereof NOK 120 million is related to gain on the buy-back of the Company's bond loan. Finance and interest expenses was NOK 170.0 million (NOK 148.7 million), and net gain on currency and derivatives were NOK 47.9 million (NOK -46.0 million).

Profit for the year, after taxes, was NOK 147.4 million (NOK -564.5 million), and total comprehensive income was NOK 85.0 million (NOK -584.8 million).

For the parent company, Eidesvik Offshore ASA, was profit for the year, after taxes, NOK 97.6 million (NOK -10.5 million).

Balance sheet

The consolidated book equity is NOK 1,543.0 million (NOK 1,457.1 million). This is 36 % (29 %) of the Group's total capital. For the parent company, Eidesvik Offshore ASA, the equity is NOK 640.3 million (NOK 542.7 million).

Vessels constitute NOK 2,967.8 million, a reduction of NOK 738.6 million. The items are reduced primarily due to depreciation and impairment, as well as sale of a vessel. Current assets are reduced by NOK 156.8 million. Total assets are NOK 4,297.5 million (NOK 5,068.1 million), a reduction of NOK 770.5 million.

Value estimate of the consolidated part of the fleet from two independent broker estimates the consolidated fleet value in a non-contract state to NOK 3,861 million (NOK 4,950 million). This is an added value before tax of NOK 893 million (NOK 1,244 million) compared to the book value of the vessels. However, the Board is aware that it is few sales of vessels of the type Eidesvik owns, and it is therefore uncertainty regarding the market value in the current market.

The Group's long-term liabilities are NOK 2,285.7 million (NOK 3,115.6 million). Ordinary instalments and a strengthening of NOK relative to USD has led to a reduction of the accounting value of the liabilities. In March 2017, the Company bought back the bond loan of NOK 300 million at a 60 % rate, and the mortgage is reduced by NOK 202 million after sale of the vessel Viking Poseidon. The short-term liabilities are NOK 469.8 million (NOK 495.4 million).

The parent company's assets are NOK 724.6 million (NOK 844.9 million). The Company's assets consist mainly of investments in and loans to subsidiaries, as well as cash. The parent company has liabilities of NOK 84.3 million (NOK 302.2 million). This consist of long-term liabilities of NOK 51.1 million (NOK 299.4 million) and short-term liabilities of NOK 33.1 million (NOK 2.8 million). The company's bonded loan was bought back in 2017 at a 60 % rate. The Company's equity is NOK 640.3 million (NOK 542.7 million), which gives an equity ratio of 88 % (64 %).

Cash flow
Cash and cash equivalents have increased from 549.7 million at the end of 2016, to NOK 557.4 million as at 31.12.2017, whereof NOK 42.5 million is restricted and set as security for a vessel after received average adjustment.

Net cash flow from operating activities in 2017 was NOK 352.3 million (NOK 346.1 million).

Net cash flow from investment activities of NOK 410.9 million (NOK -12.8 million) is mainly due to sale of a vessel, investments in existing vessels and received dividend from joint ventures.

The Group has a negative cash flow from financing activities of NOK -765.8 million (NOK -492.2 million). This year's cash flow is mainly ordinary interests and instalments, as well as payment of loan related to the sold vessel and the buy-back of the Company's bond loan. A shareholder loan of NOK 30 million was borrowed from the majority shareholder, Eidesvik Invest AS, associated with the buy-back of the Company's bond loan.

The parent company has cash and cash equivalents of NOK 0.9 million (NOK 54.6 million). This is a decrease of NOK 53.7 million.

Profit allocation
The Board proposes that the profit for the year of NOK 97.6 million for Eidesvik Offshore ASA is transferred to other equity.

Going concern
The market for the Company's vessels has deteriorated the last years, but has flatten some out through 2017. In order to meet a continued weak market the next years, the Company started negotiations in with its lenders in 2017 regarding amendments in instalment plan and other loan conditions, and with its shareholders regarding capital increase. Final agreement with lenders and shareholders was signed in January 2018. A number of operational savings measures have also been implemented on board the vessels as well as in the onshore organization. The Company's contract situation, as well as the liquidity reserves and prognosis for 2018 after the financial restructuring, gives the Board reason to believe that the Company's and the Group's financial position is satisfactory. The Board believes that the assumption of going concern are present, and the financial statements have been prepared under this assumption.

Financial risk
Currency risk
In 2017, 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 mitigate 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 presold with settlement in NOK.

Credit risk
Eidesvik's clients are mainly solid companies with good solvency. The risk that the counterparties do not have financial ability to fulfil their obligations, is considered low. For the Company's largest client, CGG, it has been considerable uncertainty, and in 2017 the Company had to accept lower rates on the contracts onward. The client has completed a financial restructuring in 2017, and strengthened its financial position.

Liquidity risk
The Group completed a financial restructuring in January 2018, and sold a vessel in 2017. The Company has also bought back the bond loan, which had maturity in 2018. The Company has after this no maturity, excluding ordinary instalments, before 2022. 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 is currently using 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.

Historical, the Company has been at the forefront of increasing the recruitment of Norwegian seamen. Considerable resources have been allocated to this work through initiatives to increase the attractiveness for the youths to choose a maritime education. The Company cooperate in different forum to strengthen and further develop Norwegian maritime competence. At the same time, the industry experiences an increasing international competition, also when it comes to competence and expenses. It is an important assumption for further commitment of Norwegian maritime competence, that the framework conditions are organized to make it attractive for the industry to build Norwegian maritime competence over time.

CORPORATE SOCIAL RESPONSIBILITY 2017

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. This means that we should act with respect and honesty towards clients, suppliers, employees, authorities, owners and society, 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 2017.

BUSINESS SEGMENTS AND OUTLOOK

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

Supply

At the end of the year, Eidesvik operated 9 supply vessels (4 in layup), whereof 2 were on management. 5 vessels use LNG as fuel. Only 1 vessel operating on LNG is in layup.

Viking Princess was the fourth vessel in Eidesvik’s fleet that got installed a battery package in the fall of 2017. Chevron extended the contract for the vessel at the end of the year, once again.

Viking Queen has been operating in the spot market throughout the year with satisfactory utilization.

Viking Avant has continuously been working for Statoil through the year on a month to month contract.

Viking Prince ended the long term contract with Lundin at the end of the year, and has been thereafter operated in the spot market.

The market for supply vessels is expected to have an increase on the demand side compared to last year. The supply side is still characterized by overcapacity, and this is reflected in the rate level. The market for large and modern PSV’s have tightened and we experience an improved utilization and useful rate levels for this year’s summer season. We expects a challenging winter season this year, as last year, in this segment.

Seismology
The Company has in 2017 entered into an agreement with CGG and established a new ship owning joint venture for 7 seismic vessels. This consist of two vessels that formerly were co-owned by the Company and CGG, and additional 5 vessels that was fully-owned by CGG.

Within this segment, Eidesvik now hold ownership interest in a total of 11 vessels. 4 of these are fully-owned, and the remaining 7 are owned in a joint venture with CGG (50/50). By year end, 6 of these vessels were in layup.
4 of our seismic vessels are operated by the co-owned company CGG Eidesvik Ship Management AS in Bergen, which also operates 3 external vessels.

Viking Vision, Geo Celtic, Oceanic Challenger and CGG Alize have been in layup through the year. Veritas Viking was put in layup I fourth quarter in 2017 after ended contract with CGG. Viking Vanquish has in 2017 been on contract, but has been in layup on charterers account.

Geo Coral has operated since April 2017 on a long term contract with CGG. Geo Caribbean was taken out of layup for classification in December 2017, and the vessel are going on a long term contract with CGG from April 2018.

Vantage was on contract with CGG until the end of 2017, and has in 2018 been awarded a contract with Seabed Geosolution, starting February 2018 and the duration is expected to be the remaining part of 2018.

The seismology market remains challenging, but with some signs of improvement. The tender activity in the 3D market is increasing, and we are experiencing a general increasing of tenders in the nodal market on the world basis.

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

Viking Neptun has operated through the whole year, with high utilization in a challenging market. The vessel went on a contract in the wind market from October 2017, and this secured employment until April/May 2018.

Acergy Viking has been through a larger rebuilding to the SPS notation in the spring 2017, and the vessel has, after particularly good operations, renewed the contract with Siemens to January 2020.

Seven Viking and Subsea Viking have operated on long term contracts through the year for Subsea 7.

Subsea Viking has been awarded a contract with Seabed Geosolution, starting January 2018 with expected duration through the year.

In the subsea market, we see small changes compared to last year, and we expect project with short horizon and a pressed rate level for most of the vessel categories. Walk-to-work jobs in both oil & gas and wind market continues to activate subsea tonnage. We see sign of increased activity from mid-2019 and onwards.

Bømlo, 24 April 2018

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 CEO

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 2017 and for the year 2017, including consolidated comparative figures as at 31 December 2016 and for the year 2016.

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 the Board's and CEO's best knowledge, the annual accounts for 2017 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 2017 and 31 December 2016. According to the Board's and CEO's best knowledge, the annual report gives a true account of important events during the accounting period and their influence on the annual accounts. According to the Board's and CEO's best 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, 24 April 2018

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 CEO

CONSOLIDATED INCOME STATEMENT

(NOK 1 000)

	Note	**1.1-31.12 2017**	1.1-31.12 2016
Freight income		**599 285**	748 800
Other income	5	**155 432**	35 306
Total operating income	4	**754 716**	784 106
Payroll expenses	11	**251 651**	235 791
Other operating expenses	6	**117 774**	133 031
Total operating expenses		**369 425**	368 822
Operating profit before depreciation and impairment		**385 291**	415 284
Depreciation	12	**225 326**	292 459
Impairment	12	**202 989**	508 819
Operating profit before profit from joint venture		**-43 023**	-385 994
Profit from joint venture	7	**181 419**	-80 284
Operating profit		**138 395**	-466 278
Finance income	8	**134 366**	3 742
Finance costs	8	**-169 971**	-148 672
Net currency gain/loss	8	**47 941**	45 968
Net financial items		**12 336**	-98 962
Profit (loss) before taxes		**150 731**	-565 241
Tax income (expense)	9	**-3 363**	721
Profit (loss) for the year		**147 368**	-564 519
Attributable to:			
The parent company's shareholders		**155 368**	-553 001
Non-controlling interest	7	**-8 000**	-11 518
Total attributed		**147 368**	-564 519
Earnings per share	10	**5,15**	-18,34
Diluted earnings per share	10	**5,15**	-18,34

STATEMENT OF COMPREHENSIVE INCOME

(NOK 1 000)

	Note	**1.1-31.12 2017**	1.1-31.12 2016
Statement of Total Income			
Profit (loss) for the year		**147 368**	-564 519
Items that will not be reclassified over profit/loss in later periods			
Actuarial gains/losses		**-16 962**	-4 887
Items that will be reclassified over profit/loss in later periods			
Translation differences joint ventures	7	**-45 451**	-15 351
Total comprehensive income for the year		**84 955**	-584 757
Attributable to:			
The parent company's shareholders		**92 956**	-573 239
Non-controlling interest		**-8 000**	-11 518
Total attributed		**84 955**	-584 757

Financial Position

(NOK 1 000)

	Note	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Vessels	12	**2 967 810**	3 706 412
Property, plant and equipment	12	**21 093**	22 773
Investments in joint ventures	7	**480 281**	444 613
Investments in shares	21	**1 720**	1 720
Pension fund	18	**0**	1 165
Other non-current receivable	13	**92 193**	136
Total non-current assets		**3 563 098**	4 176 819
Current assets			
Accounts receivable	14	**123 826**	203 006
Derivatives	23	**0**	1 756
Other current assets	15	**53 148**	136 742
Cash and cash equivalents	16	**557 440**	549 738
Total current assets		**734 414**	891 241
Total assets		**4 297 512**	5 068 060

Financial Position

(NOK 1 000)

	Note	31.12.2017	31.12.2016
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the company's shareholders			
Share capital	17	**1 508**	1 508
Other paid-in equity		**629**	629
Other comprehensive income		**-37 983**	-21 021
Translation differences		**97 749**	143 200
Retained earnings		**1 447 651**	1 292 283
Total equity majority shareholders		**1 509 554**	1 416 599
Non-controlling interests		**32 452**	40 452
Total equity		**1 542 006**	1 457 051
Liabilities			
Non-current liabilities			
Interest-bearing debt	20	**2 268 896**	3 115 595
Pension liabilities	18	**16 841**	0
Total non-current liabilities		**2 285 737**	3 115 595
Current liabilities			
Interest-bearing debt	20	**315 988**	340 259
Debt to related parties	24	**30 000**	0
Derivatives	23	**5 003**	0
Accounts payable		**42 465**	49 559
Tax payable	9	**0**	471
Other current liabilities	19	**76 312**	105 125
Total current liabilities		**469 768**	495 414
Total liabilities		**2 755 505**	3 611 010
Total equity and liabilities		**4 297 512**	5 068 060

Bømlo, 24 April 2018

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
CEO

CASH FLOWS
(Nok 1 000)

	Note	1.1-31.12 2017	1.1-31.12 2016
Cash flow from operations			
Payments from clients		**678 469**	746 222
Payments to suppliers, employees and others		**-373 889**	-453 972
Payments from reimbursement scheme, Norwegian seamen		**51 281**	54 805
Interest received/paid		**-1 542**	3 089
Net paid and refunded taxes		**-1 788**	-4 003
Net cash flow from operating activities		**352 531**	346 142
Cash flow from investments			
Sale of tangible assets	12	**407 288**	32 972
Received insurance settlement		**49 256**	0
Sale of other investments	12	**0**	2 068
Purchase of tangible assets	12	**-98 526**	-73 195
Received investment refund	12	**20 761**	0
Received dividend	7	**22 618**	50 928
Net cash flow from investing activities		**401 397**	12 774
Cash flow from finance			
Shareholder loan		**30 000**	0
Repayment of debt	20	**-673 336**	-355 545
Paid interest	20	**-122 446**	-136 646
Net cash flow from financing activities		**-765 782**	-492 191
Currency gain/loss on cash, cash equivalents and used credit facilities		**19 556**	-19 262
Net increase (decrease) in cash and cash equivalents		**7 702**	-152 538
Cash and cash equivalents at the start of the period	16	**549 738**	702 276
Cash and cash equivalents at the end of the period	16	**557 440**	549 738

CHANGES IN EQUITY

(NOK 1 000)

	Majority share						Minority share	Total equity
	Share capital	Other reserves	Other paid-in equity	Translation differences	Other equity	Total		
Equity as at 01.01.2016:	1 508	-16 134	635	158 550	1 845 283	1 989 843	51 971	2 041 814
Profit (loss) for the year	0	0	0	0	-553 001	-553 001	-11 518	-564 519
Currency translation differences	0	0	0	-15 351	0	-15 351	0	-15 351
Actuarial loss	0	-4 887	0	0	0	-4 887	0	-4 887
Total comprehensive income 2016	0	-4 887	0	-15 351	-553 001	-573 239	-11 518	-584 757
Establishment expenses subsidiary	0	0	-6	0	0	-6	0	-6
Total other adjustments to equity 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	1 416 599	40 452	1 457 051
Profit (loss) for the year	0	0	0	0	155 368	155 368	-8 000	147 368
Currency translation differences	0	0	0	-45 451	0	-45 451	0	-45 451
Actuarial loss	0	-16 962	0	0	0	-16 962	0	-16 962
Total comprehensive income 2017	**0**	**-16 962**	**0**	**-45 451**	**155 368**	**92 956**	**-8 000**	**84 955**
Total other adjustments to equity 2017	0	0	0	0	0	0	0	0
Equity as at 31.12.2017	**1 508**	**-37 983**	**629**	**97 749**	**1 447 651**	**1 509 554**	**32 452**	**1 542 006**

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/wind 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 24 April 2018 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 24.

Overview of the group relations:

Company	*Reg. office*	*Owner share*
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 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 %
Eidesvik Shipping Mexico	Mexico	PE

Joint Ventures:

Global Seismic Shipping AS	Bømlo	50%
CGG Eidesvik Ship Management AS	Bergen	51 %
Eidesvik Seven AS	Bømlo	50 %
Eidesvik Seven Chartering AS	Bømlo	50 %

Eidesvik Seismic Vessels AS and Oceanic Seismic Vessels AS became in 2017 part of the Global Seismic Shipping AS group. In addition to these two companies, Geo Vessel AS is a part of the group. See Note 7 for corresponding figures.

In addition, the Group has the following shares:

Simsea Holding AS	Haugesund	10,4 %
Bleivik Eiendom AS	Haugesund	22,6 %
Eidesvik Ghana Ltd.	Ghana	49 %

The total book value of these amounts to NOK 1.7 million, and is not considered material. Please refer to Note 21 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) *Join 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/wind, 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:

Vessel	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 rent back” 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 rent back” 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 Impairment 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 impaired to the recoverable amount, which for tangible fixed assets is the highest of expected net sales price and value in use. Value in use is calculated as the current value of future cash flows. If the reason for the impairment lapses at a later time, and the lapse can be tied to an event taking place after the impairment is recognized, the previous impairment is reversed.

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

2.8 New buildings
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 assets 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 recognized 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 impairment. 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 and 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 Accounts payable
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 Loan
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 nonfinancial 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 Provisions
The Group records provisions 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. Provision for the Group are recorded even though the probability for becoming effective with regard to the individual elements of the group, is low.

Provisions 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 when the vessel is returned.

b) Interest income
Interest income is recognized proportionally over time in accordance with the effective interest method. When impairing 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 impairment, the interest income is recognized on the basis of the original effective interest rate.

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

2.19 Public subsidies
Subsidy regarding net pay scheme and the reimbursement scheme for seamen are recorded as a cost reduction (payroll expenses)

2.20 Dividend
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 Subsequent events
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. Subsequent events 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 Earnings per share accrued to the parent company's shareholders
The calculation of earnings 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 recognized 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 2017 that give significant effect for the group, except extended note information related to the cash flow statement due to changes in IAS 7 and IFRS 12.

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 31.12.2017. This applies to the following standards, which may be relevant for the Company:

• IFRS 15 Revenue from contracts with customers
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 nonfinancial assets (such as the sale of real estate, facilities and equipment). The new standard is expected to be effective from 1 January 2018.

All contracts that are ongoing by the year end, are evaluated after the conditions in IFRS 15. This is done to evaluate the effect of the implementation in 2018, as well to identify the effect on the equity as at 1 January 2018. The Company applies modified retro perspective method by implementation.

The Group's income are mainly from time charter income or bareboat income. A time charter consist of a leasing component (bareboat element) and a service component. The service component is within IFRS 15. The leasing component is within IAS 17/IFRS 16. Today these are recognized over the leasing period. IFRS 15 will not change how the income is accrued, and there are no changes compared to today's rules. Beyond this, the new standard is not expected to have substantial impact on the Group accounts, and the effect on the opening balance of equity is estimated to be NOK 0.

• 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 1 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 22. Beyond this, the standard is not expected to have significant effect on the consolidated accounts.

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.

- Impairment
On the balance sheet date, the Group has made an assessment of whether there are indicators that vessels may need to be impaired. When such indicators exist, the recoverable amount for the vessel is estimated, and the vessel's value is impaired 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 present 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.

e) *Joint Ventures*
The Company has the following joint ventures:

Global Seismic Shipping AS	Bømlo	50%
CGG Eidesvik Ship Management AS	Bergen	51 %
Eidesvik Seven AS	Bømlo	50 %
Eidesvik Seven Chartering AS	Bømlo	50 %

These are recorded after the equity method. In 2017, an extraordinary impairment of the shares in Global Seismic Shipping AS was taken. This was due to the uncertainty of the vessel values in that Group. The evaluation that is performed is corresponding to the evaluation of the vessel values in EIOF. See Note 12.

f) Long term receivables
Under other receivables has EIOF recorded a receivable of USD 27,496 thousand (total of NOK 235 million).

A repayment schedule is organized for this amount. CGG, which indirectly are the part that are repaying the amount, has been under Chapter 11, and therefor there will be uncertainty regarding CGG's possibilities to follow the budgeted repayment scheme. As a consequence, uncertainty are related to these receivables. It is difficult to estimate an accurate amount. It is estimated that the receivables towards Global Seismic Shipping AS have a value of 45% of nominal value. This corresponds with the rate on the listed bonds the Company received as a part of the settlement due to the contract termination for Vanquish in the first quarter 2017. In the accounts as at 31.12., these receivables are impaired with 55%.

If the cause of the impairment, in a later period, disappear, and the disappearance can be objective related to an event that occurs after the calculated value reduction, the earlier impairment will be reversed. It is natural that if the repayment of the receivables are conducted, and/or CGG no longer is under Chapter 11, the share value increases, observed value of listed bonds issued by the company are increasing etc., the impairment has to be reversed. The evaluation have to be done each quarter based on an overall assessment.

By repayment of the instalments, the impaired part of the payment will be recorded as income. A potential reversed impairment will be recorded as other financial income.

Note 3 Financial Risk Management

The Group is exposed to variety of financial market risk factors through its activities. Financial market risk is the risk of 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 program focuses on the unpredictability of the capital markets and seeks to minimize the potential adverse effects on the Group's financial performance. Elements included in the management of financial risk, are the contract length on charter-parties, use of currency and interest rate instruments, and debt in the same currency as expected payments of freight income. The main focus for the management of currency and interest rate risk, is to hedge future cash flows. The hedge positions for the cash flows are recorded at market value on the period end date. This exposes the accounts to fluctuations in the value of the hedging instruments. Risk management of the accounts are subordinate to the consideration of the 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 23)
"The Group operates internationally and is exposed to fluctuations in exchange rates for several currencies. Currency risk arises from future commercial transactions, and associates with capitalized assets and liabilities."

To manage the currency risk from future commercial transactions and capitalized assets and liabilities, the Group uses currency derivatives. The Group also hold loans in the same currency as expected future payments.

"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 loans and currency futures in the same currency. The Group’s long-term liabilities were distributed to 45 % NOK and 55 % USD as at 31.12.2017, in 2016 the distribution was 52 % NOK and 48 % 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 at 31.12.2017.

	+50 øre	-50 øre
Currency gain (loss) long term liabilities and currency futures	-68,4	68,4
Profit (loss) for the year	-68,4	68,4
Translation differences shares	21,3	-21,3
Total compehensive income	-47,1	47,1

(ii) Price risk
The Group is exposed to price risk as the spot rates historical have been volatile. The Group seeks predictability, and the strategy is to have a contract backlog consisting of long term contracts with close to fixed price. For 2018, firm contracts represent 55 % of available vessel days. At 31.12.2017, four of the Group's vessels were laid up, and one vessel operated in the spot market. See also Note 22 for contract status. For some long contract signed for a long time ago, it is a risk that the counterparty pushes for a rate reduction. This can be a result of major changes in the rate levels, or that the counterparty is facing financial challenges.

The Group has very low exposure for bunkers and other goods.

(iii) Interest risk (see also Note 23)

The Group's interest risk is associated with long term liabilities and deposits. Loans with floating interest rate involve a risk for the Group's cash flow. Fixed rate loans exposes the Group to fair value interest risk. The interest risk I managed by using interest derivatives (swaps and options) within guidelines from the Board.

The effect of a change in the interest level is simulated in order to support decisions of enter 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.
An increase of 1 percentage point in the interest rate, everything else unchanged, would reduce the net profit before tax by NOK 24 million. 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 as charter-parties are made with relatively few clients. Eidesvik's clients are mainly solid companies with good solvency. The risk that the counterparty do not have financial ability to fulfil their obligations, is considered moderate.

The following table categorizes the Group's receivables according to the risk of non-recovery of outstanding amounts:

Accounts receivable	**2017**	2016
Group 1	**86 512**	126 628
Group 2	**31 318**	20 633
Group 3	**5 996**	55 746
Total	**123 826**	203 006

Group 1: Established client relationship, good solvency/willingness
Group 2: New clients, or slow recovery
Group 3: Established client relationship, weaker solvency/willingness

The Group has material long term receivables towards joint ventures. These receivables are posted in the accounts with a significant lower value due to provisions for counterparty risk at the joint venture's charterer. The posted value of the receivables was by the revenue recognition in 2017 evaluated to a lower value than nominal value. This is in accordance with observable sales of bond issued by the same counterpart. The credit risk of the receivables is evaluated as lower, and indications of changes in the valuation of these are assessed continuously. See Note 5 and 13 for additional information.

The Group has, direct and indirect, material receivables towards the French seismic company CGG. This company had considerable financial challenges at the entrance of 2017. The company has in 2017 been through negotiations with its creditors and suppliers, including companies in the Eidesvik group, concerning changes in terms. The company has in 2018 completed a financial refinancing, and has reduced the financial risk significant. The credit risk towards CGG is consequently reduced during 2017.

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 charter-parties with small 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 forecast. Longer liquidity forecast of up to 5 years are prepared several times per year, as well as when signing newbuilding contracts.

Due to uncertainty of the possibility for refinancing the Group's bond with maturity in 2018, the Group sold a laid up vessel in the first quarter of 2017. By doing so, the Group redeemed the debt belonging to the vessel, as well as the outstanding bond at a rate of 60. The Group has in the first quarter of 2018 obtained agreement with its lenders regarding change in terms for repayment of the Group's loan. The financial restructuring period started 1 February 2018, and ends 31 December 2022. Loans with original final maturity (balloon maturity) earlier than 2022, gets new final maturity by the end of the period. It is agreed reduced instalments of 27.5% of the original instalments from 2018 including first half-year 2021. Associated to the financial restructuring, a private placement of NOK 120,000 thousand was completed, a subsequent offer of NOK 30,000 thousand was completed, and a shareholder loan of NOK 30,000 thousand was converted to equity. See note 27 for further information regarding the financial refinancing.

See also Note 20 for information of instalment profile/refinancing need for long term liabilities.

The following table sums up the maturity profile for the Group's liabilities as at 31.12.2017 based on contractual, non-discounted cash flows. Estimated interest is based on current rates, and exchange rates is as at 31.12.2017.

Maturity statementof capitalized liabilities (before refinancing)	2018	2019	2020	2021	2022	Later
Loans	304 836	309 436	640 002	1 172 277	57 917	101 458
Accrued interest	11 152	0	0	0	0	0
Derivatives	5 003	0	0	0	0	0
Debt to related parties	30 000	0	0	0	0	0
Accounts payable	42 465	0	0	0	0	0
Other current liabilities	76 312	0	0	0	0	0
Pension liabilities (anticipated due)	0	0	0	0	0	16 841
Subtotal liabilities	469 767	309 436	640 002	1 172 277	57 917	118 300
Anticipated interest						
Interest payments existing loans	97 566	84 945	66 573	24 897	7 606	6 117
Adjustment incurred 31.12.17	-11 152	0	0	0	0	0
Subtotal anticipated interest	86 414	84 945	66 573	24 897	7 606	6 117
Leases						
Leases (Note 22)	5 794	6 274	6 274	6 274	6 274	61 605
Total contractual liabilities coming to maturity	561 975	400 656	712 849	1 203 448	71 797	186 022

Risk management of capital
A primary goal for the Group is to secure long-term financing of the assets. In light of the challenging market, actions have been implemented to strengthen the Group’s liquidity and capital through the sale of a vessel, repurchasing a bonded loan at a discount, negotiations with creditors on instalment reductions, as well as raising new equity. This have been done to obtain agreements which secure the group through years of weak markets and corresponding low revenue. Please refer to Note 20 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 other observable factors, either directly (price) or indirectly (derived from prices) 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 23. Fair value for fixed-rate loans is calculated by discounting the difference between the fixed rate and the market rate at 31.12.2017 with duration similar to the term of the loan.

Cost is considered equivalent to fair value for the equity investments discussed in Note 21.

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. Subsea/Offshore wind
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. Several of the Company's subsea vessels are meeting the requirements in the offshore wind market, and are chartered in this market. The offshore wind segment are delivering shipping services to the renewable market.

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

(1.000 NOK)	Seismology		Subsea		Supply		Other		Consolidated	
Operational segment	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Segment profit										
Operating income	**268 929**	189 144	**289 962**	314 436	**176 428**	254 416	**19 398**	26 110	**754 717**	784 106
Share of operating income from joint ventures	**433 614**	126 269	**79 951**	80 023	**0**	0	**0**	0	**513 564**	206 292
Total operating income	**702 543**	315 413	**369 913**	394 459	**176 428**	254 416	**19 398**	26 110	**1 268 281**	990 398
Operating expenses	**56 965**	14 745	**126 841**	153 376	**140 644**	178 754	**44 975**	21 944	**369 425**	368 819
Share of operating expenses from joint ventur	**5 061**	520	**30 109**	31 975	**0**	0	**0**	0	**35 170**	32 495
Total operating expenses	**62 026**	15 265	**156 950**	185 351	**140 644**	178 754	**44 975**	21 944	**404 595**	401 314
Depreciations/impairments	**143 029**	55 365	**127 381**	265 051	**156 225**	479 026	**1 680**	1 837	**428 315**	801 279
Share of depreciations/impairments from joint ventures*	**107 935**	141 647	**17 911**	18 150	**0**	0	**0**	0	**125 846**	159 796
Total depreciations	**250 964**	197 012	**145 292**	283 201	**156 225**	479 026	**1 680**	1 837	**554 161**	961 075
Operating profit incl. share of joint ventures*	**389 552**	103 136	**67 671**	-74 092	**-120 441**	-403 364	**-27 257**	2 329	**309 525**	-371 991
Net finance and taxes in joint ventures*	**-57 089**	-79 021	**-11 719**	-15 264	**0**	0	**0**	0	**-68 808**	-94 285
Impairment joint venture	**-102 321**	0	**0**	0	**0**	0	**0**	0	**-102 321**	0
Operating profit	**230 142**	24 113	**55 952**	-89 358	**-120 441**	-403 366	**-27 257**	2 327	**138 396**	-466 279
Net financial cost									**12 336**	-98 962
Tax									**-3 363**	721
Profit/loss for the year									**147 369**	-564 520

In 2017, the Seismology segment has an impairment of NOK 88,989 thousand, the Subsea segment NOK 37,000 thousand, and the Supply segment NOK 77,000 thousand. Total impairment of NOK 202,989 thousand.
In 2016, the Supply segment has an impairment of NOK 379,108, and the Subsea segment NOK 379,108, total impairment of NOK 508,819 thousand.

Impairment of joint venture of NOK 102,321 thousand is related to the shares in Global Seismic Shipping AS, see Note 7 for further information.

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

(1.000 NOK)	Seismology		Subsea		Supply		Other		Consolidated	
Operational segment	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Segment assets	**523 106**	712 973	**1 609 175**	2 119 880	**862 094**	993 359	**265 416**	247 498	**3 259 791**	4 073 710
Share of assets in joint ventures*	**1 822 131**	884 876	**393 693**	430 063	**0**	0	**0**	0	**2 215 824**	1 314 940
Non-allocated assets (cash)									**557 440**	549 738
Assets included share of joint ventures*	**2 345 237**	1 597 849	**2 002 868**	2 549 943	**862 094**	993 359	**265 416**	247 498	**6 033 055**	5 938 387
Segment short term liabilities (not mortgages	**-9 744**	-44 046	**-22 957**	-27 965	**-6 987**	-9 065	**-430 081**	-92 151	**-469 768**	-173 227
Share of liabilities from joint ventures*	**-1 471 804**	-555 006	**-263 739**	-315 321	**0**	0	**0**	0	**-1 735 543**	-870 327
Segment mortgages and bonded loans	**-538 470**	-641 043	**-793 923**	-1 481 281	**-917 875**	-1 014 361	**-35 470**	-301 097	**-2 285 737**	-3 437 782
Total liabilities included share of jont ventures	**-2 020 017**	-1 240 095	**-1 080 620**	-1 824 567	**-924 861**	-1 023 426	**-465 550**	-393 248	**-4 491 048**	-4 481 336
Investments in fixed assets (excluding periodic maintenance)	**811**	0	**51 450**	24 894	**949**	13 027	**0**	0	**53 211**	37 922
Gross sale of fixed assets	**0**	0	**411 099**	0	**0**	34 417	**0**	2 251	**0**	36 668

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

Information of large clients

The majority of the Group's income in 2017 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."

Operational segment	Seismology	Subsea	Supply
Client 1		180 602	
Client 2		88 602	
Client 3			79445
Client 4	499849		
Total operating income large clients	**499 849**	**269 204**	**79 445**

Secondary segments are not reported. Business segments seismology, subsea, and supply are the only groups reported internally. Although the vessels in the segments seismology and subsea operate in various parts of the world, is this mainly a consequence of the clients' preferred area of operation, not necessarily a decision on a geographical focus area. So presenting geographical areas for these segments are considered misleading. For the supply segment are all operations in 2016 and 2017 solely in one geographic area defined as Europe. Secondary segmentations are therefore omitted.

Note 5 Other income

(NOK 1 000)	2017	2016
Termination fee Viking Vision	**0**	35 306
Termination fee Viking Vanquish	**138 244**	0
Gain/loss from sale of vessels	**17 188**	0
Other income	**155 432**	115 005

Viking Vision was returned 03.10.2016, while Eidesvik was 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 agreement.

Viking Nereus was sold in 2016. However, it was no gain or loss related to the sale since the vessel was depreciated as at third quarter with an amount equivalent to the agreed sales price in fourth quarter.

In January 2017, Eidesvik and CGG agreed to amend the bareboat contract for the seismic vessel Viking Vanquish, which expires November 2020, effective from January 2017. The day rate was reduced in the remaining period. The amendment in the contract are recorded in the accounts as a termination, among other factors, the settlement was a result of a negotiated solution that does not directly reflects the adjustment in the day rate to the market level. Therefore, the settlement for the contract is recorded fully in the period. Eidesvik received, as a consequence of this, a termination compensation consisting of listed bonds with maturity in 2021, and debt instruments towards joint ventures of USD 18,168 thousand. The received bonds were sold and the cash settlement of USD 7,875.6 thousand was recorded as income for NOK 66,231. The received debt instruments were recorded as income of NOK 72,013 thousand (see Note 13) after fair value adjustment to 45% of the nominal value. See Note 13 for the capitalization of the receivable and Note 7 for further information related to the transactions with the joint ventures.

The subsea vessel Viking Poseidon was delivered to the new owner 15.03.2017. The vessel was impaired in fourth quarter in 2016 based on the agreed amount of sale. Primarily, due to changes in the exchange rate onwards to the time of sale, this resulted a gain on the sale.

Note 6 Other operating expenses

(NOK 1 000)	2017	2016
Technical operation vessels	73 003	83 172
Insurance	10 471	13 047
Communication expenses	9 265	13 255
Administration expenses	25 036	23 528
Research and development	0	29
Other operating expenses	117 774	133 031

Technical operation includes running operating expenses and maintenance of the Group's vessels. Classification expenses hare capitalized and depreciated until the next classification, and are thus not evident as other operating expenses.

Administrative expenses consist mainly of travel, consultancy, legal, audit, lease and other office expenses (see Note 24).

Auditor:

(NOK 1 000)	2017	2016
Statutory audit	**1 509**	1 375
Tax consultancy	**263**	0
Other certification services	**0**	100
Financial consultancy	**2 948**	0
Total audit fee	**4 720**	1 475

Audit fee is presented excluding VAT.

Financial consultancy is related to the refinancing of the Group.

Note 7 Investments in joint ventures and associated companies

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

(NOK 1 000)

Unit	Country	Industry	Owner/ voting	Book value 31.12.2015	Share of profit/loss	Translation differences	Dividend	Addition/ disposal	Book value 31.12.2016
Eidesvik Seismic Vessel AS	Norway	Shipping	51,0 %	232 739	-16 114	-6 679	-21 299	0	188 647
Oceanic Sesimic Vessel AS	Norway	Shipping	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	50,0 %	103 876	10 879	0	-10 000	0	104 755
Eidesvik Seven Chartering AS	Norway	Shipping	50,0 %	6 232	3 756	0	0	0	9 987
Total				**591 176**	**-80 284**	**-15 351**	**-50 928**	**0**	444 613

Unit	**Country**	**Industry**	**Owner/ voting share**	**Book value 31.12.2016**	**Share of profit/loss**	**Translation differences**	**Dividend**	**Addition/ disposal**	**Book value 31.12.2017**
Eidesvik Seismic Vessel AS	Norway	Shipping	51,0 %	188 647	150 867	-454	-17 618	-321 441	**0**
Oceanic Sesimic Vessel AS	Norway	Shipping	51,0 %	139 785	181 853	-3 330	0	-318 307	**0**
Global Seismic Shipping AS (consilidated)	Norway	Shipping	50,0 %	0	-171 513	-41 667	0	562 068	**348 888**
CGG Eidesvik Ship Management AS	Norway	Ship Manager	51,0 %	1 439	0	0	0	0	**1 439**
Eidesvik Seven AS	Norway	Shipping	50,0 %	104 755	14 945	0	-5 000	0	**114 700**
Eidesvik Seven Chartering AS	Norway	Shipping	50,0 %	9 987	5 267	0	0	0	**15 254**
Total				**444 613**	**181 419**	**-45 451**	**-22 618**	**-77 680**	**480 281**

The 2017 accounts for the companies Eidesvik Seismic Vessels AS and Oceanic Seismic Vessels AS are presented for the period from 01.01.2017 to 20.04.2017, before the companies were consolidated into Global Seismic Shipping AS. The companies are from 20.04.2018 part of the Group of Global Seismic Shipping AS. Eidesvik Seismic Vessels AS, Oceanic Seismic Vessels AS and CGG Eidesvik Ship Management AS are in the periods with 51% ownership yet classified as joint ventures since there are shareholder agreements that regulate the control of the companies.

"The Company has in 2017 entered into an agreement with CGG to establish a new ownership set-up for 7 seismic vessels. This new set-up was based on the creation of a the holding company, Global Seismic Shipping AS (GSS), that will hold the shares in the three ship owning entities; Eidesvik Seismic Vessels AS (ESV), Oceanic Seismic Vessels AS (OSV) and Geo Vessels AS (GEV). The two entities ESV and OSV are financed in the same facility with two tranches, one for each vessel (Oceanic Vega and Oceanic Sirius). Geo Vessels AS has a fleet financing for the company's five vessels. ESV and OSV, and GEV on the other side, are financially separated and no guarantees are established between the two sides or from the owners. The new holding company, jointly owned by CGG and the Company in equal parts, are consolidated in the accounts by the equity method with effect from 20.04.2017. CGG will continue to charter the Oceanic Vega and Oceanic Sirius from the new company and has extended the current contract until March 2027 on a reduced charter rate through the whole charter period. CGG progressively charters the Geo Coral (from the second quarter 2017 onwards), Geo Caribbean (from the second quarter 2018 onwards), and Geo Celtic (from the third quarter 2020 at latest) as the charters of other vessels currently in operation expire. The transaction where the Joint Venture Global Seismic Shipping AS (GSS) is recognized in 2nd Quarter 2017 consists of the following main elements which influences mainly profit from joint ventures:

i) The contract change for Oceanic Vega and Oceanic Sirius conducted 20 April 2017 created a receivable versus former contract party in CGG of USD 72,100 thousand, with corresponding revenue recognition. This revenue recognition was before the establishment of GSS, and is presented as income in 2017 for ESV and OSV in the table above.
ii) Eidesvik Shipping AS has reorganized its ownership in the formerly 51% owned Eidesvik Seismic Vessels AS (ESV) and Oceanic Seismic Vessels AS (OSV) to include 50% of Global Seismic Shipping AS. This is recorded as reorganization within the same ownership. It was established receivables with ESV and OSV of a total of USD 9,342 thousand in favour of Eidesvik Shipping AS. At the same time, it was established receivables with ESV and OSV in favour of CGG of a total of USD 6,503 thousand, and receivables with ESV and OSV in favour of GSS of USD 11,665 thousand.
iii) GSS purchased the shares in the formerly 100% owned Geo Vessels AS (GV) against settlement in the receivable described in i) of USD 72,100 thousand, and further the receivables against ESV and OSV of a total of USD 11,665 thousand as described in ii), for a total of USD 83,765 thousand.
iv) CGG transferred the receivable of USD 11,665 thousand together with further receivables of TUSD 6,503 against ESV and OSV described in ii), a total of USD 18,168 thousand, to Eidesvik MPSV AS as the remaining settlement for the termination of the charter with Viking Vanquish (see Note 5). After this, companies in the Eidesvik group have receivables of a total of USD 27,510 thousand against ESV and OSV. CGG companies have no such receivables (see Note 13).

The shares in Global Seismic Shipping AS have been impaired in 2017 with NOK 102,321 thousand, and are presented as a reduction in share of result from GSS in the table above. The impairment is related to the uncertainty regarding the recorded values for two of the seismic vessels in joint venture, evaluated by the Eidesvik Group. The evaluation of the two vessels are based on the recording of similar vessels with similar capabilities fully-owned of the Eidesvik Group. Du to this, it is recorded lower values in the Eidesvik Group compared to the underlying company accounts. The shares are recorded at NOK 348,888 thousand.

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

Dividend from Eidesvik Seismic Vessels AS and Oceanic Seismic Vessels AS in the overview above is dividend from 2016 (2015), which was paid in 2017 (2016).

Dividend of NOK 5,000 thousand (NOK 10,000 thousand) on Eidesvik Seven AS in the overview is 50% of the dividend of a total of NOK 10,000 thousand (NOK 20,000 thousand) for 2016 (2015), which was paid in 2017 (2016).

Summary of financial information of the joint ventures:

2016

Unit	Assets	Fixed assets	Current assets	Of this 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	Finance income	Finance cost	Net financial result	Taxes	Profit of the year	The Group's 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

2017

Unit	**Assets**	**Fixed assets**	**Current assets**	**Of this bank**	**Equity**	**Liabilities**	**Long term**	**Short term**
Eidesvik Seismic Vessel AS	1 089 217	746 573	342 644	67 091	649 170	440 047	354 115	85 932
Oceanic Seismic Vessel AS	1 176 067	763 290	c	70 985	615 288	560 778	472 458	88 320
Global Seismic Shipping AS	3 870 093	3 657 951	212 142	197 336	943 149	2 926 944	2 811 853	115 090
CGG Eidesvik Ship Management AS	19 159	176	18 983	17 611	2 822	16 337	0	16 337
Eidesvik Seven AS	748 181	688 324	59 857	59 238	229 400	518 781	512 815	5 966
Eidesvik Seven Chartering AS	39 205	0	39 205	19 628	30 508	8 697	0	8 697

Unit	**Revenue**	**EBITDA**	**Depreciation**	**Finance income**	**Finance cost**	**Net financial result**	**Taxes**	**Profit of the year**	**The Group's share**
Eidesvik Seismic Vessel AS	314 057	313 855	12 990	0	4 190	-4 190	0	295 817	**150 867**
Oceanic Seismic Vessel AS	382 606	382 404	13 062	0	12 769	-12 769	0	356 574	**181 853**
Global Seismic Shipping AS	156 694	146 987	144 422	220	96 048	-95 828	0	-93 433	**-171 513**
CGG Eidesvik Ship Management AS	27 100	331	137	30	223	-193	0	0	**0**
Eidesvik Seven AS	86 997	85 877	35 822	108	20 273	-20 165	0	29 891	**14 945**
Eidesvik Seven Chartering AS	159 901	13 806	0	57	4	53	3 326	10 533	**5 267**
									181 419

Subsidiaries with substantial minority interests

The Group has two subsidiaries with substantial minority interests.
Of companies with minority interests, there are only the companies below that are considered as substantial.

2016

Unit	Country	Minority interests (%)	Share of profit, minority
Eidesvik Supply AS	Norway	19,89 %	-14 311
Eidesvik Neptun AS	Norway	25,25 %	6 814
Eidesvik Neptun II AS	Norway	25,25 %	-4 020
			-11 517

2017

Unit	**Country**	**Minority interests (%)**	**Share of profit, minority**
Eidesvik Supply AS	Norge	19,89 %	-7 267
Eidesvik Neptun AS	Norge	25,25 %	-1 021
Eidesvik Neptun II AS	Norge	25,25 %	290
			-7 998

Summary of financial information for subsidiaries with substantial minority interests:

2016

Unit	Assets	Fixed assets	Current assets	Of this bank	Equity	Liabilities	Long term	Short term
Eidesvik Supply AS	254 242	236 237	18 005	5 555	-43 820	298 062	215 437	82 625
Eidesvik Neptun AS	1 258 723	1 157 523	101 200	11 270	288 769	969 954	956 464	13 490
Eidesvik Neptun II AS	37 017	0	37 017	16 274	-9 436	46 453	0	46 453

Unit	Revenue	EBITDA	Depreciation	Finance income	Finance cost	Net financial result	Taxes	Profit of the year
Eidesvik Supply AS	28 396	-2 326	55 029	20	14 614	-14 594	0	-71 949
Eidesvik Neptun AS	108 483	96 811	57 495	22 379	34 710	-12 332	0	26 985
Eidesvik Neptun II AS	118 936	-2 343	0	12 299	24 823	-12 524	1 052	-15 919

2017

Unit	**Assets**	**Fixed assets**	**Current assets**	**Of this bank**	**Equity**	**Liabilities**	**Long term**	**Short term**
Eidesvik Supply AS	245 461	221 249	24 211	11 733	-80 354	325 814	186 875	138 939
Eidesvik Neptun AS	1 143 821	1 101 323	42 498	4 271	284 726	859 096	843 791	15 305
Eidesvik Neptun II AS	41 548	0	41 548	10 913	-8 288	49 836	0	49 836

Unit	**Revenue**	**EBITDA**	**Depreciation**	**Finance income**	**Finance cost**	**Net financial result**	**Taxes**	**Profit of the year**
Eidesvik Supply AS	28 062	-262	21 330	38	14 980	-14 941	0	-36 534
Eidesvik Neptun AS	54 189	39 760	50 674	43 015	36 144	6 870	0	-4 043
Eidesvik Neptun II AS	66 320	1 790	0	2 483	2 507	-24	618	1 148

Note 8 Net financial items

(NOK 1 000)	**2017**	**2016**
Interest income	**11 953**	**3 742**
Gain on repurchase of bond loan	**120 000**	**0**
Other financial income	**2 413**	**0**
Total financial income	**134 366**	**3 742**
Interest expenses on loan	**-125 786**	**-143 580**
Other interest expenses	**-87**	**-175**
Other financial expenses	**-44 098**	**-4 917**
Total financial expenses	**-169 971**	**-148 672**
Realized currency gain (loss)	**-10 198**	**-19 774**
Unrealized currency gain (loss) - linked to other items	**64 899**	**54 714**
Change in value of currency futures recorded at fair value over the accounts	**-6 759**	**11 028**
Total currency gain (loss)	**47 941**	**45 968**
Net financial profit (loss)	**12 336**	**-98 962**

Other financial expenses includes impairment of Eidesvik Shipping AS' receivable towards Eidesvik Seismic Vessels AS (ESV) and Oceanic Seismic Vessels AS (OSV) (see Note 7). Original amount of the receivables were USD 9,342 thousand, and the impairment of the receivable is NOK 43,092 thousand. This is about 43% of the nominal value, and is based on debt servicing capacity for the company's client. See note 13 for the posted value of the receivables towards ESV and OSV.

Note 9 Tax

(NOK 1 000)	2017	2016
Tax payable Norway and abroad	3 363	0
Insufficient/excess tax provision previous years	0	-721
Tax cost	**3 363**	**-721**
Fixed assets	-43 776	-3 593
Gain and loss account	-117	-43
Pension liabilities	804	1 165
Loss carried forward	-478 961	-613 491
***Total temporary differnces**	**-522 050**	**-615 962**
Recognized deferred tax asset	**0**	**0**
Applied tax rate	**23 %**	**24 %**

Deffered tax asset is not recognized in the balance sheet as it is difficult to estimate the time of realization.

Tax payable		
Tax payable for the year subject to the tonnage tax regime	0	0
Other corporate tax payable, Norway and abroad	0	471
Total tax payable	**0**	**471**
Explanation of tax in the income statement:		
Profit before tax	150 731	-565 241
Calculated 24 % / 25 % tax	36 175	-141 310
Tax effect of:		
Permanent differences/ results subject to the tonnage tax/ difference tax rate abroad	-32 812	140 589
Calculated tax for the year	**3 363**	**-721**
The Group's effective tax rate	**2 %**	**0 %**

*Temporary differences are estimated based on preliminary tax assessment.

Tax payable in the tax cost of NOK 3,363 thousand is related to tax payable abroad, which is paid continuous. Therefore, it is no tax payable in the balance sheet as at 31.12.2017.

Note 10 Earnings per share

(NOK 1 000)	2017	2016
Earnings per share for parent company shareholders	**155 368**	-553 001
Average weighted number of outstanding shares 31 December		
Average weighted number of issued share	30 150	30 150
Average weighted number of outstanding shares 31 December	**30 150**	30 150
Earnings per share	5,15	-18,34
Diluted earnings per share	5,15	-18,34

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 2017, and the Board has proposed no payment of dividends in 2018. This is in line with the dividend limitations in the existing covenants.

Due to the financial restructuring completed in 2018 are the dividend limitations continued. See Note 20. .

Note 11 Payroll expenses and number of employees

(NOK 1 000)	**2017**	2016
Payroll after net pay refund	**153 128**	165 912
Social expenses*	**44 690**	31 076
Defined benefit pension (see Note 19)	**8 113**	-4 869
Hired personell	**24 002**	15 233
Other personell expenses	**21 718**	28 439
Total payroll expenses	**251 651**	235 791

*Included pension costs related to defined contribution scheme

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

The pension cost was in 2016 “positive” due to net deductions of NOK 13,700 thousand by members. The reduction in members in Eidesvik

Maritime AS was a total of 164 active members. The reduction was 176 active members and 28 new employees in 2016, the remaining effect is pensioners. 59 active members was in 2016 moved to CGG Crewing I AS with the effect of NOK 3,700 thousand.

Average number of full-time positions:	**463**	539
Number of employees at year end:	**457**	479

In 2017, NOK 51,281 thousand (NOK 54,805 thousand in 2016) was received in connection with the reimbursement scheme for Norwegian seafarers.

In 2017, NOK 1,646 thousand (NOK 3,004 thousand in 2016) was received from *Stiftelsen Norsk Maritim Kompetanse*.

Note 12 Fixed assets

2016

(NOK 1 000)	Property	Port facilities	Operating equipment	Total other fixed assets	Vessels	Periodic maintenance	Total vessels	New-buildings	Total
Acquisition cost									
1 January 2016	40 359	3 717	38 307	82 383	6 759 561	169 249	6 928 811	0	7 011 194
Additions	0	0	0	0	37 912	37 534	75 446	0	75 446
Disposals	-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 depreciations and impairments									
1 January 2016	18 502	3 494	33 527	55 523	2 311 072	111 567	2 422 639	0	2 478 162
Depreciations for the year	148	0	1 688	1 837	243 895	46 727	290 623	0	292 459
Impairment / reversal impairment (-)	0	0	0	0	508 819	0	508 819	0	508 819
Disposals	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
Book value	19 511	223	3 039	22 773	3 658 699	47 713	3 706 412	0	3 729 185

2017

(NOK 1 000)	**Property**	**Port facilities**	**Operating equipment**	**fixed assets**	**Vessels**	**Periodic maintenance**	**Total vessels**	**New-buildings**	**Total**
Acquisition cost									
1 January 2016	38 161	3 717	38 254	80 133	6 611 734	193 043	6 804 777	0	6 884 910
Additions	0	0	0	0	53 211	23 482	76 693	0	76 693
Disposals		0	0	0	-772 652	-55 005	-827 657	0	-827 657
31 December 2017	**38 161**	**3 717**	**38 254**	**80 133**	**5 892 292**	**161 521**	**6 053 813**	**0**	**6 133 945**
Accumulated depreciations and impairments									
1 January 2016	18 650	3 494	35 215	57 360	2 953 034	145 331	3 098 365	0	3 155 725
Depreciations for the year	148	0	1 532	1 680	193 036	30 610	223 646	0	225 326
Impairment / reversal impairment (-)	0	0	0	0	202 989	0	202 989	0	202 989
Disposals	0	0	0	0	-384 521	-54 477	-438 998	0	-438 998
31 December 2017	**18 799**	**3 494**	**36 747**	**59 040**	**2 964 538**	**121 464**	**3 086 002**	**0**	**3 145 042**
Book value	**19 363**	**223**	**1 507**	**21 093**	**2 927 754**	**40 057**	**2 967 810**	**0**	**2 988 903**

Please refer to Note 20 for information on mortgaged assets.

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

Property/port facilities are including site/land of NOK 18,287 thousand that are not depreciated.

Impairment tests are performed on individual cash generating entities (vessels) when impairment indicators are identified. In light of the market situation as at 31 December 2017 with decreasing freight rates and an increasing number of vessels laid up, as well as falling stock market values, this represents impairment indicators. A number of impairment tests have been performed. When the capitalized value of an asset exceeds the recoverable amount, an impairment is performed. The impairment tests in the fourth quarter of 2017 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 7.8 %. It is considered that the business are within the tonnage tax system, and the given WACC applies to both before and after tax. Future cash flows are estimated on the basis of estimated useful life, and this may exceed 5 years. Applied cash flows for the impairment tests in 2017 are based on, and reconciliations towards the forecast presented for the Company's lenders due to the financial restructuring. 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 (backlog), the utilization rate, ordinary operating expenses, periodic maintenance (docking), freight rates, and exchange rates.

It has been decided to impair 5 supply vessels, 2 subsea vessels and 1 seismic vessel with a total of NOK 202,989 thousand in 2017. Recoverable amount for the 8 vessels is NOK 1,307,733 thousand. This is mainly based on value in use calculations with corresponding support from broker estimates on some vessels.

It has been decided to impair 5 supply vessels, 2 subsea vessels and 1 seismic vessel with a total of NOK 202,989 thousand in 2017. Recoverable amount for the 8 vessels is NOK 1,307,733 thousand. This is mainly based on value in use calculations with corresponding support from broker estimates on some vessels.

In 2016 were 8 supply vessels and 1 subsea vessel impaired with a total of NOK 508,819 thousand. The assessment was based on value in use.

It is great uncertainty associated with the assumptions for the value in use calculations. The calculation is based on the fact that the market prospects are weak in all three segments on a short and medium term horizon. On a general view, it is considered that the seismology market will have some years after the balance sheet date where layup or reduced rate are assumed for the vessels that are not on firm contracts. The same considerations applies to the subsea and supply market.

The expected future earnings used in the calculations, are implicitly adjusted for utilization rate adapted to this general market view. Therefore, sensitivity calculations have also been performed for the value in use 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 NOK 82 million and included the same number of vessels, and in the event of a 5 % increase, the impaired amount would be reduced by NOK 69 million and include two less vessels. If the WACC had been 1 percentage point higher, the impaired amount would have increased by NOK 90 million 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 NOK 72 million and include three less vessels.

Subsea vessel Viking Neptun alone represents about 38 % of the Group’s recorded value of vessels. Like the Group’s other vessels, this vessel has been thoroughly evaluated with regard to value in use and broker estimates regarding a possible impairment. The estimated value in use and broker estimate are 24 % and 1 % above recorded value, respectively. Earnings assumptions which form the basis for the value in use, 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)	**2017**	2016
Loan to employees	**1**	1
Deposits apartments	**27**	27
Loan to Slappen inventory	**179**	109
Long term receivables joint ventures	**91 987**	0
Total other long term receivables	**92 193**	136

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

Long term receivables to joint ventures are related to the companies Eidesvik Seismic Vessels AS and Oceanic Seismic Vessels AS regarding the reorganization of shares in the companies, as well as the receiving of receivables on the same companies from CGG as part of the settlement for the change in contract for the vessels Viking Vanquish (see Note 5). Nominal value as at 31.12.2017 was USD 26,669 thousand, but the booked value in the accounts are substantial lower due to provision regarding the counterparty risk of the joint venture charterer.

Note 14 Accounts receivable

(NOK 1 000)	2017	2016
Accounts receivable	115 841	195 197
Accounts receivable related parties/join venture	9 385	9 759
Provision for loss	-1 400	-1 951
Total accounts receivable	123 826	203 006
Of overdue accounts receivable related to other than related parties, the distribution before provisions for loss is:		
0-3 months	8 951	65 614
3-6 months	314	351
6 months <	1 670	7 569
Total overdue acoounts receivable	10 935	73 533
Recorded value of the Group's accounts receivable per currency:		
EUR	45 999	19 803
USD	15 509	106 206
GBP	5 296	13 994
NOK	57 021	63 003
Total accounts receivable	123 826	203 006
Change in provision for loss og accounts receivable:		
At 1 January	1 951	0
Provision for loss of accounts receivable	0	1 951
Accounts receivable recorded as loss during the year	551	0
At 31 December	1 400	1 951

Provision for loss of accounts receivable of NOK 1,400 thousand is related to the sold vessel European Supporter.

Note 15 Other current assets

(NOK 1 000)	2017	2016
Inventories (bunkers and lubricating oil)	24 525	13 100
Other shares	34	34
VAT receivable	3 201	1 642
Insurance settlement receivable	3 608	49 678
Accrued non-billed income	33	10 424
Termination fee Viking Vision	0	26 954
Net payroll	6 475	6 085
Pre-paid expenses	15 272	28 824
Total other current assets	53 148	136 742

Insurance settlement receivable is mainly related to the compressor average on the seismic vessel Viking Vision.

Prepaid expenses include expenses for pre-paid insurance, provisions for refund for crew costs and other grants, non-billed expenses for expenses and loan to employees (see Note 25).

Note 16 Cash and cash equivalent

Of total cash and cash equivalents of NOK 557,440 thousand (NOK 549,738 thousand), restricted tax funds represent NOK 5,632 thousand (NOK 5,988 thousand). Restricted cash of NOK 42,497 thousand (NOK 0) related to the average adjustment for Viking Vision, is set as security for the related loan.

There are no other restricted funds.

Note 17 Share capital and premium

Changes in paid share capital

	Number of shares		Share capital	
	2017	2016	**2017**	2016
Ordinary shares				
Opening balance	**30 150**	30 150	**1 508**	1 508
As at 31 December 2017	**30 150**	30 150	**1 508**	1 508

Nominal value per share in Eidesvik Offshore ASA is NOK 0.05 (5 øre).

The board is authorized to buy back up to 3,000,000 own shares, but not more than 10% of the total outstanding shares.

The board has not executed the authorization, and it has no own shares as at 31.12.2017.

The 20 largest shareholders in Eidesvik Offshore ASA as at 31.12.2017 .

Shareholder	Country	Number of shares	Owner share
EIDESVIK INVEST AS	NORWAY	20 180 000	66,9 %
PARETO AKSJE NORGE	NORWAY	1 660 995	5,5 %
JAKOB HATTELAND HOLDING AS	NORWAY	742 447	2,5 %
HJELTEFJORDEN AS	NORWAY	570 000	1,9 %
VINGTOR INVEST AS	NORWAY	458 000	1,5 %
TVEITÅ EINAR KRISTIAN	NORWAY	353 300	1,2 %
BERGTOR INVESTERING AS	NORWAY	350 000	1,2 %
STANGELAND HOLDING AS	NORWAY	350 000	1,2 %
AGASØSTER INVEST AS	NORWAY	349 887	1,2 %
DANSKE BANK AS MEGLERKONTO INNLAND	NORWAY	333 739	1,1 %
PARETO AS	NORWAY	254 000	0,8 %
TRI PLUSS AS	NORWAY	212 500	0,7 %
TVEITÅ OLAV MAGNE	NORWAY	201 700	0,7 %
GEMSCO AS	NORWAY	157 000	0,5 %
HELLAND A/S	DENMARK	151 500	0,5 %
CALIFORNIA INVEST AS	NORWAY	150 000	0,5 %
SKANDINAVISKA ENSKIL A/C CLIENTS ACCOUNT	NORWAY	149 000	0,5 %
COLORADO EIENDOM AS	SWEDEN	144 000	0,5 %
NORDNET BANK AB	NORWAY	139 517	0,5 %
MELING JAN FREDRIK	NORWAY	130 000	0,4 %
Øvrige		3 112 415	10,3 %
Sum		30 150 000	100,0 %

The Company had 904 shareholders as at 31.12.2017, and a foreign owner share of 2.49%.

See also Note 24.

Note 18 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 phased out for most land employees in December 2015. This was replaced by a defined contribution scheme effective from 31.12.2015. All employees at sea in the Group’s companies participate in a defined benefit pension scheme. The Group has several contracts, where the main differences between the contracts consists in whether one is employed on a vessel (seafarers) or in land-based activities. The main terms are 60 % pension of the 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, disability pension, and children’s pension. The schemes had 271 (325) members at 31.12.2017.

The liability is calculated by 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)	2017	2016
Net present value of accumulated defined benefit pension liabilities in fund based schemes	104 008	100 851
Fair value of pension funds	-87 167	-102 015
Net capitalized pension liability/fund 31 December	**16 841**	**-1 165**

Adjustments in the defined benefit pension liability during the year:

	2017	2016
Pension liability 1 January	100 851	118 744
Net present value of pension contribution of the year	8 877	8 868
Interest expense	2 568	2 669
Transfer/acquisition/moving members/new contracts	-1 986	-18 589
Payroll tax on employer's contribution	-873	-1 661
Actuarial loss/gain	467	-4 492
Paid benefits	-5 896	-4 689
Pension liability 31 December	**104 008**	**100 851**

Adjustments in fair value of pension funds:

	2017	2016
Pension funds 1 January	102 015	106 484
Expected return of pension assets	2 417	2 609
Transfer/acquisition/moving members/new contracts	-1 070	-4 791
Actuarial loss/gain	-16 493	-9 379
Payroll tax on employer's contribution	-873	-1 661
Employer's contribution	7 067	13 443
Paid benefits	-5 896	-4 689
Pension funds 31 December	**87 167**	**102 015**

Total cost included in net profit:

	2017	2016
Cost of pension contribution for the period	7 583	11 119
Net changes in plan, scaling down, settlement	-915	-13 798
Interest expense	183	-164
Expected return of pension assets	-104	264
Administrative cost	269	262
Payroll tax on pension costs	1 097	1 610
Changes in this year's pension contribution (Service Cost), special events incl. pay	0	-4 161
Total, included in payroll expenses (Note 11)	**8 113**	**-4 869**

59 active members was in 2016 moved to CGG Crewing with an effect of NOK 3,700 thousand.

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

	2017	2016
Changes in the discount rate	2 748	1 450
Changes in other financial assumptions DBO	15 470	8 636
Changes in other DBO	-2 280	-5 941
Changes in other - pension funds	170	99
Funds and interest guarantees	853	643
Estimate deviation gains/losses against OCI	16 962	4 887

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

	2017	2016
Shares	11 %	7 %
Bonds	41 %	44 %
Real estate	10 %	7 %
Money market	14 %	24 %
Other	24 %	18 %

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

	2017	2016
Discount rate	**2,40 %**	**2,60 %**
Return on pension funds	**2,40 %**	**2,70 %**
Wage increase	**2,50 %**	**2,50 %**
Pension adjustment	**0,50 %**	**0,00 %**
Adjustment of pension benefits (G adjustment)	**2,25 %**	**2,25 %**

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

Mortality table K2013 BE is used as assumption for mortality.

Sensitivity in calculating pension liability 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 schemes in Norway. The estimates are based on facts and conditions as at 31.12.2017. Actual results may deviate significantly from these estimates.

	Pension liability		Net pension cost	
	+ 1%	- 1 %	+ 1%	- 1 %
Discount rate	-90 957	119 894	-6 786	9 368
Wage increase (%)	130 422	-81 147	10 817	-5 625

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:

Assumed lifetime
The Group has undertaken an obligation to pay pension to the employees for the remainder of their lives.
Thus, an increase in anticipated lifetime among the members will lead to an increase in the obligation for the Group.

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

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

Note 19 Other current liabilities

(NOK 1 000)	2017	2016
Public taxes and charges	**22 855**	25 605
Payroll and holiday pay	**24 086**	27 127
Accrued expenses	**29 372**	52 393
Total other current liabilities	**76 312**	105 125

Accrued expenses are mainly related to provisions of accrued operating costs and docking/average.
.

Note 20: Long term liabilities

(NOK 1 000)		Maturity (before/after refinancing)	Balance 2017	2016
Mortgage (NOK)	CIRR loan	Mar. 2024	**186 875**	215 625
Mortgage (NOK)	NIBOR loan	Jun. 2020 / Dec.	**71 071**	74 071
Mortgage (NOK)	NIBOR loan	Jan. 2021	**0**	114 000
Mortgage (NOK)	CIRR loan	Jan. 2021	**0**	114 000
Mortgage (NOK)	CIRR loan	Sep. 2024	**204 167**	233 333
Mortgage (NOK)	NIBOR loan	Jun. 2021 / Dec.	**111 400**	128 200
Mortgage (NOK)	NIBOR loan	Jun. 2021 / Dec.	**169 400**	182 200
Mortgage (NOK)	NIBOR loan	Jun. 2021 / Dec.	**51 200**	55 600
Mortgage (NOK)	NIBOR loan	Jun. 2021 / Dec.	**124 400**	132 200
Mortgage (NOK)	NIBOR loan	Jun. 2021 / Dec.	**123 200**	131 600
Mortgage (NOK)	NIBOR loan	Sep. 2020 / Dec.	**128 400**	138 000
Mortgage (USD)	LIBOR loan	Feb. 2021 / Dec.	**526 244**	588 532
Mortgage (USD)	LIBOR loan	Feb. 2021 / Feb.	**322 539**	374 520
Mortgage (USD)	LIBOR loan	Jun. 2020 / Dec.	**313 160**	372 097
Mortgage (USD)	LIBOR loan	Jun. 2021 / Dec.	**47 917**	59 650
Mortgage (USD)	LIBOR loan	Jun. 2021 / Dec.	**125 865**	141 540
Mortgage (USD)	LIBOR loan	Sep. 2020 / Dec.	**51 527**	67 956
Mortgage (USD)	LIBOR loan	Jun. 2020 / Dec.	**28 562**	33 932
Bond loan (NOK)	NIBOR loan	May 2018	**0**	300 000
Other loan			**926**	896
Capitalized establishement costs			**-13 121**	-20 171
Total interest bearing long term liabilities			**2 573 732**	3 437 782
Total long term liabilities			**2 573 732**	3 437 782
Short term part of the long term liabilities			**-304 836**	-322 187
Total long term liabilities excl. first years's instalment			**2 268 896**	3 115 595
Short term loan				
First year's instalment of long term liabilities			**304 836**	322 187
Accrued interest			**11 152**	18 072
Total			**315 988**	340 259
Book value of liabilities in currency				
NOK			**1 150 038**	1 799 555
USD			**1 423 694**	1 638 227
Total			**2 573 732**	3 437 782

Instalment profile on long term liabilities as at 31.12.2017

	Before refinancing	After refinancing
2018	304 836	136 913
2019	309 436	89 711
2020	640 002	89 711
2021	1 172 277	197 266
2022	57 917	1 731 932
Later	101 458	340 395
Total instalements	2 585 927	2 585 927

Of total long term liabilities, NOK 2,557,365 thousand are secured against mortgage in vessels recorded at NOK 2,967,810 thousand

Of the Group's loans as at 31.12.2016, mortgage loan of NOK 228,000 thousand was repaid in the first quarter 2017 in connection with the sale of a vessel, and the entire bond loan of NOK 300,000 thousand was bought back (maturity May 2018) at the rate of 60. The bond loan was then deleted.

The Group's bond loan as at 31.12.2016 of NOK 300,000 thousand was recorded in the accounts at amortized cost.

Reconciliation of changes in liabilities	Interest expense	Interest bearing short term debt	Interest bearing long term debt	Total
01.01.2017		340 259	3 115 595	3 455 854
Instalments	0	-322 187	-351 149	-673 336
Paid interests	-104 374	-18 072	0	-122 446
Cash flow from financing	-104 374	-340 259	-351 149	-795 782
Currency adjustments		0	-77 795	-77 795
Capitalised costs		0	7 050	7 050
Accrued, not paid interest		11 152	0	11 152
Other adjustments		304 836	-424 806	-119 970
31.12.2017		**315 988**	**2 268 896**	**2 584 884**

Covenants
The Group's fleet are financed with mortgage loans. The most important financial covenants related to the financing are:

- Eidesvik Offshore ASA shall be listed at 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.
  Covenants

No companies in the Eidesvik Offshore group were in breach of the covenants at 31.12.2017, or during 2017.

After the refinancing, the most important financial covenants are:
- Free liquidity of NOK 125,000 thousand.
- Positive working capital, adjusted for 50% of first year's instalment of long term liability.
- Minimum clauses are suspended to 31.12.2021, and then reinstated at 100%.
- Limitations on investments and dividends.

In addition, it is a clause regarding shift in control regarding the Eidesvik families.

Note 21: Investment in other shares

Unit	Country	Industry	Book value 31.12.17	Book value 31.12.16
Simsea Holding AS	Norway	Education	**0**	0
Bleivik Eiendom AS	Norway	Real estate	**655**	655
Eidesvik Ghana Ltd.	Ghana	Shipping	**1 065**	1 065
Total			**1 720**	1 720

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

Simsea AS' book value is NOK 0 after impairment due to bankruptcy in the winter of 2017. Eidesvik Ghana Ltd is impaired to its share of book equity.

Investments are valuated in accordance with the equity method.

Note 22: Leases

<u>The Group as lessee - financial leasing</u>
The Group has no financial leasing.

<u>The Group as lessee - operational leasing</u>
The Group did not lease any vessels in 2017 and 2016.

Other leases	Type	Annual lease	Start	Lease period	Options
Langevåg Senter	Office	5 058	01.01.2013	20 years	6 x 5 years
Langevåg Bygdatun	Office	130	01.06.2017	5 years	
Warehouse		350	01.01.2012	3 months notice period	
Vehicles		230		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. The contract 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	5 794
2 to 5 years	25 097
After 5 years	61 605
Future minimum lease	**92 495**

The Group as lessor
The Group's main activity is leasing of offshore tonnage. See overview as of 28.02.2018 below.

Vessels (consolidated)	Contract type	Client	Firm contract expiry		Contract expiry, counterparty option	
Viking Lady	Lay-up					
Viking Queen	Time Charter	Saipem	July	2018	September	2018
Viking Athene	Lay-up					
Viking Avant	Time Charter	Statoil	May	2018	December	2019
Viking Energy	Time Charter	Statoil	April	2019		
Viking Prince	Time Charter	Deceiper/S	August	2018		
Viking Princess	Time Charter	Chevron UK	July	2019	July	2020
Acergy Viking	Time Charter	Siemens	January	2020	April	2020
Subsea Viking	Time Charter	Seabed	December	2018		
Viking Neptun	Time Charter	Adwen	April	2018	June	2018
Viking Vanquish	Bareboat	CGG	November	2020		
Viking Vision	Lay-up					
Veritas Viking	Lay-up					
Vantage	Time Charter	Seabed	December	2018		

Vessels (joint venture)	Contract type	Client	Firm contract expiry		Contract expiry, counterparty opti	
Oceanic Vega	Bareboat	CGG	March	2027		
Oceanic Sirius	Bareboat	CGG	March	2027		
Geo Coral	Bareboat	CGG	March	2027		
Geo Caribbean	Lay-up					
Geo Celtic	Lay-up					
CGG Alize	Lay-up					
Oceanic Challenger	Lay-up					
Seven Viking	Time Charter	Subsea 7	January	2021	January	2024

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

Future minimum lease as at 28.02.2018 for consolidated vessels on non-cancellable leases have the following maturity:

Next 1 year	325 000
1 to 5 years	149 000
After 5 years	0
Future minimum lease	**474 000**

Note 23: Financial instruments

Financial assets and liabilities

Capitalized value are in accordance with fair value, except for loans. See the section "Interest" farther down in this note. The Group does not practice hedge accounting, but holds financial derivatives for financial hedging which is recorded at fair value.

(NOK 1 000)	**2017**	2016
Assets		
Shares, trading purposes	**9**	9
Currency derivatives	**0**	1 756
Accounts receivable (Note 14)	**123 826**	203 006
Cash and cash equivalents (Note 16)	**557 440**	549 738
Total	**681 275**	754 508
Liabilities		
Currency derivatives	**5 003**	0
Loans (Note 20)	**2 585 927**	3 457 057
Total	**2 590 930**	3 457 057

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:

At 31.12.17	**Currency sold**	**Amount**	**Maturity**	**Exchange rate (average)**	**Fair value (MTM)**
Currency derivatives					
Currency futures for sale of current cash flow	EUR	13 680	2018	9,5376	**-5 003**
		13 680			**-5 003**

At 31.12.16	Currency sold	Amount	Maturity	Exchange rate (average)	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

All currency futures are recorded at fair value.

Interest
The Group has the following fixed rate agreements:

As at 31.12.2017

Type	**Currency**	**Floor**	**Cap/Swap**	**Maturity**	**NOK principal amount**	**Fair value (excl.accrued interest)**	**Annual downscaling before maturity**
Fixed rate loan	NOK		3,36 %	30.03.2024	**186 875**		28 750
Fixed rate loan	NOK		3,41 %	13.09.2024	**204 167**		29 166
Unhedged					**2 194 885**		
Total liabilities hedged and unhedged					**2 585 927**		

As as 31.12.2016

Type	Currency	Floor	Cap/Swap	Maturity	NOK principal amount	Fair value (excl.accrued interest)	Annual downscaling before maturity
Fixed rate loan	NOK		4,90 %	13.01.2021	114 000		25 333
Fixed rate loan	NOK		3,36 %	30.03.2024	215 625		28 750
Fixed rate loan	NOK		3,41 %	13.09.2024	233 333		29 166
Unhedged					2 894 099		
Total liabilities hedged and unhedged					3 457 057		

As at 31.12.2017, 15% (16%) of the Group's loan had fixed rate.
The Group had two 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 net present value of the difference between the current interest payments and the refinanced interest payments would be NOK 17.8 million (level 2). If these loans were recorded at fair value, they would have been reported correspondingly higher.

See Note 20 for information of long-term loans.

Other information
No financial assets have been reclassified 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 24: Transactions with related parties

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

	2017	2016
Sale of crew and management services to Viking Dynamic AS	**17 016**	23 480
Sale of crew and management services to Viking Fighter AS	**2 536**	2 950
Lease of vessel to Maritime Logistic Services AS	**2 049**	38 575
Lease of offices from AS Langevåg Senter	**-5 141**	-5 294
Lease of offices to Evik AS	**549**	542
Lease of offices to Bømmelfjord AS	**576**	545
Lease of offices and other services to Eidesvik Invest AS	**819**	721
Lease of stockroom from Eidesvik Invest AS	**-350**	-338
Borrowing loan from Eidesvik Invest AS	**30 000**	0
Sale of crew and management servicest to Eidesvik Seven Chartering AS	**61 836**	66 380
Sale of management services to Eidesvik Seven AS	**2 988**	2 022
Sale of management services to Eidesvik Seismic Vessels AS	**248**	431
Sale of management services to Oceanic Seismic Vessels AS	**248**	431
Sale of crew and office services to CGG Eidesvik Ship Management AS	**29 563**	101 732
Sale of crew and office services to CGG Eidesvik Crewing I AS	**253**	0
Lease of apartment to Bømlo Skipsservice AS	**106**	57
Purchase of technical operation and layup services from Bømlo Skipsservice AS	**-2 966**	-5 477
Sale of management services to Geo Vessels AS	**381**	0
Sale of management services to Global Seismic Vessels AS	**166**	0

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

	2017	2016
Accounts receivable	**9 385**	9 759
Accounts payable	**-338**	-1 357
Total	**9 047**	8 403

Shares owned/controller by Board members/senior executives:

	2017	2016
Eidesvik Invest AS (1)	**20 180 000**	20 180 000
Kolbein Rege	**35 450**	35 450
John Egil Stangeland	**10 000**	10 000
Jan Fredrik Meling	**130 000**	130 000
Jan Lodden	**1 242**	1 242
Thor Krukhaug	**242**	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 is a subsidiary of the ultimate parent company Bømmelfjord AS.

Remuneration to senior executives:

2017	Payroll	Benefits in kind	Pension costs
CEO	2 082	116	247
COO	1 537	16	188
CFO	1 110	112	103
Total 2017	**4 728**	**245**	**538**

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

The CEO has a bonus scheme on given terms up to NOK 500 thousand, 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	2017	2016
Kolbein Rege	**480**	384
Borgny Eidesvik	**260**	208
Lars Eidesvik	**220**	176
Kjell Jacobsen	**128**	176
Synne Syrrist	**260**	208
John Egil Stangeland	**92**	0
	1 440	1 152

Kejll Jacobsen left the Board from 20.09.2016, and John Egil Stangeland was elected as a new Board member from the same day.

Note 25: Liabilities and unexpected 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 NOK 30.2 million over 3 years was extended to 2018, and has at 31.12.2017 an obligation of 80 operational days in 2018, equivalent to NOK 4,480 thousand.

Note 26: Exchange rates

	Average exhange rate 2016	Exchange rate 31.12.2016	**Average exhange rate 2017**	**Exchange rate 31.12.2017**
Euro	9,290	9,086	**9,3271**	**9,8403**
British Pound	11,373	10,613	**10,6386**	**11,091**
US Dollar	8,399	8,620	**8,263**	**8,205**

Exchange rates are taken from the website to Norges Bank.

Note 27: Subsequent events

The financial restructuring

Eidesvik Offshore ASA (the "Company") agreed on a term sheet with its lenders to reduce amortization of its secured loans to facilitate for a runway through 2022. A condition for the financial restructuring was, amongst others, that the Company obtained at least NOK 120 million in new equity and that the Company's NOK 30 million shareholder loan was converted to equity. In addition, a subsequent offer of NOK 30 million was fulfilled and completed in Q1 2018."

Summary of the Refinancing Instalments:

- 72.5% reduction in instalments until 30 June 2021 (compared to original instalment schedule)
- Certain repayments up-front: 75% of the proceeds from sale of tradeable CGG bonds will be applied to reduce secured debt (remaining 25% to be applied for instalments in 2018-2020)"
- Cash sweep
  - o Cash exceeding the following thresholds will be swept:
    - NOK 490 million at year-end 2018
    - NOK 350 million at year-end 2019
    - NOK 245 million at 30 June 2021 and 30 June 2022

Interest rates

- No amendments

Financial covenants

- Minimum free liquidity of NOK 125 million
- Positive working capital (current assets less current liabilities and 50% of short-term portion of long-term liabilities, excluding balloons)"
- Loan to value:
  - o Suspended through 2021
  - o Thereafter (2022) maximum 100% vessel

Other covenants

- Change of control: If Eidesvik Invest AS or the Eidesvik family controls less than 33.4% of the shares and votes in the Company, or"
- Someone other than Eidesvik Invest AS gains negative control in the Company

Private and subsequent placement, debt conversion

The conditions required for completion of the Company's refinancing have been fulfilled and the refinancing was completed 31.01.2018. Consequently, and in accordance with the resolutions made by the EGM 29.01.2018, the Company registered the private placement of NOK 120 million issuing 24,000,000 new shares in the Company (the "Private Placement") and the conversion of a NOK 30 million shareholder loan resulting in the issue of another 2,000,000 new shares in the Company (the ""Debt Conversion""), with the Norwegian Register of Business Enterprises.

On the EGM 29.01.2018 it was decided to do a subsequent offer for consideration of equal treatment of the shareholders. The subsequent offer was not a condition of the agreement with the lenders. The offer was set up to 6 000 000 shares, each share with par value of NOK 0.05 (the same par value as for the private placement). The subscription period ended in medio March 2018, and was fulfilled. The proceed was NOK 30 million. The proceeds from the subsequent offer is free of use to investments, and is not included in the cash sweep."

Hence, the Company's share capital has been increased by NOK 1,600,000 through the issue of 32,000,000 new shares, each share with a par value of NOK 0.05. The new registered share capital in the Company is NOK 3,107,500 divided into 62,150,000 shares, each share with a par value of NOK 0.05 and representing one vote at the Company's general meetings.

Consequences of the financial restructuring

"The Company has through the agreement with its lenders reduced the planned yearly instalments with approx. MNOK 220 towards July 2021. At the same time, the liquidity position in the Company has been strengthened with a total of NOK 150 million in the private and subsequent placement, and converted the shareholder loan of NOK 30 million to equity. It is also paid an extraordinary instalment on NOK 54 million as part of the new agreement with the lenders. The new debt maturity plan and strengthened liquidity position is due to some years with weaker markets, and the new financial covenants are oriented for giving a low risk of not being in accordance with them."

New contracts after balance date

Entered a letter of intent of contracts with Seabed Geosolution for “Subsea Viking” and “Vantage”. Contract commencement are respectively ultimo January and primo February. The duration is expected to be the remaining part of 2018.

Statoil has declared a one-year option for the supply vessel Viking Energy from April this year, in direct continuation of current contract. The vessel will be prepared for shore power, and equipment for fuel consumption measurement will be installed.

The group is awarded a contract for 4 months with 6 months options for Statoil for the PSV “Viking Lady”. Contract commencement is Q2 2018.

Statoil have declared 8 monthly options for Viking Avant and the vessel is on firm contract until ultimo December 2018. Statoil have one yearly option thereafter.

ANNUAL ACCOUNTS – PARENT COMPANY

INCOME STATEMENT – PARENT COMPANY

(NOK 1 000)

	Note	1.1.-31.12. 2017	1.1.-31.12. 2016
Payroll etc.	8,9	**4 510**	3 801
Depreciation	3	**94**	158
Other operating expenses	8,11	**9 666**	5 845
Total operating expenses		**14 271**	9 804
Operating profit		**-14 271**	-9 804
Interest income from related parties	6	**19 520**	24 184
Other interest income		**91**	405
Other financial income	10	**120 000**	0
Impairment of financial fixed assets	2	**-1 503**	-7 374
Other interest expenses		**-3 128**	-17 718
Other financial expenses	10	**-3 089**	-199
Net financial profit		**131 891**	-702
Profit (loss) before tax		**117 620**	-10 506
Tax	4	**19 979**	0
Profit (loss) for the year		**97 642**	-10 506
Allocation (coverage) of profit (loss) for the year			
Transferred to (from) other equity		**97 642**	-10 506
Total allocated (covered)		**97 642**	-10 506

BALANCE SHEET – PARENT COMPANY

(NOK 1 000)

	Note	31.12.2017	31.12.2016
ASSETS			
Non-current fixed assets			
Buildings and land		**8 921**	8 921
Operating equipment		**297**	392
Total non-current assets	**3**	**9 218**	9 313
Financial fixed assets			
Investments in subsidiaries	2	**242 517**	180 754
Loan to Group companies	6	**471 491**	599 880
Other financial assets		**56**	56
Pension funds	9	**4**	192
Total financial assets		**714 067**	780 882
Total fixed assets		**723 285**	790 195
Current assets			
Receivables			
Other receivables		**431**	49
Total receivables		**431**	49
Cash and cash equivalents	1	**904**	54 637
Total current assets		**1 335**	54 685
TOTAL ASSETS		**724 621**	844 880

BALANCE SHEET – PARENT COMPANY

(NOK 1 000)

	Note	31.12.2017	31.12.2016
EQUITY AND LIABILITIES			
Paid-in equity			
Share capital	7	**1 508**	1 508
Other paid-in equity		**549**	549
Total paid-in equity		**2 057**	2 057
Retained earnings			
Other equity		**638 291**	540 650
Total retained earnings		**638 291**	540 650
Total equity	5	**640 348**	542 706
LIABILITIES			
Other non-current liabilities			
Bond loan	10	**0**	299 346
Liabilities to Group companies	6	**51 127**	0
Total other non-current liabilities		**51 127**	299 346
Current liabilities			
Accounts payable		**1 645**	157
Public duties payable		**214**	272
Debt to related parties	12	**30 000**	0
Other current liabilities		**1 287**	2 399
Total current liabilities		**33 146**	2 828
Total liabilities		**84 273**	302 174
TOTAL EQUITY AND LIABILITIES		**724 621**	844 880

Bømlo, 24 April 2018

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
CEO

CASH FLOW STATEMENTS – PARENT COMPANY

(NOK 1 000)

	Note	1.1-31.12 2017	1.1-31.12 2016
Cash flow from operations			
Payments to suppliers and employees	8,11	**-14 054**	-9 655
Interest received		**91**	402
Net cash flow from operations		**-13 963**	-9 253
Cash flow from investments			
Acquisition of shares		**0**	-1 000
Net cash flow from investing activities		**0**	-1 000
Cash flow from finance			
Borrowing	12	**30 000**	752
Repayment of debt	10	**-179 346**	0
Paid interest	10	**-6 216**	-17 917
Repayment of debt to subsidiaries/join ventures	6	**115 792**	24 050
Net cash flow from financing activities		**-39 770**	6 885
Net increase (decrease) in cash and cash equivalents	1	**-53 733**	-3 368
Cash and cash equivalents at the start of the period	1	**54 637**	58 005
Cash and cash equivalents at the end of the period		**904**	54 637

NOTES TO THE ANNUAL ACCOUNTS 2017 – 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 23 % 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 NOK 904 thousand (NOK 54,637 thousand) in bank deposits, restricted tax funds represent NOK 132 thousand (NOK 151 thousand).

Note 2 Investments in subsidiaries as at 31.12.2017

Company	Share capital	Owner share/ voting share	Number	Nominal	Booked	31.12.2017 (*)	Profit 2017 (*)
Eidesvik Shipping AS	170 749	100 %	291 380	586	164 038	854 925	-95 850
Eidesvik AS	11 000	100 %	11 000	1 000	76 720	118 956	260
Eidesvik Shipping Int. AS	100	100 %	100	1 000	104	61 146	54 010
Eidesvik Subsea Vessels AS	100	100 %	1 000	100	112	5 310	3 091
Hordaland Maritime Miljøs. AS	4483	91 %	39 933	100	563	632	-71
Eidesvik Management AS	100	100 %	1 000	100	9	-1 658	-58
Norsk Rederihelsetjeneste AS	100	100 %	100	1 000	784	594	578
Eidesvik Maritime AS	100	100 %	1 000	100	112	3 255	-6 534
Eidesvik Neptun II AS	88	74,75 %	747 474	0,10	75	-8 288	1 148
Eidesvik Shipping II AS	100	100 %	1	1 000	1	-73 397	85 132
Eidesvik UK Ltd.	0	100 %	1	1	0	1 108	757
Total					**242 517**		

Impairments on investments in subsidiaries in 2017 are NOK 1,503 thousand (NOK 7,374 thousand), divided on Hordaland Maritime AS with NOK 63 thousand (NOK 7,374 thousand), Eidesvik Shipping II AS with NOK 999 thousand (NOK 0), and Norsk Rederihelsetjeneste with NOK 441 thousand (NOK 0).

(*) Based on preliminary accounts.

Note 3 Fixed assets

(NOK 1 000)	Residential property	Transport equipment	Inventory and equipment	Non-depreciable fixed assets	Total
Acquisition cost 1 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 1 January	0	280	1 243	0	1 523
This year's depreciations	0	89	5	0	94
Accumulated depreciations 31 December	0	369	1 248	0	1 617
Booked value 31 December	**8 921**	**141**	**0**	**156**	**9 218**
Depreciation rate	0 %	20 %	10 %	0	
Depreciation method		Linear	Linear		

Note 4 – Tax

<u>**Tax expense for the year**</u>

(NOK 1 000)

	2017	2016
Recognized tax on profit:		
Tax payable	19 979	-
Tax on ordinary profit	**19 979**	**-**
Taxable income:		
Ordinary profit before tax	117 620	-10 506
Permanent differences	1 537	7 390
Changes in temporary differences	213	-99
Given group contribution	-83 244	-
Use of loss carried-forward	-36 126	-
Taxable income	**-**	**-3 215**
Tax payable in the balance sheet:		
Tax payable on profit for the year	19 979	-
Tax payable on given group contribution	-19 979	-
Total tax payable in the balance sheet	**-**	**-**

The group contribution of NOK 83,244 thousand is given to the subsidiary Eidesvik AS, and the liability of the tax expense for the year of NOK 19,979 thousand is transferred.

The tax effect of temporary differences and loss carried-forward which are the origin for deferred tax and deferred tax benefit, specified on categories of temporary differences:

	2017	2016	Change
Fixed assets	-137	-113	25
Pension funds	4	192	188
Total	**-134**	**79**	**213**
Accumulated loss carried-forward	-	-36 126	-36 126
Basis for deferred tax	**-134**	**-36 047**	**-35 913**
Deferred tax benefit (23 % / 24 %)	**-31**	**-8 651**	**-8 620**
Effect of change in tax rate	1	361	-

Deferred tax benefit is not booked.

Note 5 - Equity

(NOK 1 000)	Share capital	Other paid-in equity	Other equity	Total
Equity 01.01.16	1 508	549	551 155	553 212
Profit/loss for the year			-10 506	-10 506
Equity 31.12.16	1 508	549	540 649	542 706
Profit/loss for the year			97 642	97 642
Equity 31.12.17	**1 508**	**549**	**638 291**	**640 348**

Note 6 – Long term loan to subsidiaries

Receivables	2017	2016
Eidesvik AS	**0**	28 448
Eidesvik Shipping AS	**457 696**	559 540
Eidesvik Management AS	**3 013**	2 955
Eidesvik Supply AS	**239**	1 481
Eidesvik Neptun AS	**9 485**	5 014
Eidesvik OCV AS	**0**	1 267
Eidesvik MPSV AS	**1 058**	1 173
Eidesvik Maritime AS	**0**	2
Total	**471 491**	599 880

Liabilities	2017	2016
Eidesvik AS	**51 127**	0
Total	**51 127**	0

The interest on the intercompany balances are calculated quarterly with 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 net outstanding amount the guarantee is covering.
Guarantees have been provided for loans outstanding in Eidesvik Shipping AS of a total of NOK 1,137 million, in Eidesvik Neptun AS of NOK 849 million, in Eidesvik MPSV AS of NOK 412 million, and in Eidesvik Supply AS of NOK 187 million.

Debt to Eidesvik AS is including given group contribution of NOK 83,244 thousand. Prior to the group contribution, the Company had a receivable on Eidesvik AS. The receivable are counted against the given group contribution.

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 have equal voting rights.

For the 20 largest shareholders in Eidesvik Offshore ASA as at 31.12.2017, see Note 17 in the consolidated accounts.

Shares owned/controlled by Board members and the CEO:

	2017	2016
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) 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) Whereof 35,000 shares are through Nieblok Invest AS.

Note 8 - Payroll, number of employees, remunerations, loan to employees

Payroll	**2017**	2016
Payroll	**2 082**	2 056
Payroll tax	**518**	448
Pension cost	**247**	118
Board remuneration	**1 440**	1 152
Other remuneration	**223**	26
Total	**4 510**	3 801

The Company had 1 employee at year end.
The Company has established occupational pension plan.

Remuneration to the CEO	**2017**	2016
Payroll	**2 082**	**2 087**
Pension cost	**247**	**236**
Other remuneration	**116**	**127**
Total	**2 445**	2 450

The company has given the CEO a loan which as at 31.12.2017 had a balance of NOK 9 thousand (47). 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 2017. The company has mortgage in the CEO's home. The CEO has a bonus scheme on given terms up to NOK 500 thousand, 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 to the Board	**2017**	2016
Kolbein Rege	**480**	384
Borgny Eidesvik	**260**	208
Lars Eidesvik	**220**	176
Kjell Jacobsen	**128**	176
John Egil Stangeland	**92**	0
Synne Syrist	**260**	208
	1 440	1 152

* Board remuneration is decided by the General Meeting. Disbursements for 2017 are for the period up until the next General Meeting.

Auditor	**2017**	2016
Expenses to auditor are distributed as follows:		
Statutory audit	**665**	640
Financial advisory	**2 948**	100
Total expenses to the auditor, excl. VAT	**3 613**	740

Note 9 - Pension cost and liabilities

The Company's pension scheme 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 years, wage level at retirement and the size of the benefits from national insurance. The liabilities are covered through an insurance company.

(NOK 1 000)	2017	2016
Estimated liability	**2 280**	1 894
Value of pension funds	**2 283**	2 062
Calculated payroll tax	**1**	24
Under-/overfunded	**4**	192

Reconcilation of this year's pension cost	**2017**	2016
Present value of this year's pension contribution	**445**	190
Interest expense on pension liability	**5**	5
Expected return on pension funds	**0**	-2
Administrative cost	**10**	8
Changes in this year's pension contribution incl. interest and payroll tax	**-9**	-9
Net changes in plans, scaling down, settlement incl. payroll tax	**0**	-18
Net pension cost	**451**	173

The following economic and actuarial assumptions form the basis of the calculation:

	2017	2016
Discount rate	**2,40 %**	2,60 %
Expected return on pension assets	**2,40 %**	2,70 %
Annual expected wage increase and G adjsutment	**2,25 %**	2,25 %
Adjustment of pension during payment	**0,00 %**	0,00 %

Note 10 – Long term liabilities

(NOK 1 000)	2017	2016
Long term debt - bond loan	**0**	300 000
Capitalized establishment costs on long term debt	**0**	-654
Total long term liabilities	**0**	299 346

The bond loan was bought back in 2017 at a rate of 60 of the nominal value. The remaining 40, equivalent to NOK 120,000 thousand are recorded as other financial income. The fee to the consultant of NOK 3,000 thousand are recorded as other financial expenses. The bond loan was unsecured, and the interest was 3 months NIBOR + 4,5%.

Financial market risk
The Company has provided guarantee for all ship mortgage debt in the consolidated subsidiaries. The guarantees involve substantial risk. The Company has no currency risk. For more details, see the chapter of financial risk management in Note 3 in the consolidated accounts.

Note 11 – Other operating expenses

(NOK 1 000)	2017	2016
Management and accounting	**5 000**	5 000
Investor relations expenses	**599**	609
Financial advisory	**4 906**	0
Statutory audit	**665**	571
Consultant/legal advice	**49**	890
Office lease	**411**	468
Margin reinvoice office lease	**-2 610**	-2 243
Other reinvoices	**-1 154**	-20
Other expenses	**1 799**	570
Total other operating expenses	**9 666**	5 845

Whereof from related parties:
Management and accounting NOK 5,000 thousand (NOK 5,000 thousand) are delivered by the subsidiary Eidesvik AS.
The office are leased from Langevåg Senter AS, a fully-owned subsidiary of Eidesvik Invest AS, the Company's largest shareholder.
The lease contract for the office runs to 2033, with 6 x 5 years options thereafter. Gross lease are NOK 5,141 thousand (NOK 5,175 thousand).

The office is subleased, whereof 23% are to companies related to the principal shareholder, and 69% are to the subsidiary Eidesvik AS.
8% of the office are used to own business. The post "Office lease" represents this share.

Note 12 - Loan from principal shareholder

The principal shareholder, Eidesvik Invest AS, has provided a loan of NOK 30,000 thousand. No interests have accrued on the loan in 2017.
In 2018, the loan is converted to shares in connection with the share issue towards all shareholders