Annual Report 2018

Eidesvik

CONTENTS

2018 – ANOTHER CHALLENGING YEAR

In 2018, the industry we are part of was once again characterised by considerable overcapacity and excessively low rates for vessels in all the segments Eidesvik operates in. Fortunately, we are seeing signs of improvement, and from developments so far in 2019 it looks as if 2018 was the low point that we have now passed.

Even in such a demanding market we have reason to be satisfied with a number of new contracts. We acquired a new customer through Merkur for Viking Neptun in the offshore wind market, and also secured large parts of 2020 and 2021 for Viking Neptun with Ocean Installer. We also found a new customer for Viking Queen through Saipem.

Viking Avant had its contract renewed with Equinor for all of 2018 and now for all of 2019. The vessel has been contracted to Equinor since it was delivered in December 2004. The same was true of Viking Energy, which is contracted to Equinor until the spring of 2020. The vessel has been contracted to Equinor since it was delivered in April 2003.

For Subsea Viking and Vantage, we have established ourselves in new segments such as ocean bottom seismology and source vessels, and both are contracted to Seabed Geosolutions. Veritas Viking came out of layup and was contracted as a source vessel to CGG.

Viking Lady was taken out of layup in March 2018 and worked for Equinor from mid-April 2018 and past the end of the year.

We also got a long-term extension with Subsea 7 for Seven Viking, with a fixed contract now running to 2025. Subsea 7 has once again received a long-term contract with Equinor. In connection with this contract, a major upgrade to the vessel was carried out, including a hybrid installation. Seven Viking thus became the fifth Eidesvik vessel with environmentally friendly hybrid propulsion.

With the refinancing agreement established in January 2018, it is of paramount importance for us as a company to show ourselves worthy of the trust of our shareholders and lenders. We are therefore happy that we have so far delivered results that are better than expected when the agreement was concluded.

Unfortunately, we had two lost time incidents in 2018, a knee injury on Viking Energy and a fractured rib on Viking Lady. This confirms our conviction that we will never say “Now we are good enough” when it comes to the safety of our colleagues.

The year was demanding and challenging for all of our employees, and I want to take this opportunity to thank everyone for the effort shown in 2018 – I am convinced that we will see the same go-ahead spirit going forward!

Jan Fredrik Meling
CEO

KEY FIGURES

(all figures in TNOK)	**2018**	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating income	**489 229**	754 716	784 106	1 238 936	984 749	993 745	980 494	999 557	1 054 705	1 234 285
EBITDA	**96 919**	385 291	415 284	770 286	492 173	551 242	558 876	465 735	490 166	675 195
EBITDA margin	**20 %**	51 %	53 %	62 %	50 %	55 %	57 %	47 %	46 %	55 %
Profit/loss for the year	**-316 625**	147 368	-564 519	-239 892	-230 575	140 863	282 170	70 439	-55 970	1 091 352
Profit per share	**-4,83**	5,15	-18,34	-6,53	-5,77	4,67	9,36	2,34	-1,86	36,20
Total assets	**4 100 576**	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
Equity	**1 424 825**	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
Equity ratio	**35 %**	36 %	29 %	34 %	38 %	41 %	39 %	38 %	37 %	36 %
Value-adjusted equity *)	**2 291 825**	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
Value-adjusted equity ratio	**46 %**	47 %	43 %	48 %	55 %	57 %	55 %	55 %	53 %	50 %
Market value at 31 December	**284 647**	244 215	186 629	289 139	738 675	1 040 175	994 950	892 440	1 145 700	883 395
Market value per share at 31 Decem	**4,58**	8,10	6,19	9,59	24,50	34,50	33,00	29,60	38,00	29,30
Dividend paid per share	**0,00**	0,00	0,00	0,00	1,00	1,00	1,00	1,00	0,50	0,50
Liquid funds incl. unused credit	**515 605**	557 440	549 738	702 276	549 556	782 773	454 988	411 552	229 914	306 295
Working capital incl. unused credit	**477 152**	264 646	395 827	420 631	-40 897	259 292	171 423	174 930	42 913	180 236
First year's repayment of long-term l	**93 232**	304 836	322 187	335 039	391 243	324 073	319 054	270 469	259 022	328 826

*) Book equity plus added value of broker estimates on vessels on the assumption that the ships are contract-free.

THE BOARD OF DIRECTORS

KOLBEIN REGE (CHAIRMAN OF THE BOARD)

was general manager of Eidesvik Invest AS, which owns 60% of the shares in Eidesvik Offshore ASA, until June 2018. 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 in the Company.

BORGNY EIDESVIK (BOARD MEMBER)

is the owner and general manager of Bømmelfjord AS, which owns 55% of Eidesvik Invest AS. Eidesvik Invest AS owns 60% of Eidesvik Offshore ASA. Borgny Eidesvik is associated with the main shareholder in the Company.

LARS EIDESVIK (BOARD MEMBER)

is the owner and chairman of Evik AS, which owns 45% of Eidesvik Invest AS. Eidesvik Invest AS owns 60% of Eidesvik Offshore ASA. Lars Eidesvik is associated with the main shareholder in 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 a business developer in Eidesvik AS until 2003. Since 2004 he has been employed by the base company NorSea Group AS, and he has been CEO since 2012. Stangeland is independent of the main shareholder in the Company.

SYNNE SYRRIST (BOARD MEMBER)

graduated in civil engineering from NTH in 1996 and qualified as a financial analyst from NHH in 2004. She has extensive experience as a financial analyst and consultant. For the past 10 years she has been working as a professional director and has sat on 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 in the Company.

LAURITZ EIDESVIK (BOARD MEMBER)

is co-owner and chairman of Bømmelfjord AS, which owns 55% of the shares in Eidesvik Invest AS. Eidesvik Invest AS owns 60% of Eidesvik Offshore ASA. He has nautical training and experience as a ship's officer, as well as a BA in economics and administration from Stord/Haugesund University College from 2008. Since 2008 he has held various positions in Eidesvik AS within operations, technical, HSE, strategy and most recently as chartering manager, leaving in the summer of 2018 to join the family company Bømmelfjord AS. Lauritz Eidesvik is associated with the main shareholder of the Company.

KRISTINE SKEIE (BOARD MEMBER)

is general manager and co-owner of HK Shipping Group AS, which wholly or partly owns 24 bulk vessels. She has sat on several boards, including Gruppen for Nærskipsfart i Norges Rederiforbund and Reach Subsea ASA (from 2018), and has chaired the board of Karmsund Havn IKS since 2012. She was educated at Norges Varehandelshøgskole (now part of BI) and has further educations in board work, organisation and management, and tax law. Skeie is independent of the main shareholder in the Company.


Kolbein Rege


Borgny Eidesvik


Lars Eidesvik


John Stangeland


Synne Syrrist


Lauritz Eidesvik


Kristine Skeie

REPORT OF THE BOARD OF DIRECTORS 2018

Eidesvik Offshore ASA aims to be a leading "Partner in Shipping" in offshore logistics, seismic surveys and subsea operations. We should 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 shareholder value. We seek to achieve this by ensuring that our vessels have the highest possible degree of long-term employment.

The market for the Company's vessels remained weak in 2018. There has been, and still is, overcapacity in the segments where Eidesvik operates. A combination of increased activity and phasing out of older vessels is necessary in order to improve profits in the industry. The Company is making continuous cost-reducing efforts to address this challenging market.

In response to the persistent weak market, the Company started negotiations with its lenders in 2017 to be prepared for prolonged tough conditions. 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 raised in new equity, whereof NOK 150 million in new liquidity during the first quarter of 2018. Through the agreement with its lenders, the Company has reduced yearly amortisations by approximately NOK 220 million to July 2021. At the same time, the liquidity position has been strengthened by 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 was made as part of the new agreement with the lenders. The new instalment plan, strengthened liquidity and the new easier financial covenants are designed to reduce the risk of breaching these terms in the immediate future even with weak markets. For further details of the financial restructuring, refer to Note 20.

THE BUSINESS

Eidesvik Offshore ASA is the parent company of the Eidesvik Group. The Company's purpose, according to its Articles of Association, is to "operate a shipping company and all that relates to this, including owning shares in companies operating similar or related businesses". This objective has been realised through 2018 by operating 22 vessels, with 22 ships wholly or partly owned by the Eidesvik Group.

We aim to charter the vessels mainly on long-term contracts in the Supply, Seismic and Subsea/Wind segments. Because of the weak market, more vessels have been operating on short-term contracts in 2018 compared to previous years. At the year-end, the Company had two seismic vessels and one supply vessel 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 organised in accordance with the special tax rules for shipping companies. The vessels are owned by various ship-owning companies, and Eidesvik AS performs the general and business management functions for these companies.

The Group's part-owned 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 other seismic vessels are operated from Langevåg.

The Group's wholly-owned subsidiaries had 347 permanent employees at the end of the year. There were a further 115 contracted workers. The Company believes that diversity is important if we are to achieve our goals as company and organisation. It is traditionally mainly men that choose the maritime education. Over time, however, the industry has encouraged women to seek a maritime education. The Company supports this, and we currently have several women in leading positions. As part of an international industry, the employees in the Group represent many nationalities. Our focus is to make all employees, regardless of nationality, gender and cultural background, comfortable in the Group, and we see nothing to suggest that this is not the case.

HEALTH, SAFETY AND THE ENVIRONMENT

In 2018, the Company has focused on enhancing the development of its work on health, safety and the environment. The quality and safety system "Eidesvik Management System" (EMS) has been certified by DNV GL as meeting the requirements of ISM, ISO 9001-2015, ISO 14001-2015, 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 switching to a more checklist-based system, as in the aviation industry. Throughout 2018, the EMS project has been running for "Simplified and improved safety management", and all of our operational vessels are using updated manuals for the bridge, deck, engine room etc., with very good feedback. Procedures for the office are outstanding, but are expected to be completed in the 4th quarter of 2019.

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

Absence due to illness in 2018 was 4.3%. This is a slight decrease of 0.1% from 2017. The Group is maintaining the agreement with NAV on inclusive working life, which aims to follow up on absence due to illness.

The Group had two lost time incidents in 2018, a knee injury on Viking Energy and a fractured rib on Viking Lady. This shows that there is still a need for a strong focus on HSE in all parts of the Company's operations.

To avoid and prevent injuries, the main priorities in 2018 have been:

- Holding and following up on HSEQ meetings and safety rounds
- Compliance with the management tool throughout the organisation
- Familiarisation and training
- Focus on the "Safety observation" form of reporting, particularly proactive reports
- "Time out for safety" meetings
- Increased understanding and execution of risk assessments
- "Tool box talks"
- "Stop the job" requirement for all on board
- Increased focus on safety representatives and safety and environmental work
- Work on board carried out according to the Company's "permit to work system"

External environment

Eidesvik has a conscious and targeted environmental focus in its operations. Eidesvik has continued its efforts to develop environmentally friendly and energy saving vessels. Phase 3 of the Fellowship project has been completed on board the supply vessel Viking Lady. This project was a technology collaboration between Eidesvik, DNV GL and Wärtsila. The project met all the expectations for both fuel cell and battery technology.

Based on the results from Fellowship phase 3, we have designed solutions for battery installation on other vessels in the Group. From 2015 to 2018, battery packs were installed on 4 vessels (3 supply vessels and 1 subsea vessel), and shore power connection was installed on 3 vessels (2 supply vessels and 1 subsea vessel). Two of the vessels have DNVGL classification "Supply vessel battery (power)". We consider this as a technology with great environmental potential. Our goal is to implement hybrid solutions on more vessels in the coming years.

Our operations at sea are operated in accordance with international and national laws and regulations. To reduce the risk of accidents, we set great store by preventive maintenance, as well as manning the vessels with highly qualified personnel. Eidesvik AS is constantly working to reduce the total emission balance associated with operating the vessels.

The blue:E scheme, the Company's programme for environmentally friendly operation, has continued with the same focus and resource usage in 2018. blue:E is important to the Company's goal of running our business in the most environmentally friendly but cost-effective way. Awareness of energy efficiency is gradually increasing and is an important part of day-to-day operations.

All vessels in the Eidesvik fleet are approved in relation to the new IMO requirements for energy efficiency. This is in line with the Company's blue:E initiative and has been easy to implement.

The ESI (Environmental Ship Index) is recognised by the Norwegian Coastal Administration and many ports as the basis for environmental differentiation of fees/rates. 10 of our vessels are registered in ESI, all with a very favourable environmental profile. This has given us a lot of positive publicity, and shows that it is possible to reduce costs through environmentally responsible 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 is included in Eidesvik's annual report.

SHAREHOLDERS, CORPORATE GOVERNANCE AND MANAGEMENT

At year-end, there were a total of 62,150,000 shares in the Company. In 2018 24,000,000 new shares were issued in the private placement, 6,000,000 new shares in the subsequent offer, and 2,000,000 new shares in connection with the conversion of shareholder loan to equity.
At the end of the year there were 1,029 shareholders in the Company. Foreign investors had a 2.3% stake at the end of 2018. In 2018, the share was last traded at NOK 4.58.
The Board has been given authorisation to buy back own shares with a total nominal value of NOK 300,000, but in such a way that the nominal value does not exceed 10% of the registered share capital at any given time. The authorisation is valid until the Ordinary General Meeting in 2019. The authorisation has not been used. The Board will propose that the authorisation is renewed for one year by the Company's General Meeting. As at 31.12.2018, 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" forms the basis for the discharge of these duties by the Board and management. 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 generally accepted accounting principles in Norway.

Profit & loss

Consolidated operating income for Eidesvik in 2018 is NOK 489.2 million (NOK 754.7 million in 2017), of which NOK 10.5 million is related to a reversal of previous impairment on repayments received from joint ventures. The revenues in 2017 include revenue recognition of NOK 138.2 million related to settlement for changes in the contract for a vessel where payment was made partly in the form of negotiable fixed interest securities and partly in receivables from joint ventures, and NOK 17.2 million was related to profit from the sale of Viking Poseidon.

Operating profit before depreciation and amortisation (EBITDA) for 2018 were NOK 96.9 million (NOK 385.3 million). Depreciation and amortisation totalled NOK 218.9 million in 2018 (NOK 428.3 million). Proportionate shares of the results from associated companies and joint ventures were recognised in the amount of NOK -54.4 million (NOK 181.4 million). For 2017, this includes a one-time effect of NOK 213.4 million related to compensation received for amendments to contracts for two vessels in joint ventures, as well as impairment of shares in joint ventures. This gives a total operating income of NOK -176.3 million in 2018 (NOK 138.4 million).

Given the weak market for the Company's vessels, impairment tests were carried out on the vessels to calculate the estimated value in use over the remaining estimated lifetime. Based on these tests, there were no impairments in 2018, compared to write-downs of NOK 203.0 million in 2017. This covered vessels in all three segments where the Company owns vessels.

The net financial result of NOK -140.6 million (NOK 12.3 million) in 2018 includes financial income of NOK 24.9 million (NOK 134.4 million, of which NOK 120.0 million was related to gains from the buy-back of the Company's bond loan in 2017). Finance and interest expenses were NOK -109.7 million (NOK -170.0 million), and the net gain/loss on currency and derivatives was NOK -55.8 million (NOK 47.9 million).

Profit/loss after tax was NOK -316.6 million (NOK 147.4 million) and total comprehensive income was NOK -296.0 million (NOK 85.0 million).

The result reflects good underlying operations, but shows that the market for the Company's services was weak in 2018.

For the parent company Eidesvik Offshore ASA, the profit/loss after tax was NOK -38.5 million (NOK 97.6 million).

Balance sheet

The consolidated book equity is NOK 1,424.8 million (NOK 1,542.0 million). This is 35% (36%) of the Group's total capital. For the parent company, Eidesvik Offshore ASA, the equity is NOK 780.7 million (NOK 640.3 million).

Vessels account for NOK 2,809.0 million, a reduction of NOK 158.8 million. These items are reduced primarily due to depreciation and impairment. Current assets are reduced by NOK 12.8 million. Total assets are NOK 4,100.6 million (NOK 4,297.5 million), a reduction of NOK 196.9 million.

Estimates for the consolidated part of the fleet from two independent brokers put the value of the consolidated fleet in a contract-free status at NOK 3,676 million (NOK 3,861 million). This represents an added value before tax of NOK 867 million (NOK 893 million) compared to the book value of the vessels. However, the Board is aware that there is not much turnover of vessels of the type that Eidesvik owns, so there is uncertainty as to their market value in the current market. Impairment tests have been carried out on the value in use of the consolidated fleet for its remaining life. These tests have concluded that there is no need for impairment of the fleet value.

The Group's long-term liabilities are NOK 2,431.3 million (NOK 2,285.7 million). The refinancing agreement with reduced repayments, and a weakening of the NOK against the USD, resulted in an increase in the accounting value of long-term liabilities. Short-term liabilities are NOK 244.4 million (NOK 469.8 million).

The parent company's assets are NOK 917.9 million (NOK 724.6 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 137.1 million (NOK 84.3 million). This consists of long-term liabilities of NOK 136.6 million (NOK 51.1 million) and short-term liabilities of NOK 0.5 million (NOK 33.1 million). The Company's equity is NOK 780.7 million (NOK 640.3 million), which gives an equity ratio of 85% (88%).

Cash flow

Cash and cash equivalents have decreased from NOK 577.4 million at the end of 2017 to NOK 515.6 million as at 31.12.2018, of which NOK 45.7 million is tied up as security for a vessel after an insurance settlement.

Net cash flow from operating activities for 2018 was NOK 91.5 million (NOK 352.5 million).

Net cash flow from investment activities of NOK -38.9 million (NOK 401.4 million) is mainly due to investments and periodic maintenance on existing vessels. For 2017 this is due mainly to the sale of vessels, investments in existing vessels and insurance settlements received.

The Group has a negative cash flow from financing activities of NOK -92.9 million (NOK -765.8 million). This year's cash flow has gone to ordinary interest and refinanced repayments in addition to an extraordinary repayment, as well as payment for the private placement and subsequent offer. In 2017, ordinary interest and repayments were paid as well as repayments of loans related to sold vessels and repurchase of the Company's bond loan. A loan of NOK 30.0 million was also taken from the majority owner Eidesvik Invest AS in connection with the repurchase of the Company's bond. This loan was converted to equity in 2018.

The parent company has cash and cash equivalents of NOK 110.5 million (NOK 0.9 million). This is an increase of NOK 109.6 million.

Profit allocation

The Board proposes that the loss for the year of NOK -38.5 million for Eidesvik Offshore ASA is transferred from other equity.

Going concern

The market for the Company's vessels has been very weak in recent years, but has levelled out somewhat through 2018. The start of 2019 indicates a cautious improvement in the market. In January 2018, the Company entered into an agreement with the banks on reduced repayments and easier financial conditions up to the summer of 2021. The Company's contract situation, along with the liquidity reserves and forecast for 2019 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 conditions for a going concern are present, and the financial statements have been prepared on this assumption.

Financial risk

Currency risk

In 2018, Eidesvik had its revenues in NOK, USD, EUR and GBP. Operating costs are mainly in NOK. Eidesvik is therefore exposed to fluctuations in the exchange 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 customers are mainly solid companies with good solvency. The risk that the counterparties might not have the financial capacity to fulfil their obligations, is considered low.

Liquidity risk

The Group completed a financial restructuring in January 2018. The Company now has no loans falling due, apart from agreed amortisation, before 2022. The liquidity situation and forecasts for the next 12 months are satisfactory.

FRAMEWORK CONDITIONS

Access to and development of highly qualified personnel are vital to ensuring good operation and delivery of an optimum product, helping our customers to a better overall result. In order to ensure that Norwegian maritime competence is also developed and utilised in the future, the industry is dependent on stable and predictable framework conditions. The availability of training positions is vital to building up skills over time, even in a cyclical industry.

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

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

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

Historically, 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 incentives for young people to choose a maritime education. The Company cooperates in various forums to strengthen and enhance Norwegian maritime competence. At the same time, the industry is experiencing increasing international competition, not least when it comes to skills and costs. It is important for further investment in Norwegian maritime competence in the future that the framework conditions should be organised in such a way as to make it attractive for the industry to build up Norwegian maritime competence over time.

CORPORATE SOCIAL RESPONSIBILITY 2018

The Company's core values and ethics policy are set out in "Ethical guidelines and core values for Eidesvik Offshore ASA", and its social responsibility policy is covered by the "Human rights policy" and "Environmental policy". These state that the work of achieving the business goals must be carried out to high ethical standard and in a manner calculated to safeguard the environment and society. This means that we should act with respect and honesty towards customers, 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 sets out 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 must comply with all recognised rules for human rights, including refraining from all forms of discrimination.

No breaches of these policies were recorded in 2018.

BUSINESS SEGMENTS AND OUTLOOK

Eidesvik owns and operates vessels in the three segments of Supply, Seismic and Subsea/Wind.

Supply

At the end of the year, Eidesvik operated 6 large supply vessels and one smaller supply vessel which is currently in layup. Of these, 5 run on LNG, and 4 also have battery packs installed.

Viking Princess has worked for Chevron for all of 2018, and is on the same contract until the summer of 2019.

Viking Queen worked for Saipem for most of 2018. The vessel was out of contract at the end of the year and then operated in the spot market.

Viking Avant was with Equinor throughout 2018 and the contract was extended in September 2018 to the end of 2019.

Viking Prince has operated on well contracts for large parts of 2018. When the vessel came off contract at the end of the year it operated in the spot market. Viking Prince is embarking on a new well contract in the spring of 2019.

Viking Lady was taken out of layup in spring 2018, and has worked for Equinor until February 2019. The vessel went on a 1-year contract with Aker BP in March 2019.

In 2018, the spot market for supply vessels in the North Sea has been challenging, with some glimmers of light during the summer months. The period market for large supply vessels (900+ m^2) saw an increase in the number of contracts signed and improved rate levels towards the end of the year. The Supply segment is still characterised by overcapacity, but we have seen an increase in activity so far in 2019. We are cautiously optimistic about the market prospects for large, modern supply vessels.

Seismic

Within this segment, Eidesvik holds ownership interests in a total of 11 vessels. 4 of these are 100% owned and the remainder are owned in a JV with CGG (50/50). At the end of the year, 5 of these vessels were in layup.

Four of the jointly-owned seismic vessels are operated by CGG Eidesvik Ship Management AS in Bergen, which also has operating responsibilities for another 3 vessels owned by others.

Viking Vision, Geo Celtic, Oceanic Challenger and CGG Alize have been in layup throughout the year. Viking Vanquish was on contract in 2018, but has been in lay up on the charterer's account.

Geo Caribbean was put into operation in April 2018 under a long-term contract for CGG.

Veritas Viking was taken out of layup in the autumn of 2018, and went on contract for a subsidiary of CGG.

Vantage has worked for Seabed Geosolutions since February 2018. The contract runs until the summer of 2019.

For the second successive year, seismic investments increased compared to the previous year. Multiclient seismology has already benefited from this and there has been an increase in contract seismic survey activity. We maintain a positive view of the seismic survey market in the medium and long term.

In November 2018, CGG presented a new strategic roadmap out to 2021 in which they announced, among other things, that they aim to reduce their exposure to the contract seismic survey market and reduce the number of vessels in operation. See Note 7 for more information.

Subsea/Wind

Eidesvik currently has 4 vessels in the Subsea/Wind segment, of which one is owned in a JV with Subsea 7 (50/50).

Viking Neptun has operated throughout 2018 with high utilisation in a challenging market. The vessel went on a contract in the wind market from September 2018, and this secured employment until the summer of 2019. Viking Neptun was awarded a contract by Ocean Installer late in 2018 for parts of 2020 and 2021, and in April 2019 it was also awarded a contract for more than two months from the third quarter of 2019.

Acergy Viking has been contracted to Siemens Gamesa all year, which extended the fixed contract in 2018 from January 2020 to January 2021.

Subsea Viking has worked in tandem with Vantage for Seabed Geosolutions from February 2018. The contract runs until the summer of 2019.

In May 2018 Seven Viking's contract for Subsea 7 was amended and extended to 2025 with a 1-year option.

The market within subsea and wind was dominated in 2018 by project contracts with short horizons, and this trend has continued into 2019. We expect a gradual tightening of the market towards 2020 and beyond in both of these market segments. In the subsea market several development permits have been issued in the current year and further projects have come a long way in the planning phase with expected award dates in the course of next year. We remain optimistic about both the subsea and renewable markets.

Bømlo, April 29, 2019

Sign. Kolbein Rege Chairman of the Board	Sign. Borgny Eidesvik Board member	Sign. Lars Eidesvik Board member	Sign. John Stangeland Board member
Sign. Synne Syrrist Board member	Sign. Lauritz Eidesvik Board member	Sign. Kristine Elisabeth Skeie Board member	Sign. Jan Fredrik Meling CEO

CORPORATE GOVERNANCE

PRINCIPLES AND VALUES FOR CORPORATE GOVERNANCE IN EIDESVIK OFFSHORE ASA

The Board of Eidesvik Offshore ASA (the "Company") aims to ensure that the Company follows the "Norwegian code of practice for corporate governance" of 17 October 2018. The Group's compliance with, and any deviations from, the code of practice must be commented on by the Board in relation to every point in the Norwegian code of practice for corporate governance, and made available to the Company's stakeholders along with the 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 set out in the following documents (complete documents are available from the Company's website at www.eidesvik.no):

- The Board's annual report on the Company's corporate governance.
- Articles of Association of Eidesvik Offshore ASA of 23 March 2018.
- Instructions for the Board.
- Instructions for 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 insider trading.
- Guidelines for determining salaries and other remuneration to management.
- Guidelines for access to use the auditor as an advisor to the Company.
- Guidelines for information from the Company.

Operations should be based on open interaction and coordination between the Company's shareholders, Board and management, as well as other stakeholders such as employees, customers, suppliers, creditors, public authorities and society in general.

The Company's core values and ethics policy are set out in "Ethical guidelines and core values for Eidesvik Offshore ASA", and its social responsibility policy is covered by the "Human rights policy" and "Environmental policy".

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

Business

The Company's business is described in Article 3 of its Articles of Association. The Board determines the Group's overall goals and strategy. The strategic plan is revised annually. The mission statement in the Articles of Association and the Company's goals and strategies are set out in the Annual Report, which is also published on the Company's website at 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 equity commensurate with the risk from and scope of the Company's operations, cf. "Instructions for the Board".
The Board's authorisation to increase the share capital and to purchase own 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 with its proposed 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 equal rights for all shareholders to buy shares applies.
Own shares are bought on the stock exchange at market value. For transactions between companies of the Group, there are guidelines in "Instructions for the Board of Eidesvik Offshore ASA".
For significant transactions between the Company and shareholders, board members, senior executives or persons related to them, an independent valuation must be obtained. This does not apply when the General Meeting is to discuss the matter according to the provisions of the Public Limited Liability Companies Act. The same applies to transactions between companies in the Group where there are minority shareholders.
The instructions for the Board, the instructions for the CEO, and the ethical guidelines have rules for impartiality.

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

Freely negotiable shares

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

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

General Meeting

The notice of and procedure for the Company's General Meeting follow the regulations given by the Public Limited Liability Companies Act with regard to contents and deadlines. The registration deadline is set as close to the meeting as practicable. Shareholders who are unable to attend may vote by proxy.
Notice of the meeting, proposed resolutions, proxy forms, other case documents and information on shareholders' right to raise matters at the General Meeting are made available at the Company's website as soon as they are present.
The Board and the chair of the General Meeting must arrange for the general meeting to vote for each candidate nominated for election to corporate bodies.
The minutes of the General Meetings are made available on the Company's website as soon as possible.

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

Nomination committee

COMMENT: *Deviates from the Norwegian code of practice for corporate governance in that Eidesvik Offshore ASA does not have 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 composition of the Board of Eidesvik Offshore ASA such as to safeguard the interests of shareholders and the Company's need for competence, capacity and diversity. Every effort is made to ensure that the Board can 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 major 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, as the Company does not have a corporate assembly.
The Board members are elected for two years at a time. In the Annual Report, the Board provides details of the Board members' competence and capacity, as well as which Board members are considered to be independent.

The provisions of the Limited Liability Companies Act on employees' right to representation on the Board and the corporate assembly were changed in 2018 to include companies engaged in international shipping if the employees request representation. In 2019 the Board of Directors of Eidesvik Offshore ASA was approached by employees seeking representation in the Company's board. The Board is pleased that the staff wish to contribute to the work of the Board and will enter into an agreement with four groups of employees of the Company after the general meeting, to give the employees the right to elect a Board member and three deputies. This requires the Company's Articles of Association to be amended at the General Meeting in 2019. Board members are encouraged to own shares in the Company.

COMMENT: *Deviates from the Norwegian code of practice for corporate governance in that the Chairman is elected by the Board. This is because the Company does not have a corporate assembly. There is also no mention in the annual report of attendance at Board meetings. This is not considered relevant as it is entirely exceptional that directors are not 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 on Company operations, including consolidated accounts with deviation analyses and liquidity forecasts.

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 on 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 adopted 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 adopted guidelines for the Company's contact with shareholders outside the General Meeting. These are set out in the Board's annual management report. The Company publishes a financial calendar each year, and all interim reports and results presentations are published on the Company's website and the Oslo Stock Exchange.

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

Takeover

The Board has not prepared guiding principles for how to act in the event of a takeover bid.

COMMENT: *Deviations from the Norwegian code of practice for corporate governance. This is because, with the current composition of shareholders, a takeover is not considered likely without the main owner working in close cooperation with the Board.*

Auditor

The Board has an annual plan for the audit and the auditor's attendance at 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 discussion of the annual accounts.

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

HSEQ REPORT FOR 2018

INTRODUCTION

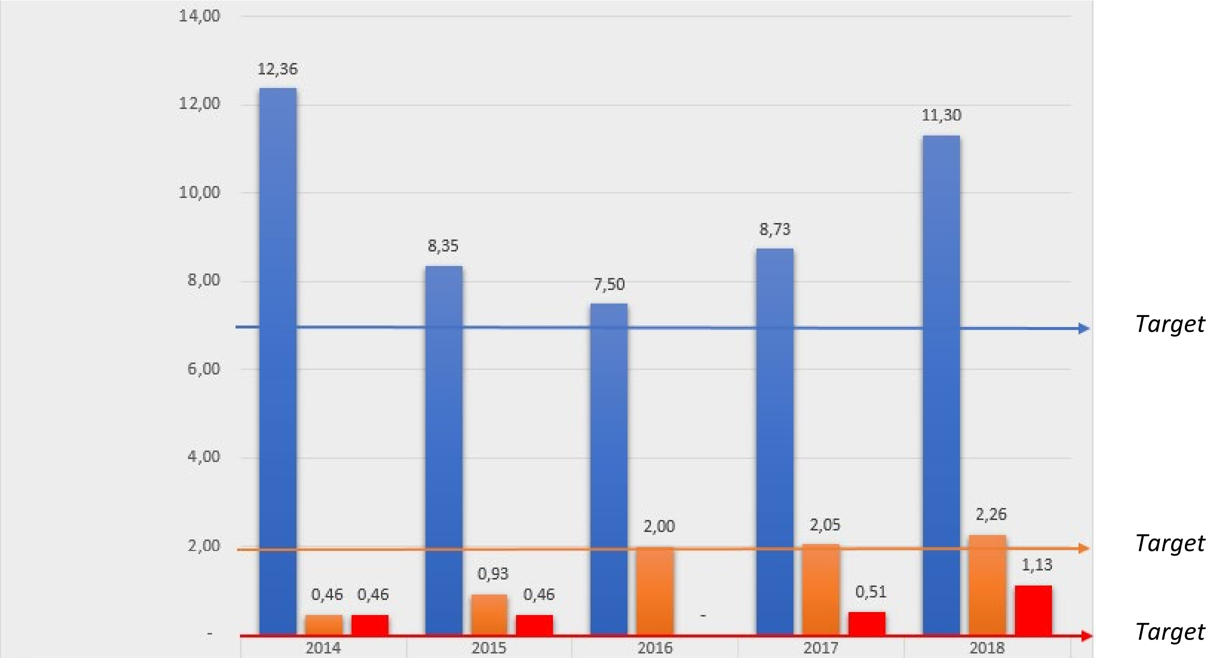
The quality and safety system "Eidesvik Management System" is certified by DNV GL to meet the requirements of the ISM Code, ISO 9001:2015, ISO 14001:2015, MLC 2006 and the ISPS Code.

Eidesvik's activities are guided by the main goal of zero injuries to personnel and no damage to the environment and assets. Priority tasks to achieve this goal are to maintain a constant focus on compliance with and awareness of the "Eidesvik Management System" (EMS). Good working environments have also been established on board the Group's vessels, with focus on awareness and monitoring of the environmental aspects identified by Eidesvik. Throughout 2018, the EMS project has been running for a "Simplified and improved version of the safety management system", and all of our operational vessels have adopted updated manuals for the bridge, deck, engine room etc., and the feedback has been very good. Procedures for the office are expected to be completed in the 4th quarter of 2019.

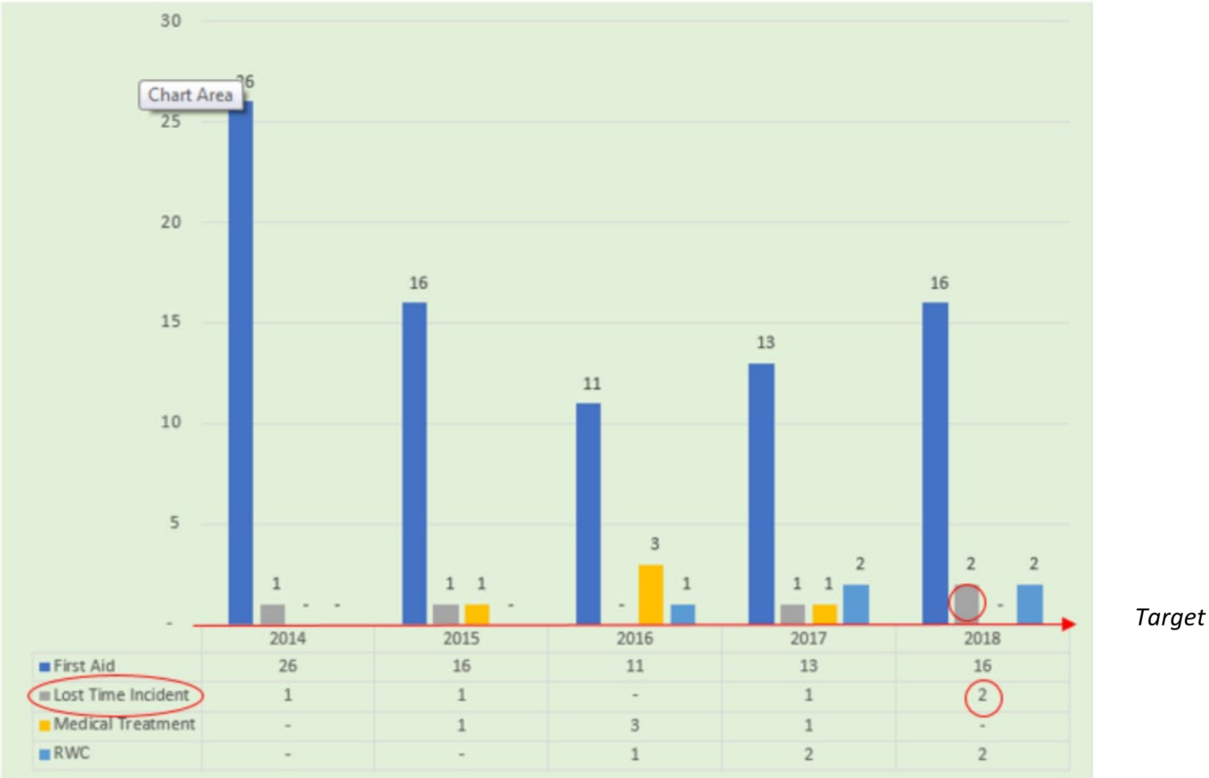
Eidesvik has prepared an annual HSEQ program that specifically addresses future focus areas, including "Key Performance Indicators" (KPIs). The KPIs have been communicated to all vessels and departments. Eidesvik focuses on a strong commitment to the HSE program in order to achieve the goals within the various areas. The guiding documents are continuously evaluated in order to ensure optimal and functioning operating procedures for employees offshore and onshore.

The Company had 2 lost time incidents in 2018. Neither of the injuries were of a serious nature and both were back at work after a short time.

The statistics show the number of personal injuries per million working hours over the last 5 years.



	2014	2015	2016	2017	2018
TRCF2, First Aid Included	12,36	8,35	7,50	8,73	11,30
TRCF1, First Aid Excluded	0,46	0,93	2,00	2,05	2,26
LTI Rate, per.mill. Hours	0,46	0,46	-	0,51	1,13



Emphasising the analysis of causal relations and underlying causes is important as a basis for transferring experience to other vessels within Eidesvik. Focusing on operations and compliance with EMS are important accompanying measures. In addition to preventing injuries, we also focus on the following actions:

- Focus on the "Safety observations" reporting method, especially proactive reports. This has contributed to an increase in reporting. The reports are reviewed at safety meetings on board. In 2018, 3,572 "Safety observations" have been reported. This constitutes a large percentage of the total number of reports in the HSEQ field.

- Extensive use of risk analyses. This enables the Group to avoid accidents and injuries by reviewing the jobs step by step, and any hazards are highlighted and actions implemented to reduce and/or remove the hazards. In 2018, 656 new and/or revised risk analyses were made.

- Arrange "Tool Box Talk" meetings (TBT). This helps us avoid accidents and injuries, as the people doing the jobs also do the planning and receive information on potential hazards in connection with the job. 10,610 TBT meetings were held in 2018.

- Work on board is performed according to a "Permit To Work" system (PTW). This helps us avoid accidents and injuries, as permission from the vessel's management must be obtained before performing jobs that could pose a risk to personnel, environment, and vessel.

INCIDENT REPORTING

In 2018, a total of 1,069 incident reports were registered in all categories. In addition, 443 experience transfer reports were submitted 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 developments and trends within specific operations or tasks. This is used to improve areas in order to prevent incidents from recurring. Reporting of incidents has a preventive effect, and the Group has a strong focus on this.

QUALITY
Our goal is to provide services of a quality that exceeds the customer's expectations, and we follow up on surveys of customer satisfaction from every vessel and crew.

WORK ENVIRONMENT ACTIONS
In 2018, the work to follow up on absence due to illness continued, as well developing Eidesvik as an Inclusive Working Life (IWL) organisation). Eidesvik chose to extend the agreement as an IWL organisation in 2018. Feedback on these actions has proven to be very positive. Various actions have been implemented, focusing on both the physical and the psycho-social working environment.

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

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

SICK LEAVE
Sick leave was 4.3% in 2018, a slight decrease of 0.1% from 2017.
There is an increased focus on preventive actions, and closer follow-up from the Company and management, in order to increase attendance at work. Employees have also been enabled to subscribe to private health services, as well as cover for physiotherapy. The Group's occupational health service is an important supporter in these efforts.

External environment

The overview below shows an extract from our environmental accounts for 2018 related to the vessels' consumption and emissions by categories:

Type of raw material	Amount consumed	Environmental impact
Marine diesel	24,527 tonnes	CO_2, NOX, and SO_2
Natural gas	4,659 tonnes	CO_2, NOX
Lubricating oil	182,657 litres	CO_2, NOX, and SO_2
Coolant	531 kg	Small
Bilge water separated	3,602,000 litres	None
Bilge water delivered onshore	331,000 litres	None
Food waste	48,806 kg	None

Emissions to the air		
CO_2	86,918 tonnes	Greenhouse gas
NOX	1,220,078 kg	Particle pollution
SOX	40,176 kg	Greenhouse gas

Type	Amount delivered onshore	Processing/effect
Paper and cardboard	19,140 kg	Recycled
Wood	47,989 kg	Recycled
Metal	25,549 kg	Recycled
Plastic	15,084 kg	Recycled
Glass	4,324 kg	Recycled
Sludge	902 M3	Recycled
Batteries	1,705 kg	Recycled
Oil barrels	4,353	Recycled
Special waste	350 kg	Special processing
Incinerator ash	4,022 kg	Special processing
Paint	442 kg	Special processing
First aid equipment/medication	89 kg	Special processing
Cooking oil	2,187 kg	Recycled
Electrical waste	803 kg	Recycled

Minor spills reported:

Hydraulic oil	382 litres	Negligible environmental impact

The most important actions to reduce emission to the external environment:

Type	Environmental impact	Actions
Exhaust gas	Air pollution	Install gas machines Install exhaust catalyst Rebuild machines Latest generation of equipment, bilge Adaptive autopilot Polishing of propellers Logistics optimisation Optimise use of engines Optimise trimming of vessels Improve maintenance Install battery technology Installing 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 spills
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 Company continues the program for optimising operations in order to reduce the consumption of fuel and energy. The programme is called EEEP (Eidesvik Energy Efficiency Programme)/blue:*E.*

DECLARATION BY THE BOARD AND CEO

The Board and the CEO have today reviewed and approved the annual report and the consolidated annual accounts and notes for Eidesvik Offshore ASA as at 31 December 2018 and for the year 2018, including consolidated comparative figures as at 31 December 2017 and for the year 2017.

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

The Board's and CEO believe that the annual accounts for 2018 have been prepared in accordance with applicable accounting standards, and that the information in the accounts gives a true picture of the Group's assets, liabilities, financial position and overall performance as at 31 December 2018 and 31 December 2017. To the best of the Board's and CEO's knowledge, the annual report gives a true account of important events during the accounting period and their influence on the annual accounts. To the best of the Board's and CEO's knowledge, the description of the most important risk and uncertainty factors the business is facing in the next accounting period, as well as the description of significant transactions with related parties, gives a true account.

Bømlo, April 29, 2019

Sign. Kolbein Rege Chairman of the Board	Sign. Borgny Eidesvik Board member	Sign. Lars Eidesvik Board member	Sign. John Stangeland Board member
Sign. Synne Syrrist Board member	Sign. Lauritz Eidesvik Board member	Sign. Kristine Elisabeth Skeie Board member	Sign. Jan Fredrik Meling CEO

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(NOK 1,000)

	Note	2018 1.1-31.12	2017 1.1-31.12
Charter income		478,725	599,285
Other income	5	10,504	155,432
Total operating income	4	489,229	754,716
Payroll expenses	11	265,254	251,651
Other operating expenses	6	127,057	117,774
Total operating expenses		392,310	369,425
Operating profit before depreciation and impairment		96,919	385,291
Depreciation	12	218,883	225,326
Impairment of tangible fixed assets	12	0	202,989
Operating profit before profit from joint ventures		-121,965	-43,023
Profit from joint ventures	7	-54,358	181,419
Operating profit		-176,323	138,395
Financial income	8	24,860	134,366
Financial expenses	8	-109,711	-169,971
Net currency gain/loss	8	-55,798	47,941
Net financial items		-140,649	12,336
Profit/loss before taxes		-316,972	150,731
Tax income (expense)	9	347	-3,363
Profit/loss for the year		-316,625	147,368
Attributable to:			
The parent company's shareholders		-283,244	155,368
Non-controlling interests	7	-33,381	-8,000
Profit/loss for the year		-316,625	147,368
Earnings per share	10	-4.83	5.15
Diluted earnings per share	10	-4.83	5.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(NOK 1,000)

	Note	2018 1.1-31.12	2017 1.1-31.12
Statement of comprehensive income			
Profit/loss for the year		**-316,625**	**147,368**
Items that will not be reclassified via profit/loss in later periods			
Actuarial gains/losses		**5,494**	**-16,962**
Items that will be reclassified via profit/loss in later periods			
Translation differences joint ventures	7	**15,083**	**-45,451**
Total comprehensive income for the year		**-296,048**	**84,955**
Attributable to:			
The parent company's shareholders		**-262,667**	**92,956**
Non-controlling interests		**-33,381**	**-8,000**
Total comprehensive income for the year		**-296,048**	**84,955**

CONSOLIDATED STATEMENT OF BALANCE SHEET
(NOK 1,000)

	Note	31.12.2018	31.12.2017
Assets			
Non-current assets			
Vessels	12	**2,809,019**	**2,967,810**
Buildings, land and other operating assets	12	**21,125**	**21,093**
Investments in joint ventures	7	**440,999**	**480,281**
Shares	21	**1,720**	**1,720**
Other non-current receivables	13	**106,121**	**92,193**
Total non-current assets		**3,378,984**	**3,563,098**
Current assets			
Accounts receivable	14	**160,100**	**123,826**
Other current assets	15	**45,887**	**53,148**
Cash and cash equivalents	16	**515,605**	**557,440**
Total current assets		**721,592**	**734,414**
Total assets		**4,100,576**	**4,297,512**

CONSOLIDATED STATEMENT OF BALANCE SHEET

(NOK 1,000)

	Note	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the Company's shareholders:			
Share capital	17	3,108	1,508
Share premium fund		177,275	0
Other paid-in equity		629	629
Other income and expenses		-30,076	-37,983
Translation differences		112,832	97,749
Other equity		1,161,987	1,447,651
Total equity majority shareholders		1,425,755	1,509,554
Non-controlling interests		-930	32,452
Total equity		1,424,825	1,542,006
Liabilities			
Non-current liabilities			
Interest-bearing debt	20	2,416,515	2,268,896
Derivatives	23	2,147	0
Pension liabilities	18	12,648	16,841
Total non-current liabilities		2,431,310	2,285,737
Current liabilities			
Interest-bearing debt	20	105,656	315,988
Debt to related parties	24	0	30,000
Derivatives	23	1,074.	5,003
Accounts payable		32,436	42,465
Tax payable	9	704	0
Other current liabilities	19	104,571	76,312
Total current liabilities		244,440	469,768
Total liabilities		2,675,751	2,755,505
Total equity and liabilities		4,100,576	4,297,512

Bømlo, April 29, 2019

Sign. Kolbein Rege Chairman of the Board	Sign. Borgny Eidesvik Board member	Sign. Lars Eidesvik Board member	Sign. John Stangeland Board member
Sign. Synne Syrrist Board member	Sign. Lauritz Eidesvik Board member	Sign. Kristine Elisabeth Skeie Board member	Sign. Jan Fredrik Meling CEO

CONSOLIDATED STATEMENT OF CASH FLOW
(NOK 1,000)

	Note	2018 1.1-31.12	2017 1.1-31.12
Cash flow from operations			
Payments from customers		**452,955**	678,469
Payment to suppliers, employees and others		**-410,540**	-373,889
Payments from reimbursement scheme, Norwegian seamen		**51,816**	51,281
Interest received/paid		**-2,414**	-1,542
Net paid and refunded taxes		**-276**	-1,788
Net cash flow from operating activities		**91,541**	352,531
Cash flow from investment activities			
Sales of tangible assets	12	**0**	407,288
Insurance settlements received		**2,825**	49,256
Received long-term receivables	13	**18,355**	0
Purchase of tangible fixed assets	12	**-60,124**	-98,526
Received investment refund	12	**0**	20,761
Dividends received	7	**0**	22,618
Net cash flow from investment activities		**-38,944**	401,397
Cash flow from financing activities			
Issuance of share capital	17	**148,875**	0
Loans taken out		**0**	30,000
Repayment of debt	20	**-134,711**	-673,336
Paid interest	20	**-107,092**	-122,446
Net cash flow from financing activities		**-92,927**	-765,782
Currency gain/loss on cash and cash equivalents		**-1,504**	19,556
Net increase (decrease) in cash and cash equivalents		**-41,835**	7,702
Cash and cash equivalents at start of period	16	**557,440**	549,738
Cash and cash equivalents at end of period	16	**515,605**	557,440

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(NOK 1,000)

	Majority share							Minority share	Total equity
	Share capital	Premium fund	Other reserves	Other paid-in equity.	Transl. diffs.	Other equity	Total		
Equity at 01.01.2017:	1 508	0	-21 021	629	143 200	1 292 282	1 416 599	40 452	1 457 051
Profit/loss for the year	0	0	0	0	0	155 368	155 368	-8 000	147 368
Currency translation differences	0	0	0	0	-45 451	0	-45 451	0	-45 451
Actuarial gain/loss	0	0	-16 962	0	0	0	-16 962	0	-16 962
Total comprehensive income 2017	0	0	-16 962	0	-45 451	155 368	92 956	-8 000	84 955
Equity at 31.12.2017	1 508		-37 982	629	97 750	1 447 650	1 509 554	32 452	1 542 006
Profit/loss for the year	0	0	0	0	0	-283 244	-283 244	-33 381	-316 625
Share issue *	1 600	177 275	0	0	0	0	178 875	0	178 875
Liquidation of defined-benefit pension scheme in Eidesvik AS (posted via OCI in 2016 and 2017) **	0	0	2 413	0	0	-2 413	0	0	0
Currency translation differences	0	0	0	0	15 083	0	15 083	0	15 083
Actuarial gain/loss	0	0	5 494	0	0	0	5 494	0	5 494
Total comprehensive income 2018	**1 600**	**177 275**	**7 907**	**0**	**15 083**	**-285 657**	**-83 792**	**-33 381**	**-117 173**
Equity at 31.12.2018	**3 108**	**177 275**	**-30 076**	**629**	**112 832**	**1 161 987**	**1 425 755**	**-930**	**1 424 825**

* A private placement was conducted in Q1 2018, with conversion of shareholder loans and a subsequent offer. See Note 20 for further information.

** The defined-benefit scheme was discontinued for most of shore employees in December 2015 (Eidesvik AS). This was replaced with a defined-contribution scheme from 31.12.2015. As of 31.12.2018 are no employees in Eidesvik AS on the defined-benefit scheme.

NOTES TO THE CONSOLIDATED ACCOUNTS

Note 1

Eidesvik Offshore ASA (the Company) and its subsidiaries (collectively the Group) offer services within the maritime sector. The Group operates in several segments where the main segments are seismic, subsea and platform supply 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 April 29, 2019 and approved for publication. The General Meeting approves the final annual accounts and is authorised 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 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	74.75%
Eidesvik Neptun II AS	Bømlo	74.75%
Eidesvik Supply AS	Bømlo	80.11%
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%

Please refer to Note 7 for further information.

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 International 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 realised 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 repayment on long-term debt maturing within twelve months from the balance sheet date.

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

Cash flow statements are prepared according to the direct method.

2.2 Principles of consolidation

The consolidated accounts include parent company Eidesvik Offshore ASA and companies controlled by Eidesvik Offshore ASA. Control is obtained when the Group is exposed to, or is entitled to, variable return resulting from the Group’s involvement, and the Group is able to influence the return through its influence in the Company.

a) Subsidiaries

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

b) Joint ventures

Companies where the Group has joint control with another party, are defined as joint ventures. Joint ventures exist if there is 50/50 ownership, or if it is otherwise regulated so that the parties have joint control. Investments in joint ventures are recognised in accordance with the equity method.
The Group does not capitalise its share of deficits if this means that the capitalised 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 capitalised 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 operating segments are divided into Supply vessels (PSV), Subsea/Wind, and Seismic. 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 recognised 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 recognised. 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, depreciation and other fixed assets
Vessels and other fixed assets are recognised at historical cost minus accumulated depreciation and write-downs.
Each part of the asset that has material share 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 are evaluated at each balance sheet date to ensure that the method and the period used correspond with the financial realities for the asset. The same applies to scrap value, which is subject to an annual assessment.

Estimated useful life:

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

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

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, equal to the fair value of the asset or the present value of the cash flow from the lease if this is lower. When calculating the present value of the lease, the implied interest cost in the lease contract is used when this can be determined. If this cannot be determined, the Company’s marginal loan rate in the market is used. Direct costs associated with the lease are included in the cost of the asset. Monthly lease amounts are split 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 shorter of the lease period and the depreciation period for similar assets owned by the Group.

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

The Company currently 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 operating expense, and they are recognised over the contract period. Refer to Note 27 and the new standard (IFRS 16) for the treatment of leases from 1 January 2019.

If a “sale and lease 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 recognised when the transaction is completed. If the sale price is below fair value, any profit or loss is recognised directly, except in situations where this leads to future lease payments below market value. In such cases the profit/loss is amortised over the lease period. If the sale price is above fair value, the excess price is amortised over the estimated period of use for the asset.

2.6 Impairment of fixed assets
The book value of tangible fixed assets is assessed for impairment when events or changes in circumstances indicate that book value cannot be recovered. If such indications are discovered, and the book value exceeds the recoverable amount, the asset is written down to the recoverable amount, which for tangible fixed assets is the higher of expected net sales price and value in use. Value in use is calculated as the present 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 recognised, the previous impairment is reversed.

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

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

2.9 Financial assets
The Group’s financial assets are classified into the following categories: financial assets at fair value with changes in value through profit and loss, and loans and receivables at amortised cost. 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 rate fluctuations. The derivatives are presented as an asset with a positive value or a liability with a negative value.

a) Financial assets at fair value through profit and loss
A financial asset is classified in this category if it is acquired primarily to make a 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’. Assets in this category are classified as current assets if they are held for trading or if they are expected to be realised 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 profit and loss”, 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 at amortised cost
Loans and receivables are non-derivative financial assets with fixed payments that are not traded on 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 non-current assets. Loans and receivables are classified as accounts receivable and other receivables on the balance sheet.

Ordinary acquisitions and sales of investments are recognised at the date of the transaction. All financial assets that are not recognised at fair value through profit and loss are initially recorded at fair value plus transaction costs. The exception is accounts receivable, which are recognised for the first time at the transaction price in accordance with IFRS 15, ref. IFRS 9.1.5.3. Financial assets recognised at fair value through profit and loss are recognised on acquisition at fair value and transaction costs are posted to expenses. 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 profit from 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 recognised at amortised cost using the effective interest method.

Book value of financial assets at amortised 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. The Group recognises derivatives at fair value with value changes through profit/loss. The purpose of the derivatives is to secure the Group’s cash flow against fluctuations in interest and exchange rates. Refer to Note 23 for an overview of the Group’s derivatives at 31.12.2018.

2.11 Accounts receivable
Accounts receivable are measured at fair value at the first recognition. For subsequent measurements, accounts receivable is assessed at amortised cost determined by using the effective interest method, less provision for expected loss. The Group has chosen to apply the practical simplification rule to calculate losses on accounts receivable. Loss provisions are raised based on historical data and assessments of each specific customer. See Notes 3 and 14.

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 amortised cost determined by using the effective interest method.

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

When loans are renegotiated, a view is taken as to whether the renegotiated loan should be treated as a continuation of the old loan or as a new loan (IFRS 9.3.3.1-9.3.3.3). The main rule of IFRS 9.3.3.1 is that a financial liability should only be derecognised in cases where the liabilities specified in the contract have been discharged, cancelled or expired. When a company has its debts renegotiated without a change of lender, however, the old loan is derecognised and a new loan recognised if the renegotiation involves significant changes in the conditions related to the debt. If there are no significant changes, the difference between the present value of the modified cash flow and the original amortised cost is recognised through profit/loss (see Note 8).

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 on retirement. Pension payments normally depend on several factors, such as age, number of years in the company, and salary.

The recognised liability associated with defined benefit plans is the present value of the defined benefits on the balance sheet date minus the 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 accrual method. The present value of the defined benefits is determined by discounting estimated future disbursements based on the interest on corporate bonds with high credit rating using OMF interest rates.

Changes in benefits from the pension plan are recorded as income or charged to expenses 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 associated with the changed benefit is amortised on a linear basis over 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 raises provisions in cases where there is a formal obligation to make disbursements.

2.17 Provisions
The Group raises provisions for environmental improvements and legal requirements when: There is a statutory or self-imposed obligation arising from previous events, there is a strong likelihood that the obligation will have to be met 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 having to be met will be determined by assessing the group as a whole. Provisions for the Group are raised even though the probability of settlement with regard to the individual elements in the group is low.

Provisions are measured at present 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. The increase in the obligation due to changes in time value is recorded as interest expenses.

2.18 Income and expense recognition principles
Income from the sale of goods and services is measured at fair value, net of commission, rebates and discounts. Intragroup sales are eliminated. Income is recognised 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 charter is agreed as a lease of a vessel (IAS 17) with crew (IFRS 15). The charterer decides (within agreed limitations) how the vessel is to be used. The time charter lapses in periods when the vessel is not operational (is "off hire"), e.g. during repairs. The shipping company pays for the crew, supplies, insurance, repairs, administration, etc., while the charterer pays the "voyage-dependent" expenses such as bunkers, port fees and expenses for loading and unloading.

In addition to leasing the vessel (IAS 17), there may be agreements for additional services in the form of hiring extra crew, sale of provisions and coverage of other operating expenses (IFRS 15).

Lease income for leasing vessels is recognised on a linear basis through the lease period as per IAS 17. The lease period starts from the date when the vessel is at the lessee's disposal, and ends with its agreed return.

Lease of crew and payments to cover other operating expenses are recognised on a linear basis 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 recognised proportionally over time in accordance with the effective interest method. When receivables are written down, the capitalised value is reduced to the recoverable amount. The recoverable amount is the estimated future cash flow discounted at the original effective interest rate. After impairment, the interest income is recognised on the basis of the original effective interest rate.

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

2.19 Public subsidies
Subsidies from the net pay scheme and the reimbursement scheme for seamen are recorded as a cost reduction (under "payroll expenses").

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

2.21 Events after the balance sheet date
New information after the balance sheet date on the Company's financial position on that 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 it in the future, are reported if they are significant.

2.22 Earnings per share accruing to the parent company's shareholders
The calculation of earnings per share is based on the majority share of net profit, using the weighted average outstanding number of shares through the year. The diluted earnings per share are based on the majority share of the net profit using the average outstanding number of shares and outstanding options.

2.23 Taxes
Taxes are expensed as they are incurred. The tax costs consist of tax payable and the change in deferred taxes. Deferred tax/deferred tax assets are calculated by the liability method. Deferred tax/deferred tax assets are calculated based on tax rates and tax legislation which has been adopted (or adopted for all practical purposes) on the balance sheet date, and which is assumed to be used when the deferred tax is settled. Deferred tax/deferred tax assets are calculated per tax area and is presented gross in the balance sheet.

Deferred tax assets are recognised to the extent that it is likely that there will be taxable income in the future, 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 are recorded in the periods in which they are incurred. To the extent that tax is calculated on the basis of revenue, this is classified as an income reduction and presented together 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
Non-current assets (or disposal groups) are classified as ‘held for sale’ when the capitalised amount is mainly realised through a sales transaction, and a sale is considered highly likely. They are measured at the lower of capitalised value and fair value minus sales costs.

2.25 Changes in accounting policies
The accounting principles applied are consistent with the principles used in previous periods, except for the changes to IFRS which have been implemented by the Group in the current period.

In 2018, IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contract with Customers” were implemented. The effect is described below. Apart from these, there are new standards that currently only affect the notes.

• IFRS 15 Revenue from contracts with customers
The IASB has published a new standard for revenue recognition, IFRS 15. The standard replaces all existing standards and interpretations for revenue recognition (IAS 18 and IAS 11). The core principle of IFRS 15 is that revenue` is recognised to reflect the transfer of agreed goods or services to customers, 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 revenue contracts and contains a model for recognition and assessment of sales of certain non-financial assets (such as sales of real estate, facilities and equipment).

The Company uses the modified retrospective method for implementation. There was no adjustment of equity at 1 January 2018. All contracts ongoing at the year-end have been valued according to the conditions in IFRS 15.

The Group’s revenues are mainly from time charter (TC) and bareboat income. A TC consists of a leasing component (bareboat element) and a service component. The latter is within IFRS 15. The leasing component is within IAS 17/IFRS 16. These are recognised over the lease period. IFRS 15 has not changed how the income is accrued, so there are no changes compared to previous revenue recognition rules. Refer to Note 4 for a presentation of the revenue allocation.

• IFRS 9 Financial Instruments
The effect of implementing IFRS 9 and refinancing is NOK 8.5 million. Refer to Note 8.

Some new standards, amendments and interpretations of standards that have been published but have not entered into force have not been applied to the annual accounts for 31.12.2018. This includes changes to the following standards that could be relevant to the Company:

• IFRS 16 Leases
IFRS 16 Leases replaces the existing IFRS standard for leases, IAS 17 Leases. IFRS 16 lays down principles for recognition, measurement, presentation and information on leases for both parties to a lease, i.e. the customer (lessee) and the provider (lessor). The new standard requires the lessee to recognise assets and liabilities for most leases, which is a significant change from the current principles. For the lessor, IFRS 16 basically retains the same principles as IAS 17. In line with this, a lessor has to continue to classify its leases as operational or financial leases, and record these two types of leases differently. IFRS 16 is effective for accounting years starting on 1 January 2019 or later. The Group will apply the new standard from that date. The Group has chosen not to use the standard on leases with a duration of 12 months or less, and leases with low value.

Refer to Note 27 for the effect of the new standard on the balance sheet and income statement in 2019.

2.26 Significant accounting estimates and matters associated with uncertainty in estimates
Preparing accounts in accordance with applicable standards and practice requires the management to prepare estimates and make assessments that affect recorded assets and liabilities as well as information on contingent assets and latent obligations on the reporting date, including income and expenses for the reported period. The final outcomes may differ from the estimates. Some amounts included in or affecting the accounts and associated notes require estimates, which in turn mean that the Group has to 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 to giving a true picture of the Group’s financial position, but is also the result of difficult, subjective and complex assessments made by the management. Such estimates are often uncertain by nature. The management reviews such estimates on an ongoing basis, based on both history and experience, but also from 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 described 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 related to 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 each year. A change in the estimate will affect depreciation 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 for vessels. The scrap value is dependent on steel prices. The estimate of scrap value is subject to annual review.

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

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 criteria:

• The lease period is defined as the "non-cancellable" period where the lessee is obliged to lease the asset, plus any extended lease period (option) 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 the net present value of the minimum lease payment in order to assess the relationship between the net present value of lease payments and the market value of the asset, the Group uses the implicit interest rate in the lease. Using other interest rates could lead to other conclusions for the classification of the lease.

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

c) Pension liabilities
Determination of the liabilities under defined benefit plans is a complex area because it requires estimates for both actuarial and financial assumptions. The liabilities are also measured on the basis of present value because the benefit will be paid many years in the future. The Group's assumptions are based on recommended assumptions from the Norwegian Accounting Foundation for the Norwegian schemes. The calculation of the pension liabilities is mainly influenced by the assumed discount rate.

d) Acquisition of assets
When several assets are acquired together, their individual cost must be determined. The Group uses valuation methods and assessments from third parties 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 by the equity method. In 2017, an extraordinary impairment of the shares in Global Seismic Shipping AS was undertaken. This was due to the uncertainty as to the vessel values in that group. The assessment made is similar to the evaluation of vessel values in EIOF. See Note 12.

f) Long-term receivables
Under bonds and other receivables (financial assets), EIOF has recorded a receivable of USD 27,496,000 (total NOK 235 million). The 2017 accounts assumed that the receivables from Global Seismic Shipping AS had a value of 45% of par. In the accounts for 31.12.2017, these receivables were written down by 55%. No changes have been made to this as at 31.12.2018.

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 recognised, the previous impairment is reversed. This evaluation has to be made each quarter based on an overall assessment. Refer to Note 7 for a more detailed description/analysis.

As the repayments are repaid, the impaired part of the payment will be recorded as income. Any reversal will be recorded as other financial income.

Note 3 - Financial risk management

Financial risk

The Group is exposed to variety of financial market risk factors through its activities. Financial market risk is the risk that fluctuations in exchange rates, interest rates and charter rates will affect the value of the Group's assets, liabilities and future cash flows.

The Group's overall risk management plan focuses on the unpredictability of the capital markets and seeks to minimise the potential adverse effects on the Group's financial performance. Elements included in the management of financial risk are the contract length on charters, use of currency and interest-bearing instruments, and debt in the same currency as expected payments of charter 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. In Eidesvik Offshore ASA, risk management of the revenues reported in the accounts is subordinate to risk management of the cash flows.

The Group's risk management is handled by the administration according to 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 transactions, and relates to capitalised assets and liabilities.

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

The Group is particularly exposed to fluctuations in the USD, as it has considerable charter income but low operating costs in this currency. It seeks to reduce fluctuations with loans and currency futures in the same currency. At 31.12.2018, the Group's long-term liabilities were divided between 45% NOK and 55% USD, the same as for 2017.

The Company's exposure to USD on the balance sheet date is shown in the table below. The table shows estimated change in net profit before tax in NOK millions if the USD rate against NOK had been 50 øre higher/lower at 31.12.2018.

	+50 øre	-50 øre
Operating profit before profit from associates and joint ventures	0,0	0,0
Profit from joint ventures	0,0	0,0
Net financial income excluding agio	0,0	0,0
Agio/disagio on long-term debt	-50,1	50,1
Profit/loss for the year	-50,1	50,1
Translation difference, shares	16,8	-16,8
Total comprehensive income	-33,3	33,3

(ii) Price risk

The Group is exposed to price risk as the spot rates have historically been volatile. The Group looks for predictability, and the strategy is to have a contract portfolio consisting of long-term contracts with more or less fixed prices. For 2019, fixed contracts represent 56% of available vessel days. At 31.12.2018, two of the Group's vessels were laid up and one was being operated in the spot market. See also Note 22 for contract status.

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

(iii) Interest rate risk (see also Note 23)

.The Group's interest rate risk is related to long-term loans and deposits of surplus liquidity. Loans with floating interest rates carry a risk for the Group's cash flow. Fixed rate loans expose the Group to fair value interest rate risk. The interest rate risk is managed by using interest derivatives (swaps and options) within guidelines set by the Board.

The effect of a change in interest rates is simulated in order to support decisions on fixed rate contracts. The simulation illustrates the cash effect of a change in interest rate based on the size of the loan and the level of the current interest rate hedging. An increase of 1 percentage point in the interest rate, all else being equal, would reduce net profit before tax by NOK 21 million. The Group's loans are recorded at amortised cost, and so will not show a change in value from interest rate fluctuations.

(b) Credit risk

The Group has a concentration risk as charter contracts are signed with relatively few customers. Eidesvik's customers are mainly solid companies with good solvency. The risk of counterparties not having the financial capacity to fulfil their obligations is considered low. Overdue receivables are followed up monthly. The Group has chosen to apply the practical simplification rule to calculate losses on accounts receivable. Loss provisions are raised based on historical data and assessments of each specific customer.

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

Accounts receivable	2018	2017
Group 1	**153 273**	86 512
Group 2	**1 099**	31 318
Group 3	**5 728**	5 996
Total	**160 100**	123 826

Group 1: Established customer relationship, good solvency/willingness
Group 2: New customers, possibly slow recovery
Group 3: Established customer relationship, weaker solvency/willingness

The Group has significant long-term receivables from joint ventures. These receivables are posted in the accounts at a much lower value due to provisions for counterparty risk from the joint ventures' charterers. The recorded value of the receivables was measured for revenue recognition in 2017 at less than the nominal value. This is in accordance with observable sales of securities issued by the same counterparty. The credit risk on the receivables is judged to be lower, and indications of changes in the valuation of these are assessed continuously. In 2018 the impairment of the long-term receivables was reversed to reflect the repayments received. See Notes 5 and 13 for further information.

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

(c) Liquidity risk
The Group aims to manage the cash flow from operations by focussing on long-term charters with little price volatility. Surplus liquidity is mainly placed in ordinary bank deposits.

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

See also Note 20 for information on amortisation profiles/refinancing needs for long-term liabilities.

The following table sums up the maturity profile for the Group's liabilities at 31.12.2018 based on contractual, non-discounted cash flows. Estimated interest is based on current rates and exchange rates at 31.12.2018.

Maturity statement for capitalised liabilities

	2019	2020	2021	2022	2023	Later
Loans	93 232	93 232	202 935	1 782 195	93 869	260 602
Accrued interest	12 423	0	0	0	0	0
Derivatives	1 074	1 443	704	0	0	0
Tax payable	704	0	0	0	0	0
Accounts payable	32 436	0	0	0	0	0
Other current liabilities	104 571	0	0	0	0	0
Pension liabilities (assumed maturity)	0	0	0	0	0	12 648
Subtotal debt items excl. market value derivatives	244 439	94 675	203 639	1 782 195	93 869	273 250
Estimated interest						
Interest payments on existing loans	113 568	94 314	70 057	51 991	12 462	12 018
Adjustment incurred 31.12.2018	-12 423	0	0	0	0	0
Subtotal assumed interest	101 144	94 314	70 057	51 991	12 462	12 018
Leases						
Leases (Note 22)	6 398	6 234	6 234	6 234	6 234	55 444
Total contractual commitments falling due	351 982	195 223	279 929	1 840 420	112 565	340 712

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 in 2017 and 2018 to strengthen the Group's liquidity and capital through the sale of a vessels, repurchasing a bond loan at a discount, negotiations with creditors on repayment reductions, and raising new equity. This has been done to reach agreements to safeguard the Group through years with weak markets and corresponding low revenue. Refer to Note 20 where covenants are discussed.

Assessment of fair value
IFRS 7 requires financial instruments measured at fair value on the balance sheet date to be presented by level, with the following level classification for measuring fair value:

1) Quoted 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 quoted 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 recognised on the basis of valuations from the counterparty (mark to market).

Debts to credit institutions with floating interest rates are recognised at amortised cost, and are valued at approximately fair value. Fixed-rate loans (CIRR) are recorded at amortised cost, and the estimated value is described in Note 23. Fair value of fixed-rate loans is calculated by discounting the difference between the fixed rate and the market rate at 31.12.2018 with a duration equal 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 operating segments according to the nature of the vessels' activities. The various operating segments offer different shipping services, address partially different customer groups, and have different risk profiles.
The Group is divided into the following operating segments:

a. Seismic
b. Subsea/Offshore Wind
c. Platform Supply
d. Other

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

The Subsea segment delivers shipping services for 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 meet the requirements in the offshore wind market, and are chartered in this market. The Offshore Wind segment delivers shipping services to the renewable market.

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

Transactions between 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 where possible. Anything does not fall naturally under any of the segments is recorded under "Other".

Segment performance is assessed on the basis of operating profit, and is consistently measured against operating profit in the consolidated financial accounts.
The effect of applying IFRS 15 to the Group's revenues from contracts with customers is described in Note 2.

Operating segments

(NOK thousands)	Seismic		Subsea		Supply		Other		Consolidated	
Operating segments	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Segment result										
Operating income (IFRS 15)	**31 634**	53 556	**129 265**	184 655	**134 829**	114 457	**17 019**	19 398	**312 747**	372 065
Bareboat income (IAS 17)	**54 083**	215 373	**77 040**	105 307	**45 359**	61 971	**0**	0	**176 482**	382 652
Proportion of operating income from JVs* (IFRS 15)	**0**	0	**30 728**	36 452	**0**	0	**0**	0	**30 728**	36 452
Bareboat income from JVs* (IAS 17)	**139 649**	433 614	**46 450**	43 498	**0**	0	**0**	0	**186 099**	477 112
Total operating income	**225 366**	702 543	**283 483**	369 913	**180 188**	176 428	**17 019**	19 398	**706 056**	1 268 281
Operating expenses	**51 120**	56 965	**138 787**	126 841	**164 956**	140 644	**37 448**	44 975	**392 311**	369 425
Share of operating expenses from JVs *	**7 946**	5 061	**31 130**	30 109	**0**	0	**0**	0	**39 076**	35 170
Total operating expenses	**59 066**	62 026	**169 917**	156 950	**164 956**	140 644	**37 448**	44 975	**431 387**	404 595
Depreciation	**50 613**	54 040	**91 470**	90 381	**75 599**	79 225	**1 201**	1 680	**218 883**	225 326
Depreciations share from JVs *	**131 121**	107 935	**19 227**	17 911	**0**	0	**0**	0	**150 348**	125 846
Write-down on assets	**0**	88 989	**0**	37 000	**0**	77 000	**0**	0	**0**	202 989
Write-down on assets share from JVs *	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0
Total depreciation	**181 734**	250 964	**110 697**	145 292	**75 599**	156 225	**1 201**	1 680	**369 231**	554 161
Operating profit incl. share of the JVs *	**-15 434**	389 552	**2 869**	67 671	**-60 367**	-120 441	**-21 630**	-27 257	**-94 562**	309 525
Net finance items and tax in JVs *	**-72 444**	-57 089	**-9 317**	-11 719	**0**	0	**0**	0	**-81 761**	-68 808
Write-down JVs	**0**	-102 321	**0**	0	**0**	0	**0**	0	**0**	-102 321
Operating profit	**-87 878**	230 142	**-6 448**	55 952	**-60 367**	-120 441	**-21 630**	-27 257	**-176 323**	138 395
Net financial items									**-140 649**	12 336
Tax costs									**347**	-3 363
Profit/loss for the year									**-316 625**	147 368

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

In 2017, the Seismic 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 in 2017 was NOK 202,989 thousand.

Impairment of joint ventures of NOK 102,321 thousand in 2017 is related to the shares in Global Seismic Shipping AS; see Note 7 for further information.

(NOK thousands)	Seismic		Subsea		Supply		Other		Consolidated	
Operating segments	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Segment assets	**527 162**	523 106	**1 515 878**	1 609 175	**811 477**	862 094	**289 454**	265 416	**3 143 972**	3 259 791
Proportion of assets in JVs *	**1 811 475**	1 822 131	**390 917**	393 693	**0**	0	**0**	0	**2 202 392**	2 215 824
Unallocated assets (cash)									**515 605**	557 440
Total consolidated assets	**2 338 638**	2 345 237	**1 906 795**	2 002 868	**811 477**	862 094	**289 454**	265 416	**5 861 969**	6 033 055
Assets incl. share of JVs *	**2 338 638**	2 345 237	**1 906 795**	2 002 868	**811 477**	862 094	**289 454**	265 416	**5 861 969**	6 033 055
Segment current liabilities (excl. mortgage de	**-16 088**	-9 744	**-13 571**	-22 957	**-4 295**	-6 987	**-117 254**	-125 245	**-151 208**	-164 932
Proportion of debts from JVs *	**-1 517 926**	-1 471 804	**-243 467**	-263 739	**0**	0	**0**	0	**-1 761 394**	-1 735 543
Segment mortgage debt and other long-term liabilities	**-490 182**	-538 470	**-1 131 218**	-1 116 462	**-887 393**	-917 875	**-15 749**	-17 767	**-2 524 543**	-2 590 573
Total liabilities incl. share of JVs *	**-2 024 196**	-2 020 017	**-1 388 256**	-1 403 158	**-891 688**	-924 861	**-133 004**	-143 012	**-4 437 144**	-4 491 048
Investments in non-current assets (excl. periodic maintenance)	**687**	811	**1 370**	51 450	**5 683**	949	**1 233**	0	**8 972**	53 211
Gross sales of non-current assets	**0**	0	**0**	411 099	**0**	0	**0**	0	**0**	411 099

*) For shares in joint ventures, the amounts in the table are included in proportions equal to the Group's ownership interest.

Information on large customers

The majority of the Group's income in 2018 was earned from a small number of large customers. The table below shows the total operating income from all customers representing more than 10% of the Group's operating income. The amounts are distributed by segments. Shares from joint ventures are included.

Operating segments	**Seismic**	**Subsea**	**Supply**
Customer 1		82 616	
Customer 2			67 151
Customer 3	122 934		
Customer 4		77 178	
Customer 5		55 466	
Customer 6	132 975		
Total operating income large customers	**255 910**	**215 260**	**67 151**

Secondary segments are not reported. The Seismic, Subsea/Wind, and Supply business segments are the only groups reported internally. Although the vessels in the Seismic and Subsea segments operate in various parts of the world, is this mainly a consequence of the customers' preferred areas of operation, not necessarily a decision on a geographical focus area. So presenting geographical areas for these segments is considered misleading. For the Supply segment, all operations in 2017 and 2018 are in just one geographical area defined as Europe. Secondary segmentations is therefore omitted.

Note 5 - Other income

(NOK thousands)	2018	2017
Termination fee Viking Vanquish	0	138 244
Reversal of previous write-downs on repayments related received related to receivables from JVs	10 504	0
Profit/loss on the sale of vessels	0	17 188
Other income	10 504	155 432

In January 2017, Eidesvik and CGG agreed to amend the bareboat contract for the seismic vessel Viking Vanquish, which expires in November 2020, effective from January 2017. The day rate was reduced for the remainder of the contract. The amendment to the contract is recorded in the accounts as a termination, partly because the settlement was a result of a negotiated solution that does not directly reflect the adjustment of the rate to the market level. Therefore, the whole settlement for the contract is recorded in the period. As a consequence of this, Eidesvik received termination compensation consisting of exchange-listed bonds maturing in 2021 and debt instruments to joint ventures for USD 18,168 thousand. The bonds received were sold and the cash settlement of USD 7,875.6 thousand was recorded as income of NOK 66,231 thousand. The debt instruments received 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 capitalisation of the receivable and Note 7 for further information on transactions with joint ventures.

The subsea vessel Viking Poseidon was delivered to its new owner on 15.03.2017. The vessel was written down in the fourth quarter of 2016 based on the agreed sale value in foreign currency. Primarily due to changes in the exchange rate up the date of sale, this resulted a gain on the sale.

Other income of NOK 10.5 million is related to the reversal of previous impairments on repayments received against the claim against Oceanic Seismic Vessels AS; see first paragraph.

Note 6 - Other operating expenses

(NOK thousands)	2018	2017
Technical operation of vessels	80 853	73 003
Insurance	10 228	10 471
Communication costs	9 427	9 265
Administrative costs	26 519	25 036
Other expenses	30	0
Other operating expenses	127 057	117 774

Technical operation includes regular operating expenses and maintenance of the Group's vessels. Classification costs are capitalised and depreciated until the next classification, and are thus not shown as other operating expenses.

Administrative expenses consist mainly of travel, consultancy, legal, audit, leasing and other office expenses.

Auditor:

(NOK thousands)	2018	2017
Statutory audit	1 454	1 509
Other financial audit	131	0
Tax advice	197	263
Financial advice	12	2 948
Total audit	1 794	4 720

The auditor's fees are presented excluding VAT.
Financial consultancy in 2017 is related to the refinancing of the Group.

Note 7 - Investments in joint ventures and associated companies with minority interests

(NOK thousands)

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

Entity	Country	Industry	Ownership/ voting share	Book value 31.12.2017	Share of profit 2018	Translation differences	Dividends	Addition / disposal	Book value 31.12.2018
Eidesvik Seismic Vessel AS	Norway	Shipping	51,0 %	0	0	0	0	0	**0**
Oceanic Seismic Vessels AS	Norway	Shipping	51,0 %	0	0	0	0	0	**0**
Global Seismic Shipping AS (consolidated)	Norway	Shipping	50,0 %	348 888	-71 862	15 083	0	0	**292 110**
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 %	114 700	20 444	0	0	0	**135 144**
Eidesvik Seven Chartering AS	Norway	Shipping	50,0 %	15 254	-2 948	0	0	0	**12 306**
Total				**480 282**	**-54 366**	**15 083**	**0**	**0**	**440 999**

Entity	Country	Industry	Ownership/ voting share	Book value 31.12.2016	Share of profit 2017	Translation differences	Dividends	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 Seismic Vessels AS	Norway	Shipping	51,0 %	139 785	181 853	-3 330	0	-318 307	0
Global Seismic Shipping AS (consolidated)				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 have been part of the Global Seismic Shipping AS Group since 20.04.2017. In the periods with 51% ownership, Eidesvik Seismic Vessels AS, Oceanic Seismic Vessels AS and CGG Eidesvik Ship Management AS are still classified as joint ventures as there are shareholder agreements that regulate the control of the companies.

In 2017, the Company entered into an agreement with CGG to establish a new ownership structure for 7 seismic vessels. This was done by establishing the holding company, Global Seismic Shipping AS (GSS), which received 100% of 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 under a shared facility with two tranches, one for each vessel. Geo Vessels AS has fleet financing for the its five vessels. ESV and OSV, and GEV on the other hand, are financially separated and no guarantees have been established between the two sides or from the owners. The new holding company, jointly owned by CGG and the Company in equal parts, is consolidated in the accounts by the equity method with effect from 20.04.2017. CGG continued to charter 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 chartered Geo Coral from the second quarter 2017, Geo Caribbean from the second quarter 2018, and Geo Celtic from the third quarter 2020 at the latest, as other vessels currently on charter come out of contract. The transaction establishing the joint venture Global Seismic Shipping AS (GSS) in 2017 consists of the following main elements which mainly affect profit from joint ventures:
i) The contract change for Oceanic Vega and Oceanic Sirius made on 20 April 2017 was recorded as a termination in the ship-owning companies ESV and OSV, and resulted in a receivable from the counterparty CGG of USD 72,100 thousand. This revenue recognition happened before the establishment of GSS, and is presented as income in 2017 for ESV and OSV in the table above. Refer also to Note 22 for contract lengths.
ii) Eidesvik Shipping AS reorganised its ownership in the formerly 51% owned Eidesvik Seismic Vessels AS (ESV) and Oceanic Seismic Vessels AS (OSV) to include 50% of GSS. This is recorded as a reorganisation under unchanged ownership. Receivables from ESV and OSV totalling USD 9,342 thousand were created in favour of Eidesvik Shipping AS. At the same time, receivables from ESV and OSV in favour of CGG totalling USD 6,503 thousand, and receivables from ESV and OSV in favour of GSS of USD 11,665 thousand were created.
iii) GSS purchased the shares in the formerly 100% CGG company GEV against the receivable described in i) for USD 72,100 thousand, and the receivables from ESV and OSV totalling 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 from ESV and OSV described in ii),for a total of USD 18,168 thousand, to Eidesvik MPSV AS in settlement for the termination of the contract Viking Vanquish (see Note 5). After this, companies in the Eidesvik Group have receivables totalling USD 27,510 thousand from ESV and OSV. CGG companies now have no such receivables from ESV and OSV (see Note 13).

The shares in Global Seismic Shipping AS were written down in 2017 by NOK 102,321 thousand/USD 12,200 thousand, and are presented as a reduction in the share of profits from GSS in the table above. The impairment is related to the uncertainty regarding the recorded values for two of the seismic vessels in the joint venture, as evaluated by the Eidesvik Group. The valuation of the two vessels are based on the values of similar vessels with similar capabilities wholly-owned of the Eidesvik Group. Consequently, lower values are recognised in the Eidesvik Group compared to the underlying company accounts. In November, CGG presented a new strategic roadmap out to 2021, in which they announced, among other things, that they aim to reduce their exposure to the contract seismic market and reduce the number of vessels in operation. This could affect Global Seismic Shipping AS. Until CGG presents a proposal that is acceptable to EIOF on how its aims to realise its strategy, there are no changes in the operation of the vessels in the jointly-owned company. There were no changes in 2018 to write-downs of shares in the company, and at 31.12.2018 the shares were valued at NOK 292,110 thousand.
Eidesvik Seven AS and Eidesvik Seven Chartering AS are classified as joint ventures, as Subsea 7 Norge AS and Eidesvik each own 50% of the shares in the Company.

Dividends from Eidesvik Seismic Vessels AS and Oceanic Seismic Vessels AS in the overview above are dividends from 2016 paid out in 2017.
Dividends of NOK 5,000 thousand (NOK 10,000 thousand) from Eidesvik Seven AS in the overview are 50% of the total dividend of NOK 10,000 thousand for 2016, which was paid in 2017.

Summary of financial information for the joint ventures:

2018

Entity	Assets	Non-current assets	Current assets	Of this bank	Equity	Liabilities	Long-term	Short-term
Global Seismic Shipping AS	3 833 620	3 608 152	225 468	201 420	844 051	2 989 569	2 836 191	153 378
CGG Eidesvik Ship Management AS	48 198	146	48 053	27 242	2 822	45 377	0	45 377
Eidesvik Seven AS	738 780	661 919	76 861	67 155	270 288	468 492	417 407	51 084
Eidesvik Seven Chartering AS	43 054	0	43 054	242	24 612	18 443	0	18 443

Entity	Revenue	EBITDA	Depr. / impairment	Financial income	Financial expenses	Net financial items	Taxes	Profit/loss for the year	Group share
Global Seismic Shipping AS	279 298	338 429	262 242	759	145 648	-144 888	0	-143 724	**-71 862**
CGG Eidesvik Ship Management AS	27 035	1 093	0	0	1 093	-1 093	0	0	**0**
Eidesvik Seven AS	92 900	91 897	38 455	192	18 841	-18 649	0	34 793	**17 397**
Eidesvik Seven Chartering AS	154 356	199	0	66	51	14	0	214	**107**
									-54 358

2017

Entity	Assets	Non-current 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

Entity	Revenue	EBITDA	Depr. / impairment	Financial income	Financial expenses	Net financial items	Taxes	Profit/loss for the year	Group 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, only the companies below are considered material.

2018

Entity	Country	Minority interests (%)	Minority share of profit/loss
Eidesvik Supply AS	Norway	19,89 %	-5 246
Eidesvik Neptun AS	Norway	25,25 %	-28 729
Eidesvik Neptun II AS	Norway	25,25 %	596
			-33 381

2017

Entity	Country	Minority interests (%)	Minority share of profit/loss
Eidesvik Supply AS	Norway	19,89 %	-7 267
Eidesvik Neptun AS	Norway	25,25 %	-1 021
Eidesvik Neptun II AS	Norway	25,25 %	290
			-8 000

Summary of financial information for subsidiaries with substantial minority interests:

2018

Entity	Assets	Non-current assets	Current assets	Of which bank	Equity	Liabilities	Long-term	Short-term
Eidesvik Supply AS	222 215	208 729	13 487	2 021	-106 728	328 943	171 063	157 881
Eidesvik Neptun AS	1 086 454	1 050 665	35 789	1 457	170 946	915 508	852 156	63 352
Eidesvik Neptun II AS	44 085	0	44 085	7 883	-5 926	50 011	0	50 011

Entity	Revenue	EBITDA	Depr. / impairment	Financial income	Financial expenses	Net financial items	Taxes	Profit/loss for the year
Eidesvik Supply AS	31 161	2 829	13 467	12	15 747	-15 736	0	-26 374
Eidesvik Neptun AS	31 841	24 643	50 658	3 715	91 479	-87 764	0	-113 779
Eidesvik Neptun II AS	83 819	2 268	0	304	29	275	-180	2 362

2017

Entity	Assets	Non-current assets	Current assets	Of which 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

Entity	Revenue	EBITDA	Depr. / impairment	Financial income	Financial expenses	Net financial items	Taxes	Profit/loss for 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 thousands)	2018	2017
Interest income	16 362	11 953
Gain from bond buyback	0	120 000
Other financial income	0	2 413
Other financial income	8 498	0
Total financial income	**24 860**	**134 366**
Interest expense on loans	-112 859	-125 786
Other interest expenses	-407	-87
Reversal of previous write-downs of receivables	4 174	0
Other financial expenses	-619	-44 098
Total financial expenses	**-109 711**	**-169 971**
Realised currency gains (losses)	2 222	-10 198
Unrealised currency gains (losses) - related to other items	-59 802	64 899
Value change on currency futures recognised at fair value via profit/loss	1 782	-6 759
Total currency gains	**-55 798**	**47 941**
Net financial items	**-140 649**	**12 336**

Other financial expenses in 2017 include impairment of Eidesvik Shipping ASs' receivable from Eidesvik Seismic Vessels AS (ESV) and Oceanic Seismic Vessels AS (OSV) (see Note 7, point ii)). The original receivable was USD 9,342 thousand, but this was written down by NOK 43,092 thousand to approx. 43% of the nominal value. This is based on debt servicing capacity for the companies' customers. See Note 13 for the posted value of the receivables from ESV and OSV.

Other financial income in 2018 consists of amortisation of long-term loans totalling NOK 8,498 thousand.

Note 9 – Tax

(NOK thousands)	2018	2017
Tax payable Norway and abroad	-347	3 363
Tax costs	**-347**	**3 363**
Fixed asset reserve	33 130	-43 776
Profit and loss account	-47 100	-117
Pension liabilities	7 004	804
Loss carried forward	-559 776	-478 961
*** Total temporary differences**	**-566 742**	**-522 050**
Recognised deferred tax assets	**0**	**0**
Applied tax rate	**22 %**	**23 %**

Deferred tax assets are not recognised in the balance sheet as it is difficult to determine when they may be realised.

Tax payable		
Tax payable for the year subject to the tonnage tax regime	0	0
Other corporation tax payable, Norway and abroad	704	0
Total tax payable	**704**	**0**
Explanation of taxes in the income statement:		
Profit/loss before taxes	-316 972	150 731
Calculated 23%/24% tax	-72 904	36 175
Tax effect of:		
Permanent differences/ results subject to the tonnage tax/ difference tax rate abroad	72 557	-32 812
Calculated tax for the year	**-347**	**3 363**
The Group's effective tax rate	**0 %**	**2 %**

* Temporary differences are estimated based on preliminary tax assessments.

Note 10 - Earnings per share

(NOK thousands)	**2018**	2017
Profit/loss for the year attributable to the parent company's shareholders	**-283 244**	155 368
Average weighted number of outstanding shares 31 December		
Average weighted number of issued ordinary shares	58 682	30 150
Average weighted number of outstanding shares 31 December	**58 682**	30 150
Earnings per share	-4,83	5,15
Diluted earnings per share	-4,83	5,15

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 were paid in 2018, and the Board has not proposed any payment of dividends in 2019. This is in line with the dividend limits in the existing covenants. Due to the financial restructuring completed in 2018 the dividend limits have been retained. See Note 20.

Note 11 - Payroll expenses and number of employees

(NOK thousands)	2018	2017
Payroll after net pay refund	167 065	153 128
Social security costs *	39 704	44 690
Defined benefit pension (see Note 18)	8 600	8 113
Hired personnel	22 205	24 002
Other personnel costs	27 680	21 718
Total personnel costs	**265 254**	**251 651**

* Including pension costs related to defined contribution scheme

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

The average number of full-time equivalents was:	372	387
Number of employees at end of year:	378	375

In 2018, NOK 51,816 thousand (NOK 51,281 thousand in 2017) was received in connection with the reimbursement scheme for Norwegian seafarers.
In 2018, NOK 1,777 thousand (NOK 1,646 thousand in 2017) was received from Stiftelsen Norsk Maritim Kompetanse.

Note 12 - Tangible fixed assets

2018

(NOK thousands)	Property	Port facilities	Operating equipment	Total other fixed assets	Vessels	Periodic maintenance	Total vessels	New build contracts	Total
Acquisition cost									
1 January 2018	38 161	3 717	38 254	80 133	5 892 292	161 521	6 053 813	0	6 133 945
Addition	0	0	1 233	1 233	7 740	51 152	58 891	0	60 124
Disposal		0	0	0	0	0	0	0	0
31 December 2018	**38 161**	**3 717**	**39 487**	**81 366**	**5 900 032**	**212 672**	**6 112 704**	**0**	**6 194 070**
Accumulated depreciation and									
1 January 2018	18 799	3 494	36 747	59 040	2 964 538	121 464	3 086 002	0	3 145 042
Depreciation in the year	148	0	1 053	1 201	180 813	36 869	217 683	0	218 883
31 December 2018	**18 947**	**3 494**	**37 800**	**60 241**	**3 145 352**	**158 333**	**3 303 685**	**0**	**3 363 926**
Book value	**19 214**	**223**	**1 688**	**21 125**	**2 754 680**	**54 339**	**2 809 019**	**0**	**2 830 144**

2017

(NOK thousands)	Property	Port facilities	Operating equipment	Total other fixed assets	Vessels	Periodic maintenance	Total vessels	New build contracts	Total
Acquisition cost									
1 January 2017	38 161	3 717	38 254	80 133	6 611 734	193 043	6 804 777	0	6 884 910
Addition	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 depreciation and									
1 January 2017	18 650	3 494	35 215	57 360	2 953 034	145 331	3 098 365	0	3 155 725
Depreciation in the year	148	0	1 532	1 680	193 036	30 610	223 646	0	225 326
Impairment / reversal impairment									
(-) for the year	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.

Refer to Note 2, point 2.5, for details of depreciation periods for vessels and lumping together of components.

Property/port facilities include plots/land valued at NOK 18,287 thousand which are not depreciated.

Impairment tests are performed on individual cash generating entities (vessels) when indications of impairment are identified. In light of the market situation as at 31 December 2018 with decreasing charter rates and an increasing number of vessels laid up, as well as falling stock market values, these represent clear impairment indicators. A number of impairment tests have been performed. When the capitalised value of an asset exceeds the recoverable amount, an impairment is performed. The impairment tests in the fourth quarter of 2018 are mainly based on values in use. Broker estimates are not used as an approximate sale value on the balance sheet date as there are few observed sales of the type of vessels the Company owns. In the assessment of value in use, expected future cash flows are used, discounted to net present value using a discount rate after taxes reflecting the 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. The WACC used in the calculation is in the range 7.8 to 8.3%, depending on currency and contract characteristics, with a weighted average of 8.1%. This takes account of the fact that the business is within the tonnage tax system, and the stated WACC is assumed to apply both before and after tax. Future cash flows are estimated on the basis of estimated useful life, and this may exceed 5 years. The cash flows used in the impairment tests in 2018 are based on and reconciled against the forecasts presented to the Company's lenders. The capital structure used in the weighted average cost of capital is based on the 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. Debt costs are based on the terms of the loan agreement, which is marginally above the Company's weighted average for all interest-bearing liabilities. The beta factors are evaluated annually on the basis of publicly available market data on identified comparable companies and the main index on the Oslo Stock Exchange. Other important elements in estimated cash flows are the long-term inflation rate, the contract situation (order reserve), the utilisation rate, ordinary operating expenses, periodic maintenance (docking), charter rates, and exchange rates.

No impairments on vessels in 2018. In 2017, 5 supply vessels, 2 subsea vessels and 1 seismic vessel were written down by a total of NOK 202,989 thousand.

There is great uncertainty associated with the assumptions for the value in use calculations. The calculation is based on the fact that market prospects are weak in all three segments in the short and medium term. On a general view, it is considered that the seismic market will see a few years after the balance sheet date where layups or reduced rates must be expected for the vessels that are not on fixed contracts. The same considerations applies to the subsea and supply markets.
The expected future earnings used in the calculations are implicitly adjusted for utilisation 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 highlight the uncertainty in the calculations

If the earnings or utilisation rate for the entire fleet are assumed to be reduced by 5%, the amount written down would increase by NOK 137 million and cover seven vessels. If the WACC had been changed to 9%, the impaired amount would have increased by NOK 61 million and included seven vessels.

The 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 assessed with regard to value in use and broker estimates regarding possible impairment. These are above the book value. 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 expected to have a long economic life after the balance sheet date.

Note 13 - Other long-term receivables

(NOK thousands)	2018	2017
Deposits on apartments	27	27
Loan for onboard supplies	179	179
Long-term receivables, joint ventures	105 915	91 987
Total other long-term receivables	**106 121**	**92 193**

Long-term receivables from joint ventures are related to the companies Eidesvik Seismic Vessels AS and Oceanic Seismic Vessels AS (Eidesvik Seismic Vessels AS and Oceanic Seismic Vessels AS merged with effect from 01.01.2018) regarding the reorganisation of shares in the companies, as well as the receipt of claims against the same companies from CGG as part-settlement for the change in contract for Viking Vanquish (see Note 5). The nominal value as at 31.12.2018 was USD 25,624 thousand (USD 26,669 thousand), but the value recognised in the accounts is substantial lower due to provisions for counterparty risk with the joint ventures' charterers. In 2018 repayments were paid in accordance with the agreed plan, and write-downs on the payments received were reversed (see Note 5 and Note 8).

Note 14 - Accounts receivable

(NOK thousands)	2018	2017
Accounts receivable	140 346	115 841
Accounts receivable related parties/join ventures	21 336	9 385
Provision for losses	-1 582	-1 400
Total accounts receivable	160 100	123 826
Of overdue accounts receivable related to other than related parties, the distribution before provisions for loss is:		
0-3 months	29 905	8 951
3-6 months	1 145	314
6 months <	8 085	1 670
Total overdue accounts receivable	39 135	10 935

Of overdue accounts receivable related to other than related parties, the expected loss rate is as follows:		
0-3 months	0 %	0 %
3-6 months	0 %	0 %
6 months <	20 %	84 %
Recorded value of the Group's accounts receivable per currency:		
EUR	42 587	45 999
USD	43 492	15 509
GBP	6 032	5 296
NOK	67 989	57 021
Total accounts receivable	160 100	123 826
Net change in provisions for impairment of accounts receivable:		
At 1 January	1 400	1 951
Provision for impairment of receivables	182	0
Accounts receivable recorded as loss during the year	0	551
At 31 December	1 582	1 400

A provision for loss of accounts receivable of NOK 1,400 thousand in 2017 is related to the sold vessel European Supporter. Accrued losses on customer receivables of NOK 182,000 in 2018 are related to the vessel Vantage on a contract in 2017.

Note 15 - Other current assets

(NOK thousands)	2018	2017
Inventories (bunkers and lube oil)	5 666	24 525
Other shares	34	34
VAT receivable	5 497	3 201
Insurance settlement receivable	3 076	3 608
Accrued unbilled income	7 380	33
Net payroll	7 167	6 475
Prepaid expenses	17 066	15 272
Total other current assets	**45 887**	**53 148**

Prepaid expenses include expenses for pre-paid insurance, provisions for refund for crew costs and other grants, unbilled expenses for customers and loans to employees (see Note 24).

Note 16 - Cash and cash equivalents

Of total cash and cash equivalents of NOK 515,605 thousand (NOK 557,440 thousand), restricted tax funds represent NOK 6,167 (NOK 5,632 thousand). Restricted cash of NOK 45,670 (NOK 42,497 thousand) related to the insurance settlement 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:

(NOK thousands)	Number of shares		Share capital	
	2018	2017	2018	2017
Ordinary shares				
Opening balance	30 150	30 150	1 508	1 508
Share issue	32 000		1 600	
At 31 December	62 150	30 150	3 108	1 508

* A private placement was conducted in Q1 2018, with conversion of shareholder loans and a subsequent offer. See Note 20 for further information.

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

The Board is authorised to buy back up to 6,000,000 own shares, but not more than 10% of the total outstanding shares.

The Company has not exercised the authorisation, and it has no own shares as at 31.12.2018

The 20 largest shareholders in Eidesvik Offshore ASA as at 31.12.2018:

Shareholder	Country	Number of shares	Ownership share
EIDESVIK INVEST AS	NORWAY	37 180 000	59,8 %
PARETO AKSJE NORGE VERDIPAPIRFOND	NORWAY	3 120 995	5,0 %
JAKOB HATTELAND HOLDING AS	NORWAY	2 539 027	4,1 %
VINGTOR INVEST AS	NORWAY	1 434 719	2,3 %
BERGTOR INVESTERING AS	NORWAY	1 096 401	1,8 %
STANGELAND HOLDING AS	NORWAY	1 096 401	1,8 %
HJELTEFJORDEN AS	NORWAY	1 010 000	1,6 %
AGASØSTER INVEST AS	NORWAY	949 887	1,5 %
SKANDINAVISKA ENSKILDA BANKEN AB	SWEDEN	872 408	1,4 %
TVEITÅ, EINAR KRISTIAN	NORWAY	741 000	1,2 %
GEMSCO AS	NORWAY	522 714	0,8 %
PARETO INVEST AS	NORWAY	514 000	0,8 %
HELLAND AS	NORWAY	474 585	0,8 %
CALIFORNIA INVEST AS	NORWAY	455 000	0,7 %
TVEITÅ, OLAV MAGNE	NORWAY	441 700	0,7 %
RICHARD INVESTERINGSSELSKAP AS	NORWAY	400 000	0,6 %
COLORADO EIENDOM AS	NORWAY	390 000	0,6 %
TRI PLUSS AS	NORWAY	382 520	0,6 %
MELING, JAN FREDRIK	NORWAY	335 244	0,5 %
NORDNET BANK AB	SWEDEN	292 345	0,5 %
Others		7 901 054	12,7 %
Total		62 150 000	100,0 %

The Company had 1,029 shareholders as at 31.12.2018, and a foreign owner share of 2.3%.

See also Note 24.

Note 18 - Pensions and other long-term employee benefits

The Company is required to have an occupational pension scheme under the Mandatory Occupational Pensions Act. The Company's pension schemes satisfy the requirements of this Act.

Defined benefit pension
The estimated payment into the defined-benefit scheme in 2019 is NOK 7,232 thousand.

The liability is calculated by linear accrual. Estimate deviations due to changes in actuarial assumptions are included in other income and expenses (OCI) in the period in which they arise.

Capitalised liability is determined as follows:

(NOK thousands)	2018	2017
Net present value of accrued defined benefit pension liabilities in fund based schemes	101 582	104 008
Fair value of pension funds	-88 934	-87 167
Net capitalised pension liability/fund 31 December	**12 648**	**16 841**

Changes in defined benefit pension liability during the year:

	2018	2017
Pension liability 1 January	104 008	100 851
Net present value of pension contribution of the year	7 933	8 877
Interest expenses	2 456	2 568
Transfer/acquisition/moving members/new contracts	0	-1 986
Payroll tax on employer's contribution	-902	-873
Actuarial loss/(gain)	-5 848	467
Benefits paid	-6 066	-5 896
Pension liability 31 December	101 581	104 008

Change in fair value of pension funds:

	2018	2017
Pension funds 1 January	87 167	102 015
Expected return on pension funds	1 789	2 417
Transfer/acquisition/moving members/new contracts	0	-1 070
Actuarial (gains)/losses	-355	-16 493
Payroll tax on employer's contribution	-902	-873
Employer's contribution	7 300	7 067
Benefits paid	-6 065	-5 896
Pension funds 31 December	88 934	87 167

Total cost included in net profit:

	2018	2017
Cost of pension contribution for the period	6 789	7 583
Net changes in plan, scaling down, settlement	0	-915
Interest expenses	163	183
Expected return on pension funds	281	-104
Administrative costs	346	269
Payroll tax on pension costs	980	1 097
Total, included in payroll expenses (Note 11)	8 560	8 113

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

	2018	2017
Changes in the discount rate	-2 629	2 748
Changes in other financial assumptions DBO	-3	15 470
Changes in other DBO	-3 219	-2 280
Changes in other - pension funds	-173	170
Funds and interest guarantees	531	853
Estimate deviation losses/(gains) against OCI	-5 494	16 962

The pension funds are placed in various investments through external insurance companies. They manage all transactions for the pension schemes. Breakdown into investment categories:

	2018	2017
Shares	13 %	11 %
Bonds	43 %	41 %
Real estate	9 %	10 %
Money market	10 %	14 %
Other	25 %	24 %

To calculate pension costs and net pension liabilities, the following assumptions are used:

	2018	2017
Discount rate	2,60 %	2,40 %
Return on pension assets	2,60 %	2,40 %
Wage growth	2,75 %	2,50 %
Pension adjustment	0,80 %	0,50 %
G adjustment	2,50 %	2,25 %

The discount rate is based on interest on covered bonds (OMF), whereas this was previously based on the government bond rate.

Mortality table K2013 BE is used as a basis for mortality.

Sensitivity of the calculation of pension liability to changes in the assumptions:
The table below shows an estimate of 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 31.12.2018. Actual results may deviate significantly from these estimates.

Change in amount	Discount rate		Annual wage growth	
	1,00 %	-1,00 %	1,00 %	-1,00 %
Total				
Pension liability PBO	89 148	116 373	128 393	79 949
Pension cost for period SCC	6 028	251	9 929	251
Active members				
Pension liability PBO	64 746	90 161	103 120	54 677
Pension cost for period SCC	6 028	8 361	9 929	5 023
Pensioners				
Pension liability PBO	24 402	26 212	25 273	25 273

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

Life expectancy
The Group has undertaken to pay pensions to the employees for the remainder of their lives. So an increase in life expectancy among the members will lead to an increase in the liability for the Company.

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 liability for the Company, as the return on the funds will not be sufficient to meet the obligation.

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

Note 19 - Other current liabilities

(NOK thousands)	2018	2017
Public taxes and charges	**27 609**	**22 855**
Salaries and holiday pay	**27 853**	**24 086**
Accrued expenses	**28 109**	**29 372**
Debt to joint ventures	**21 000**	**0**
Total other current liabilities	**104 571**	**76 312**

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

Note 20 - Long-term liabilities

(NOK thousands)		Maturity	Book value 2018	2017
Mortgage (NOK)	CIRR loan	Mar. 2024	**178 969**	186 875
Mortgage (NOK)	NIBOR loan	Dec. 2022	**70 246**	71 071
Mortgage (NOK)	CIRR loan	Sep. 2024	**196 146**	204 167
Mortgage (NOK)	NIBOR loan	Dec. 2022	**104 965**	111 400
Mortgage (NOK)	NIBOR loan	Dec. 2022	**164 497**	169 400
Mortgage (NOK)	NIBOR loan	Dec. 2022	**49 514**	51 200
Mortgage (NOK)	NIBOR loan	Dec. 2022	**121 414**	124 400
Mortgage (NOK)	NIBOR loan	Dec. 2022	**119 983**	123 200
Mortgage (NOK)	NIBOR loan	Dec. 2022	**121 965**	128 400
Mortgage (USD)	LIBOR loan	Dec. 2022	**547 370**	526 244
Mortgage (USD)	LIBOR loan	Feb. 2027	**331 657**	322 539
Mortgage (USD)	LIBOR loan	Dec. 2022	**262 642**	313 160
Mortgage (USD)	LIBOR loan	Dec. 2022	**47 133**	47 917
Mortgage (USD)	LIBOR loan	Dec. 2022	**129 674**	125 865
Mortgage (USD)	LIBOR loan	Dec. 2022	**50 734**	51 527
Mortgage (USD)	LIBOR loan	Dec. 2022	**29 157**	28 562
Other loan			**954**	926
Capitalised establishment costs			**-17 271**	-13 121
Total interest-bearing long-term liabilities			**2 509 747**	2 573 732
Total long-term liabilities			**2 509 747**	2 573 732
Short-term portion of long-term liabilities			**-93 232**	-304 836
Total long-term liabilities excl. first year's repayment			**2 416 515**	2 268 896
Short-term loans				
First year's repayment of long-			**93 232**	304 836
Accrued interest			**12 423**	11 152
Total			**105 656**	315 988
Book value of liabilities in currency				
NOK			**1 101 351**	1 150 038
USD			**1 408 396**	1 423 694
Total			**2 509 747**	2 573 732

Amortisation profile on long-term liabilities at 31.12.2018

2019	93 232
2020	93 232
2021	202 935
2022	1 782 195
2023	93 869
Later	260 602
Total repayments	2 526 065

Of total long-term liabilities, NOK 2,496,907 thousand are secured against mortgages in vessels recorded at NOK 2,809,019 thousand.

For an assessment of the fair value of long-term liabilities, see Notes 3 and 23.

Change in liabilities	Interest expenses	Interest-bearing short-term debt	Interest-bearing long-term debt	Total
01.01.2018		315 988	2 268 896	2 584 884
Repayment of debt		-134 711	0	-134 711
Interest paid	-95 940	-11 152	0	-107 092
Cash flow from financing	-95 940	-145 862	0	-241 802
Exchange rate effects		-8 582	83 430	74 848
Capitalisation costs		0	-4 150	-4 150
Interest accrued but not paid		12 423	0	12 423
Other changes		-68 311	68 339	28
31.12.2018		**105 656**	**2 416 515**	**2 522 171**

Covenants
The majority of the Company's fleet is financed with mortgage loans, mainly fleet loans. After restructuring, the most important financial covenants are:
- Free liquidity of NOK 125,000 thousand.
- Positive working capital, adjusted for 50% of first year's repayment of long-term debt.
- Minimum clauses are suspended to 31.12.2021, and then reinstated at 100%.
- Limitations on investments and dividends.

There also change of control clauses concerning the Eidesvik families.

No companies in the Eidesvik Offshore Group were in breach of the covenants at 31.12.2018 or during 2018.

Financial restructuring
Eidesvik Offshore ASA (the "Company") agreed with its lenders to reduce amortisation of its secured loans to facilitate financing through 2022. One condition for the financial restructuring was 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. A subsequent offer (repair issue) was also made, with proceeds of NOK 30 million. This was completed in Q1 2018.

Summary of refinancing
Instalments:
· 72.5% reduction in instalments until 30 June 2021 (compared to original amortisation schedule)
· Certain instalments up-front: 75% of the proceeds from sale of negotiable CGG bonds will be applied to reduce secured debt (remaining 25% to be used for repayments in 2018-2020)
· Cash sweep:
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 changes to interest rates

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 balloon loans)
· Loan to value:
- Suspended through 2021
- Thereafter (2022) maximum 100% per vessel

- Other covenants
· Change of control: If Eidesvik Invest AS or the Eidesvik families control less than 33.4% of the shares and votes in the Company, or
· Someone other than Eidesvik Invest AS gains negative control of the Company

Private placement and subsequent offer, 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 passed by the EGM on 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.

At the extraordinary general meeting on 29.01.2018, it was decided to make a subsequent offer (repair issue), where shareholders not involved in the private placement were able to participate in order to prevent dilution of assets in the Company. The subsequent offer was not a condition of the agreement with the lenders. The offer was set up to 6,000,000 shares, each with a par value of NOK 0.05 and issue price of NOK 5.00 (the same par value as for the private placement). The subscription period ended in mid- March 2018, and it was fully subscribed. The proceeds were NOK 30 million. The proceeds from the subsequent offer can be freely used for investments, and are not included in the cash sweep.

The Company's share capital has been increased through the private placement, the debt conversion and the subsequent offer by NOK 1,600,000 through the issue of 32,000,000 new shares, each 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 with a par value of NOK 0.05 and representing one vote at the Company's general meetings.

Consequences of the financial restructuring
Through the agreement with its lenders, the Company has reduced yearly amortisations by about NOK 220 million to July 2021. At the same time, the liquidity position in the Company has been strengthened by a total of NOK 150 million in the private placement and subsequent offer, and NOK 30 million of debt has been converted to equity. An additional repayment of a NOK 54 million loan has been made 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 debt to main shareholder to equity.

Note 21 - Other shares

(NOK thousands)

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

Entity	**Country**	**Industry**	**Ownership/voting share**	**Book value 31.12.2018**	Book value 31.12.2017
Simsea Holding AS	Norway	Training	10,4 %	**0**	0
Bleivik Eiendom AS	Norway	Real estate	22,6 %	**655**	655
Eidesvik Ghana Ltd.	Ghana	Shipping	49,0 %	**1 065**	1 065
Total				**1 720**	1 720

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

Simsea Holding AS was written down to NOK 0 because of the bankruptcy of Simsea AS in the winter of 2017. Eidesvik Ghana Ltd has been written down to its share of book equity.

The investments are valued by the equity method

Note 22 - Leases

(NOK thousands)

The Group as lessee - financial leasing
The Group currently has no financial leases.

The Group as lessee - operational leasing
In 2018 the Group had one vessel leased for a month as a replacement for a vessel that started another contract before the expiry of the current contract. The Group did not lease any vessels in 2017.

Other leases	Type	Annual lease	Start	Lease period	Options
Langevåg Senter	Office	5 639	01.01.2013	20 years	6 x 5 years
Langevåg Bygdatun	Office	32	01.06.2017	5 years	
Cars		226		36 months	

Leases of offices are adjusted according to the consumer price index. Leasing of cars is based on the development in interest rates. The contracts are usually made for 36 months and are renewed continuously with new vehicles based on the needs at any given time.

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

Next 1 year	6 398
2 to 5 years	24 935
After 5 years	55 444
Future minimum lease	**86 778**

The Group as lessor
The Group's main activity is leasing of offshore tonnage. See overview as of 15.03.2019 below.

Vessels, consolidated	Contract type	Customer	Contract expiry, fixed	Contract expiry, counterparty option
Viking Lady	Time charter	Aker BP	March 2020	
Viking Queen	Time charter	Saipem	March 2019	April 2019
Viking Athena	Layup			
Viking Avant	Time charter	Equinor	December 2019	
Viking Energy	Time charter	Equinor	April 2020	
Viking Prince	Time charter	CNOOC	July 2019	
Viking Princess	Time charter	Chevron UK	July 2019	July 2020
Acergy Viking	Time charter	Siemens	January 2021	April 2021
Subsea Viking	Time charter	Seabed	June 2019	August 2019
Viking Neptune	Time charter	Merkur	June 2019	July 2019
Viking Vanquish	Bareboat	CGG	November 2020	
Viking Vision	Layup			
Veritas Viking	Time charter	CGG	April 2019	July 2019
Vantage	Time charter	Seabed	June 2019	August 2019

Vesssels in joint ventures	Contract type	Customer	Contract expiry, fixed	Contract expiry, counterparty opti
Oceanic Vega	Bareboat	CGG	March 2027	
Oceanic Sirius	Bareboat	CGG	March 2027	
Geo Coral	Bareboat	CGG	March 2027	
Geo Caribbean	Bareboat	CGG	March 2027	
Geo Celtic	Layup to 2020	CGG	March 2027	
CGG Alize	Layup			
Oceanic Challenger	Layup			
Seven Viking	Time charter	Subsea 7	January 2026	January 2027

Future minimum lease terms as at 15.03.2019 for consolidated vessels on non-cancellable leases have the following maturity:

Next 1 year	358 000
1 to 5 years	282 000
After 5 years	0
Future minimum lease	**640 000**

Note 23 - Financial instruments
(NOK thousands)

Capitalised financial assets and liabilities
Capitalised value equals fair value, except for loans. For details of fair value loans, see the section on "Interest" further down in this note. The Group does not practise hedge accounting, but holds financial derivatives for financial hedging which are recorded at fair value.

	2018	2017
Assets		
Market-based shares for trading	**9**	9
Other shares (Note 21)	**1 720**	1 720
Accounts receivable (Note 14)	**160 100**	123 826
Cash and cash equivalents (Note 16)	**515 605**	557 440
Total	**677 435**	682 995
Liabilities		
Currency derivatives	**1 110**	5 003
Interest rate derivatives	**2 111**	0
Loans (Note 20)	**2 526 064**	2 585 927
Total	**2 529 285**	2 590 930

Currency
The Group has entered into currency derivative contracts as part of the management of the Group's currency exposure. The contract terms are as follows:

At 31.12.2018	Currency sold	Amount	Maturity	Exchange rate (average)	Fair value (MTM)
Currency derivatives					
Currency futures for the sale of current cash flow	EUR	12 000	2020	10,0173	**-1 110**
		12 000			**-1 110**

At 31.12.2017	Currency sold	Amount	Maturity	Exchange rate (average)	Fair value (MTM)
Currency derivatives					
Currency futures for the sale of current cash flow	EUR	13 680	2018	9,5376	-5 003
		13 680			-5 003

All currency futures are recorded at fair value.

Interest
The Group has the following fixed rate agreements:

Type	Currency	Floor	Cap/Swap	Maturity	NOK principal	Fair value (excl. accrued interest)	Annual downscaling before maturity (average)
Fixed rate loan	NOK		3,36 %	27.03.2024	178 969		28 750
Fixed rate loan	NOK		3,41 %	13.09.2024	196 146		29 166
Swap	USD		2,92 %	23.12.2021	221 557	-2 111	None
Unhedged					1 929 393		
Total liabilities, hedged and unhedged					**2 526 064**	-2 111	

At 31.12.2017

Type	Currency	Floor	Cap/Swap	Maturity	NOK principal	Fair value (excl. accrued interest)	Annual downscaling before maturity (average)
Fixed rate loan	NOK		3,36 %	27.03.2024	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		

At 31.12.2018, 24% (15%) of the Group's loans were at fixed interest.

The Group had two fixed-interest loans in NOK with a maturity of 12 years originally (CIRR), which are recorded at amortised cost in the balance sheet. If these loans were to be refinanced today with a new margin and money market rate, and retained the same repayment profile, the net present value of the difference between the current interest payments and the refinanced interest payments would be NOK 13.2 million (level 2, see Note 3). If these loans were recorded at fair value, they would have been reported correspondingly higher.

See Note 20 for information on long-term loans.

Other information
No financial assets have been reclassified such that the valuation method has been changed from amortised cost to fair value, or vice versa.

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

Note 24 - Transactions with related parties

(NOK thousands)

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

	2018	2017
Sale of crew and management services to Viking Dynamic AS	5 642	17 016
Sale of crew and management services to Viking Fighter AS	1 759	2 536
Lease of vessel to Maritime Logistic Services AS	17 760	2 049
Lease of offices from AS Langevåg Senter	-7 040	-5 141
Lease of offices to Evik AS	558	549
Lease of offices to Bømmelfjord AS	621	576
Lease of offices and other services to Eidesvik Invest AS	788	819
Lease of stockroom from Eidesvik Invest AS	-446	-350
Loan from Eidesvik Invest AS	0	30 000
Sale of crew and management services to Eidesvik Seven Chartering AS	67 918	61 836
Sale of management services to Eidesvik Seven AS	13 587	2 988
Sale of management services to Eidesvik Seismic Vessels AS	106	248
Sale of management services to Oceanic Seismic Vessels AS	105	248
Sale of crew and office services to CGG Eidesvik Ship Management AS	24 071	29 563
Sale of crew and office services to CGG Eidesvik Crewing I AS	43	253
Lease of apartment to Bømlo Skipservice AS	35	106
Purchase of technical operation and layup services from Bømlo Skipservice AS	-5 188	-2 966
Sale of management services to Geo Vessels AS	738	381
Sale of management services to Global Seismic Vessels AS	236	166

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

	2018	2017
Accounts receivable	14 704	9 385
Other current assets (see also note 15)	0	0
Accounts payable	-637	-338
Total	**14 067**	**9 047**

Shares owned/controlled by Board members/senior executives:

	2018	2017
Eidesvik Invest AS (1)	37 180 000	20 180 000
Kolbein Rege	136 450	35 450
Kjell Jacobsen	0	0
John Egil Stangeland	30 000	10 000
Synne Syrrist	0	0
Jan Fredrik Meling	335 244	130 000
Jan Lodden	3 242	1 242

(1) 55%-controlled by Borgny Eidesvik, board member, through 20% ownership in Bømmelfjord AS ('A' shares). The remaining 45% is owned by Lars Eidesvik, board member, through 100% ownership in Evik AS.

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

A private placement was conducted in 2018, with conversion of shareholder loans and a subsequent offer. See Note 20 for further information.

Remuneration to senior executives:

2018	Salary	Benefits in kind	Pension costs
CEO	2 351	131	296
COO	1 574	16	109
CFO	1 073	132	85
Total 2018	**4 998**	**279**	**490**

2017	Salary	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**

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 of the Board	2018	2017
Kolbein Rege	480	480
Borgny Eidesvik	260	260
Lars Eidesvik	220	220
Kjell Jacobsen	0	128
Synne Syrrist	360	260
John Egil Stangeland	320	92
Lauritz Eidesvik	0	0
Kristine Elisabeth Skeie	0	0
	1 640	1 440

Kjell Jacobsen left the Board from 20.09.2016, and John Egil Stangeland was elected as a new Board member from the same day. Kristine Elisabeth Skeie and Lauritz Eidesvik were elected as board members in 2018 and have not received any remuneration.

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 fulfilled as of 31.12.2018.

Note 26 - Exchange rates

	Average exchange rate 2017	Exchange rate 31.12.2017	Average exchange rate 2018	Exchange rate 31.12.2018
Euro	9,3271	9,8403	9,5962	9,9483
UK pound	10,6386	11,091	10,8463	11,1213
US dollar	8,263	8,205	8,1338	8,6885

Exchange rates are taken from the Norges Bank website.

Note 27 - New standard from 01.01.2019 - IFRS 16 Leases

(NOK thousands)

IFRS 16 is expected to have the following effects from 1 January 2019:

Balance sheet	01.01.2019
Right of use of assets, estimated at	64 434
Total assets	**64 434**
Liabilities, estimated at	64 434
Total liabilities	**64 434**
Estimate above does not include leases added in 2019	
Profit/loss	2019
EBITDA, estimated increase	6 398
Profit before tax, estimated reduction	(1 216)
Profit/loss for the year, expected reduction	**(1 216)**

The Group expects to use the modified retrospective method when implementing the standard. Lease liabilities are measured at present value of the remaining payments, discounted at the implicit loan interest rate as of 1 January 2019. The implicit loan rate used is 5%. The right of use of the asset is measured at the transfer date to be equal to the lease liability.

The Group has chosen not to capitalise leases with a duration below 12 months and leases for low value assets.

Note 28 - Events after the balance sheet date

New contracts after the balance date:
Eidesvik entered into a contract with an unnamed customer for “Viking Prince”. The contract is for three to five months with commencement in spring 2019.

Eidesvik and Aker BP entered into a framework agreement for supply vessels (PSVs). The framework agreement has a duration of three years with two consecutive option periods of two years each.

Eidesvik was awarded a contract for “Viking Lady” by Aker BP. The contract was awarded under the three-year framework agreement between the parties. Commencement was March 2019, and is fixed for 12 months with the option to extend beyond the firm period.

Eidesvik was awarded a contract for the subsea vessel “Viking Neptun” with Ocean Installer for a period of more than two months with consecutive options in favour of the charterer.

Eidesvik was awarded a contract for “Viking Prince” under the framework agreement with Aker BP. The contract period is 12 months and is commencing in Q3 2019, with an option to extend beyond the firm period.

Eidesvik was awarded a contract for “Viking Queen” with Equinor. The contract period is 4 months with subsequent options. Commencement is Q2 2019.

ANNUAL ACCOUNTS – PARENT COMPANY

STATEMENT OF PROFIT OR LOSS – PARENT COMPANY
(NOK thousands)

	Note	**1.1.-31.12. 2018**	1.1.-31.12. 2017
Payroll etc.	8.9	**4,968**	4,510
Depreciation	3	**101**	94
Other operating expenses	8.11	**10,475**	9,666
Total operating expenses		**15,544**	14,271
Operating profit		**-15,544**	-14,271
Interest income from companies in the same group	6	**16,357**	19,520
Other interest income		**352**	91
Other financial income	10	**0**	120,000
Impairment of financial assets	2	**-37,467**	-1,503
Interest expenses to companies in the same group	6	**-2,039**	0
Other interest expenses	10	**0**	-3,128
Other financial expenses	10	**-142**	-3,089
Net financial items		**-22,939**	131,891
Profit/loss before taxes		**-38,483**	117,620
Tax costs	4	**0**	19,979
Profit/loss for the year		**-38,483**	97,642
Allocation (coverage) of profit/loss for the year			
Transferred to/from other equity		**-38,483**	97,642
Total allocated (covered)		**-38,483**	97,642

STATEMENT OF BALANCE SHEET – PARENT COMPANY
(NOK thousands)

	Note	31.12.2018	31.12.2017
Assets			
Tangible fixed assets			
Buildings and land		**8,921**	8,921
Operating equipment		**604**	297
Total tangible fixed assets	**3**	**9,525**	9,218
Financial assets			
Investments in subsidiaries	2	**459,896**	242,517
Loans to Group companies	6	**45,372**	471,491
Other financial assets	2	**292,214**	56
Pension funds	9	**19**	4
Total financial assets		**797,501**	714,067
Total non-current assets		**807,026**	723,285
Current assets			
Receivables			
Other receivables		**321**	431
Total receivables		**321**	431
Bank deposits, cash etc.	1	**110,530**	904
Total current assets		**110,851**	1,335
TOTAL ASSETS		**917,877**	724,621

STATEMENT OF BALANCE SHEET – PARENT COMPANY
(NOK thousands)

	Note	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
Paid-in equity			
Share capital	7	**3,108**	1,508
Other paid-in equity	5	**549**	549
Total paid-in equity		**180,932**	2,057
Retained earnings			
Other equity		**599,808**	638,291
Total retained earnings		**599,808**	638,291
Total equity	5	**780,740**	640,348
LIABILITIES			
Other non-current liabilities			
Liabilities to Group companies	6	**136,644**	51,127
Total other non-current liabilities		**136,644**	51,127
Current liabilities			
Accounts payable		**21**	1,645
Public duties payable		**236**	214
Debt to related parties	12	**0**	30,000
Other current liabilities		**237**	1,287
Total current liabilities		**494**	33,146
Total liabilities		**137,137**	84,273
TOTAL EQUITY AND LIABILITIES		**917,877**	724,621

Bømlo, April 29, 2019

Sign. Kolbein Rege Chairman of the Board	Sign. Borgny Eidesvik Board member	Sign. Lars Eidesvik Board member	Sign. John Stangeland Board member
Sign. Synne Syrrist Board member	Sign. Lauritz Eidesvik Board member	Sign. Kristine Elisabeth Skeie Board member	Sign. Jan Fredrik Meling CEO

STATEMENT OF CASH FLOWS – PARENT COMPANY
(NOK thousands)

	Note	**1.1-31.12 2018**	1.1-31.12 2017
Cash flow from operations			
Payments to suppliers and employees	8.11	**-13,819**	-14,054
Interest received/paid		**352**	91
Net cash flows from operations		**-13,467**	-13,963
Cash flow from investment activities			
Purchase of tangible fixed assets		**-407**	0
Acquisition of shares		**-509,538**	0
Acquisition of other financial assets		**-16**	0
Net cash flow from investment activities		**-509,961**	0
Cash flow from financing activities			
Issuance of share capital	7	**178,875**	0
Loans taken out	12	**0**	30,000
Repayment of debt	10	**0**	-179,346
Paid interest	10	**0**	-6,216
Repayment of debt to subsidiaries/joint ventures	6	**454,178**	115,792
Net cash flow from financing activities		**633,053**	-39,770
Net increase (decrease) in cash and cash equivalents	1	**109,626**	-53,733
Cash and cash equivalents at start of period	1	**904**	54,637
Cash and cash equivalents at end of period		**110,530**	904

NOTES TO THE ANNUAL ACCOUNTS – PARENT COMPANY

Accounting principles
The financial statements have been prepared in accordance with the Norwegian 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 lower of acquisition cost and fair value. Short-term liabilities are capitalised at nominal value at the time of establishment.

Non-current assets are valued at acquisition cost, but depreciated to fair value if the impairment in value is not expected to be transient. Long-term liabilities are capitalised 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 valued according to the exchange rate at the end of the accounting year.

Subsidiaries/associated companies
Subsidiaries and associated companies are valued according to the cost method in the company accounts. The investment is valued 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. Dividends/group contributions are recorded in the same year as the provision is made in the subsidiary/associated company. When a dividend/group contribution substantially exceeds the share of retained profits after the acquisition, the excess amount is treated as a repayment of invested capital, and is deducted from the value of the investment in the balance sheet.

For loans to subsidiaries, refer to Note 6.

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

Tax
The tax costs in the income statement include both tax payable for the period and the change in deferred taxes. Deferred tax assets are calculated at 22% on the basis of the temporary differences that exist between accounting and tax values, and losses carried forward for tax purposes 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 off.

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 present value of future pension benefits considered to be incurred on the balance sheet date, based on the fact that employees acquire their pension rights evenly throughout their working lives. Pension funds are valued 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 assets. The net pension cost for the period is included in payroll and social security costs, and consists of the pension entitlements for the period, interest costs on the calculated pension liabilities, expected returns on the pension funds, recorded effects of changes in estimates and pension plans, recorded effects of discrepancies between actual and expected returns, and accrued payroll tax.
The effects of changes in pension plans are expensed in the period in which they occur.

Cash flow statement
The cash flow statement has been 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 110,530 thousand (NOK 904 thousand) in bank deposits, restricted tax funds represent NOK 139 thousand (NOK 132 thousand).

Note 2 - Investments in subsidiaries and associated companies

Subsidiary

Company	Share capital	Owner share / voting share	Number	Nominal	Book value	Equity at 31.12.2018 (*)	Profit 2018 (*)
Eidesvik Shipping AS	170,749	100 %	291 380	586	164 038	824 669	-30 255
Eidesvik AS	11 000	100 %	11 000	1 000	76 720	134 578	1 127
Eidesvik Shipping Int. AS	100	100 %	100	1 000	104	8 519	1 390
Eidesvik Subsea Vessels AS	100	100 %	1 000	100	112	44 557	-464
Hordaland Maritime Miljøs. AS	4483	91 %	39 933	100	563	579	-53
Eidesvik Management AS	100	100 %	1 000	100	9	-1 543	-26
Norsk Rederihelsetjeneste AS	100	100 %	100	1 000	784	795	201
Eidesvik Maritime AS	100	100 %	1 000	100	112	8 014	3 128
Eidesvik Neptun II AS	88	74,75 %	747 474	0,10	75	-5 926	2 362
Eidesvik Shipping II AS	100	100 %	1	1 000	1	-84 320	-10 923
Eidesvik UK Ltd.	0	100 %	1	1	0	854	-149
Eidesvik Neptun AS	792	74,75 %	594	0,1	217 379	170 946	-113 779
Total					**459 896**		

Associated companes

Company	Share capital	Owner share / voting share	Number	Nominal	Book value	Equity at 31.12.2018 (*)	Profit 2018 (*)
Global Seismic Shipping AS	1 019	50 %	50 000	0,01	292 158	844 051	-143 724
Eidesvik Seven Chartering AS	100	50 %	5000	10	56	24 612	214
Total					292 214		

Impairments in 2018 relate to write-downs of shares in GSS of NOK 37,467 thousand. Impairments on shares in 2017 are NOK 1,503 thousand, divided between Hordaland Maritime AS (NOK 63 thousand), Eidesvik Shipping II AS (NOK 999 thousand), and Norsk Rederihelsetjenreste (NOK 441 thousand).

(*) Based on preliminary accounts.

Note 3 - Summary of tangible fixed assets

	Residential property	Transport equipment	Inventory and equipment	Non-depreciable assets	Total
Acquisition cost 1 January	8 921	510	1 248	156	10 835
Addition	0	574	0	0	574
Disposal	0	166	0	0	166
Acquisition cost 31 December	8 921	918	1 248	156	11 243
Accumulated depreciation 1 January	0	369	1 248	0	1 617
Depreciation in the year	0	101	-	0	101
Reduction in depreciation	0	0	0	0	0
Accumulated depreciation 31 December	0	470	1 248	0	1 718
Booked value 31 December	**8 921**	**448**	**0**	**156**	**9 525**
Depreciation rates	0 %	20 %	10 %	0	
Depreciation method		Linear	Linear		

Note 4 - Taxes

Tax expense for the year

	2018	2017
Recognised tax on ordinary profit:		
Tax payable	-	19 979
Change in deferred tax assets	-	-
Tax expense on ordinary profit	**-**	19 979
Taxable income:		
Ordinary profit before tax	-38 483	117 620
Permanent differences	37 467	1 537
Changes in temporary differences	-52	213
Group contributions made	-	-83 244
Use of loss carry-forward	-	-36 126
Taxable Income	**-1 068**	-
Tax payable in the balance sheet:		
Tax payable on profit for the year	-	19 979
Tax payable on group contributions made	-	-19 979
Total tax payable in the balance sheet	**-**	-

A group contribution of NOK 83,244 thousand was given in 2017 to the subsidiary Eidesvik AS, and the liability for the tax expense for the year of NOK 19,978 thousand was transferred. No group contributions were issued or received in 2018.

Tax effect of temporary differences and loss carry-forwards which have given rise to deferred tax and deferred tax assets, broken down by categories of temporary differences:

	2018	2017	Change
Tangible fixed assets	-102	-137	-36
Pension funds	19	4	-16
Total	**-82**	**-134**	**-51**
Accumulated loss carry-forward	-1 068	-	1 068
Basis for calculating deferred tax	**-1 150**	**-134**	**1 016**
Deferred tax assets (22%/23%)	**-253**	**-31**	**222**
Effect of change of tax rate	3	1	-

Note 5 - Equity

	Share capital	Share premium	Other paid-in equity	Other equity	Total
Equity 31.12.17	1 508		549	638 291	640 348
Share issue *	1 600	177 275			178 875
Profit/loss for the year				-38 483	-38 483
Equity 31.12.18	**3 108**	**177 275**	**549**	**599 808**	**780 740**

Note 6 - long-term receivables from and loans to subsidiaries

Receivables	2018	2017
Eidesvik Shipping AS	0	457 696
Eidesvik Management AS	3 074	3 013
Eidesvik Supply AS	6 769	239
Eidesvik Neptun AS	34 651	9 485
Eidesvik MPSV AS	877	1 058
Total	**45 371**	471 491

Liabilities	2018	2017
Eidesvik AS	52 141	51 127
Eidesvik Shipping AS	84 502	
Total	136 643	51 127

The interest on the intercompany balances is calculated quarterly using 3-month NIBOR + 1% margin.
The Company has provided guarantees for loans in subsidiaries. A guarantee commission of 0.25-1.00% has been charged for this depending on the net outstanding amount covered by the guarantee.

Note 7 - Share capital and shareholder information

The Company's share capital consists of 62,150,000 shares at NOK 0.05 each.
All shares have equal voting rights.

For the 20 largest shareholders in Eidesvik Offshore ASA as at 31.12.2018, see Note 17 to the consolidated accounts.

Shares owned/controlled by Board members and the CEO:

	2018	2017
Eidesvik Invest AS (1)	37 180 000	20 180 000
Kolbein Rege	136 450	35 450
John Egil Stangeland	30 000	10 000
Jan Fredrik Meling	335 244	130 000

(1) 55%-controlled by Borgny Eidesvik, Board member, via 20% holding in Bømmelfjord AS ('A' shares). The remaining 45% is owned by Lars Eidesvik, Board member, through 100% ownership in Evik AS.

Note 8 - Payroll costs, number of employees, remuneration, loans to employees

Payroll costs	2018	2017
Salaries	2 351	2 082
Payroll tax	637	518
Pension costs	296	247
Board remuneration	1 640	1 440
Other remuneration	44	223
Total	**4 968**	4 510

The Company had 1 employee at the end of the year.
The Company has established an occupational pension scheme.

Remuneration to the CEO:	2018	2017
Salary	2 351	2 082
Pension costs	296	247
Other remuneration	131	116
Total	2 778	2 445

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:	2018	2017
Kolbein Rege	480	480
Borgny Eidesvik	260	260
Lars Eidesvik	220	220
Kjell Jacobsen	0	128
John Egil Stangeland	320	92
Synne Syrrist	360	260
	1 640	1 440

* Board remuneration is decided by the General Meeting. Disbursements for 2018 are for the period up until the next General Meeting.

Auditor	2018	2017
Expenses to auditor are distributed as follows:		
Statutory audit	657	665
Financial advice	0	2 948
Tax advice	198	0
Other certification services	67	0
Total expenses to the auditor excl. VAT	922	3 613

Note 9 - Pension costs and liabilities

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

The Company has pension schemes which cover its only employee. The schemes give rights to future benefits. These depend mainly on the number of qualifying years, salary level at retirement and the amount of the benefits from national insurance. The liabilities are covered through an insurance company.

	2018	2017
Estimated liability	2 609	2 279
Value of pension funds	2 629	2 283
Under/over-funded	19	4

Reconciliation of this year's pension cost	2018	2017
Present value of this year's pension contribution	208	188
Interest expense on the pension liability	4	4
Expected return on pension funds	0	0
Administrative costs	27	18
Changes in this year's pension contribution incl. interest and	-4	-9
Net changes in plans, scaling down, settlement and payroll ta	0	0
Net pension cost	235	201

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

	2018	2017
Discount rate	2,60 %	2,40 %
Return on pension assets	2,60 %	2,40 %
Wage growth	2,75 %	2,50 %
Pension adjustment	0,80 %	0,50 %
G adjustment	2,50 %	2,25 %

Note 10 - Long-term liabilities

	2018	2017
Long-term debt - bond loan	**0**	0
Capitalised establishment costs on long-term debt	**0**	0
Total long-term liabilities	**0**	0

The bond loan was bought back in 2017 at 60% of the nominal value. The remaining 40%, equivalent to NOK 120,000 thousand, is recorded as other financial income. The fee to the consultant of NOK 3,000 thousand is recorded as other financial expenses. The bond loan was unsecured, and the interest rate was 3-month NIBOR + 4.5%.

Financial market risk
The Company has provided guarantees 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 discussion of financial risk management in Note 3 to the consolidated accounts.

Note 11 - Other operating expenses

	2018	2017
Management and accounting	**5 000**	5 000
Investor relations costs	**730**	599
Financial advice	**3 453**	4 906
Statutory audit	**691**	665
Consultant/legal advice	**1 654**	49
Office lease	**412**	411
Margin reinvoice office lease	**-1 779**	-2 610
Other reinvoices	**-415**	-1 154
Other expenses	**729**	1 799
Total other operating expenses	**10 475**	9 666

Of which, from related parties:
Management and accounting services, NOK 5,000 thousand (NOK 5,000 thousand) provided by the subsidiary Eidesvik AS.
The offices are leased from Langevåg Senter AS, a wholly-owned subsidiary of Eidesvik Invest AS, the Company's largest shareholder.
The lease on the office runs to 2033, with 6 x 5-year options thereafter. The gross lease cost is NOK 5,141 thousand (NOK 5,141 thousand).
The offices are subleased, 23% to companies related to the principal shareholder, and 69% to the subsidiary Eidesvik AS.
8% of the premises are used by the lessor itself. The item “Office lease” represents this share

Note 12 - Loan from principal shareholder

In 2017, the principal shareholder, Eidesvik Invest AS, provided a loan of NOK 30,000 thousand. No interest accrued on the loan in 2017.
In 2018, the loan was converted to shares in connection with the share issue directed to all shareholders.

Eidesvik Offshore ASA
Vestvikveien 1
N-5443 Bømlo
Phone: +47 53 44 80 00
office@eidesvik.no

www.eidesvik.no

Tradition for innovation

Eidesvik is a Powerhouse for future oriented shipping and operational solutions

2003 Viking Energy:
– *First LNG fuelled PSV in the World*

2004 Viking Avant:
– *Totally new PSV design*

2009 Viking Lady:
– *First vessel with fuel cell installed*

2012 Viking Prince og Viking Princess
– *Two new vessel fuelled with LNG*

2013 Viking Lady:
– *Integrated hybride solution with battery*

2013 Seven Viking
– Ship of the Year

2015 Viking Neptun

2016 Viking Energy
– First vessel with battery notation

Your Partner in Shipping

Eidesvik