



ANNUAL REPORT 2016



GCRIEBER

CORPORATE GOVERNANCE

One of the aims of GC Rieber Shipping Group is to exercise good, prudent corporate governance. Good corporate governance is mainly about clarifying the division of roles between the owners, board of directors and management beyond the statutory requirements. It is also about treating the shareholders equally and taking care of other stakeholders through ensuring the best possible value creation and reducing business risk and also contributing to the most efficient and proper use of the company's resources.

1. REPORT ON CORPORATE GOVERNANCE

Compliance

The board of directors of GC Rieber Shipping has overall responsibility for ensuring good corporate governance of the company.

GC Rieber Shipping ASA is a Norwegian public limited liability company listed on Oslo Stock Exchange (Oslo Børs). Section 3-3b of the Norwegian Accounting Act relating to corporate governance requires the company to issue an annual report on its principles and practice for corporate governance. These provisions also state minimum requirements for the content of this report.

The Norwegian Corporate Governance Board (NCGB) has issued the Norwegian Code of Practice for Corporate Governance (the "Code of Practice"). Adherence to the Code of Practice is based on the "comply or explain" principle, which means that a company must comply with all recommendations of the Code of Practice or explain why it has chosen an alternative approach to specific recommendations.

Oslo Børs requires listed companies to publish an annual statement of their policy on corporate governance in accordance with the current Code of Practice. The rules on Continuing Obligations of listed companies are available on www.oslobors.no.

GC Rieber Shipping complies with the current Code of Practice that was issued on 30 October 2014. The Code of Practice is available at www.nues.no. The company provides a report on its corporate governance principles in its annual report and the information is available at www.gcrieber-shipping.com. The company follows the Code of Practice and any deviations are explained in the report.

Basic corporate values, ethical guidelines and social responsibility

Ethical guidelines, basic corporate values and guidelines for corporate social responsibility have been established for the GC Rieber Group and GC Rieber Shipping follows the group's guidelines in this connection.

The guidelines provide general principles for business practice and personal behaviour and are intended to form a platform for the attitudes and basic vision that should permeate the culture in the GC Rieber Group.

In 2010, GC Rieber joined the UN Global Compact, the world's largest corporate social responsibility initiative. UN Global Compact has developed ten universal principles that encourage and show how companies should pay attention to employee and human rights, protection of the environment and combating corruption. By joining the initiative, GC Rieber has committed itself to making the ten principles an integral part of its business strategy, to promote

the principles to business partners and to reporting activities and improvements associated with the ten principles.

GC Rieber Shipping works continuously with improvements in environment, anti-corruption and social responsibility in general. More detailed information relating to the company and the group's vision, strategy, values and principles is available at www.gcrieber.no and www.gcrieber-shipping.com.

2. BUSINESS

GC Rieber Shipping ASA's business is defined in Article 1 of the company's articles of association, which reads as follows:

"The company is a listed company, the object of which is to engage in shipping, investments, underwriting commission, trading and other business. The headquarter of the company is in the municipality of Bergen."

3. EQUITY AND DIVIDENDS

Equity

As at 31 December 2016, the company's book equity was MNOK 1 326.6, which is equivalent to 48.0 percent of the total assets. The board of directors has a policy to have above 35 percent equity at any time, but this will vary from time to time due to market circumstances. The board of directors considers the equity-share as at 31 December 2016 to be acceptable. The company's need for financial soundness and liquidity should be adapted to its objectives, strategy and risk profile.

Dividend policy

One of the aims of the company is to pay an annual dividend and to offer the shareholders a steady and competitive return on invested capital in through dividends and share price appreciation. In assessing proposed dividend, the board of directors will review the company's dividend capacity, capital structure and financial strength for further growth. A dividend of NOK 0.5 per share was paid for 2015 and the board of directors proposes to the general meeting that no dividend will be paid for 2016. This is based on the challenging market conditions and the need to preserve the company's equity.

Capital increase

Authorizations granted to the board of directors to increase the company's share capital shall normally be restricted to specific purposes. As at 31 December 2016, there were no such authorizations.

Purchase of own shares

The general meeting may grant the board of directors a mandate to purchase up to 10 percent of own shares. As at 31 December 2016, there was no such mandate to the board of directors regarding purchase of own shares.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Equal treatment

GC Rieber Shipping has only one class of shares and purchase and sale of the shares shall take place over the stock exchange. The articles of association include no limitations relating to voting rights. All shares have equal rights.

Transactions in own shares

The company's transactions in own shares are carried out over the stock exchange or by other means at market price. Any services from the main shareholder are purchased at documented market price. Should there be an increase in capital which involves a waiver of the existing shareholders' pre-emptive rights, and the board of directors resolves to carry out such an increase on the basis of a mandate granted by the general meeting, the board of directors will explain the justification for waiving the pre-emptive rights in the stock exchange announcement.

Transactions with close associates

The company's board of directors and management are committed to promoting equal treatment of all shareholders.

The company has one main shareholder, GC Rieber AS, owning 70.44 percent of the shares as at 31 December 2016. The chairman of the board, Paul-Chr. Rieber, indirectly controls 1.8 percent of the shares in the company.

The company carries out purchase and sales transactions with close associates as part of the normal business operations. In the view of the board of directors and management, all agreements entered into between the company and its main shareholders (including related companies), and also other business agreements, must be entered into on arm's length terms.

Reference is made to note 18 in the company's 2016 annual accounts, where transactions with close associates are outlined.

5. FREELY NEGOTIABLE SHARES

The company has only one class of shares. All shares in the company are freely negotiable.

6. GENERAL MEETING

About the general meeting

The general meeting is the company's supreme authority and the board of directors aims to ensure that the general meeting is an efficient meeting place.

Notice of meeting

The general meeting will usually be held by 30 April each year at the company's offices. The general meeting for 2016 will be held on 20 April 2017.

Notice of the general meeting is usually sent with 21 days' notice.

At the same time, the agenda papers will be published on the company's website, cf. Article 5-g of the Articles of Association.

The agenda papers must contain all necessary information so that the shareholders can decide on the issues to be addressed. The registration deadline for the general meeting will be as close to the general meeting as practically possible.

All shareholders registered in the Norwegian Registry of Securities (VPS) will receive a notice of meeting and are entitled to submit proposals and vote directly or via proxy. The financial calendar will be available on the company's website.

Registration and proxy

Registration should be made in writing, either via mail, e-mail or fax. The board of directors wants to facilitate so that as many shareholders as possible are able to participate. Shareholders, who are unable to attend in person, are encouraged to appoint a proxy. A special proxy form is available which facilitates separate voting instructions for each issue to be considered by the general meeting and for each of the candidates nominated for election.

The company will nominate one or more persons to vote as proxy for shareholders. Representatives from the board of directors and the auditor participate in the general meeting. The CEO and CFO participate on behalf of the company.

Agenda and implementation

The agenda is determined by the board of directors. The main items are pursuant to the requirements in the Public Limited Liability Companies Act and Article 7 of the Articles of Association.

The minutes of the general meeting are published via a stock exchange announcement and are available at www.gcrieber-shipping.com.

In 2016, the general meeting was held on 11 April and 91.8 percent of the total share capital was represented. A total of 45 shareholders were present or represented by proxy.

7. NOMINATION COMMITTEE

Nomination of board members up for election at the general meeting shall take place through an open dialogue between the largest shareholders. Based on the company's good experience with such a process and an assessment of the composition of the owners, the company has decided not to use a nomination committee. This is a deviation from NUES' recommendation.

8. THE BOARD OF DIRECTORS – COMPOSITION AND INDEPENDENCE

Pursuant to the company's articles of association, the board of directors shall consist of 5-7 members who are elected by the general meeting for two years at a time. The chairman of the board and the deputy chairmen are elected by the general meeting.

The board of directors currently comprises 5 members, of which 2 are women.

The board of directors has been elected on the basis of an overall

assessment in which competence, experience and integrity are important criteria and the composition of the board of directors represents the company's ownership situation. An overview of board members' competence, background and shareholding in the company is available on the company's website www.gcrieber-shipping.com.

The board of directors' independence

Executive management shall not be members of the board of directors.

The chairman of the board, Paul-Chr. Rieber, is CEO of GC Rieber AS, which is the largest shareholder in the company with a 70.4 percent stake.

Other board members do not have direct or indirect ownership interests in the company. The board members are regarded as independent of the company's main shareholder and significant business relations.

9. THE WORK OF THE BOARD OF DIRECTORS

The board of directors' duties

The board of directors has overall responsibility for management of the group and also for supervising the day-to-day management and the group's operations.

This involves developing the company's strategy and also following-up that the strategy is implemented. The board of directors is also responsible for control functions to ensure that the company has proper operations as well as asset and risk management.

Instructions for the board of directors

Pursuant to the provisions of the Norwegian Public Limited Liability Companies Act, the board of directors has established instructions for the board of directors that provide detailed regulations and guidelines for the board of directors' work and executive work.

Instructions for the CEO

A clear division of responsibilities and tasks has been established between the board of directors and executive management.

Financial reporting

The board of directors receives periodic reports with comments on the company's financial status. As far as interim reports are concerned, the company follows the deadlines for Oslo Stock Exchange.

Meeting structure

The board of directors usually holds eight board meetings a year, evenly distributed over the year. Quarterly and annual accounts, and also salary and other remuneration to the CEO are dealt with at the board meetings. In addition, a separate strategy meeting is held. Extraordinary board meetings to deal with matters that cannot wait until the next ordinary board meeting are held when required. In addition, the board of directors has organized the work in a separate auditing committee. In 2016, 12 meetings were held, compared with

14 meetings in 2015. In 2016, attendance at the board meetings was 97 percent, compared with 93 percent in 2015.

Auditing committee

The main purpose of the audit committee is to monitor the group's internal control systems, quality assurance of the financial reporting and ensuring that the auditor is independent. The auditing committee has two members of which one is independent of the company's business activities and main shareholders. The committee has evaluated the procedures for financial control in the core areas of the group's business activities. The committee has been informed of the external auditor's work and the results of this work.

The board of directors' self-evaluation

The board of directors conducts an annual evaluation of its work, way of working and expertise. The chairman of the board of directors conducts an annual appraisal of the CEO in accordance with his job description.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The board of directors' responsibilities and the object of internal control

GC Rieber Shipping's risk management and internal control seeks to ensure that the company has comprehensive control thinking that includes the company's operations, financial reporting and compliance with applicable laws and regulations. The internal control also includes the company's basic values, ethical guidelines and guidelines for social corporate responsibility.

The board of directors' annual review and reporting

The annual strategy meeting helps lay the foundation for the board of directors' discussions and decisions through the year. Review and revision of important governing documents is considered on an on-going basis.

The administration prepares monthly finance reports, which are reviewed by the board members. Quarterly financial reports are also prepared and reviewed by the board of directors before the quarterly reporting. The auditor attends meetings with the auditing committee and the board meeting that includes presentation of the annual accounts. The company's risk aspects and management have been thoroughly described in the directors' report.

Overall responsibility for internal control related to the company's financial reporting is assigned to the board of directors' auditing committee. The auditing committee has regular meetings with the administration and the company's auditor at which discussion of accounting principles, use of estimates and other relevant topics are discussed.

Regular reports are submitted to the board of directors regarding defined KPIs related to quality, health, environment and safety. In addition, the GC Rieber Group has prepared guidelines on business ethics and social responsibility, with which all employees in all the subsidiaries should be acquainted, including GC Rieber Shipping. GC Rieber Shipping has its own coordinator who ensures quarterly reporting to the board of directors on the status and progress of

the company's social responsibility work and who represents the company in the GC Rieber Group's UN Global Compact group.

11. REMUNERATION TO THE BOARD OF DIRECTORS

The general meeting determines annually the remuneration to the board of directors. The proposed remuneration is put forward by the company's largest shareholder.

In 2016, the company's board received a total remuneration of NOK 1 017 000. The remuneration to each board member in 2016 is given in note 3 of the parent company's annual accounts. Remuneration to the board of directors is not dependent on profit.

12. REMUNERATION TO EXECUTIVE MANAGEMENT

The board of directors has adopted guidelines for remuneration of the CEO and other executive management. In accordance with the Public Limited Liability Companies Act, the main features of this remuneration shall be subject to an advisory vote at the general meeting, cf. note 3 of the parent company's annual accounts.

There are no option schemes in GC Rieber Shipping, but the company has a scheme for sale of the company's own shares to employees where a statutory tax discount is used.

Bonus schemes shall be linked to group or individual performance targets.

13. INFORMATION AND COMMUNICATION

GC Rieber Shipping seeks to treat all participants in the securities market equally through publishing all relevant information to the market in a timely, efficient and non-discriminating manner. All stock exchange reports will be available on the company's website and on Oslo Børs' news site, www.newsweb.no, and also through news agencies (via NASDAQ OMX).

Financial reports

The company presents preliminary financial statements by the end of February. Complete accounts, together with directors' report and annual report are available to the shareholders no later than three weeks before the general meeting.

The company's financial calendar is published for one year at a time before 31 December in accordance with the rules of Oslo Børs. The financial calendar is available on the company's website and also on the website of Oslo Børs.

Other market information

Open presentations via webcast will be arranged in connection with the presentation of interim results. The interim results, business developments and also comments on the market and future outlook are reviewed here. Both the CEO and CFO usually attend the presentations.

Interim reports, presentation material and webcasts are available at www.gcrieber-shipping.com.

The company exercises caution in its contact with shareholders and financial analysts, cf. the Norwegian Securities Trading Act, Norwegian Accounting Act and the stock exchange regulations.

14. TAKEOVER

The board will not seek to hinder or obstruct any takeover bids for the company's business activities or shares. Should there be a bid for the company's shares, the company's board of directors will not exercise authorizations to issue new shares or pass other resolutions in an attempt to obstruct the bid without the approval of the general meeting. Any transaction that in effect is a disposal of the company's business activities will be decided on by the general meeting.

When a takeover bid has been received, the board of directors will initiate an external valuation by an independent adviser and thereafter the board of directors will recommend shareholders to either accept or reject the offer. The valuation must also take into account how a possible takeover will affect the long-term value creation in the group.

15. AUDITOR

Choice of auditor

The group's auditor will be chosen by the general meeting. PwC has been the company's auditor since the ordinary general meeting in 2013.

The auditor's relationship to the board of directors and the auditing committee

The board of directors will at least once a year arrange a meeting with the auditor without the presence of the executive management in the company. The auditor will present the summary of an annual plan for carrying out the audit work, and the company's internal control procedures, including identified weaknesses and proposed improvements, will be reviewed with the board of directors.

The auditor also participates in board meetings which discuss the annual accounts. At such meetings, the auditor reviews any material changes in the company's accounting principles, comments on any material estimated accounting figures and any significant matters where there may have been disagreement between the auditor and the administration.

The board of directors will inform about the remuneration paid to the auditor, divided between remuneration for audit work and other services, at the annual general meeting.

REPORT OF THE BOARD OF DIRECTORS FOR 2016

The year of 2016 has been a challenging year for GC Rieber Shipping due to a continuously very tough market and low capacity utilization for the vessels. However, the company has during 2016 and in the beginning of 2017 entered into new charter agreements for the subsea fleet and successfully established a jointly owned marine geophysical company together with Rasmussengruppen.

Operations and strategy

GC Rieber Shipping's business within offshore/shipping includes ownership in specialized vessels, high quality marine ship management and project development within the segments subsea, ice/support and marine seismic. The group has specialized competence in offshore operations in harsh environments as well as design, development and maritime operation of offshore vessels.

GC Rieber Shipping currently operates and has direct and indirect ownership in 11 advanced special purpose vessels for defined markets within the subsea, ice/support and marine seismic segments. The company has its headquarter and a ship management office in Bergen, and an additional ship management company in Yuzhno-Sakhalinsk (Russia). The company is listed on Oslo Børs with ticker RISH.

In recent years, the company has carried out a fleet renewal programme whereby older vessels have been sold and replaced with newbuildings. This has made it possible to focus even stronger on advanced vessels within the company's defined markets, in keeping with the company's ambition to consolidate its position as one of the leading and experienced players within offshore operations in harsh environments.

Strategic areas of priority for 2017 include:

- Continue to implement the safety improvement program "Leading for Excellence"
- Deliver operational excellence to our customers

- Further adapt vessel and organisational operations to a considerably lower cost level

Important aspects of 2016

Establishment of Shearwater Geoservices (Shearwater)

In October 2016, GC Rieber Shipping entered into an agreement with Rasmussengruppen to establish Shearwater as a 50/50 owned marine geophysical company. The agreement was concluded in December 2016, and this represented an important strategic and operational milestone for GC Rieber Shipping. Shearwater took over the four seismic vessels, "Polar Empress", "Polar Duchess", "Polar Duke" and "Polar Marquis", from GC Rieber Shipping. GC Rieber Shipping will operate the vessels on behalf of Shearwater. Shearwater is an integrated provider of marine geophysical services to oil and gas and multi-client companies worldwide. The company's core strategy is to provide high quality marine geophysical services and utilize its position as the most cost efficient company in the industry.

New charter contracts entered into in the period

- Various short projects in 2016 in the North Sea for CSV "Polar King"
- Various short projects in 2016 in West Africa for OCV "Polar Onyx", including charters with Marine Platforms and Technip

- *New charter agreement with Nexans for CSV "Polar King" for a period of 21 months from January 2017*
- *New charter agreement with Senvion for CSV "Polar Queen" for a period of 7 months from March 2017*
- *New charter agreement with Black Sea Oil & Gas for seismic vessel "Polar Marquis" for a period of 45 days from May 2016*
- *New charter agreement with Sovcomflot for seismic vessel "Polar Empress" for a period of 2 months from August 2016*
- *New charter agreement with an NOC for the seismic vessels "Polar Marquis" and "Polar Duchess" for a total period of 6 vessel months*

Cost program

In light of the challenging market situation, GC Rieber Shipping has a continued focus on adapting vessel and organisational operations to a considerably lower cost level. Efforts include renegotiations of agreements, more cost-efficient work processes and adjustments of the organisation. The company has scaled down both the onshore and offshore organisations due to lower activity.

Claim against Armada dismissed, and then appealed

A subsidiary of GC Rieber Shipping, Armada Seismic Invest II AS (Armada), received in 2012 a claim from Arrow Seismic Invest II Limited (now: PGS Geophysical (UK) Limited) amounting to approximately EUR 9 million. The claim against Armada was dismissed 2 March 2016, and Armada was awarded full legal fees in the amount of NOK 3.4 million. In April 2016, the decision was appealed by PGS. Armada maintains its view that the claim is unfounded, which was also confirmed by Bergen district court in the first instance. Armada will continue to defend itself against the claim before the Court of Appeal, from which a judgment may be expected in 2017.

Important events after the balance sheet date

In January 2017, British Antarctic Survey (BAS) declared its fourth option for a one-year extension of the bareboat charter for RRS "Ernest Shackleton". The option will be effective from August 2017.

In March 2017 GC Rieber Shipping entered into a four month time charter agreement for Polar Onyx, operations started the same month.

GC Rieber Shipping's subsidiary Shearwater entered into agreements with TGS for two seismic surveys. The surveys equals ten vessels months and will commence between March and May 2017.

Financial review

(Figures for 2015 are given in brackets)

Income Statement

In the profit and loss statement as of 31 December 2016, the sale of four seismic vessels to Shearwater GeoServices are presented as discontinued operation.

GC Rieber Shipping's total operating income excluding discontinuing operations for 2016 was NOK 205.5 million (NOK 474.5 million). EBITDA excluding discontinuing operations amounted to NOK 9.7 million (NOK 260.1 million). The reduction

in EBITDA is due to the low activity.

Operating profit (EBIT) excluding discontinuing operations for 2016 was negative with NOK 303.9 million (positive NOK 35.0 million). Ordinary depreciations amounted to NOK 121.2 million (NOK 131.4 million). The negative result in 2016 is due to low activity, as well as impairment of the fleet amounting to NOK 192.4 million (NOK 112.9 million).

Net financial items were negative with NOK 53.1 million (negative NOK 48.1 million). A weakening of NOK against USD resulted in unrealised currency loss of NOK 2.6 million in 2016. (NOK 1.1 million).

The group's net loss was NOK 742.9 million (loss NOK 307.7 million). Earnings and diluted earnings per share amounted to NOK -17.02 (NOK -7.05). As a consequence of the disposal of the seismic segment to Shearwater, foreign currency translation of a total of NOK 248.1 million has been recycled from comprehensive income to discontinuing operations.

Cash flow

As at 31 December 2016 the group had a negative cash flow of NOK 355.8 million (positive NOK 122.5 million). Cash flow from operating activities was negative 140.5 by NOK million (positive NOK 191.1 million). Cash flow from investment activities was negative by NOK 59.8 million (negative NOK 367.0 million). Cash flow from financing activities was negative by NOK 155.5 million (positive NOK 298.4 million), related to new loans as well as payment of interest and instalments on the group's existing loans.

As at 31 December 2016, the group's holding of liquid assets was NOK 203.2 million (NOK 625.6 million). Additionally NOK 64.7 million is restricted cash and classified as long term receivables.

Balance sheet

The group's total assets as at 31 December 2016 amounted to NOK 2 762.2 million (NOK 5 671.7 million), while total assets in GC Rieber Shipping ASA amounted to NOK 827.7 million (NOK 777.8 million).

At the end of 2016, the booked value of the company's vessels was estimated at NOK 1 899.6 million (NOK 4 777.4 million) after the disposal of the seismic vessels. Due to reduction in market values for the fleet in the highly challenging offshore market as well as uncertainty related to the vessels future earnings, impairments totalling NOK 592.1 million for the fleet including the seismic vessels, has been made for 2016 (NOK 251.6 million).

The group's booked equity as at 31 December 2016 was NOK 1 326.6 million (NOK 2 381.4 million), corresponding to an equity ratio of 48.0 percent (42.0 percent). Booked equity for GC Rieber Shipping ASA was NOK 555.5 million (NOK 326.1 million).

Financing

In 2016 the group's average interest-bearing liabilities amounted to NOK 2 996.2 million (NOK 2 777.6 million), with an average remaining duration of 3.9 years. Average interest rate on the loan portfolio dropped to 3.43 percent including margin (3.45 percent). The group's loan financing is held in USD in its entirety and is therefore exposed to the development in US interest rates. The group has a long and stable financing structure. Lenders include recognized Norwegian and international shipping banks. Loans

amounting to USD 198.5 million were transferred to Shearwater in December 2016.

For 2016 in total the group has paid NOK 224.2 million in ordinary loan instalments (NOK 2 159.1 million including repayment of loan). The group's liquid assets in terms of bank deposits and interest-bearing securities as at 31 December 2016 amounted to NOK 267.8 million of which NOK 64.7 million of restricted cash and classified as long term receivables (NOK 625.6 million). The group's liquid assets are primarily held in NOK and USD.

The group had net interest-bearing liabilities (interest-bearing liabilities minus liquid assets) of NOK 1 150.9 million (NOK 2 569.2 million) as at 31 December 2016. At the same time the parent company, GC Rieber Shipping ASA, had net interest-bearing assets of NOK 78.6 million (net interest-bearing assets NOK 379.8 million).

GC Rieber Shipping's covenants are tied to working capital and equity for all its liabilities. The minimum requirement for the group is a booked equity ratio of 30 percent, and the group's working capital shall be positive, no lower than NOK 50-60 million. As at 31 December 2016, both requirements were complied with.

Foreign currency situation

The group's reporting follows the International Financial Reporting Standards (IFRS), which are the accounting principles adopted by the EU. The group does not use hedge accounting for its financial instruments, and changes in the market value of financial hedging instruments are therefore recognised in the profit statement, in accordance with the international accounting standard IAS 39.

At 31.12.2016 the group's portfolio of hedging instruments are negative with NOK 1.2 million (negative NOK 31.2 million).

The GC Rieber Shipping group uses the Norwegian krone (NOK) as its presentation currency, while several of its subsidiaries have USD as functional currency. Therefore, the international accounting standard IAS 21 applies.

Any change in the USD/NOK exchange rate affects the group's equity and profit, as the group's debt is denominated mainly in USD, and most of its vessels are valued in USD and translated at the USD/NOK exchange rate on the balance sheet date. For subsidiaries with USD as functional currency, translation differences arising in respect of vessels and debt are recognized in the profit and loss statement. Translation differences will also arise for subsidiaries that have USD as functional currency and hold liquid assets in NOK. These holdings are translated into USD respectively at the exchange rate on the balance sheet date, and translation differences are carried against the statement of comprehensive income.

Market development and segments

As a supplier to oil service companies, GC Rieber Shipping's level of activities within all business segments is closely linked to the development in the energy markets. The oil price development is the most important driver for the oil companies' exploration and extraction budgets and for activities offshore. The price of oil over time, together with the supply of offshore vessels, are therefore the most important factors for the group's further development.

The dramatic drop in oil prices that started in the second half of 2014 led to great uncertainty related to the price development in 2015 and 2016. In the middle of January 2016, the price reached

a low level at USD 30 per barrel, with a subsequent strengthening to around USD 50 per barrel in June. In the second half of 2016, the prices stayed between USD 40 and 60 per barrel, with the highest prices at the end of the year. All the major oil companies have implemented cost reduction programs, and this has led to a significant reduction in the demand for both subsea and seismic services. There are indications that the oil price has stabilized itself somewhat, but even though the market is expected to improve compared to 2016, most of the new projects will take place from 2018 and beyond. Therefore, it is expected that the activity in subsea and seismic will remain low in the near future. In a longer perspective, GC Rieber Shipping takes a positive market view within the segments that the company operates, based on expectations for a long-term growth in the global demand for energy.

GC Rieber Shipping is constantly working to adapt vessel operations and the organization to a lower cost level to maintain competitiveness in a highly challenging market. In addition to this, the safety improvement program "Leading for Excellence" continues with focus on safe vessel operations as a step towards reaching GC Rieber Shipping's goal of being the preferred partner for its clients. After a period of turbulent years, we now position ourselves for the future by turning our attention externally and focusing on fulfilling the expectations of our existing and potential customers.

Subsea

GC Rieber Shipping owns three vessels within the subsea segment. In addition, the company operated two vessels on behalf of external owners until November 2016. Polar King and Polar Queen, two of the company's own subsea vessels, operate within the construction - and IMR segment (Inspection, Maintenance and Repair). Polar Onyx operates within construction - and SURF segment (Subsea Umbilicals, Risers & Flowlines). The oil companies' cost cutting initiatives result in postponement of new projects and planned maintenance. The activity in the market is low and the price pressure continues.

Polar Queen was originally on time charter until April 2018, but the contract was ended in mutual understanding with the customer in 2016. Polar Queen was awarded a new 7 months charter with Senvion with commencement in March 2017. The vessel will support turbine commission at the Nordsee One wind farm in the German North Sea.

Polar King has had various short projects in the North Sea during 2016. The vessel was awarded a 21 months charter with Nexans with commencement in January 2017. The vessel performs cable lay support in the North Sea, Canada and Mediterranean.

Polar Onyx has had various short projects in West Africa during 2016, including charters with Marine Platforms and Technip. The vessel will start operating on a 4 months contract in March 2017.

As a result of the weak market conditions within the subsea segment, GC Rieber Shipping is exploring new markets where the vessels' capabilities can be utilized in an alternative way. We are therefore pleased to see that Polar King and Polar Queen have secured charters with new solid customers in 2017 within the cable lay market and offshore wind market respectively. The contracts reduce GC Rieber Shipping's exposure towards oil-related businesses.

Marine seismic

GC Rieber Shipping owned and operated four high capacity seismic

vessels in 2016. The vessels are now owned by GC Rieber Shipping's 50 % owned subsidiary Shearwater Geoservices (Shearwater), and they are still being operated by GC Rieber Shipping. The seismic market in 2016 has been challenging with low activity and continuous price pressure.

Despite the challenging market, GC Rieber Shipping secured various short charters in the spot market. Polar Empress conducted a 2 months project in the Kara Sea in addition to one shorter project, while Polar Marquis conducted a 45 days project in the Black Sea in addition to one shorter project. From December 2016, Polar Duchess and Polar Marquis have been working on a larger project offshore India. Polar Duke has been laid up since October 2015.

In October 2016, GC Rieber Shipping entered into an agreement with Rasmussengruppen to establish Shearwater as a 50/50 owned marine geophysical company. The agreement and the change of ownership of the vessels was concluded in December 2016.

The seismic market is still challenging with tough competition and price pressure. Although there are indications that the activity will improve somewhat in 2017, the market is expected to remain weak in the near future.

Ice/Support

GC Rieber Shipping has ownership of four vessels within the ice/support segment. The ice breaker Polar Pevek and the crew vessels Polar Piltun and Polar Baikal are owned through 50/50 joint ventures with external parties. They are being operated by GC Rieber Shipping's ship management company in Yuzhno-Sakhalinsk in Russia.

The polar research vessel Ernest Shackleton is on a bareboat charter with the British Antarctic Survey until August 2018 for operations in Antarctica. In August 2016, Ernest Shackleton served as escort vessel for the historic 32 days expedition cruise with Crystal Serenity through the North West Passage. Ernest Shackleton carried helicopters, emergency response equipment and zodiacs, and contributed to a safe voyage for Crystal Serenity.

The ice/support segment is stable and the company expects the activity to remain unchanged.

Going concern

Based on the above report of profit and loss for the GC Rieber Shipping group, the Board of Directors confirms that the financial statements for 2016 are prepared on the principle of going concern and that there is basis for adopting this principle in accordance with section 3-3 of the Norwegian Accountancy Act.

Allocation of net profit

The parent company GC Rieber Shipping ASA had a profit of NOK 229.4 million in 2016 (loss of NOK 11.1 million). The parent company's equity as at 31 December 2016 amounted to NOK 555.5 million (NOK 326.1 million).

The Board of Directors proposes no dividend payment for 2016.

The profit for the year is proposed allocated as follows:

Transferred to other equity:	NOK 229 403 000
Total allocated:	NOK 229 403 000

Financial risk and risk management

Risk management

GC Rieber Shipping operates in a global and cyclic market, and this makes the group exposed to a number of risk factors and the development in the markets for petroleum products. The Board of Directors of GC Rieber Shipping therefore focuses on risk management and risk control, and routines have been implemented to bring risk exposure down to an acceptable level. Operative risk management is handled by the financial department and is reported to the Board of Directors regularly. The company has a separate audit committee that monitors and follows up on the group's internal risk and control systems. Audit committee meetings are held in connection with the presentations of annual and interim reports.

The Company emphasizes that the information included in this annual report contains certain forward-looking statements that address activities or developments that the Company expects, believes or anticipates will or may occur in the future. The statements are based on assumptions and estimates, and some of them are beyond the company's control and therefore subject to risks and uncertainties.

Market risk

As a supplier of services to companies in the oil and gas industry, GC Rieber Shipping's level of activity within all business segments is closely linked to developments in the energy sector as well as exploration and research-related operations in Arctic environments. The dramatic drop in oil prices that started in the second half of 2014 has resulted in a reduction in the price of oil from USD 115 per barrel in periods down to below USD 30 per barrel. The development in prices is characterised by great uncertainty. As a result of the falling prices, oil companies have introduced extensive programmes to reduce costs and limit exploration for new deposits, which is evident from the level of activities for sectors such as seismic and subsea.

In light of the uncertainty in the market, GC Rieber Shipping in 2017 will continue to work actively to adapt operations of vessels and the organisation to a lower cost level in order to maintain the company's competitiveness.

Financial risk

Currency risk

As a major part of the group's income is in USD, and operational and administration costs are mostly held in NOK and USD, the group is greatly exposed to fluctuations in exchange rates. To reduce currency risk, the group's liabilities are mainly held in USD. In addition, there is a continuous evaluation of hedging methods related to expected future net cash flow in USD and other relevant currencies.

Interest risk

The group continuously assesses how large a share of its exposure

to the interest level should be secured by hedging agreements, and is using different types of interest rate derivatives as a protection against fluctuations in the interest level. At the end of 2016, 48 percent of the company's liabilities have been secured through mortgages with fixed interest.

Credit/Counterparty risk

As at 31.12.2016 the contract backlog amounted to NOK 0.6 billion compared to 0.8 billion in 2015. Three of the largest customers of the company filed for bankruptcy in 2015. GC Rieber Shipping is monitoring the risk closely and has been working towards strengthening its customer portfolio, and the counterparty risk has improved during 2016.

Liquidity risk

The group has a long-term financing structure. Lenders include recognized Norwegian and international shipping banks.

GC Rieber Shipping maintains an active liquidity management. Deposits are made in financial institutions with high financial status as well as in interest-bearing securities with high liquidity and low credit risk.

Operational risk

There will always be a risk of unforeseen operational problems and damage to vessels, which could result in higher operational costs and lower income than predicted and expected. GC Rieber Shipping is therefore dedicated to ensuring good and stable operations, and has introduced good systems and routines for quality assurance, training and maintenance to minimise unforeseen incidents and downtime as much as possible.

Corporate Social Responsibility (CSR)

Guidelines

GC Rieber Shipping's vision is to practice corporate social responsibility (CSR), and has a proactive attitude to CSR in all parts of the organisation. As part of the GC Rieber group, GC Rieber Shipping has adopted the GC Rieber group's guidelines on CSR.

The GC Rieber group has prepared guidelines for ethics and social responsibility that constitute general principles for business practices and personal conduct, and provide a basis for the attitudes and values that should govern the culture in the group.

In addition the GC Rieber group is a member of the UN Global Compact, and GC Rieber Shipping is thereby committed to integrating UN Global Compact's ten principles as part of its business strategy, promoting these principles vis-à-vis partners and reporting on activities and improvements when it comes to these ten principles.

For a thorough account of the social responsibility work carried out by GC Rieber Shipping and the GC Rieber Group, please refer to the chapter on social responsibility in the annual report of the GC Rieber Group and the group's website.

Equal opportunity and diversity

GC Rieber Shipping is committed to being an equal opportunities employer. The group embraces a positive and inclusive working environment, characterised by equality and diversity. The GC

Rieber group does not accept discrimination of any kind of its employees or other parties involved in the company's activities. This includes any and all unjust treatment, exclusion or preference based on ethnicity, gender, age, sexual orientation, disability, religion, political persuasion or other circumstances.

The group operates a policy of complete equality between male and female workers at all levels in the organisation, based on the assumption that an even gender distribution will contribute to an improved working environment and to greater adaptability and improved earnings for the company in the long run. However, the number of qualified applicants for some of the group's vacant positions offshore has been limited. As at 31 December 2016, 1.5 percent (1.3 percent) among the marine crew and 38 percent (49 percent) of the land organization are women. The Board of Directors has a 40 percent female representation.

Organisation and employees

In 2016, GC Rieber Shipping continued its work to increase the level of competency and development among employees, both through extensive use of professional courses as well as management training programmes in cooperation with other companies in the GC Rieber group.

At the end of 2016, the GC Rieber Shipping had a total of 100 employees (125), divided between 34 (45) in the land organisations and 66 (80) marine crew. In addition, 207 persons were hired temporarily offshore (65). In addition, the management company in the joint venture in Yuzhno-Sakhalinsk (Russia) had five employees.

In September 2016, GC Rieber Shipping and its wholly owned GC Rieber Crewing AS decided to close down operations in GC Rieber Crewing AS. The process was a result of the challenging subsea/seismic markets and a corresponding need to reduce the company's cost level to secure the foundations for its core activities.

Quality, Health, Safety and Environment (QHSE)

The objective for GC Rieber Shipping's operations is to prevent personal injuries, spills to the environment and property damages. Further, to achieve client satisfaction above expectations. QHSE activities therefore lie at the heart of our work both internally and with clients.

GC Rieber Shipping is holding certification according to the International Safety Management (ISM) Code, ISO 9001 standard (quality management) and ISO 14001 standard (environmental management).

Health and safety

At GC Rieber Shipping we all work diligently to ensure a reliable safety culture by continuously lifting our standards. Safety is fully integrated in everything we do and we constantly evaluate our practices to seize improvement opportunities.

We are guided by our deep insight, creativity and ambition to positively influence, intervene and take on responsibility for own and others' safety. Strong leadership and constant exploration of new and better safety performance is an evident part of our culture.

There were no lost time injuries registered on board our vessels in 2016. Sick leave in 2016 was 2.7 percent among marine crew and 2.4 percent in the shore organisations.

We expect to see even better performance in the future when the implementation of the company's safety behaviour principles is completed and takes effect. These principles state that we will all:

- *Take responsibility by obtaining insight through seeking and sharing relevant knowledge related to safe work*
- *Use our creativity and dare to question "truths" in our pursuit for improvement opportunities and innovation*
- *Create a trusting work atmosphere and instil confidence in all employees to support intervention*
- *Engage in work with personal leadership by being a positive influence and contributor to a strong safety culture*
- *Be diligent in our efforts to ensure integration of safety in everything we do*

Environment

GC Rieber Shipping has an objective of zero uncontrolled releases of harmful substances to the natural environment. Targets are established and monitored in order to minimize the environmental footprint for our operations. In 2016, new environmental objectives for both fleet and office were developed and implemented. These objectives are followed-up through processes defined in our environmental management system.

The company operates in accordance with international shipping standards, and has a proactive approach to comply with existing and future environmental requirements. GC Rieber Shipping therefore builds and develops vessels in accordance with environmental standards such as Clean Design.

Quality

The quality objective for GC Rieber Shipping is client satisfaction above expectations. In order to achieve this we work closely with and for the clients from project planning, through execution until evaluation. These processes are supported by procedures in our quality management system.

Our quality objective requires that our vessels are operational and available for the client at all times. GC Rieber Shipping has, through the newbuilding and renewal programme, obtained a modern fleet with high technical quality. During 2016 operations were accomplished with limited technical downtime.

Human rights

GC Rieber Shipping has a strong focus on safety and quality to ensure a safe workplace for its employees.

GC Rieber Shipping supports GC Rieber's strategy to promote human rights through membership in UN Global Compact. Further information is available in GC Rieber's annual report and on its website.

Corruption

The shipping industry is generally exposed to potential risks relating to corruption and facilitation payments, particularly in relation to the use of agents and for port calls. GC Rieber Shipping is committed to fight against corruption and has introduced a number of anti-corruption measures.

GC Rieber Shipping's anti-corruption policy and a third party integrity assessment form are key pillars in its Anti-Corruption Program. Furthermore an anti-corruption e-learning program is mandatory for all employees. The training raises awareness about

corruption and provide guidelines on how to handle threats of corruption.

Shareholder information

In 2016 the group's shares have been traded between NOK 7.75 kroner and NOK 22.80 kroner per share. A total of 339 019 shares were traded, divided between 655 transactions.

As at 31 December 2016, GC Rieber Shipping had 353 shareholders (304 as at 31 December 2015), of which 92.8 percent was owned by the 20 largest shareholders. GC Rieber AS' stake was 70.4 percent.

The company had 21 foreign owners holding a total of 0.2 percent of the shares.

Corporate governance

GC Rieber Shipping aims at strengthening its leading position within development, ownership and operations of ship for the subsea, marine seismic and ice/support market by combining good financial results with verifiable and professional business operations. To achieve this, the company sets a high standard for corporate governance, in compliance with The Norwegian Code of Practice for Corporate Governance (cf. most recent edition dated 30 October 2014).

A more detailed description of the group's Corporate Governance is provided in a separate chapter in the annual report.

Payroll expenses and remuneration to the executive management

Please refer to note 7 in the parent company's Financial Statement for details on payroll expenses and other remuneration to executive management. The note also outlines the principles for such compensation.

General meeting

General meeting for 2016 will be held on 20 April 2017.

Outlook

GC Rieber Shipping's operations are exposed to the development in the markets for oil and gas exploration and -production. The dramatic drop in oil prices that started in the second half of 2014 resulted in a price reduction from USD 115 per barrel in mid-2014 to just below USD 30 per barrel at the beginning of 2016. The oil price has since firmed somewhat during 2016, and approached USD 55 per barrel at the end of the year.

Despite the firming of the oil price throughout 2016, market sentiment remains timid, and oil companies seem intent on carrying through cost reduction programs to bolster their cash position. For this reason, and despite the fact that the current oil price exceed the balance price for many projects, very few new projects have been sanctioned. As a result, oil and gas upstream investments in 2016 were reduced by nearly half as compared to the peak in 2014, and were at a level not seen since 2007.

In a prevailing challenging subsea market, GC Rieber Shipping has succeeded in securing charters for two subsea vessels commencing in first quarter 2017. The «Polar King» is chartered to Nexans Skagerrak AS from January 2017 for a period of 21 months. The «Polar Queen» will embark on a new contract with Servion GmbH

with expected commencement in March 2017. The «Polar Onyx» remains unemployed as of current. Leads within oil and gas and renewables are actively pursued and tendering activity has increased somewhat going into 2017.

Within the seismic market, the cost reduction programs of the oil companies have resulted in substantial reductions in exploration, severely affecting demand for seismic vessels. Accordingly, the seismic sector continues to see price pressures, and the expectation is that the market will remain weak during 2017 but with a gradual increase in tendering activity.

GC Rieber Shipping operates four vessels in the seismic segment on behalf of Shearwater GeoServices AS. Shearwater has an attractive offering with a modern fleet and very cost effective operation and has already succeeded in expanding its order book. Shearwater is actively working to increase its backlog and secure more work for its fleet.

The ice/support segment is stable and activities unchanged, and the company expect this to continue going forward.

GC Rieber Shipping enters into 2017 with a relatively good backlog for the ice/support segment and has secured contracts for two out of three subsea vessels. Within seismic Shearwater has taken position as a challenger offering leading vessels and solid geophysical experience. The launch of the joint venture has been well received in a seismic market expected to recover gradually.

GC Rieber Shipping will maintain focused on solid project execution and continue to drive down costs to maintain competitiveness in a highly challenging market.

Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 31 December 2016 has been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations determined by the International Accounting Standards Board and adopted by the EU effective as at 31 December 2016, and that the information gives a true and fair view of the group's assets, liabilities, financial position and profit or loss as a whole, and a fair review of the information as stated in the Norwegian Securities Trading Act, § 5-6 fourth section. We also confirm, to the best of our knowledge, that the annual report includes a fair review of important events that have occurred in the accounting period and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the coming accounting period, and major related parties transactions.

Bergen, 27 March 2017

Paul-Chr. Rieber
Chairman

Hans Olav Lindal
Vice chairman

Kristin Færøvik

Trygve Bruland

Tove Lunde

Einar Ytredal
Acting CEO

INCOME STATEMENT

THE GC RIEBER SHIPPING ASA GROUP

NOK (1 000)	NOTE	2016	2015
OPERATING INCOME			
Charter income		178 247	427 140
Other shipping related operating income		27 258	47 401
Total operating income	5	205 505	474 541
OPERATING EXPENSES			
Vessel operating expenses		-49 771	-52 370
Crew and catering expenses	6	-96 450	-121 181
Administration expenses	6, 16, 17	-76 379	-77 012
Total operating expenses		-222 600	-250 563
Profit from jointly controlled entities	4	26 784	36 088
Net operating income before depreciation, write-down, gain (loss) on sale of fixed assets and disposal of subsidiary		9 688	260 066
Depreciation	9	-121 191	-131 367
Write-down	9	-192 403	-112 872
Gains (losses) on sale of fixed assets	9	0	19 173
Net operating income		-303 906	35 001
FINANCIAL INCOME AND EXPENSES			
Financial income	18	5 409	4 752
Financial expenses	18	-61 384	-53 403
Changes in market value of financial current assets	12, 18	-363	1 921
Realised currency gains (losses)	18	5 837	-281
Unrealised currency gains (losses)	18	-2 591	-1 089
Net income before taxes		-356 998	-13 099
Taxes	7	-3 611	-60 861
Profit from continuing operations		-360 609	-73 959
Profit from discontinued operations	21	-382 334	-233 756
NET INCOME FOR THE YEAR		-742 943	-307 715
Basic and diluted earnings per share	8	-17.02	-7.05
STATEMENT OF COMPREHENSIVE INCOME			
Net income for the year		-742 943	-307 715
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Changes in pension estimates		2 806	12 788
Tax effect changes in pension estimate		-702	-3 197
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation subsidiaries continuing operations		-28 441	170 011
Foreign currency translation subsidiaries discontinuing operations		-37 415	227 129
Foreign currency translation subsidiaries discontinued operations recycled		-248 087	
Comprehensive income for the year		-1 054 782	99 016

STATEMENT OF FINANCIAL POSITION

THE GC RIEBER SHIPPING ASA GROUP

NOK (1 000)	NOTE	31.12.2016	31.12.2015
ASSETS			
FIXED ASSETS			
Vessels	9	1 899 580	4 777 351
Newbuilding contracts	9	0	0
Machinery and equipment	9	15 079	15 610
Total tangible fixed assets		1 914 659	4 792 961
Investments in joint ventures	4	495 370	179 160
Long-term loan to joint ventures	4	4 310	22 023
Other long-term receivables	4	64 658	8
Total financial fixed assets		564 338	201 191
Total fixed assets		2 478 997	4 994 152
CURRENT ASSETS			
Consumables and spare parts		5 319	6 966
Total consumables and spare parts		5 319	6 966
Trade receivables	10	45 396	13 974
Other current receivables	10	24 252	25 998
Total receivables		69 648	39 972
Quoted shares	11	0	0
Quoted securities	11	5 013	5 013
Total investments		5 013	5 013
Cash and cash equivalents	12	203 199	625 625
Total current assets		283 179	677 575
TOTAL ASSETS		2 762 176	5 671 726

STATEMENT OF FINANCIAL POSITION

THE GC RIEBER SHIPPING ASA GROUP

NOK (1 000)	NOTE	31.12.2016	31.12.2015
EQUITY AND LIABILITIES			
EQUITY			
Share capital (43,812,800 shares at NOK 1.80)	13, 17	78 863	78 863
Portfolio of own shares (150,800 shares at NOK 1.80)	13	-271	-271
Share premium		16 604	16 604
Paid in capital		95 196	95 196
Other equity		1 231 453	2 286 233
Total retained earnings		1 231 453	2 286 233
Total equity		1 326 649	2 381 429
LIABILITIES			
Pension liabilities	15	11 499	17 619
Total provisions		11 499	17 619
Long-term debt	14	1 226 285	2 864 439
Total long-term debt		1 226 285	2 864 439
Current portion of long-term debt	14	119 176	289 160
Trade payables		36 109	34 157
Tax payable	7	0	0
Public duties payable		12 659	14 820
Liabilities to group companies	17	25	3 649
Other current liabilities	19	29 775	66 455
Total current liabilities		197 743	408 240
Total liabilities		1 435 527	3 290 298
TOTAL EQUITY AND LIABILITIES		2 762 176	5 671 726

Bergen, 27 March 2017

Paul-Chr. Rieber
Chairman

Hans Olav Lindal
Vice chairman

Kristin Færøvik

Trygve Bruland

Tove Lunde

Einar Ytredal
Acting CEO

CASH FLOW STATEMENT

THE GC RIEBER SHIPPING ASA GROUP

BESKRIVELSE	NOTE	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES			
Net income before taxes		-356 998	-13 099
Taxes paid		-3 611	-71
Depreciation	9	121 191	131 367
Write-downs on fixed assets	9	192 403	112 872
Loss on sale of subsidiaries	9	0	-19 173
Profit from jointly controlled entities	4	-26 784	-36 088
Changes in market value of financial current assets		0	8 016
Unrealised currency losses (gains)		-8 385	-37 850
Change in stores		1 646	-2 198
Change in short term receivables		-29 696	102 485
Change in current liabilities		-6 255	-214 225
Change in other current assets and other liabilities		52 772	-28 608
Interest expense		51 336	49 577
Net cash flow from discontinued operations		-128 079	138 138
Net cash flow from operating activities		-140 461	191 143
CASH FLOW FROM INVESTMENT ACTIVITIES			
Payments from investments in financial assets		85 645	32 499
Payments from sale of fixed assets	9	0	215 148
Payments for investments in fixed assets	9	-23 988	-51 281
Net cash flow from discontinued operations		-121 447	-563 341
Net cash flow from investment activities		-59 790	-366 975
CASH FLOW FROM FINANCING ACTIVITIES			
Cash from new long-term debts		51 683	748 765
Repayment of long-term debts		-115 632	-1 044 747
Interest paid		-42 531	-49 557
Dividend payment	13	0	-21 831
Net cash flow from discontinued operations		-49 019	665 731
Net cash flow from financing activities		-155 499	298 361
Net cash flow from discontinued operations		-298 545	240 528
Net change cash and cash equivalents		-355 750	122 528
Cash and cash equivalents at 01.01.		625 625	491 560
Restricted cash		-64 650	0
Currency gains (losses) on cash and cash equivalents		-2 026	11 538
Cash and cash equivalents at 31.12.	12	203 199	625 625

STATEMENT OF CHANGES IN EQUITY

THE GC RIEBER SHIPPING ASA GROUP

NOK (1 000)	SHARE CAPITAL	OWN SHARES	SHARE PREMIUM	FOREIGN CURRENCY TRANSLATION	OTHER EQUITY	TOTAL EQUITY
Balance at 1 January 2015	78 863	-271	16 604	247 708	1 961 340	2 304 243
Net income for the year	0	0	0	0	-307 715	-307 715
Other comprehensive income	0	0	0	397 140	9 591	406 731
Total income and expense for the year	0	0	0	397 140	-298 124	99 016
Dividends to the shareholders	0	0	0	0	-21 831	-21 831
Balance at 31 December 2015	78 863	-271	16 604	644 848	1 641 385	2 381 428
Balance at 1 January 2016	78 863	-271	16 604	644 848	1 641 385	2 381 428
Net income for the year	0	0	0	0	-742 943	-742 943
Other comprehensive income	0	0	0	-313 944	2 105	-311 839
Total income and expense for the year	0	0	0	-313 944	-740 838	-1 054 782
Dividends to the shareholders	0	0	0	0	0	0
Balance at 31 December 2016	78 863	-271	16 604	330 904	900 547	1 326 649

NOTE 1 – CORPORATE INFORMATION

GC Rieber Shipping's business within offshore/shipping includes ownership in specialized vessels, high quality marine ship management and project development within the segments subsea, ice/support and marine seismic. The group has a specialized competence in offshore operations in harsh environments as well as design, development and maritime operation of offshore vessels.

GC Rieber Shipping currently operates and has direct and indirect ownership in eleven advanced special purpose vessels for defined markets within the subsea, ice/support and marine seismic segments.

The company has its headquarters and a ship management office in Bergen, and an additional ship management company in Yuzhno-Sakhalinsk (Russia). The company is listed on Oslo Børs with ticker RISH.

The financial statements were authorised for issue by the Board of Directors on 27 March 2017.

NOTE 2 - ACCOUNTING POLICIES

2.1 Principal Accounting Policies

The consolidated financial statements of the GC Rieber Shipping ASA Group, including comparable figures, have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations, published by the International Accounting Standards Board and adopted by the EU, effective as at 31.12.2016.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of the following assets:

- *financial assets and financial liabilities (including financial derivatives) at fair value through profit or loss.*

The preparation of financial statements in conformity with IFRS requires the use of estimates (note 2.21). It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in notes.

2.2 Changes in accounting policies

New and amended standards adopted by the Group

New standards, amendments and interpretations effective for the accounting year 2016 were not expected to have a significant effect on the consolidated financial statements of the Group.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are compulsory for future financial statements. Among those where the company has not chosen early adoption, the most significant are listed below:

IFRS 9 "Financial instruments" addresses the classification,

measurement and recognition of financial assets and financial liabilities and hedge accounting. The complete version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 that relate to similar issues. IFRS 9 requires financial assets to be classified in three measurement categories: those measured at fair value over comprehensive income, those measured at fair value over profit or loss and those measured at amortised cost. The measurement category is determined at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Investments in equity instruments are required to be measured at fair value through profit or loss. The company can choose to present the value changes over comprehensive income, but the choice is irrevocable and any profit/loss at a later sale cannot be reclassified over profit or loss. Value loss resulting from credit risk shall now be recognized based on expected loss instead of the current model where the loss has to be incurred. For financial liabilities there are no changes of classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements to hedge accounting by connecting the hedge effectiveness closer to the management's risk management and allowing for assessment. Contemporaneous documentation is still required. The standard is effective for accounting periods beginning on or after 1 January 2018, but early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15 «Revenues from contracts with customers» deals with revenue recognition. The standard requires the customer contract to be divided into the individual performance obligations. A performance obligations can be a commodity or a service. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is assessing the impact of IFRS 15.

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non cancellable operating lease commitments of NOK 12.6 million, see note 16.

However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date.

There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the group's financial statements.

2.3 Foreign currency translation

Functional and presentation currency

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

Transactions in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items are translated at the current exchange rate, non-monetary items that are measured at historical cost are translated at the rate in effect on the original transaction date, and non-monetary items that are measured at fair value are translated at the exchange rate in effect at the time when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies to year-end exchange rates are recognised in the income statement.

Group companies

The results and financial position of the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- b) income and expenses for each income statement are translated at average exchange rates.
- c) exchange differences are recognized in other comprehensive income and specified separately in equity.

When a foreign subsidiary is disposed of the accumulated exchange, differences related to that subsidiary are recognized in the income statement.

2.4 Consolidation principles

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations are accounted for using the acquisition accounting method. Companies, which are acquired or sold during the period, are included in the consolidated financial statements from the point in time when the parent company acquires control or until control ceases.

Jointly controlled entities are entities over which the Group has joint control through a contractual agreement between the parties.

When the Group's share of losses in a joint venture exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The company accounts of jointly controlled entities have been prepared for the same accounting year as the parent company and with uniform accounting policies.

Intra-Group transactions and balances, including internal profits and unrealised gains and losses, are eliminated. Unrealised gains from transactions with associated companies and jointly controlled entities are eliminated in the Group's share of the associated company/jointly controlled entity. Correspondingly, unrealised losses are eliminated, but only if there are no indications of any impairment in the value of the asset that is sold internally.

The consolidated financial statements have been prepared under the assumption of uniform accounting policies for equal transactions and other events under equal circumstances.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and the share of other comprehensive income is recognised in other comprehensive income, and adjusts the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Any loans to the associates are measured according to other financial assets of the same category.

The Group's share of unrealised gains on transactions between the Group and its associates is eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounts of the associates has been changed if necessary to align the accounting policies with those of the policies in the Group.

2.5 Cash and cash equivalents

Cash and cash equivalents include bank deposits, cash in hand and short-term bank deposits with an original maturity of three months or less. In some cases, the Group also enters into contracts for short-term deposits with maturity exceeding three months. Per 31.12.2016 there are no deposits with maturity exceeding three months.

2.6 Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for incurred losses. A provision for loss is accounted for when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or insufficient payments (more than 30 days overdue) are considered indicators that the trade receivables are impaired. The provision is equal to the difference between the asset's carrying amount and recoverable amount, being the present

value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the trade receivables is reduced through the use of an allowance account, and changes in the loss provision are recognised in the income statement as operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are recognised as operating expenses in the income statement.

2.7 Stores on the vessels

Stores on vessels are valued at the lower of cost and net realisable value. Costs incurred are accounted for using the FIFO (first in-first out) method and include costs accrued in acquiring the stores and bringing the stores to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated sales cost.

2.8 Fixed assets

Components of fixed assets that represent a substantial portion of the vessel's total cost price are separated for depreciation purposes, and are depreciated over their expected useful lives. The useful life is the period that the Group expects to use the vessel, and this period can thus be shorter than the economic life. If various components have approximately the same useful life and the same depreciation method as other components, the components are depreciated collectively.

For vessels, the straight line method for ordinary depreciation is applied, based on an economic life of 25 years from the vessel was new. With reference to IAS 16, Property, Plant and Equipment, the Group uses estimated recoverable amount as residual value. In special circumstances the Group will consider an alternative depreciation horizon if the circumstances so indicate, such as the purchase and/or upgrading of older vessels.

Improvements and upgrading are capitalised and depreciated over the remaining economic life of the vessel. The straight line method for ordinary depreciation based on a period of 2.5 to 5 years is applied for periodic maintenance. The straight line method for ordinary depreciation based on a life of 3 to 10 years is applied for other depreciable assets.

The depreciation period and method are assessed annually to ensure that the method and period used are in accordance with the financial realities of the fixed asset. The same applies to the scrap value. The scrap value of the vessels is calculated by multiplying the steel weight of the vessel by the prevailing market price for steel at the balance sheet date.

Fixed assets are valued at acquisition cost less any accumulated depreciation and write-downs. When assets are sold or disposed of, the acquisition cost and accumulated depreciation are reversed in the accounts and any loss or gain on the disposal is recognised in the income statement.

Fixed assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely

independent of the cash inflows from other assets or groups of assets (cash-generating units). Each vessel together with any associated contracts is considered as a separate CGU.

Write-downs recorded in previous periods are reversed when there is information indicating that the recoverable amount is higher than the carrying amount. The reversal is limited to an amount that will bring the asset's carrying amount back to the book value it would have had using the original depreciation method.

The Group capitalises expenses incurred at the docking of the Group's vessels and amortises these expenses over the period until the next docking ("the capitalisation method").

Vessels under construction are classified as fixed assets and are recorded at the value of the incurred expenses related to the fixed asset. Vessels under construction are not depreciated until the vessel is placed in service.

2.9 Leases

The Group as a lessor:

Operating leases

The Group presents leased assets as fixed assets in the balance sheet. The rental amount is taken to revenue linearly over the lease period. Initial direct costs incurred in establishing the lease are included in the carrying amount of the leased asset and expensed during the lease period.

The Group as a lessee:

Operating leases

Leases in which a significant portion of the risks and rewards of ownership remain with the lessor are classified as operating leases. The lease payments are classified as operating expenses and charged to the income statement on a straight-line basis over the period of the lease.

2.10 Financial instruments

In accordance with IAS 39, Financial Instruments: Recognition and Measurement, financial instruments are classified in the following categories: at fair value through profit or loss (held for trading purposes), held to maturity investments, loans and receivables and available for sale financial assets.

At initial recognition of financial instruments, the Group recognises a financial instrument when, and only when, it has become a part of the instrument's contractual arrangement. The financial instrument is initially recognised in the balance sheet at fair value plus, in case that the financial instrument has not been valued at fair value over profit and loss, transaction costs directly attributable to the acquisition or issuing of the financial instrument.

All purchases and sales of financial instruments are recognised on the trade date.

Financial assets at fair value through profit or loss

Financial instruments that are held for the purpose of making a gain on short-term fluctuations in prices, financially motivated investments in bonds and other securities included in a trading portfolio or derivatives which are not classified as hedge

instruments or is a financial guarantee contract, are classified as held for trading. The same applies to financial instruments that qualify for, and are designated as, financial instruments recognised at fair value with value changes through profit or loss.

Financial instruments that are classified as held for trading have been recognised at fair value as observed in the market at the balance sheet date, without deduction for selling expenses. Financial instruments in the Group held for trading are classified as current assets.

Changes in the fair value of financial instruments classified as held for trading or designated as at fair value through profit or loss are recognised in the income statement and presented net as financial income/financial expense.

Fair value

The fair value of financial instruments that are actively traded in organised financial markets is quoted prices in active markets on the balance sheet date. For investments where there is no active market, fair value is determined using valuation methods. Such methods include the use of recent arm's length market transactions between well-informed and willing parties, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis, and option pricing models.

Hedging

The Group has decided not to apply hedging accounting according to IAS 39, Financial Instruments; Recognition and measurement for 2015 and 2016. Derivatives held for hedging purposes are measured at fair value through profit and loss in the financial statements.

2.11 Provisions

Provisions are accounted for in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Provisions are recognised when, and only when, the company has an existing liability (legal or assumed) as a consequence of events which have taken place, it is probable (more likely than not) that a financial settlement will occur and the amount can be measured reliably. Provisions are reviewed at each balance sheet date and they reflect the best estimate of the respective liabilities. When the time factor is insignificant, the size of the provisions will be equal to the size of the expense required for redemption from the obligation. When the time factor is significant, the provisions will be the net present value of future payments to cover the obligation. Increase in the provision due to the time factor is presented as interest expenses.

2.12 Equity

Liabilities and Equity

Financial instruments are classified as liabilities or equity, in accordance with the underlying financial reality. Interest, dividends, gains and losses related to a financial instruments classified as a liability are presented as an expense or income. Distributions to the financial instruments holders, whose financial instruments are classified as equity, are charged directly to equity.

Own shares

The nominal value of the company's own shares is presented in the balance sheet as a negative equity element. The purchase price in

excess of the nominal value is recognised in other equity. Losses or gains originating from transactions with the company's own shares are not recorded in the income statement.

Other reserves

Reserve for translation differences

Translation differences arise in connection with currency exchange differences in the consolidation of foreign entities. Currency exchange differences with respect to monetary items (liabilities or receivables) that are in reality part of the company's net investment in a foreign unit are treated as translation differences. Upon the disposal of a foreign entity, the accumulated translation difference related to that entity is reversed and recorded in the income statement in the same period that the gain or loss on the disposal is recorded.

2.13 Policies for revenue recognition

Revenue is recognised when it is probable that transactions will generate future economic benefits that will accrue to the company and the value of such benefits can be estimated reliably. Sales revenues are recorded less value added tax and discounts. Income and expenses related to the vessels' journeys are accrued based on the number of days the journey lasts before and after the end of the year and such income is classified as charter income. Management fee for project management, building supervision and maritime operations of vessels for external owners is presented as other shipping related operating income.

Dividend income

Dividend income is recognised when the shareholders' right to receive dividends has been determined by the general meeting.

2.14 Pensions

The Group accounts for its pension schemes in accordance with IAS 19, Employee Benefits.

The companies within the Group have different pension schemes. In general, the pension schemes are financed through payments to insurance companies or pension funds, as determined by periodical actuarial calculations. The Group has both defined contribution plans and defined benefit plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits related to the employee service in current and prior periods.

A pension scheme that does not meet the definition of a defined contribution plan is a defined benefit plan. The Group's obligation to the employees consists of an obligation to contribute pension payments of a certain amount. The pension plan describes how the pension is calculated. The salary at or just before retirement, as well as the employee's length of service in the company are factors that will normally influence the pension.

The plan assets in defined benefit plans are measured at fair value. The pension obligation and the pension costs are determined by use of a linear contribution calculation. A linear contribution calculation distributes the contribution of future pension benefits linearly over the contribution period, and considers the earned pension rights of the employees during a period as the pension cost of the year.

The introduction of a new defined benefit plan or an improvement of the existing defined benefit plan will entail changes in the pension obligation. The change is recognised immediately in the comprehensive income. The introduction of new plans or changes of existing plans which take place with retroactive effect, implying that the employees have immediately earned a paid-up policy (or a change in paid-up policy), is immediately recognised in the income statement. Gains or losses related to downsizing or the termination of pension plans are recognised in the income statement when they occur. Actuarial gains or losses are recognised in the comprehensive income.

The pension obligation is calculated based on the present value of future cash flows. The discount rate is equal to the interest rate on preference bonds. The calculations have been performed by a qualified actuary.

A defined contribution plan is a pension plan under which the Group pays premiums to publicly or privately administered insurance plans for pensions on a mandatory, contractual or voluntary basis. The Group has no obligations to pay further contributions after the premiums have been paid. The premium payments are recorded as payroll expenses as they fall due. Prepayments are recorded as an asset to the extent they can be refunded or will reduce future premium payments.

2.15 Borrowings

Loans are recognised as the proceeds that are received, net of any transaction costs. Loans are subsequently accounted for at amortised cost through the use of the effective interest rate, where the difference between the net proceeds and redemption value is recognised in the income statement over the term of the loan.

Borrowing expenses are recognised in the income statement when they incur. Borrowing expenses are capitalised if they are directly related to the purchase, construction or production of a fixed asset. The capitalisation of borrowing expenses occurs when interest expenses are incurred during the construction period of the fixed asset. Borrowing expenses are capitalised until the point in time when the fixed asset is ready for use. If the cost price exceeds the fair value of the fixed asset, an impairment loss is recognised.

2.16 Taxes

The tax expense consists of payable tax and change in deferred tax. Deferred tax / deferred tax assets are calculated based on the differences between the financial and tax values of assets and liabilities, with the exception of:

- *deferred tax that arises as a result of goodwill depreciation that is not tax deductible*
- *temporary differences related to investments in subsidiaries, associated companies or joint ventures, where the Group determines when the temporary differences will be reversed and this is not assumed to occur in the foreseeable future.*

Deferred tax assets are recorded in the accounts when it is probable that the company will have sufficient taxable profit to benefit from the tax asset. On each balance sheet date, the Group will review unrecognised deferred tax assets and the carrying amount of such assets. The companies recognise prior unrecognised deferred tax assets in the accounts if it becomes probable that the company can make use of the deferred tax asset. Correspondingly, the Group will reduce the deferred tax asset if the company can no longer benefit

from the deferred tax asset. Deferred tax and deferred tax assets are measured based on the tax rates and tax legislation that are adopted or principally adopted on the balance sheet date for entities in the Group where temporary differences have arisen. Deferred tax and deferred tax assets are recognised in the accounts regardless of when the differences will be reversed. Deferred tax and deferred tax assets are recognised at their nominal value and are classified as financial fixed asset (non-current liability) in the balance sheet.

Tax payable and deferred tax relating to actuarial deviations are recognised in the statement of comprehensive income. The tax effect of particular items is presented on a separate line in the statement of comprehensive income. Tax payable and deferred tax/deferred tax asset are measured at the tax rate which relates to earned, not distributed equity. The tax effect of dividends is considered when the company has undertaken an obligation to distribute dividends.

2.17 Classification of assets and liabilities in the balance sheet

Assets meant for permanent ownership or use and receivables which are due later than one year after the end of the accounting period are classified as fixed assets. Other assets are classified as current assets. Liabilities which are due later than one year after the end of the accounting period are classified as long-term liabilities. Other liabilities are classified as current liabilities. Next year's instalments on long-term debt are classified as current liabilities in the balance sheet.

2.18 Operating segments

The Group presents accounting figures for the business segments ice/support, subsea and marine seismic. The Group's vessels can take on assignments within several of the business segments. Indirect attributable costs are allocated to the operating segments. Financial information regarding the segments is presented in note 5. Internal profit originating from transactions between the business segments is eliminated in the segment reporting.

2.19 Contingent liabilities and assets

Contingent liabilities are defined as

- *possible liabilities resulting from prior events where the existence of the liability depends on future events.*
- *liabilities which have not been recognised because it is not probable that they will lead to payments.*
- *liabilities which cannot be measured with an adequate degree of reliability.*

Contingent liabilities are not recorded in the financial statements. Significant contingent liabilities are disclosed unless the probability of the liability occurring is low. A contingent assets is not recorded in the financial statements; but will be disclosed if there is a certain probability that the Group will benefit from it.

2.20 Events after the balance sheet date

New information about the Group's position at the balance sheet date has been taken into account in the financial statements. Events occurring after the balance sheet date that do not affect the Group's position at the balance sheet date, but will affect the Group's position in the future, have been disclosed if material.

2.21 Use of estimates, judgements and assumptions in the preparation of the financial statements

Management has used estimates and assumptions which have affected the assets, liabilities, income and expenses, as well as the disclosures regarding potential obligations. This particularly relates to deferred tax assets, provisions for liabilities and write-downs of fixed assets when there are indications of impairment. The estimates may change as a consequence of future events. The estimates and the underlying assumptions are reassessed continuously. Changes in accounting estimates are recognised in the income statement in the period the changes occur. If the changes also relate to future periods, the effect will be distributed over the present and future periods.

Vessels

As a result of the development in the offshore market and the following impairment indicators, impairment testing has been performed in order to calculate the recoverable amount for the Group's fleet.

For the marine seismic segment, the vessels were written down to recoverable amount before the vessels were sold. Fair value less cost of disposal was used as recoverable amount. Since the values were derived directly from the sales transaction, the impairment related to these vessels are to a limited extent influenced by management judgements.

For the vessels in the subsea segment management has estimated both value in use and fair value less cost of disposal. Management has used judgement in estimating both values.

Fair value less cost of disposal are based on the average of two (or three) valuations from reputable brokers, adjusted for expected sales commissions. The values in the broker valuations are quoted as a range. The mid-point in the range is used, since this is considered to best reflect all possible outcomes of a potential transaction. In the current market, the valuations from brokers only to a limited extent represents results of transactions of similar assets. This reduces the reliability of the valuation, and management has sought to substantiate the broker valuations, inter alia with value in use calculations or tests of reasonableness of implicit rates derived from the valuations. Implicit rates (including both average day-rate and utilization) has been derived from a discounted cash flow model, making assumptions about the level of operating expenses, periodic maintenance and discount rate. Assumptions about the level of operating expenses and periodic maintenance are based on experience data and future budget. The discount rate has been set as a weighted average cost of capital (WACC), where the required rate of equity determined using capital asset pricing model (CAPM). The beta value is based on an analyses of comparable companies. Management consider that the rates derived from the analyses is consistent with management's own market expectations. Management has considered both the current market situation, analyst reports about expected future development, and historical rates and utilisation when defining its expectation about future day rates and utilisation. Following the evaluation, management has concluded that that the broker valuations can be considered reliable.

When estimating value in use, management has used the same assumption about operating expenses, periodic maintenance and discount rate as in the evaluation of the broker valuations. For vessels with contracts, management has assumed that the contracts will be completed. Options held by the customers are assumed to be

exercised if they are at or below current market rates. For periods not covered by contracts, revenues has been estimated based on the rates derived from the evaluation of the broker valuations. Management has also done sensitivity analyses simulating changes in utilization and opex for the vessels.

Information about impairments recognized and recoverable amounts are given in note 9.

Deferred tax assets

Deferred tax assets are recognised in the balance sheet when it is probable that the company will have sufficient future taxable profit to benefit from the tax asset. If sufficient taxable profit should not be achieved for the Group, deferred tax assets cannot be utilized and carried amount has to be recognized as expense partly or in full. Deferred tax assets are recorded at nominal value in accordance with IAS 12. In 2015 previously capitalized deferred tax assets of NOK 64.0 million has been expensed. Based on budgets taking into account the Group's existing market, the Group does not expect to be able to utilise the deferred tax assets through taxable profits in the near future.

2.22 Cash flow statement

The Group's cash flow statement shows the Group's consolidated cash flows distributed between operating activities, investment activities and financing activities. The cash flow statement shows the impact of the different activities on the Group's cash and cash equivalents. The cash flow statement is presented based on the indirect method. The Group's cash and cash equivalents include securities as these financial instruments can be converted into cash immediately.

NOTE 3 – GROUP COMPANIES

The consolidated financial statements consist of GC Rieber Shipping ASA and the following subsidiaries:

	BUSINESS OFFICE	PARENT COMPANY	OWNER'S SHARE
GC Rieber Shipping AS	Norway	GC Rieber Shipping ASA	100 %
Polar Ship Invest II AS	Norway	GC Rieber Shipping ASA	100 %
Polar Ship Invest III AS	Norway	GC Rieber Shipping ASA	100 %
Polar Shipping AS	Norway	GC Rieber Shipping ASA	100 %
Polar Explorer AS	Norway	GC Rieber Shipping ASA	100 %
Polarus AS	Norway	GC Rieber Shipping ASA	100 %
GC Rieber Crewing AS	Norway	GC Rieber Shipping AS	100 %
Rieber Shipping AS	Norway	GC Rieber Shipping AS	100 %
Polar Queen Ltd	Isle of Man	GC Rieber Shipping ASA	100 %
Polar Ship Invest IV AS	Norway	Sold to Shearwater GeoServices 22.12.2016	
Polar Ship Invest V AS	Norway	Sold to Shearwater GeoServices 22.12.2016	
Polar Ship Invest VI AS	Norway	Sold to Shearwater GeoServices 22.12.2016	
Armada Seismic Invest II AS	Norway	Sold to Shearwater GeoServices 22.12.2016	

Profit and loss until 22 December 2016 from the companies sold to Shearwater Geoservices are included as part of loss from discontinued operations

NOTE 4 – INVESTMENTS IN JOINT VENTURES (NOK 1 000)

The Group has the following investments in joint ventures:

	COUNTRY	BUSINESS	OWNER'S SHARE
Polar Pevek Ltd	Cyprus	Ice-breaker/tug	50 %
OOO Polarus	Russia	Ice-breaker/tug	50 %
OOO De Kastri Tugs	Russia	Ice-breaker/tug	50 %
Shipworth Shipping Company Ltd	Cyprus	Crew vessel	50 %
Shearwater GeoServices Holding AS	Norway	Seismic vessels	50 %

The Group has 50 per cent owner share in the vessel "Polar Pevek" which operates as an ice-breaker/tug in Russia on a 15 year time charter from 2006 to 2021 for Exxon Neftegas Ltd. The ownership and operation of the vessel is managed through three joint venture companies. Furthermore, the Group has 50 per cent owner share in the crew vessels "Polar Piltun" and "Polar Baikal". The vessels are engaged as crew vessels in Russia on time charter, which lasts through 2019 with Sakhalin Energy International Corporation. There are no obligations connected to the Group's investment in joint ventures.

Below is a summary of the financial information. The amounts in the table below show the accounts of the joint ventures in the ice-segment (100 percent).

USD (1 000)	2016	2015
CONDENSED BALANCE SHEET		
SHORT-TERM ITEMS		
Cash and cash equivalents	7 213	9 592
Other current assets	4 393	3 572
Total current assets	11 606	13 164
Financial liabilities (ex. Trade payables)	-5 420	-4 000
Other current liabilities (incl. Trade payables)	-5 151	-6 636
Total current liabilities	-10 571	-10 636
LONG-TERM ITEMS		
Long-term items		
Assets	44 799	44 143
Financial liabilities	-20 078	-5 239
Other liabilities	0	-29
Total non-current liabilities	-20 078	-5 268
Net assets	25 756	41 403
CONDENSED INCOME STATEMENT		
Operating income	16 115	17 122
Operating expenses	-4 482	-3 339
Depreciation	-3 243	-3 687
Financial income	117	356
Financial expenses	-1 886	-944
Result before tax	6 622	9 508
Tax	-199	-606
Result	6 424	8 901

Reconciliation between the condensed accounting information above and carrying share of joint ventures,

USD (1 000)	2016	2015
CONDENSED FINANCIAL INFORMATION		
Net assets 1 January	41 403	37 502
Result for the period	6 424	8 901
Dividends paid	-22 300	-5 000
Net assets 31 December	25 527	41 403
Current exchange rate at the balance sheet date	8.62	8.81
Net assets 31 December at the exchange rate on the balance sheet date (USD/NOK)	220 040	364 718
Owner share 50% (NOK 1 000)	110 020	182 359
Group items (NOK 1 000)	-1 850	-3 199
Carrying amount (NOK 1 000)	108 170	179 160

Shearwater:

In mid-October, the company entered into an agreement with Rasmussengruppen AS to establish Shearwater GeoServices ("Shearwater") as a 50/50 owned marine geophysical company. The transaction was completed 22 December 2016. Due to immateriality, profit and loss from the transaction date to 31 December 2016 has not been included in the Group's figures for 2016. For more details see note 21. Balance sheet of Shearwater was drawn up at fair value upon incorporation.

As a part of the loan agreement entered into between Shearwater and the Lenders, GC Rieber Shipping issued a parent company guarantee of 50% of the outstanding loans. The Group has also provided a cash collateral of USD 7.5 million securing on a pro-rata basis Shearwater's payments instalments up until 30 June 2019. The amount is presented as restricted cash in the balance sheet. There are no other obligations connected to the Group's investment in joint ventures.

In addition, should the market value of Shearwater vessels be reduced below 90 % of the outstanding facility amount after 31.12.2017, the Group shall within 12 months provide a guarantee deposit up to USD 10.0 million.

The amounts in the table below show the balance accounts of Shearwater (100 %):

USD (1 000)	2016
CONDENSED BALANCE SHEET	
SHORT-TERM ITEMS	
Cash and cash equivalents	51 509
Other current assets	17 027
Total current assets	68 536
Financial liabilities (ex. Trade payables)	-6 394
Other current liabilities (incl. Trade payables)	-7 596
Total current liabilities	-13 990
LONG-TERM ITEMS	
Assets	255 333
Financial liabilities	-220 040
Total non-current liabilities	-220 040
Net assets	89 838
Current exchange rate at the balance sheet date (USD/NOK)	8.62
Net assets 31 December at the exchange rate on the balance sheet date (NOK 1 000)	774 401
Owner share 50% NOK (1 000)	387 200

Summary :

NOK (1 000)	JOINT VENTURE ICE	SHEARWATER	TOTAL
Result	26 784	0	26 784
Carrying amount	108 170	387 200	495 370

NOTE 5 – SEGMENT INFORMATION (NOK 1 000)

The Groups Management Team, consisting of the Chief Executive Officer, the Chief Financial Officer, the Chief Operation Officer and the Technical Director examines the Group's performance both from a product and geographical perspective and has identified three reportable segments of its business.

GC Rieber Shipping currently operates and has direct or indirect ownership in 11 advanced special- purpose vessels for defined markets within subsea, ice/support and marine seismic. Until December 2016 the Group had three operating segments subsea, ice/support and marine seismic, as the three business segments are considered to have different operational and financial risk profile. Following the establishment of the joint venture Shearwater, the Group will now have two segments. Transactions between the segments are carried out at arm`s length and they are eliminated in the consolidated financial statements.

Subsea

During the year, the Group has operated five vessels within the subsea segment, of which three are owned by the Group. The vessels are primarily used for inspection, maintenance and repair of subsea installations. "Polar Queen" was chartered to the subsea contractor BOA Marine Services Inc. until November 2016. The vessel will embark on a new contract with Senvion in the first quarter of 2017. "Polar Onyx" has been on different short-term charters in 2016 and is currently on a four month charter in West Africa . The «Polar King» has been on several short-term charters in 2016. From January 2017 the vessel is chartered to Nexans Skagerrak AS for a period of 21 months. The segment has also included maritime operation of two subsea vessels for other owners until November 2016.

Ice/support

GC Rieber Shipping owns and operates two vessels within ice/support, as well as two crew vessels. The vessel «RSS Ernest Shackleton» is on a bareboat charter to the British Antarctic Survey for operations in Antarctica until August 2018. The «Polar Pevek» is owned through a 50/50 joint venture with Maas Capital Offshore. «Polar Pevek» is on a long-term time charter to Exxon Neftegas until 2021, and operates from the oil terminal in DeKastri, assisting tankers that that load oil from Sakhalin I field East in Russia. The crew vessels «Polar Piltun» and «Polar Baikal» are operated through a 50/50 joint venture with Primorsk Shipping Corporation. The two crew vessels are on a time charter to Sakhalin Energy Investment Corporation through 2019, and operate on the Sakhalin II field.

Discontinued operations:

Marine Seismic

During the year, the Group has owned four vessels within the subsea segment. "Polar Duke" has been cold-stacked the whole year. "Polar Empress", "Polar Duchess" and "Polar Marquis" have been on several short-term charters during 2016. In October 2016, the company entered into an agreement with Rasmussengruppen AS to establish Shearwater GeoServices ("Shearwater") as a 50/50 owned marine geophysical company. Shearwater took over the four modern seismic vessels; «Polar Empress», «Polar Duke», «Polar Duchess», and «Polar Marquis» from GC Rieber Shipping. The agreement was successfully completed 22 December 2016.

The Group will continue to have the maritime operation of the four seismic vessels.

Segment information:

BESKRIVELSE	ICE/ SUPPORT	SUBSEA	NOT ALLOCATED	TOTAL	DISCONTINUED OPERATIONS - MARINE SEISMIC
2016					
FROM THE INCOME STATEMENT					
Operating income	18 307	187 196	-	205 503	83 402
Operating profit before depreciation, write-down and gain (loss) on sale of fixed assets	44 921	-35 232	-	9 689	-45 678
Depreciation	-8 957	-112 234	-	-121 191	-101 100
Write downs	-	-192 403	-	-192 403	-399 685
Profit from disposal of fixed assets	-	-	-	-	-
Operating profit	35 964	-339 870	-	-303 906	-546 463
FROM THE BALANCE SHEET					
Vessels	37 529	1 862 051	-	1 899 580	-
Debt to credit institutions	-	1 345 461	-	1 345 461	-
FROM THE CASH FLOW STATEMENT					
Operating profit before depreciation, write-down, and gain (loss) on sale of fixed assets	44 921	-35 232	-	9 689	-45 678
Repayment of long-term loans	-	-115 632	-	-115 632	-80 955
New long-term loans raised	-	51 683	-	51 683	82 692
Sale of fixed assets	-	-	-	-	-
Investments	-	-23 988	-	-23 988	-131 438
Other investing activities	85 645	-	-	85 645	-
Interest paid	-	-42 531	-	-42 531	-50 756
Other changes	-	-	-22 068	-22 068	-72 410
Net change in cash and cash equivalents	130 566	-165 703	-22 068	-57 205	-298 545

BESKRIVELSE	ICE/ SUPPORT	SUBSEA	NOT ALLOCATED	TOTAL	DISCONTINUED OPERATIONS - MARINE SEISMIC
2015					
FROM THE INCOME STATEMENT					
Operating income	11 559	462 981	-	474 540	505 706
Operating profit before depreciation, write-down and gain (loss) on sale of fixed assets	47 549	212 517	-	260 066	138 138
Depreciation	-8 119	-123 248	-	-131 367	-130 404
Write downs	-	-112 872	-	-112 872	-138 715
Profit from disposal of fixed assets	-	19 173	-	19 173	-
Operating profit	39 430	-4 430	-	35 000	-130 981
FROM THE BALANCE SHEET					
Vessels	47 745	2 193 257	-	2 241 002	2 536 349
Debt to credit institutions	-	1 437 765	-	1 437 765	1 715 835
FROM THE CASH FLOW STATEMENT					
Operating profit before depreciation, write-down, and gain (loss) on sale of fixed assets	47 549	212 517	-	260 066	138 138
Repayment of long-term loans	-	-826 656	-218 091	-1 044 747	-1 114 338
New long-term loans raised	-	748 765	-	748 765	1 827 868
Sale of fixed assets	-	215 148	-	215 148	-
Investments	-	-51 279	-	-51 279	-563 343
Other investing activities	32 499	-	-	32 499	-
Interest paid	-	-48 355	-5 193	-53 548	-43 807
Other changes	-35 394	-	-193 501	-228 895	-
Net change in cash and cash equivalents	44 654	250 140	-416 785	-121 991	244 518

Geographical information:

Operating income from external customers

	2016	2015
Africa	110 816	0
USA	46 377	143 297
Great Britain	25 380	246 229
Norway	22 133	84 194
Europe	798	875
Total operating income	205 505	474 541

The allocation of the operating income above is based on the country in which the customer is located. Two customers account for 100 per cent of the operating income registered on Africa, both customers within the subsea segment. The operating income registered on USA relates to one customer and the operating income is included in the subsea segment. Two customers account for 100 per cent for the operating income registered on Norway and is included in the subsea segment. The operating income registered on Great Britain relates to two customers where one individual customer account for 72 per cent of the operating income and is included in the ice segment, the other customer is included in the subsea segment.

Geographical information discontinuing operations:

Operating income from external customers

The allocation of the operating income above is based on the country in which the customer is located.

Operating income from the seismic segment relates to two individual customers where one individual customer, who accounts for 80 per cent of the operating income, registered on Russia, and the remaining customer, with 20 per cent the operating income, registered on Norway.

FIXED ASSETS

Book value of vessels and other equipment geographically belongs to Norway.

NOTE 6 – PAYROLL EXPENSES, NUMBER OF EMPLOYEES, REMUNERATIONS, LOANS TO EMPLOYEES, ETC. (NOK 1 000)

Payroll expenses include wages to employees and hired personnel in the administration and on own vessels.

	2016	2015
Payroll crew	68 935	87 880
Payroll office workers	32 028	37 992
Payroll tax	9 794	11 261
Pension costs	8 430	7 433
Other remunerations	1 867	2 058
Total payroll expenses	121 052	146 625

Total payroll expenses of discontinuing operations are NOK 55.2 million (NOK 69.3 million)

The group has employer liability for the following number of employees:

	2016	2015
Marine crew	66	80
Office workers	34	45

The payroll expenses are included in the following lines in the income statement:

	2016	2015
Crew and catering expenses	85 870	97 267
Administration expenses	35 183	49 358
Total payroll expenses	121 052	146 625

The Group has during the year reduced the number of marine crew it has employer responsibility for, hence there has been a reduction in payroll for crew.

	2016	2015
REMUNERATIONS TO THE GROUP MANAGEMENT		
Wages	6 636	6 622
Bonus, general scheme	0	0
Other remunerations	67	92
Paid pension contribution	609	517
Total Group management remunerations	7 312	7 231
REMUNERATION FOR THE BOARD OF DIRECTORS		
Fees and remunerations for Board of Directors GC Rieber Shipping ASA	1 017	1 000
Total remunerations for the Board members of the Group	1 017	1 000

The amounts are included in the Group's administration expenses.

The Group's CEO is not employed in the company GC Rieber Shipping ASA, but has been contracted from the subsidiary GC Rieber Shipping AS. No agreements have been entered into with the chairperson of the board with regard to special payments upon the termination or change of the board position. Further, no agreements exist that grant employees or representatives entitlement to subscribe for or purchase or sell shares in the company.

	2016	2015
AUDITOR'S FEE (EXCL. VAT)		
Audit fee	323	558
Other certification services	726	14
Tax consulting	407	1 421
Other services	0	81
Total auditor's fees	1 457	2 073

NOTE 7 - TAXES (NOK 1 000)

	2016	2015
INCOME TAX EXPENSE:		
TAXES IN INCOME STATEMENT:		
Tax payable in Norway	0	0
Change in tax from previous periods	3 611	68
Change in deferred tax	0	60 792
Income tax expense (income)	3 611	60 861
RECONCILIATION OF INCOME TAX EXPENSE FOR THE YEAR:		
Net income before taxes	-356 998	-246 854
Estimated tax based on nominal rate 25 %	-89 250	-66 651
Effect of tonnage tax regime/tax payable outside Norway	64 435	31 446
Deferred tax asset not recognised in the balance sheet	28 433	77 200
Permanent differences	-7	138
Other/correction of tax payable in previous periods	0	68
Income tax expense (income)	3 611	60 861
DEFERRED TAX:		
DEFERRED TAX LIABILITIES/ASSETS:		
Profit and loss	34	42
Other differences	-2 318	7 153
Financial instruments	-5 176	-24 473
Net financial items for companies in the tonnage tax regime	-26 026	-80 356
Pension liabilities	-11 499	-17 619
Tax losses carried forward	-900 409	-678 595
Basis for calculation of deferred tax	-945 394	-793 848
Tax rate	24 %	25 %
Calculated deferred tax liabilities/assets in the balance sheet	-226 895	-198 462
Deferred tax assets not recognised in the balance sheet	226 895	198 462
Deferred tax liabilities/assets in the balance sheet	0	0
Directly capitalised deferred tax assets which are not included in change in temporary differences:		
Estimate deviations for pensions recognised directly in comprehensive income	-2 942	-12 788

At 31.12.2016, deferred tax assets not recognised amount to NOK 226.9 million whereof NOK 215.2 million relate to companies that are not subject to the tonnage tax regime.

By end of 2016 the Group had tax losses carried forward of NOK 900.4 million in Norway, whereof NOK 0 million is basis for capitalization. The disclosure of deferred tax benefits on net tax reducing differences and carry forward losses, is based on estimated future earnings. Based on budgets taking into account the Group's existing market, the Group does not expect to be able to utilise the deferred tax assets through taxable profits in the near future.

NOTE 8 – EARNINGS PER SHARE

Earnings per share is calculated by dividing the net income for the year attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the accounting period.

The company has no convertible loans or equity instruments and the diluted earnings per share are thus equal to earnings per share.

	2016	2015
Net income for the year (NOK 1000)	-742 943	-307 715
Time weighted average number of shares applied in the calculation of earnings per share	43 662 000	43 662 000
Number of outstanding shares as at 31.12.	43 662 000	43 662 000
Basic and diluted earnings per share (NOK)	-17.02	-7.05

	2016	2015
Net income for the year continuing operations (NOK 1 000)	-360 609	-73 959
Basic and diluted earnings per share continuing operations (NOK)	-8.25	-1.69

NOTE 9 – TANGIBLE FIXED ASSETS (NOK 1 000)

Vessels and marine equipment:

	2016	2015
Acquisition cost as at 01.01	6 223 759	4 802 951
+ Additions during the year	17 892	30 816
+ Additions during the year for periodic maintenance	7 590	13 441
+ Additions during the year transferred from vessel under construction	-	727 422
- Disposals during the year	-3 101 239	-386 702
+ Changes in translation differences during the year	-171 769	1 032 561
= Acquisition cost as at 31.12.	2 976 234	6 223 759
Accumulated depreciation and write-downs at 01.01.	1 446 407	912 491
+ Depreciation for the year continuing operations	92 536	100 464
+ Depreciation of periodic maintenance for the year	21 695	25 491
+ Depreciation for the year discontinued operations	101 100	130 404
+ Write-downs during the year	192 403	112 872
+ Write-downs during the year discontinued operations	399 685	138 715
- Disposals during the year	-1 029 580	-151 746
+ Changes in translation differences during the year	-147 592	177 716
= Accumulated depreciation and write-downs at 31.12.	1 076 654	1 446 407
Carrying amount as at 31.12.	1 899 580	4 777 352
= Accumulated depreciation and write-downs at 31.12.	1 900 088	1 593 454

All vessels have carrying amounts in USD, which are converted to NOK by using the exchange rate on the balance sheet date in the consolidated financial statements. Changes in the exchange rate USD/NOK result in translation differences, which are recognised in other comprehensive income. Accumulated exchange differences are included in the amounts above.

Depreciation rates of 4 to 12.5 per cent have been applied for vessels and 6.67 to 33.33 per cent have been applied for marine equipment. Capitalised periodic maintenance per 31.12.2016 amounts to NOK 7.6 million. (2015: NOK 46.3 million).

The Group sold four seismic vessels to Shearwater GeoServices in December 2016 for the total amount of USD 228.5 million. The sale of the vessels implied an impairment charge of approximately NOK 130 million specified below.

The Group sold one vessel in 2015. "Polar Prince" was sold in June at a price of USD 27.4 million and resulted in a profit of NOK 19.2 million.

Impairment loss

VESSELS (NOK 1000)	POLAR ONYX	POLAR KING	POLAR QUEEN	TOTAL
Impairment	74 413	66 520	51 470	192 403
Recoverable amount	917 557	469 359	475 134	1 862 050
Basis for recoverable amount	Fair value less cost of disposal	Fair value less cost of disposal	Fair value less cost of disposal	
Firm contract days	120	630	210	
WACC used in evaluation broker estimates	8.3 %	8.3 %	8.3 %	

The difference between recoverable amount and booked value vessels is vessel in ice-support segment that not has been impaired.

See note 2.21 for information about the use of judgement when determining recoverable amount.

Fair value estimates are sensitive to market conditions, especially charter rates and availability of fleet. Significant changes in market conditions would result in different fair value estimates.

The fair value less cost of disposal estimates are based on level 3 valuation techniques for all the subsea vessels.

Impairment of vessels in the marine seismic segment, sold during the year

VESSEL (NOK 1000)	IMPAIRMENT	RECOVERABLE AMOUNT AFTER IMPAIRMENT
Polar Empress	123 855	639 747
Polar Duke	63 827	448 708
Polar Duchess	99 998	455 912
Polar Marquis	112 005	294 138
Total	399 685	1 838 505

Recoverable amount for these vessels are based on the sales transaction in December 2016. For further information about the transaction, see note 21.

	2016	2015
MACHINERY, INVENTORY AND EQUIPMENT:		
Acquisition cost 01.01.	25 797	5 036
+ Additions during the year	6 429	20 761
= Acquisition cost as at 31.12	32 226	25 797
Accumulated depreciation as at 01.01.	10 187	4 775
+ Depreciation for the year	6 960	5 412
= Accumulated depreciation and write down as at 31.12.	17 147	10 187
Carrying value as at 31.12.	15 079	15 610

NOTE 10 – TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES (NOK 1 000)

	2016	2015
TRADE RECEIVABLES		
Trade receivables gross	45 396	203 668
Provision for bad debt	-	-189 694
Trade receivables net	45 396	13 974
OTHER RECEIVABLES		
Prepaid expenses	7 929	10 541
Insurance settlement	6 610	6 548
Accrued income	-	8 809
Re-invoiced expenses	9 713	100
Total other receivables	24 252	25 998
Total current receivables	69 648	39 972
AGEING PROFILE TRADE RECEIVABLES, NOT IMPAIRED AT THE END OF THE REPORTING PERIOD		
Receivables, not due	37 628	
Receivables, due by 1-30 days	5 850	
Receivables, due by 31-60 days	1 918	
Total	45 396	
PROVISION FOR BAD DEBT TRADE RECEIVABLES		
Provision for bad debts 01.01	-189 694	-25 628
Provision made during the year	-	-189 694
Losses realised	189 694	25 628
Provision for bad debts 31.12	-	-189 694

In December 2015, the company's customer Dolphin Geophysical filed for bankruptcy. GC Rieber Shipping had three vessels on long-term contract to Dolphin at the date of the bankruptcy. GC Rieber Shipping's total loss on accounts receivables relating to the bankruptcy amounted to a total of NOK 189.7 million.

Loss on trade receivables have been classified as operating vessel expenses within discontinued operation.

NOTE 11 – QUOTED FINANCIAL INVESTMENTS (NOK 1 000)

	2016	2015
SHARES AND SECURITIES:		
Acquisition cost	5 013	13 770
Carrying amount	5 013	5 013
Fair value	5 013	5 013

Investments in bond is recorded at acquisition cost at the balance sheet date, without deduction for sales costs.

NOTE 12 – CASH AND CASH EQUIVALENTS (NOK 1 000)

	2016	2015
Bank deposits and cash	196 735	566 500
Tax withholdings	6 464	7 837
Short-term bank deposits	0	51 288
Bank deposits and cash	203 199	625 625

Bank deposits generate interest income based on the banks' prevailing terms at any given time. Short-term bank deposits are made for varying periods; from one day to three months, depending on the company's need for liquidity. In some cases, the Group also enters into contracts on short-term deposits with terms exceeding three months. Per 31.12.2016, the Group has restricted cash deposit of USD 7.5 million which is presented as long term receivables in the balance sheet.

NOTE 13 – EQUITY (NOK 1 000)

	2016	2015
ORDINARY SHARES		
Par value per share (NOK)	1.80	1.80
Number of shares	43 812 800	43 812 800
Share capital	78 863	78 863

OWN SHARES:

The company owns 150 800 own shares per 31.12.2016, constituting 0.34 per cent of total number of shares.

DIVIDENDS PAID	2016	2015
Total dividend paid (per share 2016: NOK 0.00 and 2015: NOK 0.50)	-	21 831
Dividend proposed by the Board after the balance sheet date 31.12.:	-	-

NOTE 14 – DEBT TO CREDIT INSTITUTIONS (NOK 1 000)

The Group's long-term liabilities, including first year's instalments, are summarised as follows at year-end 2016:

		AVERAGE INTEREST RATE 2016	AVERAGE MATURITY	BALANCE SHEET 2016	BALANCE SHEET 2015	INTEREST PAYMENT 2016	INTEREST PAYMENT 2015
Mortgage debt with floating interest	Secured	USD LIBOR + 1.95 %	4.5 years	688 307	1 756 955	18 008	55 990
Mortgage debt with fixed interest	Secured	USD CIRR 2.43 % + 1.6 %	3.5 years	670 801	1 442 868	33 329	43 559
Amortization effect, mortgage debt				-13 468	-46 223	-	-
Total				1 345 640	3 153 600	51 336	99 550

The Group's vessels are pledged as collateral for the loans by a total of NOK 1 862 million.

The repayment schedule for the Group's long-term liabilities, including first year's instalments, at year-end 2016:

Due in 2017	119 176
Due in 2018	119 176
Due in 2019	119 176
Due in 2020	575 321

Due in 2021	426 259
Later maturity	0
Total interest bearing debt	1 359 109

In addition, interest on the principal amount falls due. The mortgage loan on "Polar Onyx" is a fixed rate. The remaining loan financing has floating interest rates, and the interest payments vary with the market interest rate level.

First year's instalments on long-term liabilities are classified as current liabilities in the balance sheet. The Group's long-term liabilities are exclusively denominated in USD and have been converted to NOK using the exchange rate at the balance sheet date. The average interest rate for the Group's interest-bearing debt in 2016 was 3.43 percent (2015: 3.45 per cent).

According to the Group's loan agreements, shall:

- the Group's equity ratio be minimum 30 per cent.
- the Group's working capital (excluding instalments of long term debt due in the following twelve months) as a minimum equal one year's ordinary instalments, but not less than NOK 50 million.

the fair market value of each vessel be at least 120 percent of the sum of the loan.

The Group is in compliance with the financial covenants at 31.12.20.16, and has been throughout 2016.

NOTE 15 – PENSION COSTS AND PENSION OBLIGATIONS (NOK 1 000)

In March 2012, the company closed its defined-benefit scheme for land employees. Employees at this time could choose whether to switch to a defined-contribution plan or continue with the defined-benefit plan. New employees hired after March 2012 are included in the company's defined-contribution plan. From January 2017 all employees have changed to defined-contribution plan.

Defined-benefit plan

The Group has a company pension scheme with tax deductions for its employees in a life insurance company. The pension scheme entitles future defined benefits. The benefits depend on the number of contribution years, the wage level at retirement and the size of the benefits from the National Insurance. Full retirement pension constitutes about 63 per cent of the pension base (limited to 12G) and the pension scheme also includes disability and children's pensions. The retirement age is 67 years. The Group has the right to undertake changes in the pension scheme. These pension schemes are funded obligations.

The Group has also an early retirement pension agreement with certain employees, through which the company pays 63 per cent of the pension base between 65 and 67 years of age, as well as pension obligations related to employees with salaries exceeding 12G. These are non-funded obligations.

Mariners have a separate contractual pension scheme. The retirement pension from age 60 to 67 amounts to 60 per cent of the pension-qualifying income in the case of full contribution (360 months of sea duty), including the Pension Insurance for Seamen. These are funded and tax deductible obligations.

All pension schemes have been treated in accordance with IAS 19. Changes in the pension obligations due to changes in actuarial assumptions are recognised in the comprehensive income.

The discount rate is equal to the interest rate on covered bonds (OMF). If the discount rate is reduced by 1%, it will normally result in an increase in the gross pension obligation of 15 to 20 per cent.

The pension cost is based on the actuarial assumptions as at 01.01, whereas the pension obligations are based on the actuarial assumptions at 31.12.

	2016	2015
Discount rate	2.6 %	2.7 %
Estimated return on plan assets	2.6 %	2.7 %
Inflation/Increase of National Insurance Basic Amount (G)	2.25 %	2.25 %
Rate of salary increase	2.5 %	2.5 %
Rate of pension increase	0 %	0 %
Number of employees	62	99
Number of pensioners	18	19
Mortality table	K-2013	K-2013

	2016	2015
SPECIFICATION OF THE GROUP'S NET PENSION COST		
Current service cost	1 348	6 040
Interest expenses on benefit obligations	1 749	1 552
Estimated return on plan assets	-1 385	-1 099
Administration costs	90	88
Amortising	0	0
Net pension cost	1 802	6 581
Payroll tax	-185	916
Pension cost in the income statement	1 616	7 496

ESTIMATED PENSION COST 2017		
Current service cost	2 822	
Interest expenses on benefit obligations	985	
Estimated return on plan assets	-757	
Administration cost	65	
Net pension cost	3 115	
Payroll tax	142	
Pension cost in the income statement	3 257	

	31.12.2016	31.12.2015
SPECIFICATION OF THE GROUP'S NET PENSION OBLIGATIONS		
Gross obligations, secured	-28 422	-56 160
Gross obligations, unsecured	-10 359	-9 495
Fair value of plan assets	28 742	50 213
Payroll tax	-1 461	-2 177
Book value of net pension obligations	-11 499	-17 619
Carrying value 01.01.	-17 619	-28 226
Cost in income statement	1 616	7 496
Contributions during the year	-5 072	-6 066
Recognised net actuarial (loss) / gain	2 663	12 038
Carrying value 31.12.	-11 499	-17 619

	31.12.2016	31.12.2015
Gross pension obligations	-38 781	-65 655
Fair value of plan assets	28 742	50 213
Payroll tax	-1 461	-2 177
Book value of net pension obligations	-11 499	-17 619

Actual return on plan assets per 31.12.2016 was 4.5 per cent.

Defined contribution plan

In addition to the defined benefit plans as described above, one of the Group's subsidiaries has made contributions to local pension plans in 2016. The contributions have been provided to pension plans covering 30 employees. The pension premium is recognised as an expense the year that it falls due and amounts to NOK 1.0 million in 2016 compared to NOK 1.4 million in 2015. From 2017 all employees has been transferred to the defined contribution plan.

NOTE 16 – LEASING (NOK 1 000)

The Group as a lessor

Operational leasing

The Group charters its owned vessels under charter parties of varying duration to different charterers. Per 31 December 2016 one of the vessels was had a medium term bareboat charter. The bareboat charter consist of rental of the vessel and amounts to NOK 17 million in 2017 and NOK 11 million in 2018.

The Group as a lessee

Operational leasing:

The Group has entered into several operating lease agreements regarding office premises, ICT equipment and services as well as certain administrative services. The lease agreements do not include any restrictions regarding the company's dividend policy or financing possibilities.

The lease costs relating to office premises, ICT services and certain administrative services consist of the following:

	2016	2015
Ordinary lease payments	12 066	9 894
	12 066	9 894

Future minimum lease payments related to non-cancellable lease agreements are due as follows:

	2016	2015
Within 1 year	3 431	3 431
1 to 5 years	8 635	5 757
Later than 5 years	0	0
Total	12 066	9 188

NOTE 17 – SHAREHOLDERS' INFORMATION AND TRANSACTIONS WITH RELATED PARTIES (NOK 1 000)

The 20 largest shareholders in GC Rieber Shipping ASA as at 31 December 2016 (outstanding shares):

	NUMBER OF SHARES	OWNER SHARE
GC Rieber AS	30 861 735	70.4 %
AS Javipa	3 056 222	7 %
GC Rieber AS Understøttelsesfond	1 379 616	3.3 %
Trioship Invest AS	909 000	2.1 %
Pareto Aksje Norge	827 901	1.9 %
Johanne Marie Martens	400 000	0.9 %
Storkleiven AS	371 687	0.8 %
Delta A/S	363 000	0.8 %
Benedicte Martens Nes	356 250	0.8 %
Pelicaen AS	348 396	0.8 %
Tannlege Randi Arnesen AS	307 000	0.7 %
Randi Jebsen Arnesen	255 000	0.6 %
Dag Fredrik Jebsen Arnesen	212 750	0.5 %
Torhild Marie Rong	161 500	0.4 %
GC Rieber Shipping ASA	150 800	0.3 %
Bergen Råvarebørs II AS	148 668	0.3 %
Tigo AS	141 359	0.3 %
Triofa 2 AS	141 359	0.3 %
Arild Nøst Arnesen	134 902	0.3 %
Marius Nøst Arnesen	133 223	0.3 %
Other shareholders	3 152 432	7.1 %
Outstanding shares	43 812 800	100 %
Outstanding shares (reduced by own shares)	43 662 000	

The Chairman of the Board, Paul-Chr. Rieber indirectly controls 1.8 per cent which equals 802 405 shares in the Company. No other board members owns shares in the Company. Acting CEO owns 8.000 shares as at 31 December 2016.

At 31.12.2016, GC Rieber AS owns 30 861 735 shares in GC Rieber Shipping ASA. This constitutes 70.4 per cent of the outstanding shares in the company. Own shares in GC Rieber Shipping ASA are 150 800, representing 0.34 per cent of the share capital.

Transactions with the parent company:

One of the Group's subsidiaries has entered into a 5.5 year lease agreement for office premises with a subsidiary of GC Rieber AS. The agreement expires at 31.12.2018 and has been entered into on an arm's length basis. The same subsidiary has entered into an agreement with GC Rieber AS concerning the purchase/hiring of ICT services and equipment as well as purchase of certain administrative services. The agreements have been entered into on an arm's length basis.

	2016	2015
ICT and administration expenses	6 705	6 312
Lease payments	3 560	3 349

The balance sheet had no current liabilities to the parent company per 31.12.2016. (NOK 3.7 million per. 31.12.2015)

Transactions with joint ventures (the equity method):

The Group has had several transactions with joint ventures. All transactions have been carried out as part of the ordinary operations and at arm's length prices. The most important transactions are as follows:

	2016	2015
Management income	1 059	812
Expenses	0	0
Total	1 059	812

The balance sheet includes the following amounts originating from transactions with joint ventures:

	2016	2015
Trade receivables	23 257	490
Other short term receivable	9 672	0
Owner share in accordance with the equity method	495 370	179 160
Loans (Other long-term receivable)	4 310	22 023
Total (net)	532 608	201 673

NOTE 18 – CAPITAL STRUCTURE AND FINANCIAL RISK MANAGEMENT (NOK 1 000)

1. CAPITAL STRUCTURE

The Group runs a capital-intensive business where the ongoing capital requirement mainly relates to investments in new vessels, reconstruction/conversion of vessels, and repayment of debt and possible acquisitions of companies. The Group aims at securing a long-term financing of new investments from acknowledged financial institutions that are acquainted with the Group's business. The terms of such financing will normally reflect the different investments' equity ratio, which in turn is normally influenced by the risk profile of the investments. Furthermore, the public listing of GC Rieber Shipping ensures that the Group has sufficient access to equity markets if and when a need for such recapitalization should arise.

The Group's overall strategy is to have a capital structure involving satisfactory solidity and liquidity that ensures favourable terms on long-term financing and gives the Group the opportunity to have a stable dividend policy, combined with freedom of action and flexibility with regards to responding to new investment possibilities. Interest and instalments on the long-term financing will normally be repaid with the operating cash flows from the related investments, mainly from cash flows from operation of vessels.

Debt ratio

The debt ratio is calculated by dividing net interest-bearing debt on adjusted total capital. Net interest-bearing debt includes all debt on which interest is accrued as recorded in the balance sheet less cash and cash equivalents. Adjusted total capital is the equity recorded in the balance sheet, plus net interest-bearing debt.

The debt ratio per 31.12.2016 and 31.12.2015 is calculated as follows:

	2016	2015
Total loan	1 345 460	3 153 599
Cash	-203 199	-625 625
Net loan	1 142 261	2 527 974
Total equity	1 326 649	2 381 429
Total capital (adjusted)	2 468 910	4 909 403
Debt ratio	46.27 %	51.49 %

The increase in debt ratio during 2015 is mainly due to raising of new loan in connection with delivery of the newbuilding «Polar Empress» in May 2015.

2. BALANCE SHEET INFORMATION

The Group's financial assets and liabilities are included in the balance sheet as follows:

	LOANS AND RECEIVABLES	FINANCIAL INSTRUMENTS AT FAIR VALUE OVER PROFIT OR LOSS	TOTAL
AT 31.12.2016			
ASSETS			
Long-term loan to joint ventures	4 310	0	4 310
Long-term restricted cash	64 650		64 650
Quoted securities	0	5 013	5 013
Receivables	69 648	0	69 648
Cash and cash equivalents	203 199	0	203 199
Total financial assets	341 807	5 013	346 820

	FINANCIAL INSTRUMENTS AT FAIR VALUE OVER PROFIT OR LOSS	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	TOTAL
LIABILITIES			
Interest bearing long-term debt	0	1 226 284	1 226 284
Interest bearing short-term debt	0	119 176	119 176
Financial hedging instruments	1 242	0	1 242
Trade payables	0	36 109	36 109
Liabilities to group companies	0	0	0
Other current liabilities	0	41 216	41 216
Total financial liabilities	1 242	1 422 785	1 424 027

	LOANS AND RECEIVABLES	FINANCIAL INSTRUMENTS AT FAIR VALUE OVER PROFIT OR LOSS	TOTAL
AT 31.12.2015			
ASSETS			
Long-term loan to joint ventures	22 023	0	22 023
Quoted securities	0	5 013	5 013
Receivables	39 952	0	39 952
Cash and cash equivalents	625 625	0	625 625
Total financial assets	687 600	5 013	692 613

	FINANCIAL INSTRUMENTS AT FAIR VALUE OVER PROFIT OR LOSS	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	TOTAL
LIABILITIES			
Interest bearing long-term debt	0	2 864 439	2 864 439
Interest bearing short-term debt	0	289 160	289 160
Financial hedging instruments	30 217	0	30 217
Trade payables	0	34 157	34 157
Liabilities to group companies	0	3 649	3 649
Other current liabilities		21 449	21 449
Total financial liabilities	30 217	3 212 854	3 243 071

The carrying values of financial assets and liabilities are assumed to be their fair values.

Security for capitalised assets

- *Security has not been provided for any of the Group's trade payables.*
- *The parent company has provided guarantee of NOK 1,346 million of interest-bearing debt.*
- *Parts of outstanding trade receivables have been secured through deposit.*
- *The group has guaranteed for 50 percent of the loan in Shearwater. Total amount USD 99.3.*

The Group has not made use of derivatives in order to manage credit risk. The Group aims at a situation where the charterers provide parent company guarantees for their liabilities in connection with the lease agreements when this seems reasonable and commercially achievable.

The Group's share of the contingent liabilities in joint ventures is disclosed in note 4.

The maximum risk exposure is represented by the carrying amount of the financial assets, including derivatives, in the balance sheet. As the counterparty in derivative transactions normally is a financial institution, the credit risk related to derivatives is considered to be limited. The Group therefore regards its maximum risk exposure to be equal to the carrying amount of trade receivables (note 10) and other current assets.

3. INCOME STATEMENT INFORMATION

The Group's profit and loss related to financial assets and financial liabilities are presented below:

	FINANCIAL INSTRUMENTS AT FAIR VALUE OVER PROFIT OR LOSS	FINANCIAL RECEIVABLES AND LIABILITIES MEASURED AT AMORTISED COST	TOTAL
FOR THE YEAR ENDED 31.12.2016			
ASSETS			
Change in fair value of quoted financial instruments	-363	0	-363
Realised currency gains/losses on bank deposits and cash	0	5 837	5 837
Unrealised currency gains/losses on bank deposits and cash	0	-834	-834
Unrealised gains/losses receivables	0	-1 385	-1 385
Interest income on bank deposits and cash	5 409	0	5 409
Total financial income in the income statement	5 046	3 618	8 664
LIABILITIES			
Interest on interest-bearing debt	0	61 384	61 384
Unrealised change in fair value of financial derivatives instruments	-372	0	-372
Realised currency gains/losses interest-bearing debt	0	0	0
Total financial losses in the income statement	-372	61 384	61 012

	FINANCIAL INSTRUMENTS AT FAIR VALUE OVER PROFIT OR LOSS	FINANCIAL RECEIVABLES AND LIABILITIES MEASURED AT AMORTISED COST	TOTAL
FOR THE YEAR ENDED 31.12.2015			
ASSETS			
Change in fair value of quoted financial instruments	-8 016	0	-8 016
Realised currency gains/losses on bank deposits and cash	0	-25 376	-25 376
Realised currency gains/losses receivables	0	10 901	10 901
Unrealised currency gains/losses on bank deposits and cash	0	11 538	11 538
Unrealised gains/losses receivables	0	958	958
Interest income on bank deposits and cash	4 990	0	4 990
Total financial income in the income statement	-3 026	-1 979	-5 005
LIABILITIES			
Interest on interest-bearing debt	0	-106 896	-106 896
Unrealised change in fair value of financial derivatives instruments	-27 315	0	-27 315
Unrealised currency gains/losses interest-bearing debt	0	-11 659	-11 659
Total financial losses in the income statement	-27 315	-118 555	-145 870

The financial instruments have not been subject to hedge accounting and the company has in accordance with IAS 39 recorded the change in fair value ("Market-to-market") of financial instruments in the income statement.

4. FINANCIAL RISK FACTORS

RISK MANAGEMENT

As the Group operates its business internationally, it is exposed to various risks: market risk, liquidity risk (including currency risk, interest risk and price risk) and credit risk. The Group's primary risk management plan focuses on minimizing the potential negative effects that unpredictable changes in the capital markets may have on the Group's financial results.

The Group uses derivatives to reduce risk, in accordance with a strategy for hedging of interest rate and currency exposure adopted by the Board. The operative risk management is performed by the finance department and is regularly reported to the Board.

MARKET RISK

Interest rate risk

The group's interest rate risk is related to long-term loans. The Group assesses on a continuous basis how much of its exposure to interest rate fluctuations that shall be hedged. Several types of interest rate derivatives have been used. At the end of 2016 approximately 50 percent of the long-term loan has a fixed CIRR rate. A general increase in the interest rate of 1 percentage points will have a positive effect the result by NOK 17.3 million in 2016, and correspondingly, a general decrease in the interest rate level of 1 percentage points will have a negative impact on the result by NOK 17.3 million.

The exposure of the group's borrowing to interest rate changes at the end of the reporting period are as follows:

	2016	2015
Variable rate borrowings	688 307	1 756 955

The loan will be re-priced within 3 to 6 months.

There are no contractual re-pricing dates of the fixed interest borrowings.

See note 14 for further information on long-term liabilities.

Currency risk

The Group operates internationally and is exposed to currency risk in several currencies. The Group's income is in USD, GBP, EUR and NOK operating expenses are mainly in NOK and partly in EUR and USD. In order to reduce the Group's risk in connection with foreign currency exposure, the Group's debt is mainly in USD. A continuous assessment is made regarding hedging of the expected future net cash flow in USD, GBP and other relevant currencies. Hedging of the cash flow has primarily been made by entering into forward contracts and option contracts for sale of USD against NOK.

Based on the composition of the Group's operating income and operating expenses, liabilities in USD and forward contracts entered into at 31.12.2016, a change in the exchange rate of USD against NOK will affect the Group's result for the coming year as follows:

- An increase in the USD/NOK exchange rate by NOK 1.00, decreases the result by NOK 22.3 million
- An increase in the EUR/NOK exchange rate by NOK 1.00, increases the result by NOK 6.7 million

In addition an increase in USD against NOK by 1.00 involves an increase in the equity through the comprehensive income by NOK 414 million.

Price risk - Bunkers

As a main principle, the Group is not exposed to any change in bunkers prices for vessels as this risk stays with the charterer. Consequently, the Group has not entered into any forward contracts to hedge the risk of changes in prices of bunkers.

CREDIT RISK

The Group's credit risk is considered to be moderate on an overall basis. The Group has a diversified contract portfolio within the segments subsea and ice/support

The Group endeavours to ensure that vessel contracts are only entered into with customers who have good payment ability and payment history, and the development in the market is closely monitored. In particular, this applies for contracts beyond certain duration. The Group seeks to ensure that charterers provide parent company guarantees for their obligations under the contracts, when commercially achievable.

The Group has not guaranteed for any third party liabilities, except for agreements relating to joint ventures. The Group's share of contingent liabilities that have arisen together with the other joint venture participants is mentioned in note 4.

The maximum risk exposure is represented by the carrying amount of the financial assets, including derivatives, in the balance sheet. As the counterparty in derivative transactions normally is a financial institution, the credit risk related to derivatives is considered to be minor. Therefore, the Group regards its maximum credit risk exposure to be equal to the carrying amount of trade receivables (note 13) and other current assets. The credit quality of outstanding trade receivables is considered to be satisfactory.

LIQUIDITY RISK

The Group has a stable and long-term financing structure. The lenders are acknowledged Norwegian and international shipping banks. The Group's strategy is to have sufficient liquidity in the form of bank deposits, interest-bearing securities and credit facilities to ensure that the Group at all times can finance the operations and ongoing investments of a moderate size. The cash management policy of the Group includes investing liquidity in financial institutions with high credit worthiness and interest bearing securities with high liquidity and low credit risk.

The Group's derivatives and short term financial liabilities are due within 12 months. For maturity of the long-term liabilities, please see note 14.

5. HEDGING

The company is using derivative financial instrument to manage currency and interest rate risk. Hedge accounting is not applied, so all the derivatives are classified as trading instruments and measured at fair value through profit and loss.

As the Group's income is denominated in USD and NOK, whereas the operating expenses mainly are in NOK and USD, the Group performs a continuous assessment of the need for cash flow hedging of future expected net cash flows in USD and other relevant currencies against NOK. Such cash flow hedging is mainly performed by entering into forward contracts and option structures regarding the sale of USD against NOK. Realised gains/losses and changes in fair value are recognised in the income statement. The Group does not make use of hedge accounting according to IAS 39.

The Group has entered into three USD/NOK put/call structures; buying USD/NOK put options financed through the sale of USD/NOK call options for the double amount so that the total option premium upon entering into the option structures is zero. The put/call structure expires on average with 1/12 every month through 2016 and with 1/6 every month from January 2017 until June 2017.

The Group's interest bearing debt is denominated in USD, GBP, EUR and NOK and has according to the prevailing loan agreements a floating interest rate that varies with the development in the money market rates. In order to increase the predictability of the Group's future interest

expenses related to the interest bearing debt, a continuous assessment is made regarding the hedging of future interest payments. Such hedging is mainly carried out through entering into forward interest rate swap contracts. Realised gains/losses and changes in fair value are recognised in the income statement. The company also has a fixed rate loan related to "Polar Onyx".

31 December 2016 the Group has no open interest rate derivatives.

The Group's portfolio of financial hedging instruments at the balance sheet date:

	CURRENCY	AMOUNT (1000)	MATURITY	HEDGE RATE	FAIR VALUE (NOK 1 000)
AT 31.12.2016					
Sold USD/NOK call option	USD	3 000	2017	8.41 %	-923
Bought USD/NOK put option	USD	1 500	2017	8.41 %	164
USD/NOK FX forward contracts	USD	1 000	2017	8.12 %	-483
Total					-1 242

	CURRENCY	AMOUNT (1000)	MATURITY	HEDGE RATE	FAIR VALUE (NOK 1 000)
AT 31.12.2015					
Sold USD/NOK call option	USD	3 000	2016	6.34 %	-6 487
Bought USD/NOK put option	USD	1 500	2016	6.34 %	0
Sold USD/NOK call option	USD	9 000	2016-2017	8.41 %	-5 014
Bought USD/NOK put option	USD	4 500	2016-2017	8.41 %	797
USD/NOK FX forward contracts	USD	18 000	2016-2017	7.69 %	-18 432
Total financial hedging instruments					-29 136

	CURRENCY	AMOUNT (1000)	MATURITY	HEDGE RATE	FAIR VALUE (NOK 1 000)
AT 31.12.2015					
Interest rate swap	USD	28 500	2016	0.92 %	-202
Interest rate swap	USD	36 558	2016	1.10 %	-787
Interest rate swap	USD	22 292	2022	1.59 %	-92
Total financial hedging instruments					-1 081

6. Fair value assessment

The table below shows financial instruments at fair value 31 December according to valuation method. The different levels are defined as follows:

- *Quoted price in an active market for an identical asset or liability (level 1)*
- *Valuation based on other observable factors than quoted price (used at level 1) either directly (price) or indirectly (derived from prices) for the asset or the liability (level 2)*

	LEVEL 1	LEVEL 2	TOTAL
2016			
ASSETS			
Financial assets at fair value over profit or loss:			
Securities	5 013	0	5 013
Hedging derivatives:			
Interest derivatives	0	0	0
Currency derivatives	0	0	0
Total assets	5 013	0	5 013
LIABILITIES			
Financial liabilities at fair value over profit or loss:			
Interest rate instruments	0	0	0
Currency instruments	0	1 242	1 242
Total liabilities	0	1 242	1 242
2015			
ASSETS			
Financial assets at fair value over profit or loss:			
Securities	5 013	0	5 013
Hedging derivatives:			
Interest derivatives	0	0	0
Currency derivatives	0	0	0
Total assets	5 013	0	5 013
LIABILITIES			
Financial liabilities at fair value over profit or loss:			
Interest rate instruments	0	1 081	1 081
Currency instruments	0	29 136	29 136
Total liabilities	0	30 217	30 217

(a) Financial instruments at level 1

Fair value of financial instruments that are traded in active markets is market price at the balance sheet date. A market is active if the market rate is easily and regularly available from a stock exchange, broker, industrial classification, pricing service or regulatory authorities and these prices represent actual and regularly occurring transactions at the arm's length principle.

Market price used for financial assets is current bid price. These instruments are included at level 1. Instruments at level 1 comprise primarily quoted equity instruments classified as held for trading or available for sale.

(b) Financial instruments at level 2

Fair value of financial instruments that are not traded in an active market (for instance some OTC-derivatives) is determined by use of valuation methods. These valuation methods maximize the use of observable data when available and are to the smallest extent possible based on the Group's own estimates. If all material data required to determine fair value of an instrument, are observable data, the instrument is included at level 2. If one or several material data are not based on observable market data, the instrument is included at level 3.

Special valuation methods used to appreciate financial instruments include:

- *Quoted market price or offered price for corresponding instruments.*
- *Fair value of interest rate swaps is calculated as the present value of estimated future cash flow based on observable yield curve.*
- *Fair value of forward contracts in foreign currency is determined by the present value of the difference between agreed forward exchange rate and the forward exchange rate of the currency at the balance sheet date multiplied with the volume of the contract in foreign currency.*

NOTE 19 – OTHER SHORT-TERM LIABILITIES (NOK 1 000)

	2016	2015
Financial derivatives instruments	1 242	30 217
Prepayments from customers	7 755	14 789
Accrued interest	8 805	14 170
Accrued expenses	8 051	0
Other	3 923	7 279
Total other short-term liabilities	29 775	66 455

NOTE 20 – FOREIGN EXCHANGE RATES

	31.12.2016	31.12.2015
EXCHANGE RATES AGAINST NOK:		
AT THE BALANCE SHEET DATE:		
US dollar	8.62	8.81
Euro	9.09	9.62
Pound Sterling	10.61	13.07
	2016	2 015
YEARLY AVERAGE EXCHANGE RATES:		
US dollar	8.40	8.06
Euro	9.29	8.95
Pound Sterling	11.39	12.34

NOTE 21 – DISCONTINUED OPERATIONS

In October 2016, GC Rieber Shipping ASA announced the agreement with Rasmussengruppen AS to establish a new, jointly owned marine geophysical company called Shearwater GeoServices AS. The transaction was completed in December 2016.

Shearwater is an integrated provider of marine geophysical services to oil and gas and multi-client companies worldwide. The company has now a fleet of four modern, high capacity seismic vessels and fully operational business lines (including on- and offshore processing capacities) managed by highly experienced support teams. Shearwater's core strategy is to provide high quality marine geophysical services and utilize the company's attractive cost position.

Shearwater took over GC Rieber Shipping's four seismic vessels; "Polar Empress", "Polar Duke", "Polar Duchess", "Polar Marquis", and the corresponding vessel loans was transferred from GC Rieber Shipping to Shearwater. The total value of the four seismic vessels was set to USD 228.5 million. The outstanding balance of these vessel loans was USD 198.5 million. GC Rieber Shipping injected USD 15 million and Rasmussengruppen USD 45 million in liquidity through new equity into Shearwater. The total of USD 60 million in liquidity has been injected to fund operations and provide Shearwater with a solid platform in the current challenging market. As a part of the loan agreement entered into between Shearwater and the Lenders, GC Rieber Shipping issued a parent company guarantee of 50 percent of the outstanding loans.

The new terms of the loans for the four vessels include a 75 percent reduction in installments compared to the original repayment profile until June 2019 and an extension of the term of the loans until year end 2022. Shearwater also agreed on the main terms to purchase the seismic equipment (including streamers) and the processing business from the former lending banks of Dolphin Geophysical ASA. This acquisition is financed by DNB and SpareBank1 SR-Bank.

GC Rieber Shipping's share of Shearwaters result from 22nd of December 2016 has not been included in the consolidated figures.

As a consequence of the establishment of Shearwater foreign currency translation related to the seismic segment has been recycled from comprehensive income to financial income in profit from discontinuing operation.

	2016	2015
Operating income	83 402	505 706
Operating expenses	129 080	367 568
Depreciation	-101 100	-130 404
Write-down	-399 685	-138 715
Income (loss) from sale of companies	243 210	0
Financial income	28	238
Financial expenses	-85 245	-63 430
Realised currency gains (losses)	-30 469	-25 853
Unrealised currency gains (losses)	36 605	-13 729
Net income before taxes	-382 334	-233 755
Taxes	0	0
Loss from discontinued operations	-382 334	-233 755
OTHER COMPREHENSIVE INCOME:		
Foreign currency translation subsidiaries discontinued operations recycled	-248 087	0
Comprehensive income for the year	-630 421	-233 755

NOTE 22 – CONTINGENCIES

The Group's subsidiary Armada Seismic Invest II AS ("Armada") received in 2012 a claim from Arrow Seismic Invest II Limited (now: PGS Geophysical (UK) Limited) amounting to approximately EUR 9 million. The claim against Armada was dismissed 2 March 2016, and Armada was awarded full legal fees in the amount of NOK 3.4 million. In April 2016, the decision was appealed by PGS. Armada maintains its view that the claim is unfounded, which was also confirmed by Bergen district court in the first instance. Armada will continue to defend itself against the claim before the Court of Appeal, from which a judgment may be expected in 2017.

No allocation has been entered into the figures for 2016.

In September 2016, GC Rieber Shipping and its wholly owned subsidiary GC Rieber Crewing decided to close down operations in GC Rieber Crewing. The process was a result of the challenging subsea/seismic markets and a corresponding need to reduce the company's cost level to secure the foundations for its core activities. In December 2016, GC Rieber Shipping and GC Rieber Crewing received a writ from a group of former employees of GC Rieber Crewing that were affected by the close down. The employees have claimed that the dismissals must be declared void so that they can resume their work in GC Rieber Crewing (or in GC Rieber Shipping AS). They have also claimed compensation for their economical loss, measured at the court's discretion. GC Rieber Shipping emphasizes that the process in GC Rieber Crewing was carried out in dialogue with the employees' representatives and that it was completed in line with applicable laws and regulations.

No allocation has been entered into the figures for 2016.

Earn-out

In December 2012 GC Rieber Shipping sold a total of 3 217 697 shares in Octio to Statoil Venture. The remaining owner share of 8 percent was sold in 2013.

In addition to the selling price, an earn-out has been agreed for the event of Statoil Venture selling shares or parts of Octio's assets. The earn-out amount will make 8 percent of a possible selling price before 31 December 2015 with gradual step down to 5 percent for sale by 31 December 2022. The earn-out does not effect the statement of income or the balance sheet.

FINANCIAL STATEMENT

GC RIEBER
SHIPPING ASA

INCOME STATEMENT

GC RIEBER SHIPPING ASA

NOK (1 000)	NOTE	2016	2015
OPERATING INCOME			
Operating income		1 173	0
Total operating income		1 173	0
OPERATING EXPENSES			
Administration expenses	3, 4	-14 711	-12 746
Total operating expenses		-14 711	-12 746
Net operating income before depreciation, write-down and gain (loss) on sale of fixed assets		-13 538	-12 746
Gains on sale of fixed assets		0	0
Net operating income		-13 538	-12 746
FINANCIAL INCOME AND EXPENSE			
Sale of shares in subsidiaries		213 630	0
Income from subsidiaries		245 911	161 000
Write-down investment in subsidiary	5	-228 271	-118 479
Write-down receivables in associated company		0	0
Financial income		9 662	13 725
Financial expenses		-2	-4 773
Realized currency gains (losses)		27	-10 336
Unrealized currency gains (losses)		1 984	1 990
Net financial income and expenses		242 941	43 128
Net income before taxes		229 403	30 382
Taxes	8	0	-41 470
NET INCOME FOR THE YEAR	7	229 403	-11 088
ALLOCATION OF NET LOSS/PROFIT			
Allocation of Net Loss/Profit		-229 403	0
Dividend	6	0	0
Transferred from Other Equity	6	0	11 088
Total allocation		-229 403	11 088

STATEMENT OF FINANCIAL POSITION

GC RIEBER SHIPPING ASA

NOK (1 000)	NOTE	31.12.2016	31.12.2015
ASSETS			
FIXED ASSETS			
Deferred tax asset	8	0	0
Total intangible fixed assets		0	0
Investments in subsidiaries	5	94 507	185 247
Investments in associated companies	6, 13	391 273	0
Long term assets		64 574	
Total financial fixed assets		550 355	185 247
FIXED ASSETS			
Total fixed assets		550 355	185 247
CURRENT ASSETS			
Receivables from subsidiaries	12	194 352	211 728
Other current assets		4 325	1 076
Total receivables		198 677	212 804
Cash and cash equivalents	10	78 659	379 759
Total current assets		277 336	592 563
TOTAL ASSETS		827 691	777 810

STATEMENT OF FINANCIAL POSITION

GC RIEBER SHIPPING ASA

NOK (1 000)	NOTE	31.12.2016	31.12.2015
EQUITY AND LIABILITIES			
EQUITY			
Share capital (43,812,800 shares at NOK 1.80)	6, 11	78 863	78 863
Portfolio of own shares (150,800 shares at NOK 1.80)	6	-271	-271
Share premium	6	16 604	16 604
Paid in capital		95 196	95 196
Other equity	6	460 336	230 933
Total retained earnings		460 336	230 933
Total equity		555 532	326 129
LIABILITIES			
Long-term debt	9	0	0
Total long-term debt		0	0
Trade payables		257	276
Public duties payable		0	0
Dividends	6	0	0
Liabilities to subsidiaries	12	263 850	449 063
Other current liabilities		8 051	2 342
Total current liabilities		272 158	451 681
Total liabilities		272 158	451 681
TOTAL EQUITY AND LIABILITIES		827 691	777 810

Bergen, 27 March 2017

Paul-Chr. Rieber
Chairman

Hans Olav Lindal
Vice chairman

Kristin Færøvik

Trygve Bruland

Tove Lunde

Einar Ytredal
Acting CEO

CASH FLOW STATEMENT

GC RIEBER SHIPPING ASA

		2016	2015
CASH FLOW FROM OPERATING ACTIVITIES			
Net income before taxes		229 403	30 382
Write-downs investments in subsidiary	5	55 309	118 479
Write-downs on receivables		172 962	0
Exchange differences		-2 012	8 345
Profit on sale of shares in subsidiary		-213 630	0
Change in accounts payable		-19	-54
Change in receivables from subsidiaries		-155 586	279 586
Change in other current assets and other liabilities		-182 387	-12 880
Net paid interests		-4	3 514
Dividends from subsidiaries		-245 911	0
Net cash flow from operating activities		342 507	427 372
CASH FLOW FROM INVESTMENT ACTIVITIES			
Payments from sale of financial fixed assets		17 641	0
Payments for purchase of fixed assets		0	0
Payments for investments in financial fixed assets		-138 623	0
Net cash flow from investment activities		-120 981	0
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term debt	9	0	-218 091
Dividend payment	6	224 527	-21 831
Net paid interests		-4	-3 514
Net cash flow from financing activities		224 523	-243 437
Net change cash and cash equivalents		-238 433	183 935
Cash and cash equivalents at 01.01.		379 759	193 834
Restricted cash		-64 650	0
Currency gains (losses) on cash and cash equivalents		1 984	1 990
Cash and cash equivalents at 31.12.		78 659	379 759

NOTE 1 - CORPORATE INFORMATION

GC Rieber Shipping ASA is a listed public limited company registered in Norway. The corporate head office is located at Solheimsgaten 15, 5058 Bergen, Norway. The financial statements were authorised for issue by the board of directors on 27 March 2017.

NOTE 2 - ACCOUNTING PRINCIPLES

The financial statements are prepared in accordance with the Norwegian Generally Accepted Accounting Principles (NGAAP) as set out in the Norwegian Accounting Act of 1998. The accounting principles are described below.

Classification of assets and liabilities in the balance sheet

Assets intended for permanent ownership or use and receivables due later than one year after the balance sheet date are classified as fixed assets. Other assets are classified as current assets. Liabilities due later than one year after the balance sheet date are classified as long-term debt. Other liabilities are classified as short-term debt. The first year's installments on long-term debt are classified as part of long-term debt, but are specified in accompanying notes.

Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are valued in accordance with the cost method. If fair value is lower than cost, and the fall in value is not considered to be temporary, the investment will be valued at fair value.

Receivables and liabilities in foreign currency

Receivables and liabilities in a foreign currency are translated into NOK using the exchange rate at the balance sheet date. Realised and unrealised gains and losses are classified as financial items.

Borrowing costs

Borrowing costs are capitalised in the balance sheet and charged against income linearly over the loan's term to maturity.

Receivables

Receivables are valued at the lower of their nominal value and fair value.

Cash and bank deposits

Cash and bank deposits, etc. include bank deposits, cash in hand and short-term bank deposits with an original maturity of three months or less.

Contingencies

Contingent losses are recognised as expense if they are probable and can be reliably measured. Contingent gains that are probable and contingent losses that are less probable, are not recognised but disclosed in the annual report or in the accompanying notes.

Taxes

Tax expenses are related to profit before tax and are expensed for when they incur. The tax expense consists of tax payable (tax on taxable income for the year) and change in net deferred tax. The tax expense is allocated to ordinary profit and extra-ordinary profit in accordance with the basis for the taxes. Deferred tax liability and deferred tax assets are presented net in the balance sheet. The disclosure of deferred tax benefits on net tax reducing differences and carryforward losses, is based on estimated future earnings.

Cash flow statement

The company's cash flow statement shows the company's consolidated cash flows distributed between operating activities, investment activities and financing activities. The statement shows the impact of the different activities on the company's cash and cash equivalents. The cash flow statement is presented based on the indirect method.

NOTE 3 – PAYROLL EXPENSES, REMUNERATIONS TO BOARD AND AUDITOR (NOK 1 000)

The company has no employees, but CEO is contracted from the subsidiary GC Rieber Shipping AS. The CEO has not received any remuneration from GC Rieber Shipping ASA as the salary has been provided from the subsidiary GC Rieber Shipping AS. No agreement has been entered into with the chairman of the board with regards to special payments upon the termination or change of his employment. There exist no agreements that give employees or representatives entitlement to subscribe for or purchase or sell shares in the company.

The board of directors presents the following statement to the general meeting for consultative voting: "The purpose of this statement is to provide superior guidelines for the company's adoption of salary and other remunerations to management, cf. the Public Limited Company Act §6-16 a. Management shall be offered competitive conditions such that the company is ensured continuity in management and the possibility to recruit qualified personnel to leading positions. By competitive conditions is meant conditions on the same level as offered by comparable companies. The remuneration shall be designed such that it promotes added value in the company. Bonus arrangements shall depend on collective or individual performance measures. The remuneration shall not be of such character or size that it can damage the company's reputation. The remuneration can consist both of a fixed salary and other supplementary benefits, including, but not limited to, payment in kind, bonus, severance pay and retirement and insurance schemes, company car, car allowance, telephone and broadband service. New senior executives will be included in the company's defined contribution pension plan. The fixed salary will normally constitute the main part of the remuneration. The company does not have options programs or other schemes as mentioned in the Public Limited Company Act § 6-16 a, 1st paragraph number 3. There are no specific limits for the different categories of remunerations or the total level of remuneration to management."

	SALARY	BONUS	OTHER BENEFITS	PAID PENSION PREMIUM	TOTAL REMUNE- RATION
MANAGEMENT REMUNERATION 2016:					
Irene Waage Basili, CEO (until November 2016)	1 924	0	14	187	2 125
Einar Ytredal, acting CEO (from November 2016)	1 605		19	145	1 769
Atle Sommer, COO	1 751	0	19	71	1 841
Bjørn Valberg, Technical Director	1 124	0	12	195	1 332
Øystein Kvåle, acting CFO (from November 2016)	231	0	3	0	234
Total management remuneration	6 636	0	67	598	7 301
MANAGEMENT REMUNERATION 2015:					
Irene Waage Basili, CEO	2 337	0	35	195	2 567
Atle Sommer, COO	1 536	0	21	66	1 623
Bjørn Valberg, Technical Director	1 229	0	14	141	1 384
Einar Ytredal, CFO	1 520	0	21	115	1 657
Total management remuneration	6 622	0	91	517	7 231

	DIRECTORS' FEES 2016	DIRECTORS' FEES 2015
BOARD REMUNERATION:		
Paul-Chr. Rieber, chairman	300	300
Hans Olav Lindal, vice-chairman	200	200
Kristin Færøvik	150	150
Tove Lunde	150	150
Georg Nygaard, incl. audit committee (until April 2016)	67	200
Trygve Bruland, incl. audit committee (from April 2016)	150	0

	2016	2015
AUDITOR'S FEES		
Audit services	117	190
Tax consulting	515	102
Other services	395	93
Total auditor's fees	1 027	385

NOTE 4 – SPECIFICATION OF OPERATING EXPENSES BY CATEGORY (NOK 1 000)

	2016	2015
Board remuneration incl. social security tax	590	1 141
Auditor's fees	117	190
Management fee to GC Rieber Shipping AS	6 000	6 000
Legal fee	1 262	2 029
Consultancy fee	867	951
Payment of guarantee amount	7 115	0
Return on bad debts	-3 030	0
Other administration expenses	1 790	2 435
Total operating expenses	14 711	12 746

NOTE 5 – INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANY (NOK 1 000)

Subsidiary:

	BUSINESS OFFICE	VOTING AND OWNER SHARE	CARRYING AMOUNT 31.12.2016	RESULT 2016	EQUITY 31.12.2016
COMPANY					
GC Rieber Shipping AS	Bergen	100 %	15 710	-16 285	15 710
Polar Explorer AS	Bergen	100 %	0	-214 975	0
Polar Ship Invest II AS	Bergen	100 %	26 979	-114 948	522 516
Polar Ship Invest III AS	Bergen	100 %	108	-183 278	164 257
Polarus AS	Bergen	100 %	50 000	94 282	198 701
Polar Shipping AS	Bergen	100 %	1 710	-102	4 046
Polar Queen Ltd.	Isle of Man	100 %	0	0	0
Total			94 507	-435 307	905 230

The investments in GC Rieber Shipping AS and Polar Explorer AS were written down with NOK 15.1 million and NOK 193.2 million respectively. For the subsidiaries with functional value in USD, an exchange rate of USD/NOK 8.4014 has been used to convert the result for the year and a rate of USD/NOK 8.620 has been used to convert equity as of 31.12.16. The company received a dividend of NOK 245.9 million from subsidiaries in 2016.

The subsidiaries Polar Ship Invest IV AS, Polar Ship Invest V AS, Polar Ship Invest VI AS and Armada Seismic Invest II AS, have been sold til Shearwater Geoservices. Sellers credits from the sales were converted to share capital. The investment in Shearwater Geoservices Holdings AS was recorded at fair value at the transaction date.

NOTE 6 – INVESTMENTS IN JOINT VENTURES (NOK 1 000)

	BUSINESS OFFICE	VOTING AND OWNER SHARE	CARRYING AMOUNT 31.12.2016
COMPANY			
Shearwater GeoServices Holding AS	Bergen	50 %	391 274
Total			391 274

In mid-October 2016, the company entered into an agreement with Rasmussengruppen AS to establish Shearwater GeoServices ("Shearwater") as a 50/50 owned marine geophysical company. The transaction was completed 22 December 2016.

NOTE 7 – EQUITY

	SHARE CAPITAL	PORTFOLIO OF OWN SHARES	SHARE PREMIUM RESERVE	OTHER EQUITY	TOTAL
STATEMENT OF CHANGES IN EQUITY:					
Equity as at 01.01.	78 863	-271	16 604	230 933	326 129
Net income for the year		0	0	229 403	229 403
Allocated to dividend		0	0	0	0
Equity as at 31.12.	78 863	-271	16 604	460 336	555 532

ORDINARY SHARES:

	NUMBER OF SHARES	PAR VALUE	CARRYING AMOUNT
ORDINARY SHARES			
Share capital	43 812 800	1.80	78 863 040
Own shares	150 800	1.80	-271 440

OWN SHARES:

At 31.12.2016 the company owns 150 800 own shares, representing 0.34 per cent of the total number of shares.

DIVIDEND (NOK 1 000)	2016	2015
DIVIDEND		
PAID DIVIDEND		
NOK per share (2016; NOK 0.00 and 2015; NOK 0.50)	0	21 831
PROPOSED DIVIDEND:		
The following dividend was proposed by the Board to be paid after the balance sheet date		
Ordinary dividend	0	0

NOTE 8 – EARNINGS PER SHARE

Earnings per share is calculated by dividing the net income for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

The company has no convertible loans or equity instruments and the diluted earnings per share are thus equal to earnings per share.

	2016	2015
Net income for the year (NOK 1 000)	229 403	-11 088
Time weighted average number of shares applied in the calculation of earnings per share	43 662 000	43 662 000
Number of outstanding shares as at 31.12.	43 662 000	43 662 000
Result per share (NOK)	5.25	-0.25
Diluted earnings per share (NOK)	5.25	-0.25

NOTE 9 - TAXES (NOK 1 000)

BESKRIVELSE	2016	2015
Net income before taxes	229 403	30 382
PERMANENT DIFFERENCES:		
Other non-deductable costs	-	49
Write-down receivable and investment in subsidiary	228 271	118 479
Sale of subsidiaries	-213 630	-
Other non-taxable income	7 272	-673
Dividend/Group contribution from subsidiary	-245 911	-161 000
TEMPORARY DIFFERENCES:		
Change profit and loss account	8	11
Change other temporary differences	-	-181 582
Tax losses carried forward	-5 413	
Basis for taxes for the year	0	-194 335
Payable income tax (25%)	-	-
Change in deferred tax	-	-41 470
Tax expense/-income	-	-41 470
Net income before taxes	229 403	30 382
Calculated tax, nominal rate 25 %	57 351	8 203
Effect of not recognised estimate change deferred tax from 25% to 24%	-52	3 325
Deferred tax asset not recognised in balance sheet	-1 299	41 591
Permanent differences	-56 000	-11 649
Tax expense/-income	0	41 470
Profit and loss account	34	42
Temporary differences receivables	-	-
Carry forward loss for tax purposes	-436 155	-441 568
Basis for calculation of deferred tax	-436 121	-441 526
Tax rate	24 %	25 %
Calculated deferred tax/deferred tax asset	-104 669	-110 381
Deferred tax asset not recognised in the balance sheet	104 669	110 381
Deferred tax/deferred tax asset in the balance sheet	-0	-0
The company received dividend / group contribution from subsidiary without tax effect	245 911	161 000

NOTE 10 – BANK DEPOSITS/SHORT-TERM LIABILITIES TO FINANCIAL INSTITUTIONS (NOK 1 000)

The company is a part of the GC Rieber Shipping group's multi-currency cash pool system without credit. This implies that the net total of deposits and amounts drawn on the bank deposits related to all the companies in the group account system is positive.

The company's drawn amounts/deposits in credit institutions including the group account system as at 31.12. consist of:

	2016	2015
Cash at banks and on hand	78 659	379 759
Tax withholdings	0	0
Total bank deposits and cash	78 659	379 759

Bank deposits earn interest income based on the banks' prevailing terms at all times. Short-term bank deposits are placed for varying periods from one day to six months depending on the company's need for liquidity. These deposits earn interest income based on the banks' terms related to short-term deposits.

Per 31.12.2016, the company has restricted cash deposit of USD 7.5 million which is presented as long term receivables in the balance sheet. The company does not have cash credit.

NOTE 11 – SHAREHOLDERS' INFORMATION AND TRANSACTIONS WITH RELATED PARTIES

The 20 largest shareholders in GC Rieber Shipping ASA as at 31 December 2016 (outstanding shares):

	NUMBER OF SHARES	OWNER SHARE
GC Rieber AS	30 861 735	70.4 %
AS Javipa	3 056 222	7.01 %
GC Rieber AS Understøttelsesfond	1 379 616	3.3 %
Trioship Invest AS	909 000	2.1 %
Pareto Aksje Norge	827 901	1.9 %
Johanne Marie Martens	400 000	0.9 %
Storkleiven AS	371 687	0.8 %
Delta A/S	363 000	0.8 %
Benedicte Martens Nes	356 250	0.8 %
Pelicañ AS	348 396	0.8 %
Tannlege Randi Arnesen AS	307 000	0.7 %
Randi Jebsen Arnesen	255 000	0.6 %
Dag Fredrik Jebsen Arnesen	212 750	0.5 %
Torhild Marie Rong	161 500	0.4 %
GC Rieber Shipping ASA	150 800	0.3 %
Bergen Råvarebørs II AS	148 668	0.3 %
Tigo AS	141 359	0.3 %
Triofa 2 AS	141 359	0.3 %
Arild Nøst Arnesen	134 902	0.3 %
Marius Nøst Arnesen	133 223	0.3 %
Other shareholders	3 152 432	7.1 %
Outstanding shares	43 812 800	100 %
Outstanding shares (reduced by own shares)	43 662 000	

The Chairman of the board, Paul-Chr. Rieber, controls indirectly 802 405 shares equal to 1.8 percent of the share capital in the company. No other board members owns shares in the Company. Acting CEO owns 8 000 shares as at 31 December 2016.

As at 31.12.2016, GC Rieber AS owns 30 861 735 shares in GC Rieber Shipping ASA. This constitutes 70.4 per cent of the outstanding shares in the company. Own shares in GC Rieber Shipping ASA constitutes 150 800 shares, representing 0.34 per cent of the share capital.

Transactions with subsidiaries:

The Company has entered into an agreement with GC Rieber Shipping AS to purchase administrative services. Yearly management fee is NOK 6 million. Reference is made to note 12 for other transactions with subsidiaries.

NOTE 12 RECEIVABLES/LIABILITIES (NOK 1 000)

	2016	2015
INTERCOMPANY TRANSACTIONS		
Loan group account scheme	193 869	211 654
Short-term group receivables	482	74
Total group receivables	194 352	211 728
Deposit group account scheme	262 326	448 710
Short-term liabilities group	1 524	353
Total group liabilities	263 850	449 063

None of the short-term receivables or liabilities to the group have maturity later than one year.

Of the main group receivables for 2016 loan group account scheme amount to NOK 366.8 million.

Short-term liabilities to the Group of NOK 0.2 million (in 2015 NOK 0.4 million) are ordinary trade payables to group company.

NOTE 13 – MORTGAGE AND GUARANTEES

The company has provided guarantees for companies in the group amounting to a total of NOK 1 345.5 million. These are mortgaged liabilities in the underlying companies. The company has also guaranteed for 50 percent of the loan in Shearwater. Total amount USD 99.3.

As a part of the loan agreement entered into between Shearwater and the Lenders, GC Rieber Shipping ASA issued a parent company guarantee of 50% of the outstanding loans. The Company has also provided a cash collateral of USD 7.5 million securing on a pro-rata basis Shearwater's payments instalments up until 30 June 2019. The amount is presented as restricted cash in the balance sheet. In addition, should the market value of Shearwater vessels be reduced below 90 % of the outstanding facility amount after 31.12.2017, the Group shall within 12 months provide a guarantee deposit up to USD 10.0 million.

NOTE 14 – CONTINGENCIES

Earn-out

In December 2012 GC Rieber Shipping ASA sold in total 3 217 697 shares in Octio to Statoil Venture. Remaining owner share of 8 per cent was sold in 2013.

In addition to the sales price an earn-out has been agreed if Statoil Venture sells shares or parts of Octio's assets. The earn-out amount will make 8 per cent of a possible sales price before 31 December 2015 with gradual reduction to 5 per cent by a sale within 31 December 2022.



To the General Meeting of GC Rieber Shipping ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of GC Rieber Shipping ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2016 and income statement, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



Independent Auditor's Report - GC Rieber Shipping ASA

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Impairment assessment of vessels in the Subsea segment</i></p> <p>(Refer also to note 9 to the financial statements)</p> <p>GC Rieber Shipping ASA has a fleet of vessels within the Subsea segment, with a total carrying value of NOK 1 862 millions. Because this constitutes a substantial share of the Group's total assets and the risk of impairment loss during difficult market conditions, we have focused our attention on management's impairment assessment related to the individual vessels in the group's fleet.</p> <p>It is demanding to estimate fair value less cost of disposal for vessels within the Subsea segment, as there have been few vessel transactions in 2016. The company's assessments comprise use of broker valuations and calculation of implicit rates. The assessment of implicit hire-rates depends on management's estimates related to, among other, utilization, future hire-rates, operating expenses and required rate of return (WACC).</p> <p>All vessels in the segment have been impaired to the estimated recoverable amount. Total impairment in 2016 in the Subsea segment amounts to NOK 192 million.</p>	<p>We have obtained management's impairment assessment and verified that it contains the elements required by accounting regulation and that mathematical calculations are correct.</p> <p>Management's impairment assessment was verified against underlying documentation. This includes external broker valuations used by management as estimate of fair value less costs of disposal (after adjustments for estimated sales costs).</p> <p>We interviewed shipbrokers to consider their objectivity, qualifications and the methodology on which the broker estimates were based. In order to challenge the broker estimate we used management's calculation of implicit hire-rates as a starting point.</p> <p>Management's calculation of implicit hire-rates contain key assumptions such as utilization, future hire-rates, operating expenses and required rate of return. In order to assess the realism of future income we compared with existing charter-contracts and budgets approved by the Board of Directors. In order to challenge the expected utilization and the hire-rate levels that form the basis of the budgets we discussed the market development. We concluded that management's assumptions were overall reasonable.</p> <p>Operating expenses were assessed against historic levels, approved plans of action and budgets. In order to challenge the budgets that underlie operating expenses, we obtained explanations for the basis of the decreases. We found that the explanations and the operating expenses were reasonable.</p> <p>We have reviewed the individual elements that are included in the required rate of return (WACC). Where possible, we have compared the individual elements with available market data. We found the required rate of return to be within a reasonable interval.</p>
<p><i>Sale within the Marine Seismic segment</i></p> <p>(Refer also to note 21 to the financial statements)</p> <p>In 2016 GC Rieber Shipping ASA has carried out a reduction of ownership in its activity within the Marine Seismic segment.</p>	<p>We reviewed the contracts related to the sale of the Marine Seismic segment. We assessed that the accounting treatment was in accordance with relevant accounting regulations.</p>



Independent Auditor's Report - GC Rieber Shipping ASA

Marine Seismic accounted for approximately half of the business in the Group.

The transaction has a significant impact on this year's and comparable figures. We do not consider the transaction to be a significant risk in the audit, but due to the impact of the amounts on the consolidated financial statements, and the detailed and comprehensive calculations made by the management in connection with restating prior year's comparable figures, we focused on this area.

We verified the result assigned to the financial statement line «Loss from discontinued operations» against the basis (the segment accounts). Further, we compared the segment information against the accounts of the subsidiaries and branches that constitute the segment. Some subsidiaries contain both branches that continue in the group and branches that are disposed of. For these subsidiaries, we have, on a sample basis performed tests of whether result-items were recognized in the correct branch and in the correct period.

We reviewed the calculations that underlie the result related to sale of the segment, by agreeing the calculation to the group's book values prior to the sale and the settled price. Recycled translation differences have been reconciled to prior year's entries and other calculations for historical translation differences. Our review did not reveal any material deviations.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, statements on Corporate Governance and Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going



Independent Auditor's Report - GC Rieber Shipping ASA

concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



Independent Auditor's Report - GC Rieber Shipping ASA

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Bergen, 30 March 2017
PricewaterhouseCoopers AS

Jon Haugervåg
State Authorised Public Accountant

