GC RIEBER SHIPPING ASA

ANNUAL REPORT 2017

GC RIEBER

CONTENT

Front page photo by GC Rieber Shipping

CORPORATE GOVERNANCE

One of the aims of the 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, 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 2017, the company's book equity was NOK 1,139.6 million, which is equivalent to 46.6 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 2017 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 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. No dividend was paid for 2016, and the board of directors proposes to the general meeting that no dividend will be paid for 2017. This is based on the challenging market conditions and the need to preserve the company's equity.

Capital increase

Authorisations granted to the board of directors to increase the company's share capital shall normally be restricted to specific purposes. As at 31 December 2017, the board of directors had proposed an increase in share capital of NOK 23,999,999.40.

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 2017, 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 2017. The chairman of the board, Paul-Chr. Rieber, indirectly controls 3.12 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 16 in the company's 2017 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 2017 will be held on 25 April 2018.

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 or e-mail. 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 2017, the general meeting was held on 20 April and 89.51 percent of the total share capital was represented. A total of 32 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

Composition of the board of directors

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 chairman 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. 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 2017, 12 meetings were held, compared with 12 meetings in 2016. In 2017, attendance at the board meetings was 92 percent, compared with 97 percent in 2016.

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 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 2017, the company's board received a total remuneration of NOK 938 000. The remuneration to each board member in 2017 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 new 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 2017

GC Rieber Shipping has during 2017 and the first months of 2018 succeeded in establishing a new robust financial platform. In parallel, the company has been awarded several charter agreements, and the jointly owned marine geophysical company Shearwater GeoServices performed better than expected. The markets remain challenging, but GC Rieber Shipping enters 2018 on a more positive note than the last few years.

Operations and strategy

GC Rieber Shipping's business within offshore/shipping includes ownership in specialised vessels, high quality marine ship management and project development within the segments subsea, ice/support and marine seismic. The Group has a specialised 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.

The company has an ambition to consolidate its position as one of the leading and most experienced players within offshore operations in harsh environments. In recent years, the company has carried out a fleet renewal programme leaving GC Rieber Shipping with a modern fleet. Having put in place a financial restructuring, including the establishment of Shearwater GeoServices as a joint venture, the company is positioned to capitalise on gradually improving markets and to pursue new opportunities.

Strategic areas of priority for 2018 include

- *Continue to develop, strengthen and improve commercial and operational deliveries, enabling customers to draw benefits from the company's crew, vessels and services.*
- *Exploring new opportunities and capitalise on joint venture investments.*
- *Continue to build presence and be an attractive supplier to the offshore renewables market.*

The company emphasises 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.

Important aspects of 2017

The company had a fleet utilisation of 84 percent in 2017, up from 70 percent utilisation in 2016.[1)] The improvement was achieved despite a continued challenging market.

New charter contracts entered into in the period

- *New charter agreement for the SURF vessel "Polar Onyx" for a period of 5 months from March 2017.*
- *Extended period of hire with Senvion for the CSV vessel "Polar Queen" for a period of about 2 months. The total duration of the charter was 9 months and commencement was in March 2017.*
- *Extended period of hire with Nexans for the CSV vessel "Polar King" for a period of 11 months until end of August 2019. Commencement was in January 2017.*

[1)] *Including subsea- and ice/support, excluding marine seismic and extension options.*

- *British Antarctic Survey (BAS) declared its fifth and final option for a one-year extension of the bareboat charter for RRS "Ernest Shackleton" until August 2019.*
- *Shearwater GeoServices:*
  - New marine seismic acquisition projects for "Polar Empress" in the North Sea and Barents Sea.
  - New marine seismic acquisition projects for "Polar Marquis" in India, Egypt and the North Sea.
  - New marine seismic acquisition projects for "Polar Duchess" in India and in the North Sea.

Cost reduction program

In light of the challenging market situation, GC Rieber Shipping initiated a cost reduction programme in 2015 which has led to a considerably lower cost level. Efforts have included renegotiations of agreements, more cost-efficient work processes and downscaling of the on- and offshore organisations.

Focus is now on maintaining- and utilising the achieved lower cost levels as a competitive advantage going forward.

Important events after the balance sheet date

- *New charter agreement with DeepOcean BV for the SURF vessel "Polar Onyx" for a fixed period of 3 years from January 2018. The charter includes options for additional 2 years*
- *New charter agreement with a European offshore client for the CSV vessel "Polar Queen" for a fixed period of 4 months from May 2018. The charter includes options for additional 1 month.*
- *Shearwater GeoServices: New marine seismic acquisition project with Total and Eni for the seismic vessel "Polar Empress" for six months from January 2018.*
- *The proposed NOK 100 million Rights Issue announced 21 December 2017 was resolved in an Extraordinary General Meeting 26 January 2018. The Rights Issue was oversubscribed, and concluded 8 March 2018 when the board of directors approved the final allocation of the Offer Shares. The capital increase was registered in the Norwegian Register of Business Enterprises 15 March 2018.*

  In connection with the Rights Issue, the company has also negotiated revised terms and certain amendments to the two Subsea credit facilities, see note 13 to the consolidated accounts for further details.

  The Rights Issue, combined with the new terms and amendments to the two Subsea credit facilities, will strengthen the competitive position of GC Rieber Shipping's subsea operations. In combination with the successful establishment of Shearwater GeoServices in December 2016, this concludes the refinancing processes initiated during the spring of 2016.
- *GC Rieber Crewing AS (GCRC) and GC Rieber Shipping AS (GCRS), both subsidiaries of GC Rieber Shipping, were sued by 17 former employees of GCRC whose employments were terminated when the Group decided to liquidate the internal crewing company, GCRC. The former employees were of the opinion that both GCRC and GCRS had a shared employer responsibility towards them and that the dismissals were unlawful and therefore invalid. 15 of the former employees made a claim to retake their former positions in GCRC/GCRS and claimed compensation for their economical loss. Two of the former employees only claimed compensation. The claims were handled by the Bergen District Court (Bergen Tingrett) during oral proceedings held 30 October – 1 November 2017. Bergen Tingrett ruled in favour of GCRS and GCRC 20 March 2018, with each of the parties being liable for their own legal costs. The ruling may be appealed within one month.*

Contingencies

Former subsidiary of GC Rieber Shipping, Armada Seismic Invest II AS (Armada), now a subsidiary of Shearwater GeoServices, 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. The proceedings before the Gulating Court of Appeal was held in March 2018, with a verdict expected within the end of Q2 2018. GC Rieber Shipping has issued a letter of indemnity to Shearwater GeoServices for any costs and losses in relation to the ongoing as well as potential proceedings.

Financial review

(Figures for 2016 are given in brackets)

Profit and loss

GC Rieber Shipping's total operating income in 2017 was NOK 264.1 million (NOK 205.5 million). EBITDA amounted to NOK 21.0 million (NOK 9.7 million).

Operating profit (EBIT) was negative with NOK 90.0 million (negative NOK 303.9 million). The improvement in EBIT from 2016 is caused by both higher activity in 2017, and impairment of the fleet being made in 2016. The impairment of the fleet in 2016 amounted to NOK 192.4 million, while NOK 4.2 million was reversed in 2017. Ordinary depreciations amounted to NOK 115.2 million (NOK 121.2 million). Although the activity was higher in 2017 than in 2016, the level of activity still gives a negative result in 2017.

Net financial items were negative with NOK 40.6 million (negative NOK 53.1 million). A strengthening of NOK against USD resulted in unrealised currency gain of NOK 7.3 million in 2017 (negative NOK 2.6 million).

The Group's net loss was NOK 130.1 million (loss NOK 742.9 million, including loss from discontinued operations of NOK 382.3 million). Earnings and diluted earnings per share amounted to NOK -2.98 (NOK -17.02).

Cash flow

As at 31 December 2017 the Group had a negative cash flow of NOK 97.4 million (negative NOK 355.8 million). Cash flow from operating activities was positive by NOK 7.5 million (negative NOK 140.5 million). Cash flow from investment activities was negative by NOK 14.7 million (negative NOK 59.8 million). Cash flow from financing activities was negative by NOK 90.2 million (negative NOK 155.5 million), related to payment of interest and instalments on the Group's existing loans.

As at 31 December 2017, the Group's holding of liquid assets was NOK 107.7 million (NOK 203.2 million). The cash holding includes restricted cash of NOK 56.7 million.

The NOK 100 million Rights Issue completed 15 March 2018 has provided the company with a financial runway for the next three years.

Balance sheet

The Group's total assets as at 31 December 2017 amounted to NOK 2,446.6 million (NOK 2,762.2 million), while total assets in GC Rieber Shipping ASA amounted to NOK 763.7 million (NOK 827.7 million).

At the end of 2017, the book value of the company's vessels was estimated at NOK 1,718.0 million (NOK 1.899,6 million).

The Group's book equity as at 31 December 2017 was NOK 1,139.6 million (NOK 1,326.6 million), corresponding to an equity ratio of 46.6 percent (48.0 percent). Book equity for GC Rieber Shipping ASA was NOK 470.0 million (NOK 555.5 million).

Financing

In 2017 the Group's average interest-bearing liabilities amounted to NOK 1,268.6 million (NOK 2,996.2 million), with an average remaining duration of 3 years. Average interest rate on the loan portfolio was 3.66 percent including margin (3.43 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 recognised Norwegian and international shipping banks. Loans amounting to USD 198.5 million were transferred to Shearwater GeoServices in December 2016.

For 2017 in total the Group has paid NOK 56.7 million in ordinary loan instalments (NOK 115.6 million). The Group's liquid assets in terms of bank deposits and interest-bearing securities as at 31 December 2017 amounted to NOK 107.7 million (NOK 203.2 million). The cash holding includes restricted cash of NOK 56.7 million presented as cash and bank deposits. In addition, restricted cash of NOK 61.5 million (NOK 64.7 million) is presented as long-term receivables. 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 1,123.1 million (NOK 1,142.3 million) as at 31 December 2017. At the same time the parent company, GC Rieber Shipping ASA, had net interest-bearing assets of NOK 44.1 million (net interest-bearing assets NOK 78.7 million).

GC Rieber Shipping's covenants are tied to working capital and equity for all its liabilities. The company has received temporary amendments of certain financial covenants for the two Subsea credit facilities, applicable 31.12.2017 and until March 2018;

- *The working capital covenant will temporarily be limited to require the consolidated working capital of the company to be positive at all times;*
- *The fair market value covenant is reduced to be at any time minimum 110 % of the sum of the loans and the available facility; and*
- *The minimum liquidity covenant is reduced from NOK 60 million to NOK 20 million.*

The Group is in compliance with the amended financial covenants at 31.12.2017, and has been throughout 2017.

In connection with the NOK 100 million Rights Issue resolved in the Extraordinary General Meeting 26 January 2018, GC Rieber Shipping has negotiated revised terms and certain amendments to the two Subsea credit facilities applicable from March 2018. Please see note 13 to the consolidated accounts for details.

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 31.12.2017 the Group had no derivative financial instruments (negative NOK 1.2 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 recognised as other comprehensive income. 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 influencing the Group's further development.

The oil price moved around USD 50 per barrel during the first half of 2017 and then increased steadily towards USD 70 per barrel during the second half of the year, and this positive development brought optimism to the market. The price peaked in the end of January 2018 and has been fluctuating around USD 65 per barrel since then. There are still uncertainties to the future oil price development, but the current price level is expected to support an improvement in the oil services market in line with what the company has communicated previously.

GC Rieber Shipping has also had an increased level of activity towards the offshore renewables market, which is mainly related to offshore wind farms. The market is in strong growth, and currently there are approximately a dozen of offshore wind farm projects under construction in Europe, with Germany, United Kingdom, Denmark and Netherlands being the most important markets.

GC Rieber Shipping retains a positive market view within the segments that the company operates. This is based on expectations for a long-term growth in the global demand for energy. The prevailing market sentiment is that the offshore market bottomed during 2017 and that a fundamental rebalancing of the oil market is well in progress.

Subsea

CG Rieber Shipping owns and operates three vessels within the subsea segment. “Polar King” and “Polar Queen” operate within construction - and IMR (Inspection, Maintenance and Repair). The vessels are also suitable for operations within renewables, including the offshore wind market. “Polar Onyx” operates within construction – and SURF (Subsea Umbilicals, Risers & Flowlines). The development in the oil price has led to lower activity and price pressure in the subsea market. The activity has been higher within offshore wind, and several subsea vessels, which traditionally have been working at oil and gas related projects, are being utilised for offshore wind projects instead.

“Polar King” commenced on a long-term charter with Nexans in the beginning of January 2017 and has been employed through the whole year. The vessel conducts survey, trenching and cable lay support in Norway, the North Sea, the Mediterranean and Canada. The charter was originally firm until September 2018, but the period of hire has been extended until the end of August 2019.

“Polar Queen” has been on a 9-month charter with Senvion from March to December 2017. The vessel supported turbine commission at the Nordsee One offshore wind farm in the German North Sea. “Polar Queen” provided accommodation services and transfer of cargo and personnel to the wind turbines with a motion compensated gangway and a boat landing.

“Polar Onyx” has been on a 5-month charter in West Africa from March 2017. The vessel conducted subsea construction services at the Sankofa field in Ghana.

Ice/support

GC Rieber Shipping has ownership of the polar research vessel “Ernest Shackleton”. The vessel is on a bareboat charter with British Antarctic Survey until August 2019 for operations in Antarctica. In the summer 2017, “Ernest Shackleton” served as an escort vessel for an 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.

GC Rieber Shipping also has ownership of the ice breaker “Polar Pevek” and the two crew vessels “Polar Piltun” and “Polar Baikal” 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, and are reported as joint ventures in GC Rieber Shipping’s financial statements. “Polar Pevek” is on long-term charter with Exxon Neftegas Ltd (ENL) and operates at De-Kastri oil terminal. “Polar Piltun” and “Polar Baikal” are on long-term charters with Sakhalin Energy Investment Company (SEIC) transporting crew to various oil rigs at the Sakhalin field.

The ice/support segment has been stable and current activities are unchanged.

Marine Seismic

In 2016, Shearwater GeoServices was established as a 50/50 joint venture company owned by GC Rieber Shipping and Rasmussengruppen. Shearwater GeoServices is an integrated provider of marine geophysical services to oil and gas and multi-client companies worldwide. The core strategy is to provide high quality marine geophysical services and utilise the company’s position as the most cost-efficient company in the industry. GC Rieber Shipping operates four high capacity seismic vessels on behalf of Shearwater GeoServices, and the investment is booked as a joint venture in GC Rieber Shipping’s financial statements.

The situation in the seismic market in 2017 has been challenging. There is continuous price pressure and tough competition between a limited number of players bidding for the same contracts. However, Shearwater GeoServices has secured several contracts with large international customers in 2017. “Polar Empress” conducted seismic surveys in the North Sea and Barents Sea. “Polar Marquis” operated in India, Egypt and the North Sea. “Polar Duchess” operated in India and the North Sea. “Polar Duke” has been laid up since October 2015.

The seismic market is still challenging, although some improvement in activity is expected. Shearwater GeoServices will have a high level of activity in the first half of 2018, and “Polar Empress”, “Polar Duchess” and “Polar Marquis” will operate for the majority of the period.

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 2017 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 profits

The parent company GC Rieber Shipping ASA had a loss of NOK 85.5 million in 2017 (profit of NOK 229.4 million). The parent company’s equity as at 31 December 2017 amounted to NOK 470.0 million (NOK 555.5 million).

The Board of Directors proposes no dividend payment for 2017.

The loss for the year is proposed allocated as follows:

Transferred from other equity	NOK 85 502 000
Total allocated	NOK 85 502 000

Financial risk and risk management

Risk management

GC Rieber Shipping operates in a global and cyclical market, exposing the Group to a number of risk factors as well as the development in the markets for petroleum- and offshore renewable products. The Board of Directors of GC Rieber Shipping therefore focuses on risk management and risk control, and routines have been implemented to mitigate risk exposure. 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.

Market risk

As a supplier of services to companies in the oil and gas industry, and also in the offshore renewables industry, GC Rieber Shipping's level of activity within all business segments is closely linked to developments in the energy sector, exploration and research-related operations in Arctic environments and geopolitical developments.

The dramatic drop in oil prices that started in the second half of 2014, 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 uncertainty. As a result of the falling prices, oil companies introduced extensive programmes to reduce costs and limit exploration for new deposits, which is still evident from the level of activities for sectors such as seismic and subsea.

GC Rieber Shipping will strive to maintain the lower cost levels achieved through the cost reduction programme, to maintain the company's competitive advantage.

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 2017, approximately 50 percent of the company's liabilities have been secured through interest rate hedging.

Credit/Counterparty risk

As per 7 February 2018 the contract backlog amounted to NOK 600 million, the same as per January 2017. GC Rieber Shipping is monitoring the counterparty risk closely, and has been working towards strengthening its customer portfolio. The counterparty risk has improved during 2017.

Liquidity risk

The Group has a long-term financing structure. Lenders include recognised 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.

Social responsibility

Guidelines

GC Rieber Shipping's vision is to practice social responsibility, and the company has a proactive approach to social responsibilities in all parts of the organisation. As part of the GC Rieber Group, GC Rieber Shipping has adopted to follow GC Rieber Group's guidelines on social responsibility.

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 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 2017, 4.9 percent (1.5 percent) among the marine crew and 36 percent (38 percent) of the land organization are women. The Management team consist of 6 men, and the Board of Directors has a 40 percent female representation.

Organisation and employees

In 2017, 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 2017, GC Rieber Shipping had a total of 31 employees (100), divided between 31 (34) in the land organisations and zero (66) marine crew. In addition, the Group had 126 contracted mariners for the Group's owned vessels, and the management company in the joint venture in Yuzhno-Sakhalinsk (Russia) had five employees.

Health, Safety, Environment and Quality (HSEQ)

The objective for GC Rieber Shipping's operations is to prevent personal injuries, environmental spills and property damages, and also to achieve client satisfaction above expectations. HSEQ is fully integrated in all operations and practices, and is constantly evaluated to push the standards to higher levels.

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

Health and safety

Health and safety is the responsibility of each and every individual throughout the Group, and constant exploration of new and better performance is an evident part of the safety culture. Each and every individual is responsible for:

- *Seeking and sharing relevant knowledge related to safe work*
- *Being a positive influence and contributor to a strong safety culture*
- *Creating a trusting work atmosphere to support intervention in unsafe conditions*
- *Being diligent in efforts to ensure integration of safety*
- *Being creative and dare to question "truths" in the pursuit for improvement opportunities and innovation*

There were no lost time injuries registered on board our vessels in 2017. Sick leave in 2017 was 0.7 percent among marine crew and 1.85 percent in the shore organisations.

Environment

GC Rieber Shipping has an objective of zero uncontrolled releases of harmful substances to the natural environment. Operations are conducted in accordance with international shipping standards, and have a proactive approach to comply with existing and future environmental requirements.

In close collaboration with designers, shipyards and equipment suppliers, the Group makes use of the at any time best available technological solutions in order to build and operate vessels with minimal risk of releasing environmentally hasardous substances into air and water.

Targets are established and monitored in order to minimise the vessels fuel consumption and environmental footprint, these targets are called "green operations". The various fuel efficiency measures are defined in the ship specific energy efficiency management plans.

Quality

The quality objective for GC Rieber Shipping is client satisfaction above expectations. In order to achieve this level of quality, the company works closely with the clients from the planning, through the execution and including the evaluation of a project.

The quality objective require the vessels to be operational and available for the clients at all times. GC Rieber Shipping has through the newbuilding and renewal programme obtained a modern fleet with a high technical quality, and 2017 operations were accomplished with limited technical downtime.

The processes are defined in the company's quality management system.

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 2017 the Group's shares have been traded between NOK 9.00 and NOK 12.45 per share. A total of 164,126 shares were traded, divided between 358 transactions.

As at 31 December 2017, GC Rieber Shipping had 380 shareholders (353 as at 31 December 2016), of which 92.2 percent was owned by the 20 largest shareholders. GC Rieber AS' stake was 70.4 percent.

The company had 24 foreign owners holding a total of 1.7 percent of the shares.

Corporate governance

GC Rieber Shipping aims at strengthening its leading position within development, ownership and operation of ships 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 other executive management

Please refer to note 3 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 2017 will be held on 25 April 2018.

Outlook

GC Rieber Shipping's operations are exposed to the development in the markets for oil and gas exploration and production. The oil companies have in general reduced the cost level in their operations, and with the oil price currently around the mid USD 60 per barrel, the market sentiment is more positive than experienced in the recent years. The general market outlook is that the oil price may remain at current levels or moderately increase. This improved market picture may fuel a higher investment appetite among the oil companies, which in turn should lead to a higher activity level in the markets GC Rieber Shipping operate.

For the subsea segment, GC Rieber Shipping expects a gradually improved market. For the first part of 2018 bid activity remains low. With several vessels being available in the market, this results in continued pressure on the rate levels. The company expects the activity to pick up and the market to improve towards the end of the year and into 2019. Large subsea projects in Norway have been announced, and the backlog for subsea christmas trees is high. In total, this brings more optimism to the market. In the renewables market the bid activity seems to hold up, with several tenders and awards for e.g. walk-to-work campaigns even during wintertime and early spring, compared to before when this was mainly a summer activity. The renewables market thus keeps absorbing a notable share of the subsea fleet in Europe. There are still attractive opportunities within niches of the oil & gas markets, and in total the outlook for the subsea fleet has improved.

The seismic market remains challenging, but on the back of a solid operational performance in 2017, in combination with recently awarded contracts, Shearwater GeoServices is well positioned and is expected to continue to strengthen its market presence. Shearwater GeoServices has an attractive offering with a modern fleet and very cost effective operation, and is continuously expanding its order book.

The market for ice/support has also been affected by the development in the oil price, in addition to political factors such as sanctions and increased environmental focus. The market is gradually improving and new areas of operation will be opened for future activity. Supported by the higher oil price, the medium to long-term outlook has improved. GC Rieber Shipping has a solid track record and experience within ice operations, and will continue to pursue new attractive opportunities within this segment.

GC Rieber Shipping will keep focused on solid project execution, and preserve the achieved lower cost levels to maintain its competitiveness. The markets remain challenging, but GC Rieber Shipping enters into 2018 on a more optimistic note than last couple of years. With a successful financial restructuring and improved operations, supported by a higher oil price and an increasing activity level, the company is positioned to continue to progress through 2018 and the coming years.

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 2017 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 2017, 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, 20 March 2018

The Board of Directors of GC Rieber Shipping ASA

Paul-Chr. Rieber *Chairman*	Hans Olav Lindal *Vice chairman*	Trygve Bruland
Tove Lunde	Bodil Valland Steinhaug	Christian W. Berg *CEO*

INCOME STATEMENT

THE GC RIEBER SHIPPING ASA GROUP

NOK (1 000)	NOTE	2017	2016
OPERATING INCOME			
Charter income		231 107	178 247
Other shipping related operating income		32 960	27 258
Total operating income	5	264 066	205 505
OPERATING EXPENSES			
Vessel operating expenses		(99 734)	(64 023)
Crew and catering expenses	6	(76 159)	(96 450)
Administration expenses	6, 15, 16	(57 299)	(62 127)
Total operating expenses		(233 192)	(222 600)
Profit from jointly controlled entities	4	(9 879)	26 784
Net operating income before depreciation, write-down, gain (loss) on sale of fixed assets and disposal of subsidiary (EBITDA)		20 995	9 688
Depreciation	9	(115 209)	(121 191)
Impairment / reversal of impairment on fixed assets	9	4 220	(192 403)
Net operating income		(89 994)	(303 906)
FINANCIAL INCOME AND EXPENSES			
Financial income	17	1 331	5 409
Financial expenses	17	(50 357)	(61 384)
Changes in market value of financial current assets	17	0	(363)
Realised currency gains (losses)	17	1 178	5 837
Unrealised currency gains (losses)	17	7 288	(2 591)
Net income before taxes		(130 554)	(356 998)
Taxes	7	485	(3 611)
Loss from continuing operations		(130 069)	(360 609)
Loss from discontinued operations		0	(382 334)
NET INCOME FOR THE YEAR		(130 069)	(742 943)
Basic and diluted earnings per share	8	(2,98)	(17,02)
STATEMENT OF COMPREHENSIVE INCOME			
Net income for the year		(130 069)	(742 943)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Changes in pension estimates		2 111	2 806
Tax effect changes in pension estimate		(486)	(702)
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation subsidiaries continuing operations		(58 570)	(28 441)
Foreign currency translation subsidiaries discontinued operations		0	(37 415)
Foreign currency translation subsidiaries discontinued operations recycled		0	(248 087)
Comprehensive income for the year		(187 013)	(1 054 782)

The accompanying notes are an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

THE GC RIEBER SHIPPING ASA GROUP

NOK (1 000)	NOTE	31.12.2017	31.12.2016
ASSETS			
FIXED ASSETS			
Vessels	9	1 717 984	1 899 580
Machinery and equipment	9	30 852	15 079
Total tangible fixed assets		1 748 836	1 914 659
Investments in joint ventures	4	450 506	495 370
Long-term loan to joint ventures	4	0	4 310
Other long-term receivables	4, 11	61 545	64 658
Total financial fixed assets		512 051	564 338
Total fixed assets		2 260 887	2 478 997
CURRENT ASSETS			
Consumables and spare parts		6 939	5 319
Total consumables and spare parts		6 939	5 319
Trade receivables	10	62 584	45 396
Other current receivables	10	8 420	24 252
Total receivables		71 004	69 648
Quoted securities		0	5 013
Total investments		0	5 013
Cash and cash equivalents	11	107 749	203 199
Total current assets		185 692	283 179
TOTAL ASSETS		2 446 579	2 762 176

The accompanying notes are an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

THE GC RIEBER SHIPPING ASA GROUP

NOK (1 000)	NOTE	31.12.2017	31.12.2016
EQUITY AND LIABILITIES			
EQUITY			
Share capital (43,812,800 shares at NOK 1.80)	12, 16	78 863	78 863
Portfolio of own shares (150,800 shares at NOK 1.80)	12	(271)	(271)
Share premium		16 604	16 604
Paid in capital		95 196	95 196
Other equity		1 044 440	1 231 453
Total retained earnings		1 044 440	1 231 453
Total equity		1 139 636	1 326 649
LIABILITIES			
Pension liabilities	14	7 401	11 499
Total provisions		7 401	11 499
Long-term debt	13	1 060 659	1 226 285
Total long-term debt		1 060 659	1 226 285
Current portion of long-term debt	13	170 158	119 176
Trade payables		19 862	36 109
Public duties payable		1 137	12 659
Liabilities to group companies		0	25
Other current liabilities	18	47 727	29 775
Total current liabilities		238 883	197 743
Total liabilities		1 306 943	1 435 527
TOTAL EQUITY AND LIABILITIES		2 446 579	2 762 176

Bergen, 20 March 2018

The Board of Directors of GC Rieber Shipping ASA

Paul-Chr. Rieber
Chairman

Hans Olav Lindal
Vice chairman

Trygve Bruland

Tove Lunde

Bodil Valland Steinhaug

Christian W. Berg
CEO

The accompanying notes are an integral part of these financial statements

CASH FLOW STATEMENT

THE GC RIEBER SHIPPING ASA GROUP

NOK (1 000)	NOTE	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES			
Net income before taxes		(130 554)	(356 998)
Taxes paid		0	(3 611)
Depreciation	9	115 209	121 191
Impairment / reversal of impairment on fixed assets	9	(4 220)	192 403
Profit from jointly controlled entities	4	9 879	(26 784)
Unrealised currency losses (gains)		(8 266)	(8 385)
Change in stores		(1 620)	1 646
Change in short term receivables		(1 356)	(29 696)
Change in current liabilities		(19 228)	(6 255)
Change in other current assets and other liabilities		1 670	52 772
Interest expense		46 007	51 336
Net cash flow from discontinued operations		0	(128 079)
Net cash flow from operating activities		7 520	(140 461)
CASH FLOW FROM INVESTMENT ACTIVITIES			
Payments from investments in financial assets		15 199	85 645
Payments from sale of financial assets		4 950	0
Payments for investments in fixed assets	9	(34 855)	(23 988)
Net cash flow from discontinued operations		0	(121 447)
Net cash flow from investment activities		(14 706)	(59 790)
CASH FLOW FROM FINANCING ACTIVITIES			
Loan from joint venture company		9 550	0
Cash from new long-term debts		3 102	51 683
Repayment of long-term debts		(56 719)	(115 632)
Interest paid		(46 170)	(42 531)
Net cash flow from discontinued operations		0	(49 019)
Net cash flow from financing activities		(90 237)	(155 499)
Net cash flow from discontinued operations		0	(298 545)
Net change cash and cash equivalents		(97 424)	(355 750)
Cash and cash equivalents at 01.01.		203 199	625 625
Restricted cash		0	(64 650)
Currency gains (losses) on cash and cash equivalents		1 973	(2 026)
Cash and cash equivalents at 31.12.	11	107 749	203 199

The accompanying notes are an integral part of these financial statements

STATMENT 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 2016	78 863	-271	16 604	644 848	1 641 385	2 381 428
Net income for the year					-742 943	-742 943
Other comprehensive income				-313 944	2 105	-311 840
Total income and expense for the year				-313 944	-740 838	-1 054 782
Dividends to the shareholders					0	0
Balance at 31 December 2016	78 863	-271	16 604	330 904	900 547	1 326 649
Balance at 1 January 2017	78 863	-271	16 604	330 904	900 547	1 326 649
Net income for the year				0	-130 069	-130 069
Other comprehensive income				-58 570	1 626	-56 945
Total income and expense for the year				-58 570	-128 443	-187 013
Dividends to the shareholders					0	0
Balance at 31 December 2017	78 863	-271	16 604	272 334	772 104	1 139 636

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 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.

The financial statements were authorised for issue by the Board of Directors on 20 March 2018.

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 31.12.2017.

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 2017 did not 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 recognised 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 has assessed the impact of IFRS 9 and found that adopting the new standard will have no impact on the Group's financial statements.

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 obligation 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 2018 and earlier application is permitted.

The Group's main source of income is charter hire of vessels. The vessels are chartered to customers both by bareboat and time charter agreement. A time charter contract contains both a lease, by a right to use the vessel, and service components which can include operation and maintenance of the vessel. The service components will be within the scope of IFRS 15. The volume of services provided are usually stable throughout the leasing period, and revenue will therefore be recognised on a linear basis over the lease term. Revenue recognition will not change compared with current practice.

IFRS 16 "Leases" was issued in January 2016. It will result in almost all leases being recognized 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 recognized. The only exceptions are short term and low value leases. The accounting for lessors will not significantly change.

The Group is both a lessor, as it charters vessels to customers, and a lessee. The standard will primarily affect the Group's accounting for the operating leases as a lessee. As at the reporting date, the Group has non cancellable operating lease commitments of NOK 5.4 million, see note 15.

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 arrangement that will not qualify as leases under IFRS 16.

Adoption of IFRS 16 is 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's 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 recognised 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 recognised 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 recognise 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

31.12.2017, 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 a 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 2016 and 2017. Derivatives held for hedging purposes are measured at fair value through profit and loss in the financial statements.

As at 31.12.2017 the Group holds no financial instruments.

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 joint venture. The Group's vessels can take on assignments within both ice/support and subsea. Indirect attributable costs are allocated to the operating segments when applicable. In 2017 all indirect costs have been allocated to the subsea segment. Financial information regarding the segments is presented in note 5.

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 Groups's fleet.

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) valutations 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 utilisation) 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 analysis of comparable companies. Management considers that the rates derived from the analysis 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 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, revenue has been estimated based on the rates derived from the evaluation of the broker valuations. Management has also done sensitivity analysis 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 recognised as expense partly or in full. Deferred tax assets are recorded at nominal value in accordance with IAS 12. 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:

COMPANY	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

The Group has the following investments in joint ventures:

JOINT VENTURE	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	Geophysical services	50 %

Joint Venture – Ice/support

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 until 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 Investment Company. There are no obligations connected to the Groups's investment in joint ventures.

Below is a summary of the financial information of the joint venture (100 %) in USD 1000:

(USD 1000)	2017	2016
CONDENSED BALANCE SHEET		
SHORT-TERM ITEMS		
Cash and cash equivalents	4 971	7 213
Other current assets	6 865	4 393
Total current assets	11 836	11 606
Financial liabilities (ex. Trade payables)	-5 420	-5 420
Other current liabilities (incl. Trade payables)	-1 161	-5 151
Total current liabilities	-6 581	-10 571
LONG-TERM ITEMS		
Assets	40 648	44 799
Financial liabilities	-14 885	-20 078
Other liabilities	0	0
Total non-current liabilities	-14 885	-20 078
Net assets	31 018	25 756
CONDENSED INCOME STATEMENT		
Operating income	17 408	16 115
Operating expenses	-4 491	-4 482
Depreciation	-4 162	-3 243
Financial income	49	117
Financial expenses	-1 199	-1 886
Result before tax	7 605	6 622
Tax	-168	-199
Result	7 436	6 424

Reconciliation between the condensed accounting information above and carrying share of joint ventures ice-breaker/tug and crew vessels:

(USD 1000)	2017	2016
CONDENSED FINANCIAL INFORMATION		
Net assets 1 January	25 527	41 403
Result for the period	7 436	6 424
Result not recognised in 2016	755	0
Dividends paid	-2 700	-22 300
Net assets 31 December	31 018	25 527
Current exchange rate at the balance sheet date	8,21	8,62
Net assets 31 December at the exchange rate on the balance sheet date (NOK 1000)	254 506	220 040
Owner share 50% (NOK 1000)	127 253	110 020
Group items (NOK 1000)	-2 671	-1 850
Carrying amount (NOK 1000)	124 582	108 170

Joint venture – Marine seismic

In December 2016, GC Rieber Shipping and Rasmussengruppen AS established Shearwater GeoServices as a 50/50 owned marine geophysical company. 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 20. The 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 ASA issued a guarantee of 50 % of the outstanding vessel loans. The Group has also provided a cash collateral of USD 7.5 million securing on a pro-rata basis Shearwater's installments up until 30 June 2019. The amount is presented as long term receivable 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 of the difference between the market value and the 90 % level, limited to USD 10.0 million.

Below is a summary of the financial information of the joint venture (100 %) in USD 1000:

(USD 1000)	2017	2016
CONDENSED BALANCE SHEET		
SHORT-TERM ITEMS		
Cash and cash equivalents	48 567	51 509
Other current assets	20 869	17 027
Total current assets	69 436	68 536
Financial liabilities (ex. Trade payables)	-5 600	-6 394
Other current liabilities (incl. Trade payables)	-13 198	-7 596
Total current liabilities	-18 798	-13 990
LONG-TERM ITEMS		
Assets	244 321	255 333
Financial liabilities	-215 514	-220 040
Other liabilities	0	0
Total non-current liabilities	-215 514	-220 040
Net assets	79 445	89 838
CONDENSED INCOME STATEMENT		
Operating income	117 142	
Operating expenses	-96 800	
Depreciation	-23 039	
Financial income	3 807	
Financial expenses	-12 052	
Result before tax	-10 942	
Tax	550	
Result	-10 392	

Reconciliation between the condensed accounting information above and carrying share of joint venture Shearwater:

(USD 1000)	2017	2016
CONDENSED FINANCIAL INFORMATION		
Net assets 1 January	89 838	0
Result for the period	-10 392	0
Net assets 31 December	79 446	89 838
Current exchange rate at the balance sheet date	8,21	8,62
Net assets 31 December at the exchange rate on the balance sheet date (NOK 1000)	651 852	774 401
Owner share 50 % (NOK 1000)	325 926	387 200
Group items (NOK 1000)	0	0
Carrying amount (NOK 1000)	325 926	387 200

Summary:

(NOK 1000)	ICE/SUPPORT	MARINE SEISMIC	TOTAL
Result	34 076	-43 955	-9 879
Carrying amount	124 582	325 926	450 508

NOTE 5 – SEGMENT INFORMATION (NOK 1000)

The Group's management team, as presented on the Group's website, examines the Group's performance from a product and geographical perspective when defining operating segments. The management team has defined three operating segments; subsea, ice/support and marine seismic. However, as the Group's marine seismic segment now in its entirety is held through a 50/50 joint venture (Shearwater) and accounted for by the equity method, marine seismic is no longer reported as a separate segment, neither in management reporting nor financial reporting. Investments in joint ventures are presented as a separate segment in management and financial reporting.

The geographic perspective is not a focal point in the internal management reporting for either of the segments.

The segments are considered to have different operational and financial risk profiles. Any transactions between the segments are carried out at arm's length and eliminated in the consolidated financial statements.

Subsea

During the year, the Group has owned and operated three vessels within the subsea segment "Polar King", "Polar Queen" and "Polar Onyx". The vessels are primarily used for inspection, maintenance and repair of subsea installations.

Ice/support

GC Rieber Shipping owns one vessel, RSS "Ernest Shackleton", within the reported ice/support segment.

Joint ventures

Previous years, the vessels owned through 50/50 joint ventures and operating in Russia has been included in the ice/support segment. From 2017 these figures are presented as joint venture in the segment report, figures from 2016 have been adjusted accordingly.

Figures from the 50/50 owned marine geophysical company Shearwater is also presented as joint venture in the segment report.

Segment information

	ICE/ SUPPORT	SUBSEA*	JOINT VENTURE	NOT ALLOCATED	TOTAL
2017					
FROM THE INCOME STATEMENT					
Operating income	17 010	247 056	0	0	264 066
Profit from joint venture (see note 4)	0	0	34 076	0	34 076
Loss from joint venture (see note 4)	0	0	-43 955	0	-43 955
Operating profit before depreciation, write-down and gain (loss) on sale of fixed assets (EBITDA)	16 805	14 069	-9 879	0	20 995
Depreciation	-8 817	-106 392	0	0	-115 209
Write downs	0	4 220	0	0	4 220
Operating profit	7 988	-88 104	-9 879	0	-89 995
FROM THE BALANCE SHEET					
Vessels	26 978	1 691 006	0	0	1 717 984
Debt to credit institutions	0	1 230 817	0	0	1 230 817
FROM THE CASH FLOW STATEMENT					
Operating profit before depreciation, write-down, and gain (loss) on sale of fixed assets	16 805	14 069	-9 879	0	20 995
Repayment of long-term loans	0	-56 719	0	0	-56 719
New long-term loans raised	0	3 102	0	0	3 102
Short-term loan from joint venture	0	0	9 550	0	9 550
Investments	0	-34 855	0	0	-34 855
Other investing activities	0	0	15 199	4 950	20 149
Interest paid	0	-46 170	0	0	-46 170
Other changes	0	0	0	-13 476	-13 476
Net change in cash and cash equivalents	16 805	(120 573)	14 870	(8 526)	-97 424

*Subsea segment also includes external ship management income from Shearwater and corresponding costs for providing ship management services.

	ICE/ SUPPORT	SUBSEA	JOINT VENTURE	NOT ALLOCATED	TOTAL	DISCONTINUED OPERATIONS
2016						
FROM THE INCOME STATEMENT						
Operating income	18 307	187 196	0	0	205 503	83 402
Profit from joint ventures	0	0	26 784	0	26 784	0
Operating profit before depreciation, write-down and gain (loss) on sale of fixed assets (EBITDA)	18 137	-35 232	26 784	0	9 689	-45 678
Depreciation	-8 957	-112 234	0	0	-121 191	-101 100
Write downs	0	-192 403	0	0	-192 403	-399 685
Operating profit	9 180	-339 870	26 784	0	-303 906	-546 463
FROM THE INCOME STATEMENT						
Vessels	37 529	1 862 051	0	0	1 899 580	0
Debt to credit institutions	0	1 345 461	0	0	1 345 461	0
FROM THE CASH FLOW STATEMENT						
Operating profit before depreciation, write-down, and gain (loss) on sale of fixed assets	18 137	-35 232	26 784	0	9 689	-45 678
Repayment of long-term loans	0	-115 632	0	0	-115 632	-80 955
New long-term loans raised	0	51 683	0	0	51 683	82 692
Investments	0	-23 988	0	0	-23 988	-131 438
Other investing activities	0	0	85 645	0	85 645	0
Interest paid	0	-42 531	0	0	-42 531	-50 756
Other changes	0	0	0	-22 068	-22 068	-72 410
Net change in cash and cash equivalents	18 137	(165 700)	112 429	(22 068)	-57 205	(298 545)

Discontinued operations 2016

Marine seismic

In December 2016, GC Rieber Shipping and Rasmussengruppen AS established 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 Group will continue to have the maritime operation of the four seismic vessels through ship management agreements.

Geographical information

Operating income from external customers

	2017	2016
Norway	92 074	22 133
Germany	87 726	0
Africa	66 595	110 816
Great Britain	17 010	25 380
Other European countries	660	798
USA	0	46 377
Total operating income	264 066	205 505

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

With the exception of Great Britain, all income is related to the subsea segment. Two customers account for 100 per cent of the operating income registered in Norway, whereof one customer account for 89,4 per cent of the operating income. The Group has had one customer located in Germany and one located in Africa.

The operating income registered in Great Britain relates to one customer and is included in the ice/support segment.

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 1000)

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

	2017	2016
Payroll crew	56 538	68 935
Payroll office workers	34 199	32 028
Payroll tax	5 189	9 794
Pension costs	-1 446	8 430
Other remunerations	565	1 867
Total payroll expenses	95 045	121 052

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

	2017	2016
Marine crew	0	66
Office workers	31	34

As a result of a challenging subsea and seismic market and need of reducing the Group's cost level, the Group decided to wind up the activity in the crewing company GC Rieber Crewing AS in September 2016. As a result the Group has no employer liabilities for marine crew in 2017. Marine crew has since been hired from a manning agent. As at 31.12.17 the Group had 126 contracted seafarers for the Group's owned vessels.

The wage costs are included in the following lines in the income statement:

	2017	2016
Crew and catering expenses	57 275	85 870
Administration expenses	37 771	35 183
Total wage expenses	95 045	121 052

Payroll related to crew has been reduced compared to 2016. This is a combination of sale of the seismic vessels to the 50 % owned joint venture Shearwater, reorganisation as mentioned above, other cost optimisations as well as type and length of activity of the vessels.

	2017	2016
REMUNERATIONS TO THE GROUP MANAGEMENT		
Wages	7 264	6 636
Other remunerations	189	67
Pension premium	539	598
Total Group management remunerations	7 992	7 301
REMUNERATIONS FOR THE BOARD OF DIRECTORS		
Fees and remunerations for Board of Directors GC Rieber Shipping ASA	938	1 017
Total remunerations for the Board members of the Group	938	1 017

The amounts are included in the Group's administration expenses. For further details see note 3 in the financial statement of GC Rieber Shipping ASA.

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.

	2017	2016
AUDITOR'S FEE (EXCL. VAT)		
Audit fee	834	323
Other certification services	579	726
Tax consulting	172	407
Other services	26	0
Total auditor's fees	1 612	1 457

NOTE 7 - TAXES (NOK 1000)

	2017	2016
INCOME TAX EXPENSE		
TAXES IN INCOME STATEMENT		
Tax payable in Norway	0	0
Change in tax from previous periods	0	3 611
Change in deferred tax	-485	0
Income tax expense (income)	-485	3 611
RECONCILIATION OF INCOME TAX EXPENSE FOR THE YEAR		
Net income before taxes	-130 554	-356 998
Nominal rate	24 %	25 %
Estimated tax based on nominal rate	-31 333	-89 250
Effect of tonnage tax regime/tax payable outside Norway	10 443	64 435
Deferred tax asset not recognised in the balance sheet	21 875	28 433
Permanent differences	-1 758	-7
Other/correction of tax payable in previous periods	288	0
Income tax expense (income)	-485	3 611
DEFERRED TAX		
DEFERRED TAX LIABILITIES/ASSETS		
Capital gains	27	34
Other differences	-6 411	-2 318
Financial instruments	0	-5 176
Net financial items for companies in the tonnage tax regime	-22 755	-26 026
Pension liabilities	-7 401	-11 499
Tax losses carried forward	-882 623	-900 409
Basis for calculation of deferred tax	-919 162	-945 394
Tax rate	23 %	24 %
Calculated deferred tax liabilities/assets in the balance sheet	-211 407	-226 895
Deferred tax assets not recognised in the balance sheet	211 407	226 895
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	-2 111	-2 942

At 31.12.2017, deferred tax assets not recognised amount to NOK 211.4 million whereof NOK 206.2 million relate to companies that are not subject to the tonnage tax regime.

By end of 2017 the Group had tax losses carried forward of NOK 882.6 million in Norway, whereof NOK 0 million is basis for capitalisation. The reduction in tax losses carried forward when the Group has a net tax loss over profit and loss in the current year, is due to a change in the income tax return for 2015. An amount of NOK 167.1 million related to realised loss after the Reef Subsea bankruptcy has not been accepted as being tax deductible.

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 utilize 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 is thus equal to earnings per share.

	2017	2016
Net income for the year (NOK 1000)	-130 069	-742 943
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)	-2,98	-17,02
Net income for the year continuing operations (NOK 1 000)	-130 069	-360 609
Basic and diluted earnings per share continuing operations (NOK)	-2,98	-8,25

NOTE 9 – TANGIBLE FIXED ASSETS (NOK 1000)

Vessels and marine equipment:

	2017	2016
Acquisition cost as at 01.01	2 976 234	6 223 759
+ Additions during the year	353	17 892
+ Additions during the year for periodic maintenance	6 670	7 590
+ Additions during the year transferred from vessel under construction	0	0
- Disposals during the year	0	-3 101 239
+ Changes in translation differences during the year	-143 466	-171 769
= Acquisition cost as at 31.12.	2 839 792	2 976 234
Accumulated depreciation and impairment at 01.01.	1 076 654	1 446 407
+ Depreciation for the year continuing operations	92 819	92 536
+ Depreciation of periodic maintenance for the year	10 296	21 695
+ Depreciation for the year discontinued operations	0	101 100
+ Impairment during the year	0	192 403
- Reversal of impairment during the year	-4 220	0
+ Impairment during the year discontinued operations	0	399 685
- Disposals during the year	0	-1 029 580
+ Changes in translation differences during the year	-53 742	-147 592
= Accumulated depreciation and impairment at 31.12.	1 121 807	1 076 654
Carrying amount as at 31.12.	1 717 984	1 899 580
= Accumulated depreciation and write-downs at 31.12.	1 998 983	1 900 088
Depreciation for the year discontinuing operations	0	101 100
Impairment during the year discontinuing operations	0	399 685

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 the comprehensive income. Accumulated exchange translations 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 31.12.2017 amounts to NOK 26.5 million. (2016: NOK 31.8 million).

Shearwater GeoServices took over the Group's four seismic vessels totalling to an amount of USD 228.5 million as part of the transaction in December 2016. The agreed value of the vessels implied an impairment charge of approximately NOK 130 million.

Impairment of vessels

VESSELS (NOK 1000)	POLAR ONYX	POLAR KING	POLAR QUEEN	TOTAL
Impairment / reversal of impairment (-)	-5 062	-6 233	7 075	-4 220
Recoverable amount	832 602	429 204	429 204	1 691 009
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	1 095	571	120	
WACC used in evaluation broker estimates	8,8 %	8,8 %	8,8 %	

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.

	2017	2016
MACHINERY AND EQUIPMENT		
Acquisition cost 01.01.	32 226	25 797
+ Additions during the year	27 832	6 429
= Acquisition cost as at 31.12	60 058	32 226
Accumulated depreciation as at 01.01.	17 147	10 187
+ Depreciation for the year	12 060	6 960
= Accumulated depreciation and write down as at 31.12.	29 206	17 147
Carrying value as at 31.12.	30 852	15 079

In 2017, the “Polar Queen” was equipped with an active motion compensated gangway for personnel transfer from the vessel to fixed offshore installations, e.g. platforms, transition piece and/or offshore substation. The investment has been capitalised as machinery and equipment.

NOTE 10 – TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES (NOK 1000)

	2017	2016
TRADE RECEIVABLES		
Trade receivables gross	62 584	45 396
Provision for bad debt	0	0
Trade receivables net	62 584	45 396
OTHER RECEIVABLES		
Prepaid expenses	2 832	7 929
Insurance settlement	4 486	6 610
Re-invoiced expenses	1 102	9 713
Total other receivables	8 420	24 252
Total current receivables	71 004	69 648
AGEING PROFILE TRADE RECEIVABLES, NOT IMPAIRED AT THE END OF THE REPORTING PERIOD		
Receivables, not due	28 121	
Receivables, due by 1-30 days	16 718	
Receivables, due by 31-60 days	17 745	
Total	62 584	
PROVISON FOR BAD DEBT TRADE RECEIVABLES		
Provision for bad debts 01.01	0	-189 694
Provision made during the year	0	0
Losses realised	0	189 694
Provision for bad debts 31.12	0	0

In December 2015, one of the Group's customers filed for bankruptcy. GC Rieber Shipping had three vessels on long-term contract to this customer 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 expenses vessels in the income statement. In 2017 the Group has received NOK 3.8 million of previously realised losses.

The Group has assessed the trade receivables as at 31.12.17, and has not found the need for making any provision for bad debt.

NOTE 11 – CASH AND CASH EQUIVALENTS (NOK 1000)

	2017	2016
BANK DEPOSITS AND CASH		
Bank deposits and cash	106 196	196 735
Tax withholdings	1 552	6 464
Short-term bank deposits	0	0
Bank deposits and cash	107 749	203 199

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 Group's need for liquidity. In some cases, the Group also enters into contracts on short-term deposits with terms exceeding three months.

The cash holding includes restricted cash of NOK 56.7 million, which is deferred loan instalments from 2017 due January and March 2018 . In addition, restricted cash of NOK 61.5 million, a cash collateral of USD 7.5 million related to investment in Shearwater, is presented as long-term receivables (see note 4).

NOTE 12 – EQUITY (NOK 1000)

	2017	2016
ORDINARY SHARES		
Par value per share	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 31.12.2017, constituting 0.34 per cent of total number of shares.

The Board has not proposed dividends in 2016 or 2017.

In connection with the Rights Issue resolved in the Extraordinary General Meeting 26 January 2018, GC Rieber Shipping has negotiated revised terms and certain amendments to the two Subsea credit facilities. The amendments include limitations in dividend payments, as no dividend payments or other distributions from the company can be made without the prior consent of the lenders. See note 22 for further details about the Rights Issue.

NOTE 13 – DEBT TO CREDIT INSTITUTIONS (NOK 1000)

The Group's long-term liabilities, including first year's instalments, are summarised as follows at year-end 2017:

		AVERAGE INTEREST RATE 2017	AVERAGE MATURITY	BALANCE SHEET 2017	BALANCE SHEET 2016	INTEREST PAYMENT 2017	INTEREST PAYMENT 2016
Mortgage debt with floating interest	Secured	USD LIBOR + 1.95 %	3.5 years	623 990	688 307	20 463	18 008
Mortgage debt with fixed interest	Secured	USD CIRR 2.43 % + 1.6 %	2.5 years	616 159	670 801	25 706	33 329
Amortization effect, mortgage debt				-9 332	-13 468	0	0
Total				1 230 817	1 345 640	46 169	51 336

The Group's vessels are pledged as collateral for the loans by a total of NOK 1,691 million.

The repayment schedule for the Group's long-term liabilities, including first year's instalments, at year-end 2017:

Due in 2018	170 158
Due in 2019	113 438
Due in 2020	547 623
Due in 2021	408 931
Later maturity	0
Total interest bearing debt	1 240 150

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 2017 was 3.58 percent (2016: 3.43 per cent).

The Group's net debt at 31.12

NET DEBT	2 017	2016
Cash and cash equivalents	107 749	203 199
Other short term debt	-9 550	0
Borrowings - repayable within one year	-170 158	-119 176
Borrowings - repayable after one year	-1 069 992	-1 239 932
Net debt	-1 141 951	-1 155 909
Cash and cash equivalents	107 749	203 199
Other short term debt	-9 550	0
Gross debt - fixed interest rates	-616 159	-670 801
Gross debt - variable interest rates	-623 990	-688 307
Net debt	-1 141 951	-1 155 909

	CASH/CASH EQUIVALENTS	OTHER SHORT TERM DEBT	BORROWINGS DUE WITHIN 1 YEAR	BORROWINGS DUE AFTER 1 YEAR	TOTAL
Net debt as at 1 January 2017	203 199	0	-119 176	-1 226 285	-1 150 897
Cash flows	-97 424	0	0	56 719	-40 705
Cash from new long-term debt	0	-9 550	0	-3 102	-12 652
Reclassification to short-term debt	0	0	-59 912	59 912	0
Foreign exchange adjustments	1 973	0	5 738	53 300	61 012
Other non-cash movements	0	-701	3 192	-1 203	1 288
Net debt as at 31 December 2017	107 749	-10 251	-170 158	-1 060 659	-1 141 951

The company has received temporary amendments of certain financial covenants for the two Subsea credit facilities, applicable 31.12.2017 and until March 2018 :

- *The working capital covenant will temporarily be limited to require the consolidated working capital of the company to be positive at all times;*
- *The fair market value covenant is reduced to be at any time minimum 110 % of the sum of the loans and the available facility; and*
- *The minimum liquidity covenant is reduced from MNOK 60 to MNOK 20.*

The Group is in compliance with the financial covenants at 31.12.2017, and has been throughout 2017.

In connection with the Rights Issue described in note 22, GC Rieber Shipping has in 2018 negotiated revised terms and certain amendments to the two Subsea credit facilities. The new terms and amendments include the following main elements;

- *Amortisation*
  80 % reduction in amortisations until 31 December 2020 (compared to original amortisation schedule)
- *Final maturity date* 31 December 2022
- *Cash sweep Aggregate consolidated cash in the company during the six months prior to the sweep date in excess of the following threshold amounts;*
  – NOK 150 million in 2019
  – NOK 120 million in 2020 and onwards
  First cash sweep at 15 June 2019 and semi-annually thereafter
- *Interest rates*
  No amendments
- *Financial covenants*
  Minimum free liquidity of NOK 40 million until 31 December 2021, NOK 50 million thereafter
- *Loan to value*
  110 % until 31 December 2020
- *Change of control*
  If GC Rieber AS controls less than 50.1 % of the Shares and votes in the company or someone other than GC Rieber AS gains negative control in the company.

From 1 January 2021, the original financial covenants will be reinstated, however with the amendments stated above.

No dividend payments or other distributions from the company may be made without the prior consent of the lenders.

Investments are limited to scheduled CAPEX and ordinary repairs related to the subsea vessels in the ordinary course of operation.

Taking the new terms and amendments into account, the repayment schedule for the Group's long-term liabilities will be:

Due in 2018	82 599
Due in 2019	22 688
Due in 2020	22 688
Due in 2021	113 438
Due in 2022	998 736
Later maturity	0
Total interest bearing debt	1 240 150

NOTE 14 – PENSION COSTS AND PENSION OBLIGATIONS (NOK 1000

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.

Former employed 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.

ACTUARIAL ASSUMPTIONS	2017	2016
Discount rate	2,40 %	2,60 %
Estimated return on plan assets	2,40 %	2,60 %
Inflation/Increase of National Insurance Basic Amount (G)	2,23 %	2,25 %
Rate of salary increase	2,50 %	2,50 %
Rate of pension increase	0,50 %	0,00 %
Number of deferred members	8	62
Number of pensioners	19	18
Mortality table	K-2013	K-2013

	2017	2016
SPECIFICATION OF THE GROUP'S NET PENSION COST		
Current service cost	2 129	1 348
Recognised past servcie cost	-2 925	0
Interest expenses on benefit obligations	901	1 749
Estimated return on plan assets	-745	-1 385
Administration costs	46	90
Net pension cost	-593	1 802
Payroll tax	-380	-185
Pension cost in the income statement	-973	1 616

	2017
ESTIMATED PENSION COST 2017	
Current service cost	249
Interest expenses on benefit obligations	147
Estimated return on plan assets	0
Administration cost	77
Net pension cost	473
Payroll tax	142
Pension cost in the income statement	614

	31.12.2017	31.12.2016
SPECIFICATION OF THE GROUP'S NET PENSION OBLIGATIONS		
Gross obligations, secured	-8 437	-28 422
Gross obligations, unsecured	-7 059	-10 359
Fair value of plan assets	9 091	28 742
Payroll tax	-995	-1 461
Book value of net pension obligations	-7 401	-11 499
Carrying value 01.01.	-11 499	-17 619
Cost in income statement	-973	1 616
Contributions during the year	-1 051	-5 072
Recognised net actuarial (loss) / gain	2 074	2 663
Carrying value 31.12.	-7 401	-11 499

Actual return on plan assets per 31.12.2017 was 4.8 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 2017. The contributions have been provided to pension plans covering 37 employees. The pension premium is recognised as an expense the year that it falls due and amounts to NOK 1.6 million in 2017 compared to NOK 1.0 million in 2016. From 2017 all employees have been transferred to the defined contribution plan.

NOTE 15 – LEASING (NOK 1000)

The Group as a lessor

Operational leasing

The Group charters its owned vessels under charter parties of varying duration to different charterers, both bareboat and time charter. Lease income from lease of vessels is reported to the profit and loss account on a straight line basis for the duration of the lease period. The lease period starts from the time the vessel is put at the disposal of the lessee and terminates on the agreed date for return of the vessel. Future minimum nominal lease payments arising from contracts as at 31 December 2017, amounts to NOK 45.7 million in 2018 and NOK 32.6 million in 2019. The lease payments include bareboat components from time charter contracts.

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.

	2017	2016
Ordinary lease payments	5 358	12 066
	5 358	12 066

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

	2017	2016
Within 1 year	1 848	3 431
1 to 5 years	3 510	8 635
Later than 5 years	0	0
Total	5 358	12 066

NOTE 16 – SHAREHOLDERS' INFORMATION AND TRANSACTIONS WITH RELATED PARTIES

The 20 largest shareholders in GC Rieber Shipping ASA as at 31 December 2017 (outstanding shares):

NAME	NUMBER OF SHARES	OWNER SHARE
GC Rieber AS	30 861 735	70,4 %
GC Rieber Fondet	1 376 987	3,1 %
AS Javipa	1 018 742	2,3 %
Javipa 1 AS	1 018 740	2,3 %
Javipa 2 AS	1 018 740	2,3 %
Trioship Invest AS	909 000	2,1 %
Pareto Aksje Norge	827 901	1,9 %
M.R.Martens Allm.Fond	400 000	0,9 %
Storkleiven AS	371 687	0,8 %
Delta A/S	363 000	0,8 %
Benedicte Martens Nes	356 250	0,8 %
Pelicahn AS	348 396	0,8 %
Tannlege Randi Arnesen AS	307 000	0,7 %
Randi Jebsen Arnesen	255 000	0,6 %
Dag Fredrik Jebsen Arnesen	210 704	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 %
Other shareholders	3 425 232	7,8 %
Outstanding shares	43 812 800	100,0 %
Outstanding shares (reduced by own shares)	43 662 000	

As at 31.12.2017 the Chairman of the Board, Paul-Chr. Rieber indirectly controls 3.12 per cent of the company through AS Javipa and Pelicahn AS, which equals 1 367 138 shares. No other board members, nor the CEO, own shares in the company.

At 31.12.2017, 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 (NOK 1000)

One of the Group's subsidiaries has entered into a lease agreement for office premises with a subsidiary of GC Rieber AS. The agreement expires at 31.12.2020. 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.

	2017	2016
ICT and administration expenses	3 714	6 705
Lease payments	3 120	3 560
Total	3 864	10 265

The balance sheet had no current liabilities to the parent company per 31.12.2017.

Transactions with joint ventures (the equity method) (NOK 1000)

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:

	2017	2016
Management income	10 285	1 059
Expenses	0	0
Total	10 285	1 059

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

	2017	2016
Trade receivables	2 071	23 257
Other short term receivable	0	9 672
Owner share in accordance with the equity method	450 506	495 370
Loans (Other long-term receivable)	0	4 310
Short term liabilities	(9 436)	0
Total (net)	443 141	532 608

NOTE 17 – 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 recapitalisation should arise.

The Group's overall strategy is to have a capital structure involving satisfactory solidity and liquidity that ensures favorable 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 31.12.2017 and 31.12.2016 is calculated as follows:

	2017	2016
Total loan	1 230 817	1 345 460
Cash	-107 749	-203 199
Net loan	1 123 068	1 142 261
Total equity	1 139 636	1 326 649
Total capital (adjusted)	2 262 704	2 468 910
Debt ratio	49,63 %	46,27 %

The increase in debt ratio during 2017 is mainly due to a reduction in USD/NOK exchange rate from 31.12.16 to 31.12.17.

As can be seen above, the reduction in loan is somewhat higher than change in cash which leaves changes in equity as the main contributor for the increase in debt ratio. Net positive equities from subsidiaries with functional accounts in USD will affect the Group's equity when USD/NOK exchange rates changes.

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 31.12.2017			
ASSETS			
Long-term restricted cash	61 538	0	61 538
Receivables	71 004	0	71 004
Cash and cash equivalents	107 749	0	107 749
Total financial assets	240 290	0	240 290

	FINANCIAL INSTRUMENTS AT FAIR VALUE OVER PROFIT OR LOSS	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	TOTAL
LIABILITIES			
Interest bearing long-term debt	0	1 060 659	1 060 659
Interest bearing short-term debt	0	170 158	170 158
Trade payables	0	19 862	19 862
Other current liabilities	0	48 864	48 864
Total financial liabilities	0	1 299 542	1 299 542

	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	0	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
Other current liabilities	0	41 216	41 216
Total financial liabilities	1 242	1 422 785	1 424 027

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 1,230.8 million of interest-bearing debt.*
- *The Group has guaranteed for 50 per cent of the loan in Shearwater. Total amount USD 99.3 million.*

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 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
AT 31.12.2017			
ASSETS			
Realised currency gains/losses on bank deposits and cash	0	1 217	1 217
Unrealised currency gains/losses on bank deposits and cash	0	1 973	1 973
Unrealised gains/losses receivables	0	4 124	4 124
Interest income on bank deposits and cash	0	1 134	1 134
Total financial income in the income statement	0	8 447	8 447
LIABILITIES			
Interest on interest-bearing debt	0	50 198	50 198
Realised change in fair value of financial derivatives instruments	(1 192)	0	(1 192)
Total financial expenses in the income statement	(1 192)	50 198	49 006

	FINANCIAL INSTRUMENTS AT FAIR VALUE OVER PROFIT OR LOSS	FINANCIAL RECEIVABLES AND LIABILITIES MEASURED AT AMORTISED COST	TOTAL
AT 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 onbank deposits and cash	0	(834)	(834)
Unrealised gains/losses receivables	0	(1 385)	(1 385)
Interest income on bank deposits and cash	0	5 409	5 409
Total financial income in the income statement	(363)	9 027	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)
Total financial expenses in the income statement	(372)	61 384	61 012

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 minimising 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. At the end of 2017 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 on the result by NOK 6.6 million in 2017, and correspondingly, a general decrease in the interest rate level of 1 percentage points will have a negative impact on the result by NOK 6.6 million.

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

(NOK 1 000)	2017	2016
Variable rate borrowings	623 990	688 307

The variable rates will be re-priced every 3 months. There are no contractual re-pricing dates of the fixed interest borrowings. See note 15 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.

Based on the composition of the Group's operating income and operating expenses, liabilities in USD and forward contracts entered into at 31.12.2017, a change in the exchange rate 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 23.4 million*
- *An increase in the EUR/NOK exchange rate by NOK 1.00, decreases the result by NOK 2.0 million*
- *An increase in the GBP/NOK exchange rate by NOK 1.00, increases the result by NOK 3.7 million*

In addition an increase in USD against NOK by NOK 1.00 involves an increase in the equity through the comprehensive income by NOK 349 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 a 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 14) 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.

Undiscounted cash flows of the Group's financial assets and financial liabilities per 31.12.2017 is presented below:

	0-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	TOTAL
AT 31.12.2017				
ASSETS				
Restricted cash	0	61 545	0	61 545
Trade receivables and other receivables	71 004	0	0	71 004
Bank deposits and cash	107 749	0	0	107 749
Total financial assets	178 753	61 545	0	240 298
LIABILITIES				
Interest-bearing long-term liabilities (Undiscounted)	205 662	1 141 576	0	1 347 238
Trade payables and other short-term liabilities	68 725	0	0	68 725
Total financial liabilities	274 387	1 141 576	0	1 415 963

	0-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	TOTAL
AT 31.12.2016				
ASSETS				
Loan to joint venture	4 310	0	0	4 310
Restricted cash	0	64 650	0	64 650
Financial investments	5 013	0	0	5 013
Trade receivables and other receivables	69 648	0	0	69 648
Bank deposits and cash	203 199	0	0	203 199
Total financial assets	282 170	64 650	0	346 820
LIABILITIES				
Interest-bearing long-term liabilities (Undiscounted)	156 985	1 352 381	0	1 509 366
Derivatives	1 242	0	0	1 242
Trade payables and other short-term liabilities	78 567	0	0	78 567
Total financial liabilities	236 794	1 352 381	0	1 589 175

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 had entered into three USD/NOK put/call structures expiring in 2017; 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 was zero. The put/call structure expired 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, 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 the financing of the vessel "Polar Onyx".

31 December 2017 the Group has no open interest rate derivatives, and the Group's portfolio of financial hedging instruments at the balance sheet was zero. 31 December 2016 the portfolio of financial hedging instruments in the balance sheet was NOK 1,2 million, related to the above mentioned put/call structure.

6. FAIR VALUE ASSESSMENT

The Group had no financial instruments at 31 December 2017. The table below gives fair value 31 December according to the 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
2017			
ASSETS			
Financial assets at fair value over profit or loss			
Securities	0	0	0
Interest derivatives	0	0	0
Currency derivatives	0	0	0
Total assets	0	0	0
LIABILITIES			
Financial liabilities at fair value over profit or loss			
Interest rate instruments	0	0	0
Currency instruments	0	0	0
Total liabilities	0	0	0

	LEVEL 1	LEVEL 2	TOTAL
2016			
ASSETS			
Financial assets at fair value over profit or loss			
Securities	5 013	0	5 013
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

(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 18 – OTHER SHORT-TERM LIABILITIES

	2017	2016
Foreign value added tax payable	13 780	0
Loan from joint venture partner	9 400	0
Accrued expenses	8 400	8 051
Accrued interest	7 966	8 805
Prepayments from customers	7 629	7 755
Other	553	3 923
Financial derivative instruments	0	1 242
Total other short-term liabilities	47 727	29 775

NOTE 19 – FOREIGN EXCHANGE RATES

	31.12.2017	31.12.2016
EXCHANGE RATES AGAINST NOK		
AT THE BALANCE SHEET DATE		
US dollar	8,21	8,62
Euro	9,84	9,09
Pound Sterling	11,09	10,61

	2017	2016
MONTHLY AVERAGE EXCHANGE RATES		
US dollar	8,27	8,40
Euro	9,33	9,29
Pound Sterling	10,64	11,39

NOTE 20 – DISCONTINUED OPERATIONS

In December 2016, GC Rieber Shipping and Rasmussengruppen AS established Shearwater GeoServices as a 50/50 owned marine geophysical company.

Shearwater is an integrated provider of marine geophysical services to oil and gas and multi-client companies worldwide. The company has 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 utilise 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 were 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.

GC Rieber Shipping's share of Shearwaters result from 22 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.

	2017	2016
Operating income	0	83 402
Operating expenses	0	129 080
Depreciation	0	(101 100)
Write-down	0	(399 685)
Income (loss) from sale of companies	0	243 210
Financial income	0	28
Financial expenses	0	(85 245)
Realised currency gains (losses)	0	(30 469)
Unrealised currency gains (losses)	0	36 605
Net income before taxes	0	(382 334)
Taxes	0	0
Loss from discontinued operations	0	(382 334)
OTHER COMPREHENSIVE INCOME		
Foreign currency translation subsidiaries discontinued operations recycled	0	(248 087)
Comprehensive income for the year	0	(630 421)

NOTE 21 – CONTINGENCIES

In 2012, Armada Seismic Invest II AS ("Armada"), a former subsidiary of GC Rieber Shipping, now a subsidiary of Shearwater, received a claim from Arrow Seismic Invest II Limited (now: PGS Geophysical (UK) Limited)) amounting to approximately EUR 9 million. On 2 March 2016, the claim against Armada was dismissed and Armada was awarded full legal costs 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 Gulating Court of Appeal. The proceedings before the Gulating Court of Appeal were originally scheduled to be held in September 2017, but was postponed to March 2018, with a verdict expected prior to the summer of 2018. GC Rieber Shipping has issued a letter of indemnity to Shearwater for any costs and losses in relation to the ongoing – as well as potential proceedings.

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 5 percent of a possible selling price before 31 December 2022.

NOTE 22 – EVENTS AFTER BALANCE SHEET DATE

The proposed NOK 100 million Rights Issue announced 21 December 2017 was resolved in an Extraordinary General Meeting 26 January 2018. The Rights Issue was oversubscribed, and concluded 8 March 2018 when the board of directors approved the final allocation of the Offer Shares. The share capital increase was registered in the Norwegian Register of Business Enterprises 15 March 2018.

In connection with the Rights Issue, the company has also negotiated revised terms and certain amendments to the two Subsea credit facilities, see note 13 for further details.

The Rights Issue, combined with the new terms and amendments to the two Subsea credit facilities, will strengthen the competitive position of GC Rieber Shipping's subsea operations. In combination with the successful establishment of Shearwater GeoServices in December 2016, this concludes the refinancing processes initiated during the spring of 2016.

GC Rieber Crewing AS (GCRC) and GC Rieber Shipping AS (GCRS), both subsidiaries of GC Rieber Shipping, were sued by 17 former employees of GCRC whose employments were terminated when the Group decided to liquidate the internal crewing company, GCRC. The former employees were of the opinion that both GCRC and GCRS had a shared employer responsibility towards them and that the dismissals were unlawful and therefore invalid. 15 of the former employees made a claim to retake their former positions in GCRC/GCRS and claimed compensation for their economical loss. Two of the former employees only claimed compensation. The claims were handled by the Bergen District Court (Bergen Tingrett) during oral proceedings held 30 October – 1 November 2017. Bergen Tingrett ruled in favour of GCRS and GCRC 20 March 2018, with each of the parties being liable for their own legal costs. The ruling may be appealed within one month.

FINANCIAL STATEMENT

GC RIEBER SHIPPING ASA

INCOME STATEMENT

GC RIEBER SHIPPING ASA

NOK (1 000)	NOTE	2017	2016
OPERATING INCOME			
Operating income		0	1 173
Total operating income		0	1 173
OPERATING EXPENSES			
Administration expenses	3,4	(12 433)	(14 711)
Total operating expenses		(12 433)	(14 711)
Net operating income before depreciation, write-down and gain (loss) on sale of fixed assets (EBITDA)		(12 433)	(13 538)
Net operating income		(12 433)	(13 538)
FINANCIAL INCOME AND EXPENSE			
Sale of shares in subsidiaries		0	213 630
Income from subsidiaries	5	0	245 911
Write-down investment in subsidiary	5	(1 920)	(228 271)
Write-down receivables in subsidiary	12	(73 681)	0
Financial income		6 814	9 662
Financial expenses		(43)	(2)
Realized currency gains (losses)		(20)	27
Unrealized currency gains (losses)		(4 218)	1 984
Net financial income and expenses		(73 068)	242 941
Net income before taxes		(85 502)	229 403
Taxes	9	0	0
NET INCOME FOR THE YEAR	7	(85 502)	229 403
ALLOCATION OF NET LOSS/PROFIT			
Allocation of Net Loss/Profit	7	85 502	(229 403)
Total allocation		85 502	(229 403)

The accompanying notes are an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

GC RIEBER SHIPPING ASA

NOK (1 000)	NOTE	31.12.2017	31.12.2016
ASSETS			
FIXED ASSETS			
Investments in subsidiaries	5	92 587	94 507
Investments in associated companies	6, 13	391 248	391 273
Long term assets	10, 13	61 538	64 574
Total financial fixed assets		545 372	550 355
Total fixed assets		545 372	550 355
CURRENT ASSETS			
Receivables from subsidiaries	12	174 041	194 352
Other current assets		145	4 325
Total receivables		174 187	198 677
Cash and cash equivalents	10	44 128	78 659
Total current assets		218 315	277 336
TOTAL ASSETS		763 687	827 691

STATEMENT OF FINANCIAL POSITION

GC RIEBER SHIPPING ASA

NOK (1 000)	NOTE	31.12.2017	31.12.2016
EQUITY AND LIABILITIES			
EQUITY			
Share capital (43,812,800 shares at NOK 1.80)	7, 11	78 863	78 863
Portfolio of own shares (150,800 shares at NOK 1.80)	7	(271)	(271)
Share premium	7	16 604	16 604
Paid in capital		95 196	95 196
Other equity	7	374 835	460 336
Total retained earnings		374 835	460 336
Total equity		470 031	555 532
LIABILITIES			
CURRENT LIABILITIES			
Trade payables		501	257
Liabilities to subsidiaries	12	292 156	263 850
Other current liabilities		1 000	8 051
Total current liabilities		293 657	272 158
Total liabilities		293 657	272 158
TOTAL EQUITY AND LIABILITIES		763 687	827 691

Bergen, 20 March 2018

The Board of Directors of GC Rieber Shipping ASA

Paul-Chr. Rieber
Chairman

Hans Olav Lindal
Vice chairman

Trygve Bruland

Tove Lunde

Bodil Valland Steinhaug

Christian W. Berg
CEO

CASH FLOW STATEMENT

GC RIEBER SHIPPING ASA

NOK (1 000)	NOTE	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES			
Net income before taxes		(85 502)	229 403
Write-down investments in subsidiaries	5	1 920	55 309
Write-down receivables	12	73 681	172 962
Exchange differences		4 142	(2 012)
Profit on sale of shares in subsidiaries		0	(213 630)
Change in accounts payable		244	(19)
Change in receivables from subsidiaries		(25 065)	(155 586)
Change in other current assets and other liabilities		(2 872)	(182 487)
Net paid interests		0	(4)
Dividends from subsidiaries		0	(245 911)
Net cash flow from operating activities		(33 452)	(341 975)
CASH FLOW FROM INVESTMENT ACTIVITIES			
Payments from sale of financial fixed assets		0	17 641
Payments for investments in financial fixed assets		26	(138 623)
Net cash flow from investment activities		26	(120 981)
CASH FLOW FROM FINANCING ACTIVITES			
Dividend payment		0	224 527
Net paid interests		0	(4)
Net cash flow from financing activities		0	224 523
Net change cash and cash equivalents		(33 426)	(238 433)
Cash and cash equivalents at 01.01.		78 659	379 759
Restricted cash		0	-64 650
Currency gains (losses) on cash and cash equivalents		-1 106	1 984
Cash and cash equivalents at 31.12.		44 128	78 659

The accompanying notes are an integral part of these financial statements

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 20 March 2018.

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.

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.

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, NUMBER OF EMPLOYEES, 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	OTHER BENEFITS	PENSION PREMIUM	TOTAL REMU-NERATION
MANAGEMENT REMUNERATION 2017				
Christian W. Berg, CEO (from August 2017)	920	139	103	1 162
Einar Ytredal, CFO (acting CEO until August 2017)	2 047	18	173	2 238
Atle Sommer, COO	1 815	19	178	2 012
Bjørn Valberg, Technical Director	1 125	10	68	1 203
Christoffer Knudsen, Chartering Director (from October 2017)	252	3	18	273
Øystein Kvåle, acting CFO (until August 2017)	1 105	0	0	1 105
Total management remuneration	7 264	189	539	7 992
MANAGEMENT REMUNERATION 2016				
Irene Waage Basili, CEO (until November 2016)	1 924	14	187	2 125
Einar Ytredal, acting CEO (from November 2016)	1 605	19	145	1 769
Atle Sommer, COO	1 751	19	71	1 841
Bjørn Valberg, Technical Director	1 124	12	195	1 332
Øystein Kvåle, acting CFO (from November 2016)	231	3	0	234
Total management remuneration	6 636	67	598	7 301

	DIRECTORS' FEES 2017	DIRECTORS' FEES 2016
BOARD REMUNERATION		
Paul-Chr. Rieber, chairman	225	300
Hans Olav Lindal, vice-chairman	200	200
Tove Lunde	150	150
Trygve Bruland, audit committee (from April 2016)	200	150
Bodil Valland Steinhaug (from April 2017)	113	0
Kristin Færøvik (until april 2017)	50	150
Georg Nygård, audit committee (until April 2016)	0	67

	2017	2016
AUDITOR'S FEES		
Audit services	314	117
Tax consulting	0	515
Other services	601	395
Total auditor's fees	915	1 027

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

	2017	2016
Board remuneration incl. social security tax	1 522	590
Audit services	314	117
Management fee to GC Rieber Shipping AS	6 000	6 000
Legal fee	1 839	1 262
Consultancy fee	1 333	867
Payment of guarantee amount	0	7 115
Return on bad debts	(909)	(3 030)
Other administration expenses	2 334	1 790
Total operating expenses	12 433	14 711

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

Subsidiary

	BUSINESS OFFICE	VOTING AND OWNER SHARE	CARRYING AMOUNT 31.12.2017	RESULT 2017	EQUITY 31.12.2017
COMPANY					
GC Rieber Shipping AS	Bergen	100 %	13 790	-19 668	8 878
Polar Explorer AS	Bergen	100 %	0	-70 973	-247 041
Polar Ship Invest II AS	Bergen	100 %	26 979	-53 055	441 882
Polar Ship Invest III AS	Bergen	100 %	108	5 964	161 030
Polarus AS	Bergen	100 %	50 000	8 411	196 546
Polar Shipping AS	Bergen	100 %	1 710	-111	3 935
Polar Queen Ltd.	Isle of Man	100 %	0	0	0
Total			92 587	-129 433	565 231

The investment in GC Rieber Shipping AS was written down with NOK 1.9 in 2017. In 2016 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 8,27 has been used to convert the result for the year and a rate of USD/NOK 8,21 has been used to convert equity as at 31.12.17.

The company received a dividend of NOK 245.9 million from subsidiaries in 2016.

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

In December 2016, GC Rieber Shipping and Rasmussengruppen AS established Shearwater GeoServices Holding AS (Shearwater) as a 50/50 owned marine geophysical company. Figures from Shearwater is presented on a 100% basis. An exchange rate of USD/NOK 8,27 has been used to convert the result for the year and a rate of USD/NOK 8,21 has been used to convert equity as at 31.12.17.

	BUSINESS OFFICE	VOTING AND OWNER SHARE	CARRYING AMOUNT 31.12.2017	RESULT 2017	EQUITY 31.12.2017
COMPANY					
Shearwater GeoServices Holding AS	Bergen	50 %	391 248	-95 806	651 849
Total			391 248		

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	460 336	555 532
Net income for the year				-85 502	-85 502
Equity as at 31.12.	78 863	-271	16 604	374 835	470 030

	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 31.12.2017 the company owns 150,800 own shares, representing 0.34 per cent of the total number of shares.

DIVIDEND (NOK 1 000)

The Board has not proposed dividends in 2016 or 2017.

In connection with the NOK 100 million Rights Issue resolved in the Extraordinary General Meeting 26 January 2018, GC Rieber Shipping has negotiated revised terms and certain amendments to the two Subsea credit facilities in the Group. The amendments include amongst other, no dividend payments or other distributions from the Company may be made without the prior consent of the lenders. See note 15 for further details about the Rights Issue.

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.

	2017	2016
Net income for the year (NOK 1 000)	-85 502	229 403
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)	-1,96	5,25
Diluted earnings per share (NOK)	-1,96	5,25

NOTE 9 - TAXES (NOK 1 000)

	2017	2016
Net income before taxes	-85 502	229 403
PERMANENT DIFFERENCES		
Other non-deductable costs	35	0
Write-down receivable and investment in subsidiary	75 601	228 271
Sale of subsidiaries	0	-213 630
Other non-taxable income	0	7 272
Dividend/Group contribution from subsidiary	0	-245 911
TEMPORARY DIFFERENCES		
Change profit and loss account	7	8
Tax losses carried forward	9 859	-5 413
Basis for taxes for the year	0	0
Payable income tax (24%)	0	0
Reconciliation of tax expense for the year		
Net income before taxes	-85 502	229 403
Calculated tax, nominal rate 24 %	-20 520	57 351
Effect of not recognised estimate change deferred tax from 24 % to 23 %	99	-52
Change in deferred tax asset not recognised in balance sheet	586	-1 299
Adjusted deferred tax assets not recognised in balance sheet previous year	1 684	0
Permanent differences	18 153	-56 000
Tax expense/-income	0	0
Deferred tax/Deferred tax assets		
Profit and loss accont	27	34
Carry forward loss for tax purposes	-271 592	-436 155
Basis for calculation of deferred tax	-271 565	-436 121
Tax rate	23 %	24 %
Calculated deferred tax/deferred tax asset	-62 460	-104 669
Deferred tax asset not recognised in the balance sheet	62 460	104 669
Deferred tax/deferred tax asset in the balance sheet	0	0
The company received dividend / group contribution from subsidiary without tax effect	0	245 911

The reduction in tax losses carried forward when the Group has a net tax loss over profit and loss in the current year, is due to a change in the income tax return for 2015. An amount of NOK 167.1 million related to realised loss after the Reef Subsea bankruptcy has not been accepted as being tax deductible.

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. As GC Rieber Shipping ASA is the bank's counterpart, the company is technically the Group companies' bank, and has security in all the bank deposits in the cash pool system.

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

	2017	2016
Cash at banks and on hand	44 128	78 659
Tax withholdings	0	0
Total bank deposits and cash	44 128	78 659

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 31.12.2017, the company has restricted cash of USD 7.5 million (NOK 61.5 million) which is presented as long term receivables in the balance sheet.

NOTE 11 – SHAREHOLDERS' INFORMATION AND TRANSACTIONS WITH RELATED PARTIES

The 20 largest shareholders in GC Rieber Shipping ASA as at 31 December 2017 (outstanding shares):

	NUMBER OF SHARES	OWNER SHARE
GC Rieber AS	30 861 735	70,4 %
GC Rieber Fondet	1 376 987	3,1 %
AS Javipa	1 018 742	2,3 %
Javipa 1 AS	1 018 740	2,3 %
Javipa 2 AS	1 018 740	2,3 %
Trioship Invest AS	909 000	2,1 %
Pareto Aksje Norge	827 901	1,9 %
M.R.Martens Allm. Fond	400 000	0,9 %
Storkleiven AS	371 687	0,8 %
Delta A/S	363 000	0,8 %
Benedicte Martens Nes	356 250	0,8 %
Pelicahn AS	348 396	0,8 %
Tannlege Randi Arnesen AS	307 000	0,7 %
Randi Jebsen Arnesen	255 000	0,6 %
Dag Fredrik Jebsen Arnesen	210 704	0,5 %
Thorild 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 %
Other Shareholders	3 425 232	7,8 %
Outstanding shares	43 812 800	100,0 %
Outstanding shares (reduced by own shares)	43 662 000	

The Chairman of the board, Paul-Chr. Rieber, controls indirectly 1,367,138 shares equal to 3.12 percent of the share capital in the company. No other board members owns shares in the Company.

As at 31.12.2017, 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 related parties

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 related parties.

NOTE 12 – RECEIVABLES/LIABILITIES (NOK 1 000)

	2017	2016
INTERCOMPANY TRANSACTIONS		
Loan group account scheme	173 656	193 869
Short-term group receivables	385	482
Total group receivables	174 041	194 352
Deposit group account scheme	292 145	262 326
Short-term liabilities group	11	1 524
Total group liabilities	292 156	263 850

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

Of the Group receivables for 2017, loan Group account scheme amount to NOK 173.7 million and for Group liabilities to NOK 292.1 million. Based on an evaluation of future earnings and capital base as at 31.12.17 for the company's subsidiaries, the company has found it necessary to write down receivables related to Polar Explorer AS amounting to NOK 73.7 million.

Short-term liabilities to the Group are ordinary trade payables to Group companies.

NOTE 13 – MORTGAGE AND GUARANTEES

The company has provided guarantees for companies in the Group amounting to a total of NOK 1 230.8 million. These are mortgaged liabilities in the underlying companies. The company has also guaranteed for 50 percent of the loan in Shearwater, total amount of USD 99.3 million.

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 long term receivables 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 of the difference between the market value and the 90 % level, limited to USD 10.0 million.

As at 31.12.2017 Shearwater is in compliance with the terms and covenants.

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 5 per cent of a possible selling price before 31 December 2022.

In 2012, Armada Seismic Invest II AS ("Armada"), a former subsidiary of GC Rieber Shipping, now a subsidiary of Shearwater, received a claim from Arrow Seismic Invest II Limited (now: PGS Geophysical (UK) Limited)) amounting to approximately EUR 9 million. On 2 March 2016, the claim against Armada was dismissed and Armada was awarded full legal costs 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 Gulating Court of Appeal. The proceedings before the Gulating Court of Appeal were originally scheduled to be held in September 2017, but was postponed to March 2018, with a verdict expected prior to the summer of 2018. GC Rieber Shipping has issued a letter of indemnity to Shearwater for any costs and losses in relation to the ongoing- as well as potential proceedings.

NOTE 15 – EVENTS AFTER BALANCE SHEET DATE

The proposed NOK 100 million Rights Issue announced 21 December 2017 was resolved in an Extraordinary General Meeting 26 January 2018. The Rights Issue was oversubscribed, and concluded 8 March 2018 when the board of directors approved the final allocation of the Offer Shares. The share capital increase was registered in the Norwegian Register of Business Enterprises 15 March 2018.

The Rights Issue, combined with new terms and amendments to the two Subsea credit facilities in two of the subsidiaries of the Company, will strengthen the competitive position of GC Rieber Shipping's subsea operations. In combination with the successful establishment of Shearwater GeoServices in December 2016, this conclude the refinancing processes initiated during the spring of 2016.

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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 statement of financial position as at 31 December 2017, 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 statement of financial position as at 31 December 2017 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 2017, 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 present fairly, in all material respects, the financial position of the group as at 31 December 2017, 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.

PricewaterhouseCoopers AS, Sandviksbodene 2A, Postboks 3984 - Sandviken, NO-5835 Bergen
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Independent Auditor's Report - GC Rieber Shipping ASA

In 2016 the Group completed a Sale within the Marine Seismic Segment. The transaction was in in our focus in last year's audit. Since the sale, the Groups business activities has been largely unchanged and we have focused on managements Impairment assessment of vessels in the Subsea segment which among others, is affected by the continuing difficult market conditions.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of vessels in the Subsea segment	
(Refer also to note 9 to the financial statements) GC Rieber Shipping ASA has a fleet of vessels within the Subsea segment with a total carrying value of NOK 1 691 millions. Because the fleet constitutes a substantial share of the Group's total assets and because of the risk of impairment loss during continuing difficult market conditions, we have focused our attention on management's impairment assessment of the individual vessels in the Group's fleet. Management used judgement to estimate the vessels fair value less cost of disposal. 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 2017. The company's assessments comprise both the use of broker valuations, and calculations of implicit long term hire-rates. An assessment of implicit hire-rates necessitates use of management judgement related to, among other, estimates of utilization, present and future hire-rates, operating expenses and required rate of return (WACC). Based on the above, estimated fair value less cost of disposal is considered to be the recoverable amount for all vessels in the segment.	We obtained management's impairment assessment and verified that it contained the elements required by accounting regulation and that the impairment model performed mathematical calculations as expected. Management's impairment assessment was verified against underlying documentation. This included external broker valuations used by management as estimate of fair value less costs of disposal (after adjustments for estimated sales costs). We interviewed shipbrokers to assess their objectivity, qualifications and the methodology on which the broker estimates were based. To challenge the broker estimate we compared the range of values in the broker estimates to management's calculation of implicit long term hire-rates. We found that the broker estimates and managements calculations where within the same, reasonably narrow, range. In order to assess management's calculations of implicit hire rates, we compared their estimates of future income 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 market development with management and considered whether their explanations were consistent with the knowledge we have obtained from the audit. We concluded that management's assumptions were reasonable. To consider the reliability of estimated operating expenses, we compared the estimates to historical performance, and considered whether deviations from the budget had a reasonable explanation. Available evidence supported that management's assumptions were reasonable. We assessed the individual elements included in the required rate of return (WACC). Where possible, we compared the individual elements with available market data and we compared it to information from our own internal valuation specialist. We found the required rate

of return to be within an appropriate range.

We evaluated the adequacy of the disclosures made in notes 9 and 2.21 including those regarding the key assumptions and sensitivities and found that disclosures appropriately explained management's valuation process and the uncertainties inherent in some of management's assumptions.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, the 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 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

Independent Auditor's Report - GC Rieber Shipping ASA

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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 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 and 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 or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a

Independent Auditor's Report - GC Rieber Shipping ASA

matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss 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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 20 March 2018

PricewaterhouseCoopers AS

Jon Haugervåg

State Authorised Public Accountant

ALFGUNDERSEN

GC RIEBER SHIPPING ASA
SOLHEIMSGATEN 15 / P.O.BOX 1114 SENTRUM / N-5809 BERGEN / NORWAY
TEL+ 47 55 60 68 00 / WWW.GCRIEBER-SHIPPING.COM