



ANNUAL REPORT 2018



GCRIEBER



# CORPORATE GOVERNANCE

*GC Rieber Shipping (the “Company”) aims 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. Furthermore, it is about treating the shareholders equally, taking care of other stakeholders through ensuring the best possible value creation and reducing business risk. Good corporate governance should also contribute 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 the 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](http://www.oslobors.no).

GC Rieber Shipping complies with the current Code of Practice that was issued on 17 October 2018. The Code of Practice is available

at [www.nues.no](http://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](http://www.gcrieber-shipping.com). The Company follows the Code of Practice and any deviations are explained in the report.

## 2. BUSINESS

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

*“The name of the company is GC Rieber Shipping ASA. The company is a public limited liability company whose object is to engage in shipping, investment, provision of guarantees, trade and other business. The company’s registered office is located in the municipality of Bergen.”*

The Board of Directors has established strategies, objectives and a risk profile within the defined scope of its business to create value for its shareholders. The strategies, objectives and risk profile are subject to annual review of the Board and described in the annual report and on [www.gcrieber-shipping.com](http://www.gcrieber-shipping.com).

### 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.



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, and how these relate to the value creation by the Company.

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. As an integrated part of these activities, a sustainability analysis to support several of the UN sustainability goals has been carried out in 2018.

GC Rieber Shipping works continuously with improvements in environment, anti-corruption and social responsibility in general. More detailed information relating to the Company's and the GC Rieber group's vision, strategy, values and principles is available at [www.gcieber-shipping.com](http://www.gcieber-shipping.com) and [www.gcieber.no](http://www.gcieber.no).

### 3. EQUITY AND DIVIDENDS

#### Equity

As at 31 December 2018, the Company's book equity was NOK 1,711.1 million, which is equivalent to 57.5% of the total assets. The Board of Directors has a policy to have above 35% equity at any time, but the actual equity ratio will vary from time to time due to market circumstances. The Board of Directors considers the equity ratio as at 31 December 2018 to be acceptable. The Company's need for financial soundness and liquidity should be adapted to its objectives, strategy and risk profile.

#### Dividend policy

The Company's objective is to provide a competitive return on the shareholders' invested capital through payment of a dividend and appreciation of the share price. In considering the scope of the dividend, the Board of Directors emphasises the Company's capacity to pay dividends, the need to have a healthy level of equity and to have adequate financial resources for future growth and investments, while allowing for extraordinary dividends when capitalising on investments.

Following the financial restructuring of the Company in March 2018, no dividend payments or other distributions from the Company may be made without the prior consent of the lenders. However, the Company's lenders have consented to the following: 24% of potential dividends from the shares of Shearwater Holding or 24% of potential proceeds from the sale of such shares in whole or in part, may be distributed to the shareholders of the Company by way of dividends, a share capital reduction or any other manner deemed appropriate by the Company.

No dividend was paid for 2017, and the Board of Directors proposes to the general meeting that no dividend will be paid for 2018. 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. In 2018 the Company conducted two share capital increases, see note 12 to the consolidated accounts for further details. As at 31.12.2018 there were no such authorisations granted to the Board of Directors.

#### 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 2018, 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 76.8% of the shares as at 31 December 2018. The Chairman of the Board and CEO in GC Rieber AS, Paul-Christian Rieber, indirectly controls 3.1% of the shares in the Company.

The Company carries out purchase and sales transactions with close associates as part of the normal business operations. All agreements entered into between the Company and its main shareholders (including related companies), and also other business agreements are, and must be, entered into on arm's length terms. Reference is made to note 16 in the Company's 2018 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 in 2019 will be held on 11 April.

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 notice of the general meeting 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 will 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 general meeting is able to elect an independent person to chair the meeting.

The minutes of the general meeting are published via a stock exchange announcement and are available at [www.gcrieber-shipping.com](http://www.gcrieber-shipping.com).

In 2018, the general meeting was held on 25 April and 91.10% of the total share capital was represented. A total of 43 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](http://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-Christian Rieber, indirectly controls 3.1% of the Company through AS Javipa and Pelicahn AS. Paul-Christian Rieber is also CEO of GC Rieber AS, which is the largest shareholder in the Company with 76.8% of the shares. Cosimo AS, a company owned by Board member Trygve Bruland, holds 100,000 shares in the Company. Board member Bodil Valland Steinhaug holds 10,000 shares in the Company. No other Board members have direct or indirect ownership interests in the Company.

The Board members, apart from the Chairman, 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 GC Rieber Shipping and also for supervising the day-to-day management and the Company's operations. This involves developing the Company's strategy and making sure that it is implemented. The Board of Directors is also responsible for control functions to ensure that the Company has proper operations as well as a responsible 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.

The Board of Directors shall ensure that members of the Board of

Directors and executive personnel make the Company aware of any material interests that they may have in items to be considered by the Board of Directors.

### 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 ordinary 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 organised the work in a separate auditing committee. In 2018, 15 meetings were held, compared with 12 meetings in 2017. In 2018, attendance at the board meetings was 99 percent, compared with 92 percent in 2017.

### Auditing committee

The main purpose of the audit committee is to monitor the Company'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 Company'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 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. Risk management and internal control also incorporates considerations related to integrating stakeholders in relation to the Company's long-term value creation, including factors such as 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 report of the Board of Directors.

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 and sustainability 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. The remuneration shall reflect the Board of Directors' responsibility, expertise, time commitment and the complexity of the Company's activities. Board members who participate in Board committees receive separate compensation for this.

In 2018, the Company's Board received a total remuneration of NOK 942,000. The remuneration to each Board member in 2018 is given in note 3 of the parent company's annual accounts. Remuneration to the Board of Directors is not dependent on performance and do not contain any share options.

Members of the Board of Directors and/or companies with which they are associated should not take on specific assignments for the Company in addition to their appointment as a member of the Board, but if they do, this shall be disclosed to the full Board.

## 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 Company 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](http://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.gcieber-shipping.com](http://www.gcieber-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 authorisations 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.

If 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 Company.

### 15. AUDITOR

#### Choice of auditor

The Company'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.

The Company has not established guidelines in respect of the use of the auditor by the executive management for services other than the audit. This is a deviation from NUES' recommendation. The Company is currently working with establishing such guidelines.

# REPORT OF THE BOARD OF DIRECTORS FOR 2018

*GC Rieber Shipping achieved a strong fleet utilisation of 91% in 2018 despite challenging market conditions. Furthermore, GC Rieber Shipping succeeded in completing a financial restructuring of the subsea fleet. The jointly owned marine geophysical company Shearwater GeoServices (Shearwater) became a leading company in its market by acquiring the marine seismic acquisition assets and operations of WesternGeco, the geophysical services product line of Schlumberger. The markets are expected to remain challenging, however there are indications that market fundamentals will gradually improve in 2019 and onwards.*

## 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 for offshore operations in harsh environments as well as design, development and maritime operation of offshore vessels.

GC Rieber Shipping currently operates 11 and has direct and indirect ownership of 23 advanced special purpose vessels for defined markets within the subsea, ice/support and marine seismic segments. The company headquarter and a ship management office is in Bergen (Norway), with an additional 50% owned 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 and to capitalise on gradually improving markets.

### Strategic areas of priority for 2019 include

- Improve commercial and operational capabilities and deliveries, ensuring that customers benefit from using the company's crew, vessels and services.

- Exploring new opportunities and capitalise on investments in joint ventures and associates.
- Build on established track-record as an accomplished supplier to the offshore renewables market, to secure additional work in an attractive and growing offshore segment.

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.

## Highlights 2018

- The company had a fleet utilisation of 91% in 2018, up from 84% in 2017. The improvement was achieved despite continued challenging market conditions.
- The company secured a three-year financial runway after the successful NOK 100 million rights issue and certain debt amendments agreed with the lending banks in Q1 2018.
- Shearwater became a market-leading marine geophysical company in Q4 2018 by completing the acquisition of



the marine seismic acquisition assets and operations of WesternGeco, the geophysical services product line of Schlumberger.

- GC Rieber Shipping completed a NOK 246 million rights issue in December 2018 to finance its participation in the above-mentioned transaction.
- Net profit of NOK 148 million in 2018, including a non-cash gain of NOK 310 million as a result of Shearwater's acquisition of Schlumberger's marine seismic acquisition business.

## Contract updates in the period

Several new charter contracts were secured under the prevailing challenging markets:

- Time charter agreement with DeepOcean BV for the SURF vessel Polar Onyx for a fixed period of three years, with options to extend by up to two years. The vessel is used in Ghana to support DeepOcean's contract with Tullow Oil. The contract commenced in February 2018.
- Time charter agreement with an undisclosed European offshore client for Polar Queen for a fixed period of four months, with options to extend by up to one month. The vessel was used in the British sector of the North Sea to perform walk-to-work duties from May 2018. Later in 2018 an additional time charter agreement was signed with the same client for a corresponding project in 2019.
- Time charter agreement with an undisclosed Tier 1 client for Polar Queen, performing walk-to-work duties and accommodation services. The charter held two firm periods; the first period was 45 days plus options and commenced in October. The client declared all extension options, and it was also agreed to extend the first period of the contract by approximately two months. The second period was for 50 days firm and commenced in February 2019.
- Shearwater was awarded several 3D and 4D marine seismic acquisition projects in 2018, adding approximately 35 vessel months to the backlog for 2018 and 2019.

## Contract updates after the end of the period

- GC Rieber Shipping signed a ship management contract with Statnett for technical management of the two ro-ro vessels Elektron and Elektron II. The vessels are mainly used for subsea works and transport of transformers, generators and turbines to Norwegian energy plants, and the contract has a duration of three years plus options.
- Shearwater has been awarded several contracts by Tier 1 clients in 2019. The contracts include:
  - Four Ocean Bottom Seismic surveys by Aker BP and Equinor, securing backlog for the full North Sea summer season for two of Shearwater's multi-purpose vessels.
  - A major exploration survey in Brazil by TGS for approximately eight months from Q1 2019, using proprietary Q technology.
  - Three 4D seismic surveys by Equinor for a period of approximately three months in the 2019 summer season.

## Financial restructuring

In the first quarter of 2018, GC Rieber Shipping conducted a NOK 100 million rights issue and negotiated new terms and amendments for the two subsea credit facilities, strengthening the competitive position of the company's subsea operations. See note 13 and 14 to the consolidated accounts for further details about the rights issue and the new terms and amendments for the subsea credit facilities.

## Shearwater

On 22 August 2018, Shearwater announced that it had entered into a definitive agreement to acquire the marine seismic acquisition assets and operations of WesternGeco, the geophysical services product line of Schlumberger. The transaction was completed in November 2018.

Before the transaction, Shearwater was a 50/50 owned company between GC Rieber Shipping and Rasmussengruppen AS (Rasmussengruppen). GC Rieber Shipping's ownership in the combined company after the transaction is approximately 20%, with Rasmussengruppen and Schlumberger owning the remaining 65% and 15% respectively.

Shearwater operates as a global, customer-focused and technology-driven provider of marine geophysical services. Following the transaction, Shearwater owns and operates a fleet of 14 fully equipped seismic vessels, offering a full range of acquisition services including 3D, 4D and ocean bottom seismic. The company also has a portfolio of proprietary streamer technology and processing software enabling effective execution of geophysical surveys and delivery of high-quality data. The company has approximately 600 employees and operates in all major offshore basins across the world. This combination makes Shearwater a leading global and technology-driven full-service provider of marine geophysical services, able to deliver exceptional customer solutions.

The transaction was in line with the strategic ambition GC Rieber Shipping had when creating Shearwater in 2016 together with Rasmussengruppen. As a result of the transaction, GC Rieber Shipping booked a non-cash gain of NOK 310 million in the fourth quarter of 2018.

To finance its participation in the transaction, GC Rieber shipping completed a NOK 246 million rights issue in the fourth quarter of 2018.

For further details about the transaction, the rights issue and certain changes to guarantees and cash deposits provided by GC Rieber Shipping to Shearwater following the transaction, see note 4 and 13 to the consolidated accounts.

## Legal proceedings

Legal proceedings against Armada Seismic Invest II AS

The claim against Armada Seismic Invest II AS (Armada) in 2012, at the time a subsidiary of GC Rieber Shipping ASA, now a subsidiary of Shearwater, from Arrow Seismic Invest II Limited (now PGS Geophysical (UK) Limited) (PGS) related to the delivery of hull 533 in October 2011, was dismissed by both Bergen District Court and Gulating Court of Appeal. PGS appealed to the Supreme Court, and the Supreme Court's Appeals Committee also ruled in favour of Armada on 13 July 2018. The decision is final, and Armada has been refunded its legal costs of approximately NOK 7.5 million in connection with Bergen District Court, Gulating Court of Appeal

and the Supreme Court of Appeal Committee.

#### Legal proceedings regarding GC Rieber Crewing

GC Rieber Crewing AS (GCRC) and GC Rieber Shipping AS (GCRS), both subsidiaries of GC Rieber Shipping ASA, have been the subject of legal proceedings at the Bergen District Court instigated by seventeen former employees of GCRC (one of which has discontinued its claim). Their employments were terminated when the group decided to liquidate the internal crewing company, GCRC. The former employees are of the opinion that both GCRC and GCRS have a shared employer responsibility towards them and that the dismissals were unlawful and therefore invalid. 14 of the former employees have claimed to reinstate their former positions with GCRC (or, as they cite, GCRS) and claimed compensation for their economic loss. The other two former employees have only submitted compensation claims.

The claims were determined in favour of GCRC and GCRS, but the former employees have appealed the decision of the Bergen District Court to the Gulating Court of Appeal. The case is scheduled for hearing during the period from 3 June 2019 until 7 June 2019.

GC Rieber Shipping believes that the Gulating Court of Appeal is likely to determine the case in favour of GCRC/GCRS. However, if the employees are successful in their claim, GCRC/GCRS may be liable for a total monetary claim of approximately NOK 7-10 million and be liable for reinstating 14 of the former employees to their former positions. If such outcome follows, GCRC/GCRS will most likely be liable for the employees' legal costs of approximately NOK 1 million to NOK 1.5 million.

## Financial review

(Figures for 2017 are given in brackets)

### Profit and loss

The GC Riber Shipping group's (the "Group") total operating income in 2018 was NOK 231.9 million (NOK 264.1 million), reflecting continued pressure on market rates. EBITDA amounted to NOK 254.9 million (NOK 21.0 million), including the non-cash gain of NOK 310 million booked as a result of Shearwater's acquisition of Schlumberger's marine seismic acquisition business.

Net operating income (EBIT) was NOK 200.7 million (negative NOK 90.0 million).

In 2018, reversed impairment of the fleet amounted to NOK 55.8 million (NOK 4.2 million). Ordinary depreciations amounted to NOK 110.0 million (NOK 115.2 million).

Net financial items were negative with NOK 52.6 million (negative NOK 40.6 million), including unrealised currency gain of NOK 0.2 million (NOK 7.3 million).

The Group's net profit was NOK 148.1 million (net loss NOK 130.1 million). Earnings and diluted earnings per share amounted to NOK 2.68 (NOK -2.98).

### Cash flow

As at 31 December 2018 the Group had a positive cash flow of NOK 29.5 million (negative NOK 97.4 million).

Cash flow from operating activities was positive by

NOK 30.7 million (NOK 7.5 million). Cash flow from investment activities was negative by NOK 210.5 million (negative NOK 14.7 million), including participation with NOK 241 million (USD 28.5 million) in Shearwater's acquisition of Schlumberger's marine seismic acquisition business (see note 4 to the consolidated accounts for further details).

Cash flow from financing activities was positive by NOK 209.3 million (negative NOK 90.2 million). The amount includes net payment of equity in relation to the two rights issues in 2018 of positive NOK 338.2 million, and payment of interests and instalments of NOK 128.9 million on the Group's existing loans. NOK 56.7 million of the debt instalments paid in 2018 were originally due in the second half of 2017. According to an agreement with the lending banks, the due date was postponed until the first quarter of 2018.

As at 31 December 2018, the Group's holding of liquid assets was NOK 204.2 million (NOK 107.7 million). This includes a released USD 7.5 million Shearwater cash deposit reclassified from long-term receivables in 2018 (see note 4 to the consolidated accounts for further details).

### Balance sheet

The Group's total assets as at 31 December 2018 amounted to NOK 2,977.3 million (NOK 2,446.6 million), while total assets in GC Rieber Shipping ASA amounted to NOK 1,073.6 million (NOK 763.7 million).

At the end of 2018, the book value of the Group's vessels was estimated at NOK 1,770.6 million (NOK 1,718.0 million).

The Group's book equity as at 31 December 2018 was NOK 1,711.1 million (NOK 1,139.6 million), corresponding to an equity ratio of 57.5% (46.6%). Book equity for GC Rieber Shipping ASA was NOK 772.4 million (NOK 470.0 million).

### Financing

In 2018 the Group's average interest-bearing liabilities amounted to NOK 1,219.8 million (NOK 1,268.6 million), with an average duration of 4 years as at 31 December. Average interest rate on the loan portfolio was 4.0% including margin (3.7%). The Group's loans are held in USD in its entirety and therefore exposed to developments in U.S. interest rates. The Group has a stable long-term financing structure. Lenders include recognised Norwegian and international shipping banks.

For 2018 in total, the Group paid NOK 85.0 million in ordinary loan instalments (NOK 56.7 million), including the postponed 2017 instalments of NOK 56.7 million. The Group's liquid assets in terms of bank deposits and interest-bearing securities as at 31 December 2018 amounted to NOK 204.2 million (NOK 107.7 million). The Group's liquid assets are primarily held in NOK and USD.

The Group had net interest-bearing liabilities (interest-bearing liabilities minus liquid assets) of NOK 1,015.6 million (NOK 1,123.1 million) as at 31 December 2018. At the same time the parent company, GC Rieber Shipping ASA, had net interest-bearing assets of NOK 167.1 million (net interest-bearing assets NOK 44.1 million).

GC Rieber Shipping's covenants are tied to working capital and equity for all its liabilities. The Group received temporary amendments for certain financial covenants applicable at 31 December 2017 until March 2018, and agreed new terms and

amendments with the lending banks from March 2018 as part of the financial restructuring in the first quarter of 2018. GC Rieber Shipping complied with the amended financial covenants throughout 2018 and at 31 December 2018 (see note 14 to the consolidated accounts for further 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 IFRS 9.

The Group had no derivative financial instruments at 31 December in 2018 and in 2017.

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

GC Rieber Shipping is a supplier to companies within offshore oil, gas and renewables, and the level of activity within all business segments is closely linked to the development in the energy markets.

GC Rieber Shipping's operations are exposed to developments in the markets for oil, gas and renewables. From USD 67 per barrel in January 2018, the Crude Oil Brent price fluctuated between USD 70 and 80 per barrel from April to September 2018. In the beginning of October, the price peaked at USD 86 per barrel, representing the highest price since the oil price collapse in 2014. From the peak in October the oil price has remained volatile. The average price the two first months of 2019 was USD 62 per barrel. Although the market conditions within the subsea and seismic markets have been challenging with lower activity and price pressure, the company managed to secure high utilisation for the fleet in 2018.

### Subsea

GC 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). Recent year's developments 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 utilised for offshore

wind projects instead.

Polar King is on a long-term charter with Nexans and has been employed through the whole year. The contract started in January 2017. The vessel conducts survey, trenching and cable lay support in Norway, the North Sea, the Mediterranean and Canada. Polar King will continue operations for Nexans until the end of August 2019 when the charter expires.

Polar Queen has been engaged on different projects in the North Sea from April to December 2018, with only short stops between the charters. The vessel supported platform maintenance in the UK and turbine commission at the Hohe See offshore wind farm in the German North Sea. Polar Queen provided accommodation services and walk-to-work (W2W) duties, i.e. transfer of personnel and cargo to the offshore installations with a motion compensated gangway and a boat landing. Polar Queen has secured work through the spring and the summer of 2019.

Polar Onyx is on a long-term charter with DeepOcean BV for a fixed period of three years with options to extend by up to two years. The charter commenced in February 2018, and the vessel conducts subsea construction services in Ghana to support DeepOcean's contract with Tullow Oil.

For 2018, GC Rieber Shipping's subsea fleet achieved a vessel utilisation of 82% (70%). The company is actively working to secure employment for Polar Queen and Polar King from autumn 2019.

### Ice/support

GC Rieber Shipping owns the polar research vessel Ernest Shackleton. The vessel is on a bareboat charter with British Antarctic Survey (BAS) until September 2019 for operations in Antarctica.

GC Rieber Shipping also owns 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 operated by a 50% owned ship management company in Yuzhno-Sakhalinsk in Russia and are reported as joint ventures in GC Rieber Shipping's financial statements.

Polar Pevek is chartered to Exxon Neftegas until 2021 and operates out of the DeKastri oil terminal, assisting tankers carrying oil from the Sakhalin I offshore field outside eastern Russia. The two crew boats are chartered to the Sakhalin Energy Investment Corporation until the end of 2019, operating on the Sakhalin II field. The ice/support segment has been stable and current activities are unchanged.

### Marine Seismic

GC Riebers Shipping's stake in Shearwater is reported in the profit and loss statement under "profit from joint ventures & associates". GC Rieber Shipping owns 20% of Shearwater following the acquisition of Schlumberger's marine seismic acquisition business in November 2018. Prior to that, the ownership was 50%.

The seismic market in general remained challenging in 2018 with continuous price pressure and competition between a limited number of players bidding for the same contracts. However, Shearwater secured several contracts with large international customers, and utilisation for the active fleet was acceptable in 2018.

## 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 2018 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 36.6 million in 2018 (loss of NOK 85.5 million). The parent company's equity as at 31 December 2018 amounted to NOK 772.4 million (NOK 470.0 million).

The Board of Directors proposes no dividend payment for 2018.

The loss for the year is proposed allocated as follows:

Transferred from other equity	NOK 36.6 million
Total allocated	NOK 36.6 million

## 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 Group 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, gas, offshore renewables and ice/support 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.

As a result of the fall in energy prices that started in the second half of 2014, oil companies introduced extensive programmes to reduce costs and limit exploration for new deposits. The oil price development is still characterised by uncertainty, and these measures are still influencing activity levels for sectors such as seismic and subsea.

### Financial risk

#### Currency risk

As the Group's income comes in NOK, USD, GBP and EUR, and operational and administration costs are mostly in NOK, USD and EUR, 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 has traditionally used different types of interest rate derivatives as a protection against fluctuations in the interest level.

At the end of 2018, approximately 50% of the Group's liabilities have been secured with fixed interest rate.

#### Credit/Counterparty risk

As of 1 January 2019, the contract backlog amounted to NOK 434 million (NOK 388 million). GC Rieber Shipping is monitoring the counterparty risk closely and is continuously working towards strengthening its customer portfolio.

#### 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 dedicated in ensuring good and stable operations, and has several 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 ambition is to practice social responsibility, and the Group has a proactive approach to social responsibilities and sustainability in all parts of the organisation. As part of the GC Rieber Group, GC Rieber Shipping has adopted 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 GC Rieber Group is a member of the UN Global Compact, and GC Rieber Shipping is thereby committed to integrating UN Global Compact's ten principles as part of its business strategy, promoting these principles vis-à-vis partners and reporting on activities and improvements when it comes to these ten principles.

For a thorough account of the social responsibility and sustainability 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 Group'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 2018, 7.2 percent (4.9 percent) among the marine crew and 55% (55%) of the land organization were women. The Management team consisted of 6 men and 1 woman, and the Board of Directors had 40% female representation.

## Organisation and employees

In 2018, 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 2018, GC Rieber Shipping had a total of 31 employees (31), all employed in the land organisation. In addition, the Group had 139 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 to achieve client satisfaction above expectations. HSEQ is fully integrated in all operations and practices and subject to constant evaluation 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

Safety is the responsibility of every employee and contractor throughout the Group and the constant search for ways to improve performance is embedded in the Group's safety culture. Each and every employee and contractor of the Group 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; and
- being creative and dare to question "truths" in the pursuit for

improvement opportunities and innovation.

There were one lost time injury registered on board GC Rieber Shipping's vessels in 2018 (0). Sick leave in 2018 was 0.6% among marine crew and 2.5% percent in the shore organisations.

### Environment

The Group has an objective of zero uncontrolled releases of harmful substances in the natural environment. The Group's operations are conducted in accordance with international shipping standards and the Group has a proactive approach to compliance 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 to build and operate vessels with minimal risk of releasing environmentally hazardous substances into air and water.

Targets are established and monitored 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. Achieving this level of quality requires that the Group works closely with clients from the planning phase through to execution, including evaluation of a project.

The quality objective requires the vessels to be operational and available to clients at all times. The Group has a modern fleet with high technical quality.

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

## Human rights

GC Rieber Shipping supports the GC Rieber Group's strategy to promote human rights through its membership in UN Global Compact. Making sure the business support and respect the protection of internationally proclaimed human rights, and making sure that the business is not complicit in human rights abuses is an integrated part of GC Rieber Shipping's organisation and operations.

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 several 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 provides guidelines on how to handle threats of corruption.

## Shareholder information

In 2018, the Group's shares were traded between NOK 7.00 and NOK 14.22 per share. A total of 1,870,917 shares were traded, divided on 1,505 transactions.

As at 31 December 2018, GC Rieber Shipping had 488 shareholders (380), of which 94.5% was owned by the 20 largest shareholders. GC Rieber AS' stake was 76.8%.

The company had 29 foreign owners holding a total of 0.15% 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 17 October 2018).

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

The general meeting for 2018 will be held on 11 April 2019.

## Outlook

GC Rieber Shipping maintains a positive view on the medium to long term market outlook within the segments that the company operates. There are indications that the offshore market has bottomed out, and that improvement will gradually continue in 2019 and onwards. Although observations in the subsea market show signs of improvement, an increase in activity and market rates has been slower than expected. The renewables market keeps absorbing a notable share of the subsea fleet in Europe with several

offshore wind companies tendering for projects this summer season, some also assessing long term charters.

The seismic market remains competitive with pressure on rates. However, there are indications of an uptick in market activity. Shearwater has been awarded several contracts in 2019 with major international clients and will reactivate some of the laid-up vessels for the upcoming projects. Shearwater's active fleet is booked through first half of 2019, and the company is well underway to secure backlog for the fleet for the rest of the year.

The market for ice/support is stable. New areas of operation will be opened for future activity which confirms the attractiveness of the ice/support market in years to come. GC Rieber Shipping has a unique track record within ice operations and will continue to pursue new attractive opportunities in this segment.

## 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 2018 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 2018, 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-party transactions.

Bergen, 14 March 2019

The Board of Directors of GC Rieber Shipping ASA

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Paul-Chr. Rieber  
*Chairman*

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Morten Foros Krohnstad  
*Vice chairman*

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Trygve Bruland

---

Tove Lunde

---

Bodil Valland Steinhaug

---

Einar Ytredal  
*CEO*

## CONSOLIDATED INCOME STATEMENT

### THE GC RIEBER SHIPPING ASA GROUP

NOK (1 000)	NOTE	2018	2017
<b>OPERATING INCOME</b>			
Charter income		206 228	231 107
Other shipping related operating income		25 682	32 960
<b>Total operating income</b>	<b>5</b>	<b>231 910</b>	<b>264 066</b>
<b>OPERATING EXPENSES</b>			
Vessel operating expenses		-62 051	-99 734
Crew and catering expenses	7	-74 290	-76 159
Administration expenses	7, 16, 17	-58 172	-57 299
<b>Total operating expenses</b>		<b>-194 513</b>	<b>-233 192</b>
Non-cash gain on sale of shares in joint ventures	4	310 254	-
Profit from joint ventures and associates	4	-92 754	-9 879
<b>Earnings before interests, taxes, depreciations and amortisations (EBITDA)</b>		<b>254 897</b>	<b>20 995</b>
Depreciation	10	-110 003	-115 209
Impairment / reversal of impairment on fixed assets	10	55 761	4 220
<b>Net operating income (EBIT)</b>		<b>200 655</b>	<b>-89 994</b>
<b>FINANCIAL INCOME AND EXPENSES</b>			
Financial income	18	1 998	1 331
Financial expenses	18	-54 735	-50 357
Realised currency gains (losses)	18	-85	1 178
Unrealised currency gains (losses)	18	199	7 288
<b>Net income before taxes</b>		<b>148 032</b>	<b>-130 554</b>
Taxes	8	107	485
<b>Profit from continuing operations</b>		<b>148 139</b>	<b>-130 069</b>
<b>Net income for the year</b>		<b>148 139</b>	<b>-130 069</b>
Basic and diluted earnings per share	9	2,68	-2,98

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK (1 000)	2018	2017
<b>Net income for the year</b>	<b>148 139</b>	<b>-130 069</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Changes in pension estimates	405	2 111
Tax effect changes in pension estimate	-89	-486
<i>Items that may be subsequently reclassified to profit or loss</i>		
Foreign currency translation subsidiaries	84 064	-58 570
<b>Sum comprehensive income for the year</b>	<b>232 519</b>	<b>-187 013</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## THE GC RIEBER SHIPPING ASA GROUP

NOK (1 000)	NOTE	31.12.2018	31.12.2017
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Vessels	10	1 770 607	1 717 984
Machinery and equipment	10	22 362	30 852
<b>Total tangible fixed assets</b>		<b>1 792 969</b>	<b>1 748 836</b>
Investments in joint ventures and associates	4	921 561	450 506
Other long-term receivables	4, 12	-	61 545
<b>Total financial fixed assets</b>		<b>921 561</b>	<b>512 051</b>
<b>Total fixed assets</b>		<b>2 714 530</b>	<b>2 260 887</b>
<b>CURRENT ASSETS</b>			
Consumables and spare parts		2 328	6 939
<b>Total consumables and spare parts</b>		<b>2 328</b>	<b>6 939</b>
Trade receivables	11	45 917	62 584
Other current receivables	11	10 347	8 420
<b>Total receivables</b>		<b>56 264</b>	<b>71 004</b>
Cash and cash equivalents	12	204 164	107 749
<b>Total current assets</b>		<b>262 755</b>	<b>185 692</b>
<b>TOTAL ASSETS</b>		<b>2 977 286</b>	<b>2 446 579</b>



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## THE GC RIEBER SHIPPING ASA GROUP

NOK (1 000)	NOTE	31.12.2018	31.12.2017
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital (86,087,310 shares at NOK 1.80)	13, 17	154 957	78 863
Portfolio of own shares (54,500 shares at NOK 1.80)	13	-98	-271
Share premium		286 510	16 604
<b>Paid in capital</b>		<b>441 369</b>	<b>95 196</b>
Other equity		1 269 707	1 044 440
<b>Total retained earnings</b>		<b>1 269 707</b>	<b>1 044 440</b>
<b>Total equity</b>		<b>1 711 077</b>	<b>1 139 636</b>
<b>LIABILITIES</b>			
Pension liabilities	15	7 321	7 401
<b>Total provisions</b>		<b>7 321</b>	<b>7 401</b>
Long-term debt	14	1 195 729	1 060 659
<b>Total long-term debt</b>		<b>1 195 729</b>	<b>1 060 659</b>
Current portion of long-term debt	14	24 025	170 158
Trade payables		21 063	19 862
Public duties payable		3 098	1 137
Liabilities to group companies		-	-
Other current liabilities	19	14 974	47 727
<b>Total current liabilities</b>		<b>63 159</b>	<b>238 883</b>
<b>Total liabilities</b>		<b>1 266 209</b>	<b>1 306 943</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2 977 286</b>	<b>2 446 579</b>

Bergen, 14 March 2019

The Board of Directors of GC Rieber Shipping ASA

Paul-Chr. Rieber  
*Chairman*

Morten Foros Krohnstad  
*Vice chairman*

Trygve Bruland

Tove Lunde

Bodil Valland Steinhaug

Einar Ytredal  
*CEO*

# CONSOLIDATED CASH FLOW STATEMENT

## THE GC RIEBER SHIPPING ASA GROUP

NOK (1 000)	NOTE	2018	2017
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net income before taxes		148 032	-130 554
Taxes paid		-	-
Depreciation	10	110 003	115 209
Impairment / reversal of impairment on fixed assets	10	-55 761	-4 220
Gain on sale of shares in joint ventures	4	-310 254	-
Profit from joint ventures and associates	4	92 754	9 879
Unrealised currency losses (gains)		-114	-8 266
Change in consumables and spare parts		4 611	-1 620
Change in short term receivables		14 741	-1 356
Change in current liabilities		3 162	-19 228
Change in other current assets and other liabilities		-26 249	1 670
Interest expense		49 806	46 007
Net cash flow from operating activities		30 729	7 520
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
Payments from investments in financial assets		31 321	15 199
Payments for investments in financial assets		-240 628	-
Payments from sale of financial assets		-	4 950
Payments for investments in fixed assets	10	-1 220	-34 855
Net cash flow from investment activities		-210 528	-14 706
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loan from joint venture company		-	9 550
Cash from new long-term debts		5 579	3 102
Repayment of long-term debts		-85 028	-56 719
Interest paid		-49 456	-46 170
Loan from shareholder	4	240 000	-
Repayment of loan from shareholder	4	-19 917	-
Issue of new equity (in addition to remaining shareholder loan converted to equity)	4	125 917	-
Cost of equity issues		-7 842	-
Net cash flow from financing activities		209 253	-90 237
Net cash flow from discontinued operations		-	-
Net change cash and cash equivalents		29 454	-97 424
Cash and cash equivalents at 01.01.		107 749	203 199
Reclassification from long term receivables to cash		63 323	-
Currency gains (losses) on cash and cash equivalents		3 637	1 973
Cash and cash equivalents at 31.12.	12	204 164	107 749

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## THE GC RIEBER SHIPPING ASA GROUP

NOK (1000)	SHARE CAPITAL	OWN SHARES	SHARE PREMIUM	FOREIGN CURRENCY TRANSLATION	OTHER EQUITY	TOTAL EQUITY
Balance at 1 January 2017	78 863	-271	16 604	330 904	900 547	1 326 649
Net income for the year				-	-130 069	-130 069
Other comprehensive income				-58 570	1 626	-56 944
Total income and expense for the year				-58 570	-128 443	-187 013
<b>TRANSACTIONS WITH SHAREHOLDERS</b>						
Dividends to the shareholders					-	-
Balance at 31 December 2017	78 863	-271	16 604	272 334	772 104	1 139 636
Balance at 1 January 2018	78 863	-271	16 604	272 334	772 104	1 139 636
Net income for the year					148 139	148 139
Other comprehensive income				84 064	316	84 380
Total income and expense for the year				84 064	148 455	232 519
<b>Transactions with shareholders</b>						
Capital increase March	24 000		76 000		-3 682	96 318
Capital increase December	52 094		193 906		-4 160	241 840
Sale of own shares		173			590	763
Dividends to the shareholders					-	-
Balance at 31 December 2018	154 957	-98	286 510	356 398	913 307	1 711 077

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## THE GC RIEBER SHIPPING GROUP

### NOTE 1 – CORPORATE INFORMATION

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 11 and has direct and indirect ownership in 23 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, with an additional 50% owned 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 14 March 2019.

### NOTE 2 – ACCOUNTING POLICIES

#### 2.1 Principal Accounting Policies

The consolidated financial statements of the GC Rieber Shipping ASA group (the "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 31.12.2018.

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

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 was permitted.

The Group has assessed the impact of IFRS 9 and found that adopting the new standard will have no significant 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 adoption was permitted.

The Group has made an assessment of the impact of adopting the new IFRS standard to the Group's Financial Statements to ensure a good and correct implementation of the standard. To identify the effects of implementation of new standard the contracts were evaluated based on the five-step model described in IFRS 15 – Revenue from contracts with customers. All elements of the contract were evaluated and from this the Group has categorised the revenues into the following: Time Charter revenue and revenues from technical management activity.

The Group's main source of income is charter hire of vessels. The vessels are chartered to customers both by Bareboats and Time Charter agreements. 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 (including crew). 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.

After the assessment, the Group concluded that Revenue



recognition will not change compared with current practice; the timing of the revenue recognition under IFRS 15 'Revenue from contracts with customers' will be the same as under IAS 18 'Revenue'/IAS 11 'Construction contracts'.

New standards, amendments and interpretations effective for the accounting year 2018 did not have a significant effect on the consolidated financial statements of the Group.

### New standards and interpretations not yet adopted

New standards and amendments to standards and interpretations are compulsory for future financial statements. Among those where the Group has not chosen early adoption, the most significant is listed below:

IFRS 16 "Leases" was issued in January 2016 and sets out the principles for the recognition, measurement and disclosure requirements for both parties to a lease contract. IFRS 16 is effective for reporting periods beginning on or after 1 January 2019. The Group adopted IFRS 16 on the effective date using a modified retrospective approach and will not restate comparative information.

Under the new standard, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. IFRS 16 eliminates the classification of a lease as either an operating lease or finance lease for lessees. For short term and low value leases for periods of 12 months or less a single model is introduced and this model will require lessees to recognise most leases on the Consolidated Balance Sheet as lease liabilities.

The Group is both a lessor, as it charters vessels to customers, and a lessee. The new requirements result in significant changes to the accounting model applied by lessees and will primarily affect the Group's accounting for the operating leases as a lessee. The accounting for lessors will not significantly change. As a result of the adoption of IFRS 16 the Group has recognised right of use assets and lease liabilities within the Consolidated Balance Sheet on 1 January 2019. The Group has long term lease agreements on office buildings and warehouses that will be affected by implementation of IFRS 16. As at the reporting date, the Group has non-cancellable operating lease commitments of NOK 3.6 million, see note 16.

(NOK MILLION)	NEW IFRS 16 STANDARD	PREVIOUS STANDARDS	IMPACT
Consolidated balance sheet			
Right of use assets	3,6	0	3,6
Lease liabilities	-3,6	0	-3,6

On implementation, the lease liabilities were measured as the present value of the remaining committed lease payments. As permitted by IFRS 16, the Group chose to measure the right-of-use asset equal to the amount of the liability at the implementation date.

For the Group, these lease commitments will result in the recognition of an asset (right-of-use) and a liability for a period of time. This will be no significant changes the Group's profit but the cash flow statement for leases will be affected with lease payments being presented as financing activities as opposed to operating activities. Some of the Groups commitments relates to arrangement that will not qualify as leases under IFRS 16.

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:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement are translated at average exchange rates
- 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/associate exceeds its interests in the joint venture/associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture/associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture/associate.

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 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 31.12.2018, there are no deposits with maturity exceeding three months.

## 2.6 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater

than 120 days past due. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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

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

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

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

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

Fixed assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Each vessel together with any associated contracts is considered as a separate CGU.

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

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

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

## 2.9 Leases

### The Group as a lessor

#### Operating leases

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

### The Group as a lessee

#### Operating leases

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

## 2.10 Financial instruments

### Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories in accordance with IFRS 9:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the nature of the financial instrument, and the contractual cash flow characteristics of the instrument.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or as other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies any debt investments when and only when its business model for managing those assets changes.

### Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights

to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- *Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.*
- *Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.*
- *FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/losses in the period in which it arises.*

### Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in other gains/losses in the statement of profit or loss as applicable.

Impairment losses and reversal of impairment losses on equity investments measured at FVOCI are not reported separately from other changes in fair value.

## Impairment

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

## Hedging

The Group has decided not to apply hedge accounting. Derivatives held for hedging purposes are measured at fair value through profit and loss in the financial statements.

As at 31.12.2018 the Group holds no financial instruments measured at fair value.

## 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 Group 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 and Liabilities

### Equity and Liabilities

Financial instruments are classified as liabilities or equity, in accordance with the underlying financial reality. Interest, dividends, gains and losses related to a financial instrument 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 Group'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 Group'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 Group'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 Revenue recognition

### Time Charter and Bareboat Contacts

Vessels of the Group are leased out on Time Charter or Bareboat Charter contracts.

A Bareboat charter is a lease of the vessel. The rental amount is recognised linearly over the lease period.

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 (including crew). On Time Charter contracts, the Group only recognises Time Charter revenue when the vessels are on-hire. When the vessels are off-hire the Group does not recognise any Time Charter revenues except if the contracts can be negotiated with layup rates and for periodical maintenance days in accordance with contract, on which revenue is recognised. Revenues from Time Charter activity is classified as charter income. The contract period starts when the vessels is made available to the customer and ends on agreed return date.

Additional services for vessels on Time Charter contracts can be agreements regarding meals and accommodation onboard the vessel for extra crew onboard the vessel (charterers crew). For such revenue, the Group has a right to consideration from the customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date. This income is therefore recognised in the amounts to which the Group has the right to invoice, according to the practical expedient in IFRS 15 B16. This revenue classifies as other operating income.

### Management fee

Management fee for technical management, project management, building supervision and maritime operations of vessels for external owners is considered a service that is recognised over time.

This revenue is presented as other shipping related operating income.

### Reimbursables

The Group is considered agent for reimbursable income such as sale of bunkers and fuel, the revenue is therefore presented net of the cost in the income statement.

### 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 Group, 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 at fair value, 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. General and specific borrowing costs that are directly attributable to the purchase, construction or production of a fixed asset are capitalised. Qualifying assets are assets that take a substantial period of time to finalise for their intended use or sale. 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 Group 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 Group can make use of the deferred tax asset. Correspondingly, the Group will reduce the deferred tax asset if the Group 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 Group 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 ventures & associates. 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 2018 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 writedowns 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.

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

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

Fair value less cost of disposal are based on the average of two (or three) valuations from reputable brokers, adjusted for expected sales commissions. The values in the broker valuations are quoted as a range. The mid-point in the range is used, since this is considered to best reflect all possible outcomes of a potential transaction. In the current market, the valuations from brokers only to a limited extent represents results of transactions of similar assets. This reduces the reliability of the valuation, and management has sought to substantiate the broker valuations, inter alia with value in use calculations or tests of reasonableness of implicit rates derived from the valuations. Implicit rates (including both average day-rate and 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 utilisation and opex for the vessels.

Information about impairments recognised 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 Group 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 utilised 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 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 Shipping BV	Netherlands	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%

### NOTE 4 – INVESTMENTS IN JOINT VENTURES & ASSOCIATES

The Group has the following investments in joint ventures & associates:

	COUNTRY	BUSINESS	OWNER'S SHARE
<b>JOINT VENTURES</b>			
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%
<b>ASSOCIATES</b>			
Shearwater GeoServices Holding AS	Norway	Geophysical services	20%

#### Joint ventures – ice-breaker/tug and crew vessels

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

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

(USD 1000)	2018	2017
<b>CONDENSED BALANCE SHEET</b>		
<b>SHORT-TERM ITEMS</b>		
Cash and cash equivalents	6 909	4 971
Other current assets	3 699	6 865
<b>Total current assets</b>	<b>10 608</b>	<b>11 836</b>
Financial liabilities (ex. Trade payables)	-5 420	-5 420
Other current liabilities (incl. Trade payables)	-1 102	-1 161
<b>Total current liabilities</b>	<b>-6 522</b>	<b>-6 581</b>
<b>LONG-TERM ITEMS</b>		
<b>Assets</b>	<b>36 815</b>	<b>40 648</b>
Financial liabilities	-9 465	-14 885
Other liabilities	-	-
<b>Total non-current liabilities</b>	<b>-9 465</b>	<b>-14 885</b>
<b>Net assets</b>	<b>31 436</b>	<b>31 018</b>
<b>CONDENSED INCOME STATEMENT</b>		
Operating income	18 197	17 408
Operating expenses	-4 609	-4 491
Depreciation	-4 027	-4 162
Financial income	62	49
Financial expenses	-1 057	-1 199
<b>Result before tax</b>	<b>8 566</b>	<b>7 605</b>
Tax	-438	-168
<b>Result</b>	<b>8 128</b>	<b>7 436</b>

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

USD (1000)	2018	2017
<b>CONDENSED FINANCIAL INFORMATION</b>		
Net assets 1 January	31 018	25 527
Result for the period	8 128	7 436
Result not recognised in 2016	-	755
Dividends paid	-7 700	-2 700
<b>Net assets 31 December</b>	<b>31 446</b>	<b>31 018</b>
Current exchange rate at the balance sheet date	8,69	8,21
Net assets 31 December at the exchange rate on the balance sheet date (NOK 1000)	273 219	254 506
Owner share 50% (NOK 1000)	136 610	127 253
Group items (NOK 1000)	-2 230	-2 671
<b>Carrying amount (NOK 1000)</b>	<b>134 380</b>	<b>124 582</b>

### Associated Company – Marine Seismic (Shearwater GeoServices)

In December 2016 CG Rieber Shipping entered into an agreement with Rasmussengruppen AS (“Rasmussengruppen”) to establish Shearwater GeoServices (“Shearwater”) as a 50/50 owned marine geophysical company.

On 22 August 2018 Shearwater announced that it had entered into a definitive agreement to acquire the marine seismic acquisition assets and operations of WesternGeco, the geophysical services product line of Schlumberger. The transaction was completed in November 2018.

The total transaction value was USD 600 million in cash consideration plus issuance of shares in Shearwater corresponding to a 15% post transaction ownership stake for Schlumberger. The USD 600 million in cash consideration to Schlumberger and an additional USD 50 million for working capital purposes was funded by raising USD 325 million in new cash equity issue and by USD 325 million in debt financing. GC Rieber Shipping subscribed for USD 28.5 million in the equity issue in Shearwater, initially funded by a shareholder loan of NOK 240 million from GC Rieber Shipping’s largest shareholder GC Rieber AS. The shareholder loan was in December 2018 refinanced by a NOK 246 million

rights issue in GC Rieber Shipping. In accordance with the terms of the shareholder loan, GC Rieber AS set off its claim for repayment against the relevant portion of its contribution commitment in the rights issue, corresponding to an amount of NOK 220 million. The remaining amount of the shareholder loan, NOK 20 million, was repaid to GC Rieber AS. See note 12 for further details about the rights issue.

GC Rieber Shipping's ownership in the combined company after the transaction is approximately 20%, with Rasmussengruppen and Schlumberger owning the remaining 65% and 15% respectively. Following the reduced ownership from 50% to 20%, Shearwater is now treated as an associated company in the financial reporting.

The transaction was in line with the strategic ambition GC Rieber Shipping had when creating Shearwater in 2016 together with Rasmussengruppen. As a result of the transaction GC Rieber Shipping booked a non-cash gain of NOK 310 million in the fourth quarter of 2018. GC Rieber Shipping's share of equity as at 31.12.18 is a preliminary estimate, awaiting finalisation of the Purchase Price Allocation.

Following the transaction there are certain changes to guarantees and cash deposits provided by GC Rieber Shipping:

- The USD 7.5 million cash deposit provided by GC Rieber Shipping when establishing Shearwater in 2016 has been released and will no longer be classified as restricted cash.
- Upon the establishment of Shearwater, GC Rieber Shipping provided a parent guarantee of 50% (max. USD 99.3 million) of Shearwater's outstanding facility amount. Following the Acquisition, Rasmussengruppen has provided a counter guarantee in favour of GC Rieber Shipping for 63.9% of this liability.
- If the market value of Shearwater's four vessels Polar Duke, Polar Duchess, Polar Empress and Polar Marquis is reduced below 90% of their outstanding facility amount, GC Rieber Shipping shall, within 12 months, provide a cash deposit for the difference between the market value and the 90% level, limited to USD 10 million. Following the Acquisition, Rasmussengruppen has provided a counter guarantee in favour of GC Rieber Shipping for 63.9% of this liability.

Shearwater operates as a global, customer-focused and technology-driven provider of marine geophysical services. Shearwater owns and operates a fleet of 14 fully equipped seismic vessels, offering a full range of acquisition services including 3D, 4D and ocean bottom seismic. The company also has a portfolio of proprietary streamer technology and processing software enabling effective execution of geophysical surveys and delivery of high-quality data. The company has approximately 600 employees and operates in all major offshore basins across the world. This combination makes Shearwater a leading global and technology-driven full-service provider of marine geophysical services, able to deliver exceptional customer solutions.

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

(USD 1000)	2018	2017
<b>CONDENSED BALANCE SHEET</b>		
<b>SHORT-TERM ITEMS</b>		
Cash and cash equivalents	82 712	48 567
Other current assets	91 609	20 869
<b>Total current assets</b>	<b>174 321</b>	<b>69 436</b>
Financial liabilities (ex. Trade payables)	-32 100	-5 600
Other current liabilities (incl. Trade payables)	-43 423	-13 198
<b>Total current liabilities</b>	<b>-75 523</b>	<b>-18 798</b>
<b>LONG-TERM ITEMS</b>		
Assets	858 638	244 321
Financial liabilities	-502 994	-215 514
Other liabilities	-290	-
<b>Total non-current liabilities</b>	<b>-503 284</b>	<b>-215 514</b>
<b>Net assets</b>	<b>454 152</b>	<b>79 445</b>
<b>CONDENSED INCOME STATEMENT</b>		
Operating income	145 698	117 142
Operating expenses	-141 850	-96 800
Depreciation	-32 614	-23 039
Financial income	575	3 807
Financial expenses	-14 950	-12 052
<b>Result before tax</b>	<b>-43 140</b>	<b>-10 942</b>
Tax	1 595	550
<b>Result</b>	<b>-41 546</b>	<b>-10 392</b>



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

	USD (1000)	2018	2017
<b>CONDENSED FINANCIAL INFORMATION</b>			
Net assets 1 January		79 446	89 838
Result for the period		-41 546	-10 392
Result 2017		11	-
Capital increase		325 000	-
Shares subscription		90 706	-
Sale of own shares		521	-
Net assets 31 December		454 137	79 446
Current exchange rate at the balance sheet date		8,69	8,21
Net assets 31 December at the exchange rate on the balance sheet date (NOK 1000)		3 945 773	651 852
Owner share 20% (50% - 2017) (NOK 1000)		787 182	325 926
Group items (NOK 1000)		-	-
Carrying amount (NOK 1000)		787 182	325 926

### Non-cash gain from sale of shares in Shearwater 2018 - calculated profit

NOK (1000)	
Gross profit of reduced ownership	461 466
Reduced ownership - cost price shares	-144 863
currency effect	-6 349
Non-cash gain reduced ownership	310 254

Currency rate on transaction date

The net profit of NOK 310 million (non-cash gain) was a result of the reduced owners share in Shearwater from 50% to 20%; gross profit was NOK 461 million, cost price shares was NOK 145 million and there was also a negative currency effect of NOK 6 million. GC Rieber Shipping's share of equity as at 31.12.18 is a preliminary estimate, awaiting finalisation of the Purchase Price Allocation.

### Summary

NOK (1 000)	ICE/SUPPORT	MARINE SEISMIC	TOTAL
Result	33 211	-125 965	-92 754
Carrying amount	134 380	787 182	921 561

## 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 the stake in Shearwater (50% share until mid-November 2018, and 20% from there on) 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 & associates 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

In 2018 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 construction, inspection, maintenance and repair of subsea installations.

## Ice/support

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

## Joint ventures & associates

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

In 2017, figures from the at the time 50 %, now 20% owned marine geophysical company Shearwater was presented as a joint venture in the segment report. From 2018, Shearwater is presented as an associated company in the segment report.

## Segment information

	ICE/ SUPPORT	SUBSEA*	JOINT VENTURES & ASSOCIATES	NOT ALLOCATED	TOTAL
<b>2018</b>					
<b>FROM THE INCOME STATEMENT</b>					
Operating income	17 347	214 563	-	-	231 910
Profit sale of shares joint venture (see note 4)	-	-	310 254	-	310 254
Profit from joint venture (see note 4)	-	-	33 211	-	33 211
Loss from joint venture (see note 4)	-	-	-125 965	-	-125 965
Earnings before interests, taxes, depreciations and amortisations (EBITDA)	17 080	20 317	217 500	-	254 897
Depreciation	-7 539	-102 464	-	-	-110 003
Write downs	-	55 761	-	-	55 761
Net operating income	9 541	-26 386	217 500	-	200 655
<b>FROM THE BALANCE SHEET</b>					
Vessels	20 510	1 750 096	-	-	1 770 606
Debt to credit institutions	-	1 219 754	-	-	1 219 754
<b>FROM THE CASH FLOW STATEMENT</b>					
Earnings before interests, taxes, depreciations and amortisations (EBITDA)	17 080	20 317	217 500	-	254 897
Repayment of long-term loans	-	-85 028	-	-	-85 028
New long-term loans raised	-	5 579	-	-	5 579
Loan from shareholder	-	-	-	240 000	240 000
Repayment of loan from shareholder	-	-	-	-19 917	-19 917
Issue of new equity (in addition to remaining shareholder loan converted to equity)	-	-	-	125 917	125 917
Cost of equity issues	-	-	-	-7 842	-7 842
Sale of fixed assets	-	-	-	-	-
Investments	-	-1 220	-	-	-1 220
Other investing activities	-	-	-209 307	-	-209 307
Interest paid	-	-49 456	-	-	-49 456
Other changes	-	-	-	-224 169	-224 169
Net change in cash and cash equivalents	17 080	-109 808	8 193	113 989	29 454

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

<sup>\*)</sup> Subsea segment also includes external ship management income from Shearwater and corresponding costs for providing ship management services.

## NOTE 6 - OPERATING INCOME

2018	ICE/ SUPPORT	SUBSEA*					IN TOTAL
	GREAT BRITAIN	NORWAY	GERMANY	GREAT BRITAIN	OTHER EUROPEAN COUNTRIES	AFRICA	
TC hire	-	66 801	20 697	30 831	3 857	66 697	188 881
BB hire	17 347	-	-	-	-	-	17 347
Management fee	-	9 625	-	-	669	-	10 294
Misc revenues	-	4 865	-	2 815	758	6 950	15 388
Revenue from external customers	17 347	81 290	20 697	33 646	5 283	73 647	231 910
<b>TIME OF REVENUE RECOGNITION</b>							
At a point in time	-	-	-	-	-	-	-
Over time	17 347	81 290	20 697	33 646	5 283	73 647	231 910
Total	17 347	81 290	20 697	33 646	5 283	73 647	231 910

2017	ICE/ SUPPORT	SUBSEA*					IN TOTAL
	GREAT BRITAIN	NORWAY	GERMANY	GREAT BRITAIN	OTHER EUROPEAN CONTRIES	AFRICA	
TC hire	-	76 750	75 548	-	-	61 798	214 096
BB hire	17 010	-	-	-	-	-	17 010
Management fee	-	9 625	-	-	660	-	10 285
Misc revenues	-	5 700	12 178	-	-	4 797	22 674
Revenue from external customers	17 010	92 075	87 725	-	660	66 595	264 066
<b>TIME OF REVENUE RECOGNITION</b>							
At a point in time	-	-	-	-	-	-	-
Over time	17 010	92 075	87 725	-	660	66 595	264 066
Total	17 010	92 075	87 725	-	660	66 595	264 066

TC hire (Time Charter hire) are revenues where the Group are to deliver vessels, equipment and crew as a service to the customer based on a fixed fee/day rate. A Time Charter contract can be divided into a Bareboat element and a service component. Out of total income in 2018, the Bareboat element constitutes to approximately NOK 75 million. Remaining income qualifies as IFRS 15 income.

Technical management fee are service fees for technical support and operation of 3rd party vessels.

Miscellaneous revenues are additional services provided in connection with for example Time Charter contracts.

Terms of payment in contracts with customers are from 30-45 days depending on contract.

Please see note 2 for more information regarding the effects of the new IFRS standard 15 – “revenue from contract with customers”.

Geographical information:

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

With exception of the income from Great Britain, all income is related to the subsea segment. Two customers account for 100% of the operating income registered in Norway, whereof one customer account for 88% of the operating income. In both Netherlands and Africa, the operating income comes from one customer.

### Fixed assets

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

## NOTE 7 – 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 own vessels.

	2018	2017
<b>WAGE COSTS</b>		
Payroll crew	58 007	56 538
Payroll office workers	33 330	34 199
Payroll tax	4 974	5 189
Pension costs	1 825	-1 446
Other remunerations	402	565
Total payroll expenses	98 538	95 046

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

	2018	2017
Office workers	31	31

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. Marine crew has since been hired from a manning agent. As at 31.12.18 the Group had 139 contracted mariners at disposal for the Group's owned vessels.

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

	2018	2017
Crew and catering expenses	58 241	57 275
Administration expenses	40 297	37 771
<b>Total wage expenses</b>	<b>98 537</b>	<b>95 045</b>

	2018	2017
<b>REMUNERATIONS TO THE GROUP MANAGEMENT</b>		
Wages	10 428	7 264
Other remunerations	452	189
Pension premium	881	539
<b>Total Group management remunerations</b>	<b>11 761</b>	<b>7 992</b>
<b>REMUNERATION FOR THE BOARD OF DIRECTORS</b>		
Fees and remunerations for Board of Directors GC Rieber Shipping ASA	942	963
<b>Total remunerations for the Board members of the Group</b>	<b>942</b>	<b>963</b>

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

The Group's CEO is not employed in the company GC Rieber Shipping ASA, but has been contracted from the subsidiary GC Rieber Shipping AS. No agreements have been entered into with the Chairman 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.

	2018	2017
<b>AUDITOR'S FEE (EXCL. VAT)</b>		
Audit fee	801	834
Other certification services	128	579
Tax consulting	288	172
Other services	436	26
<b>Total auditor's fees</b>	<b>1 653</b>	<b>1 612</b>



**NOTE 8 - TAXES (NOK 1000)**

	2018	2017
<b>INCOME TAX EXPENSE</b>		
<b>TAXES IN INCOME STATEMENT</b>		
Tax payable in Norway	-	-
Change in tax from previous periods	-	-
Change in deferred tax	107	-485
<b>Income tax expense (income)</b>	<b>107</b>	<b>-485</b>
<b>RECONCILIATION OF INCOME TAX EXPENSE FOR THE YEAR</b>		
Net income before taxes	148 032	-130 554
Nominal rate	23%	24%
Estimated tax based on nominal rate	34 047	-31 333
Effect of tonnage tax regime/tax payable outside Norway	10 706	10 443
Deferred tax asset not recognised in the balance sheet	-38 069	21 875
Permanent differences	-6 577	-1 758
Other/correction of tax payable in previous periods	-	288
<b>Income tax expense (income)</b>	<b>107</b>	<b>-485</b>
<b>DEFERRED TAX</b>		
<b>DEFERRED TAX LIABILITIES/ASSETS</b>		
Capital gains	22	27
Other differences	-11 414	-6 411
Financial instruments	-	-
Net financial items for companies in the tonnage tax regime	-10 006	-22 755
Pension liabilities	-7 197	-7 401
Tax losses carried forward	-960 913	-882 623
<b>Basis for calculation of deferred tax</b>	<b>-989 507</b>	<b>-919 162</b>
Tax rate	22%	23%
Calculated deferred tax liabilities/assets in the balance sheet	-217 692	-211 407
Deferred tax assets not recognised in the balance sheet	217 692	211 407
<b>Deferred tax liabilities/assets in the balance sheet</b>	<b>-</b>	<b>-</b>

At 31.12.2018, deferred tax assets not recognised amount to NOK 217.7 million, whereof NOK 215.5 million relate to companies that are not subject to the tonnage tax regime.

By end of 2018 the Group had tax losses carried forward of NOK 960.9 million in Norway, whereof none was basis for capitalisation.

The disclosure of deferred tax benefits on net tax reducing differences and carry forward losses, is based on estimated future earnings. Based on budgets taking into account the Group's existing market, the Group does not expect to be able to utilise the deferred tax assets through taxable profits in the near future.

## NOTE 9 – 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. See note 12 for details regarding changes in outstanding shares in 2018.

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

	2018	2017
Net income for the year (NOK 1000)	148 139	-130 069
Time weighted average number of shares applied in the calculation of earnings per share	55 204 824	43 662 000
Number of outstanding shares as at 31.12.	86 032 810	43 662 000
Basic and diluted earnings per share (NOK)	2,68	-2,98

## NOTE 10 – TANGIBLE FIXED ASSETS (NOK 1000)

### Vessel and Marine Equipment

	2018	2017
Acquisition cost as at 01.01	2 839 792	2 976 234
+ Additions during the year	-	353
+ Additions during the year for periodic maintenance	1 101	6 670
+ Additions during the year transferred from vessel under construction	-	-
- Disposals during the year	-	-
+ Changes in translation differences during the year	167 341	-143 466
= Acquisition cost as at 31.12.	3 008 233	2 839 792
Accumulated depreciation and impairment at 01.01.	1 121 794	1 076 654
+ Depreciation for the year continuing operations	91 283	92 819
+ Depreciation of periodic maintenance for the year	10 111	10 296
+ Depreciation for the year discontinued operations	-	-
+ Impairment during the year	-	-
- Reversal of impairment during the year	-55 761	-4 220
+ Impairment during the year discontinued operations	-	-
- Disposals during the year	-	-
+ Changes in translation differences during the year	70 198	-53 742
= Accumulated depreciation and impairment at 31.12.	1 237 625	1 121 807
Carrying amount as at 31.12.	1 770 606	1 717 984

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% have been applied for vessels and 6.67% to 33.33% have been applied for marine equipment. Capitalised periodic maintenance per 31.12.2018 amounts to NOK 1.1 million. (2017: NOK 6.7 million).

## Impairment loss

VESSELS (NOK 1000)	POLAR ONYX	POLAR KING	POLAR QUEEN	TOTAL
Impairment / reversal of impairment (-)	-33 620	-11 542	-10 599	-55 761
Recoverable amount	868 813	440 228	440 228	1 749 269
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	753	243	198	
WACC used in evaluation of broker estimates	9,5%	9,5%	9,5%	

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.

## Machinery, inventory and equipment

	2018	2017
Acquisition cost 01.01.	60 058	32 226
+ Additions during the year	119	27 832
= Acquisition cost as at 31.12	60 177	60 058
Accumulated depreciation as at 01.01.	29 206	17 147
+ Depreciation for the year	8 609	12 060
= Accumulated depreciation and write down as at 31.12.	37 815	29 206
Carrying value as at 31.12.	22 362	30 852

No initial direct costs with establishing leases have occurred in the periods presented.

**NOTE 11 – TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES (NOK 1000)**

	2018	2017
<b>TRADE RECEIVABLES AND OTHER RECEIVABLES</b>		
<b>TRADE RECEIVABLES</b>		
Trade receivables gross	49 374	62 584
Provision for bad debt	-3 457	-
<b>Trade receivables net</b>	<b>45 917</b>	<b>62 584</b>
<b>OTHER RECEIVABLES</b>		
Prepaid expenses	5 924	2 832
Insurance settlement	4 211	4 486
Re-invoiced expenses	212	1 102
<b>Total other receivables</b>	<b>10 347</b>	<b>8 420</b>
<b>Total current receivables</b>	<b>56 264</b>	<b>71 004</b>
<b>AGEING PROFILE TRADE RECEIVABLES, NOT IMPAIRED AT THE END OF THE REPORTING PERIOD</b>		
Receivables, not due	33 303	28 121
Receivables, due by 1-30 days	10 790	16 718
Receivables, due by 31-60 days	-	17 745
Receivables, due by 61-120 days	1 825	-
<b>Total</b>	<b>45 917</b>	<b>62 584</b>
<b>PROVISION FOR BAD DEBT TRADE RECEIVABLES</b>		
Provision for bad debts 01.01	-	-
Provision made during the year	-3 457	-
Losses realised	-	-
<b>Provision for bad debts 31.12</b>	<b>-3 457</b>	<b>-</b>

Loss on trade receivables have been classified as operating expenses vessels in the income statement.

Regarding credit risk the Group aims to have 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.

Of trade receivables 31.12.18, NOK 1.8 million is still outstanding receivables at the time the financial statement is signed. The parties involved agree to the amount but awaits formal acceptance from third parties before the payment will go through. Expected losses not accounted for are considered to be immaterial as at 31.12.2018. As such, the Group has not identified any material losses that should be accounted for at 31.12.2018.

**NOTE 12 – CASH AND CASH EQUIVALENTS (NOK 1000)**

	2018	2017
<b>BANK DEPOSITS AND CASH</b>		
Bank deposits and cash	202 518	106 196
Tax withholdings	1 646	1 552
Short-term bank deposits	-	-
<b>Bank deposits and cash</b>	<b>204 164</b>	<b>107 748</b>

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.

In 2017, a cash collateral of USD 7.5 million related to investment in Shearwater was presented as long-term receivables. The cash deposit has been released and is now classified as free cash. See note 4 for further details.

## NOTE 13 – EQUITY

	2018	2017
<b>ORDINARY SHARES</b>		
Par value per share	1,80	1,80
Number of shares (1000)	86 087	43 813
Share capital (NOK 1000)	154 957	78 863

GC Rieber Shipping ASA's shares are listed on Oslo Børs with the ticker RISH.

In 2018 the company conducted two rights issues:

The first rights issue of NOK 100 million was resolved in an extraordinary general meeting 26 January 2018, with 13,333,333 new shares being offered at a price of NOK 7,5 per share. The rights issue was oversubscribed, and the Board of Directors approved the final allocation of the offer shares 8 March 2018. The share capital increase was registered in the Norwegian Register of Business Enterprises 15 March 2018. Combined with new terms and amendments to the two subsea credit facilities (see note 13), the rights issue strengthened the competitive position of GC Rieber Shipping's subsea operations.

The second right issue of NOK 246 million was resolved in an extraordinary general meeting 28 November 2018, with 28,941,177 new shares being offered at a price of NOK 8,5 per share. The rights issue was fully subscribed, and the Board of Directors approved the final allocation of the offer shares 18 December 2018. The share capital increase was registered in the Norwegian Register of Business Enterprises 21 December 2018. The second rights issue was conducted to finance GC Rieber Shipping's participation in Shearwater's acquisition of Schlumberger's marine seismic business (see note 4).

Following the two rights issues, the total number of shares in GC Rieber Shipping ASA is 86,087,310.

### OWN SHARES

GC Rieber Shipping ASA sold 96,300 (at the time 0.17% of outstanding shares) of its own shares to Board members and employees in December 2018 at a price per share of NOK 8.30. Employees received a discount of 20% on this price up to a maximum of NOK 3,000 per employee.

Following the sale, the company had a holding of 54,500 own shares, i.e. 0.06% of the shares in the company as at 31 December 2018.

### DIVIDENDS

Following the financial restructuring of the Group in March 2018, no dividend payments or other distributions from the Group may be made without the prior consent of the lenders. However, the Group's lenders have consented to the following: 24% of potential dividends from the shares of Shearwater GeoServices Holding AS or 24% of potential proceeds from the sale of such shares in whole or in part, may be redistributed to the shareholders of the Group by way of dividends, a share capital reduction or any other manner deemed appropriate by the Group.

The Board has not proposed dividends in 2018, and the Group did not pay a dividend for the year ended 31 December 2017.

## NOTE 14 – DEBT TO CREDIT INSTITUTIONS (NOK 1000)

The Group's long-term liabilities, including first year's instalments, are summarised as follows at year-end 2018:

		AVERAGE INTEREST RATE 2018	AVERAGE MATURITY	BALANCE SHEET 2018	BALANCE SHEET 2017	INTEREST PAYMENT 2018	INTEREST PAYMENT 2017
<b>LONG-TERM DEBT</b>							
Mortgage debt with floating interest	Secured	USD LIBOR + 1.95%	4 years	614 538	623 990	24 096	20 463
Mortgage debt with fixed interest	Secured	USD CIRR 2.43 % + 1.6%	4 years	611 223	616 159	25 360	25 706
Amortisation effect, mortgage debt				-6 007	-9 332		-
<b>Total</b>				<b>1 219 754</b>	<b>1 230 817</b>	<b>49 456</b>	<b>46 170</b>

The Group's vessels are pledged as collateral for the loans.



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

In connection with the NOK 100 million rights issue described in note 12, GC Rieber Shipping negotiated better terms and certain amendments to the two Subsea credit facilities from March 2018. 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 average consolidated cash in the Group 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 Group or someone other than GC Rieber AS gains negative control in the Group.

No dividend payments or other distributions from the Group may be made without the prior consent of the banks, with exceptions as mentioned in note 12.

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

The Group was in compliance with the financial covenants throughout 2018.

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

Due in 2019	24 025
Due in 2020	24 025
Due in 2021	120 123
Due in 2022	1 057 588
Later maturity	-
Total interest bearing debt	1 225 761

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 2018 was 4.0% (2017: 3.7%).

The Group's net debt at 31.12.2018

	2018	2 017
<b>NET DEBT</b>		
Cash and cash equivalents	204 164	107 749
Other short term debt	-	-
Borrowings - repayable within one year	-24 025	-170 158
Borrowings - repayable after one year	-1 201 736	-1 069 992
Amortisation effect, mortgage debt	6 007	9 332
<b>Net debt</b>	<b>-1 015 590</b>	<b>-1 123 069</b>
Cash and cash equivalents	204 164	107 749
Other short term debt	-	-
Gross debt - fixed interest rates	-611 223	-616 159
Gross debt - variable interest rates	-614 538	-623 990
Amortisation effect, mortgage debt	6 007	9 332
<b>Net debt</b>	<b>-1 015 590</b>	<b>-1 123 068</b>

	CASH/CASH EQUIVALENTS	BORROW. DUE WITHIN 1 YEAR	BORROW. DUE AFTER 1 YEAR	AMORTISATION EFFECT, MORTGAGE DEBT	TOTAL
Net debt as at 1 January 2018	107 749	-170 158	-1 069 992	9 332	-1 123 069
Cash flows	29 454	85 028	-	-	114 482
Reclassification from long term receivables to cash	63 323	-	-	-	63 323
Loan from shareholder	-	-240 000	-	-	-240 000
Conversion of shareholder loan to equity	-	220 083	-	-	220 083
Repayment of loan from shareholder	-	19 917	-	-	19 917
Cash from new long-term debt	-	-	-5 579	-	-5 579
Reclassification to short-term debt	-	66 067	-66 067	-	-
Foreign exchange adjustments	3 637	-10 027	-63 052	-	-69 442
Other non-cash movements	-	5 065	2 954	-3 325	4 694
<b>Net debt as at 31 December 2018</b>	<b>204 164</b>	<b>-24 025</b>	<b>-1 201 736</b>	<b>6 007</b>	<b>-1 015 590</b>

## NOTE 15 – PENSION COSTS AND PENSION OBLIGATIONS (NOK 1000)

From January 2017, all employees have changed to defined-contribution plan.

### Defined-benefit plan

The Group's defined benefit plan's members consists of prior employees. 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% 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 Group pays 63% 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% 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%.

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.

	2018	2017
<b>ACTUARIAL ASSUMPTIONS</b>		
Discount rate	2,60%	2,40%
Estimated return on plan assets	2,60%	2,40%
Inflation/Increase of National Insurance Basic Amount (G)	2,50%	2,23%
Rate of salary increase	2,75%	2,50%
Rate of pension increase	0,50%	0,50%
Number of deferred members	4	8
Number of pensioners	20	19
Mortality table	K-2013	K-2013

	2018	2017
<b>SPECIFICATION OF THE GROUP'S NET PENSION COST</b>		
Current service cost	249	2 129
Recognised past service cost	-	-2 925
Interest expenses on benefit obligations	142	901
Estimated return on plan assets	-	-745
Administration costs	46	46
<b>Net pension cost</b>	<b>437</b>	<b>-593</b>
Payroll tax	30	-380
<b>Pension cost in the income statement</b>	<b>468</b>	<b>-973</b>

<b>ESTIMATED PENSION COST 2018</b>		
Current service cost	249	
Interest expenses on benefit obligations	142	
Estimated return on plan assets	-	
Administration cost	46	
<b>Net pension cost</b>	<b>437</b>	
Payroll tax	30	
<b>Pension cost in the income statement</b>	<b>468</b>	

	31.12.2018	31.12.2017
<b>SPECIFICATION OF THE GROUP'S NET PENSION OBLIGATIONS</b>		
Gross obligations, secured	-6 987	-8 437
Gross obligations, unsecured	-7 171	-7 059
Fair value of plan assets	7 973	9 091
Payroll tax	-1 011	-995
Book value of net pension obligations	-7 197	-7 401
Carrying value 01.01.	-7 401	-11 499
Cost in income statement	468	-973
Contributions during the year	-304	-1 051
Recognised net actuarial (loss) / gain	368	2 074
Carrying value 31.12.	-7 197	-7 401

#### Defined contribution plan

In addition to the defined benefit plans as described above, one of the Group's subsidiaries made contributions to local pension plans in 2017. The contributions were provided to pension plans covering 37 employees. The pension premium was recognised as an expense the year that it fell due and amounted to NOK 1.6 million in 2017. From 2017 all employees have been transferred to the defined contribution plan.

Actual return on plan assets per 31.12.2018 was 4.5%.

## NOTE 16 – 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 2018, amounts to NOK 70.7 million in 2019 and NOK 23.3 million in 2020. The lease payments include Bareboat contracts and 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.

	2018	2017
Ordinary lease payments	3 619	5 358
	3 619	5 358

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

	2018	2017
Within 1 year	1 810	1 848
1 to 5 years	1 810	3 510
Later than 5 years	-	-
Total	3 619	5 358

## NOTE 17 – SHAREHOLDERS' INFORMATION AND TRANSACTIONS WITH RELATED PARTIES

The 20 largest shareholders in GC Rieber Shipping ASA as at 31 December 2018 (outstanding shares):

NAME	NUMBER OF SHARES	OWNER SHARE
GC Rieber AS	66 145 908	76,8%
GC Rieber Fondet	2 026 839	2,4%
AS Javipa	2 003 492	2,3%
Pareto Aksje Norge	1 628 179	1,9%
Viben AS	1 334 435	1,6%
Celsius AS	1 328 768	1,5%
Trioship Invest AS	1 190 000	1,4%
Tannlege Randi Arnesen AS	850 000	1,0%
Delta A/S	820 000	1,0%
M.R.Martens Allm. Fond	786 654	0,9%
Pelicañ AS	685 166	0,8%
Storkleiven AS	600 000	0,7%
Benedicte Martens Nes	386 250	0,4%
Dag Fredrik Jebsen Arnesen	320 000	0,4%
Triofa 2 AS	278 001	0,3%
Mikkel Martens	225 949	0,3%
Thorild Marie Rong	210 648	0,2%
Bergen Råvarebørs AS	208 668	0,2%
Tigo AS	186 359	0,2%
Stian Strøm Arnesen	170 000	0,2%
Other Shareholders	4 701 994	5,5%
Outstanding shares	86 087 310	100,0%
Outstanding shares (reduced by own shares)	86 032 810	

The Chairman of the Board, Paul-Christian Rieber indirectly controls 3.12% of the Group through AS Javipa and Pelicañ AS, which equals 2,688,658 shares. Cosimo AS, a company owned by Board member Trygve Bruland, holds 100,000 shares in the Group. Board member Bodil Valland Steinhaug holds 10,000 shares in the Group. Of the Group Management, CEO Einar Ytredal holds 26,985 shares, CFO Øystein Kvåle holds 15,000 shares, Technical Director Bjørn Valberg holds 11,000 shares, CCO Christoffer Knudsen holds 5,300 shares, COO Jan Renè Myran holds 2,000 shares and Head of QHSE Eilert Nøttingnes holds 2,000 shares in the Group.

No other Board members or members in the Group Management own shares in the Group.

At 31.12.2018, GC Rieber AS owns 66,145,908 shares in GC Rieber Shipping ASA, constituting 76.8% of the outstanding shares in the Group. GC Rieber Shipping ASA holds 54,500 own shares, representing 0.06% of the share capital.

### Transactions with the parent company:

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.

	2018	2017
ICT and administration expenses	2 959	3 714
Lease payments	2 771	3 120

The balance sheet as at 31.12.2018 included an accrual for office premises lease to the parent company of NOK 0.7 million related to a sublet to Shearwater.

### Transactions with joint ventures & associates (the equity method):

The Group has had several transactions with joint ventures & associated companies. 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:

	2018	2017
Management income - OOO Polarus	669	660
Management income - Shearwater	9 625	9 625
<b>Total</b>	<b>10 294</b>	<b>10 285</b>

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

	2018	2017
Trade receivables	1 128	2 071
Short term liabilities	-	-9 436
<b>Total (net)</b>	<b>1 128</b>	<b>-7 365</b>

Also see note 4 for guarantees provided to Shearwater.

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

### 1. CAPITAL STRUCTURE

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

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

#### Debt ratio

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

The debt ratio as at 31.12.2018 and 31.12.2017 is calculated as follows:

	2018	2017
Total loan	1 219 754	1 230 817
Cash	-204 164	-107 749
<b>Net loan</b>	<b>1 015 590</b>	<b>1 123 068</b>
Total equity	1 711 077	1 139 636
<b>Total capital (adjusted)</b>	<b>2 726 667</b>	<b>2 262 704</b>
<b>Debt ratio</b>	<b>37,25%</b>	<b>49,63%</b>

The decrease in debt ratio during 2018 is mainly related to the two rights issues of NOK 100 million and NOK 246 million conducted in 2018, and also the non-cash gain of NOK 310 million as a result of Shearwaters acquisition of Schlumberger's marine seismic business. See note 4 and 12 for further details. An increase in the USD/NOK exchange rate from 31.12.17 to 31.12.18 has had an opposite effect as the Group's loans are in USD.

As some subsidiaries have functional accounts in USD, changes in USD/NOK exchange rates will affect the Group's equity.

## 2. BALANCE SHEET INFORMATION

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

	2018	2017
<b>ASSETS</b>		
Financial assets at amortised cost		
Trade receivables	45 917	62 584
Long term restricted cash	-	61 538
Cash and cash equivalents	204 164	107 749
<b>Total financial assets</b>	<b>250 081</b>	<b>231 870</b>
<b>LIABILITIES</b>		
Liabilities at amortised cost		
Interest bearing long-term debt	1 195 729	1 060 659
Interest bearing short-term debt	24 025	170 158
Trade payables	21 053	19 862
Other current liabilities	18 072	48 864
<b>Total financial liabilities</b>	<b>1 258 879</b>	<b>1 299 543</b>

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.*
- *Parts of outstanding trade receivables have been secured through deposits.*
- *The Group's vessels are pledged as collateral for the interest-bearing debt of NOK 1,219.8 million.*
- *The Group has provided certain guarantees for some of Shearwater's loans, see note 4 for further details.*

In 2018, 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:

	2018	2017
Realised currency gains/losses on bank deposits and cash	35	1 217
Unrealised currency gains/losses on bank deposits and cash	3 367	1 973
Unrealised gains/losses receivables	-3 168	4 124
Interest income on bank deposits and cash	383	1 134
<b>Total financial income in the income statement</b>	<b>617</b>	<b>8 447</b>
Interest on interest-bearing debt	53 125	50 198
Realised change in fair value of financial derivatives instruments	-	-1 192
Realised currency gains/losses interest-bearing debt	-	-
<b>Total financial expenses in the income statement</b>	<b>53 125</b>	<b>49 006</b>

The financial instruments have not been subject to hedge accounting, and the Group records change in fair value of financial instruments through profit or loss in accordance with IFRS 9.

## 4. FINANCIAL RISK MANAGEMENT

As the Group operates its business internationally, it is exposed to various risks: market risk (including foreign exchange risk and interest risk), liquidity 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 continuously assesses the use of 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

#### Foreign exchange 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, and operating expenses are mainly in NOK, EUR and USD. In order to reduce the Group's 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, EUR and other relevant currencies. In 2018, no foreign exchange hedge structures were active.

Based on the composition of the Group's operating income and operating expenses, liabilities in USD and forward contracts entered into at 31.12.2018, 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 14.9 million
- An increase in the EUR/NOK exchange rate by NOK 1.00, increases the result by NOK 0.6 million
- An increase in the GBP/NOK exchange rate by NOK 1.00, increases the result by NOK 4.4 million

In addition, an increase in USD against NOK by 1.00 involves an increase in the equity through the comprehensive income by NOK 167 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.

#### 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. In 2018 and 2017 no types of interest rate derivatives have been used.

At the end of 2018 approximately 50% of the long-term loan has a fixed CIRR rate. A general increase in the interest rate of 1 percentage points would negatively affect the result by NOK 5.9 million in 2018, and correspondingly, a general decrease in the interest rate level of 1 percentage points would have a positive impact on the result by NOK 5.9 million.

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

	2018	2017
Variable rate borrowings	614 538	623 990

The variable rates will be re-priced every 3 months.

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

See note 13 for further information on long-term liabilities.

### CREDIT RISK

The Group's credit risk relates to cash and cash equivalents, trade receivables and derivative financial instruments (if any). The Group uses an "expected loss" model that focuses on the risk that a loss will incur, rather than whether a loss has been incurred.

The Group has its cash and cash equivalents placed in financial institutions with high credit worthiness. The Group aims to have 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 10) and other current assets. The credit quality of outstanding trade receivables is considered to be satisfactory.

The Group's credit risk is considered to be moderate on an overall basis. With the current portfolio of clients, the Group's expected losses are considered to be immaterial as at 31.12.2018. As such, the Group has not identified any material losses that should be accounted for at 31.12.2018.

### 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 assets and financial liabilities per 31.12.2018 is presented below:

	0-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	TOTAL
<b>AT 31.12.2018</b>				
<b>ASSETS</b>				
Loan to joint venture	-	-	-	-
Restricted cash	-	-	-	-
Financial investments	-	-	-	-
Trade receivables and other receivables	56 264	-	-	56 264
Bank deposits and cash	204 164	-	-	204 164
<b>Total financial assets</b>	<b>260 428</b>	<b>-</b>	<b>-</b>	<b>260 428</b>
<b>LIABILITIES</b>				
Interest-bearing long-term liabilities (Undiscounted)	75 809	1 351 900	-	1 427 708
Derivatives	-	-	-	-
Trade payables and other short-term liabilities	39 135	-	-	39 135
<b>Total financial liabilities</b>	<b>114 944</b>	<b>1 351 900</b>	<b>-</b>	<b>1 466 843</b>

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

## HEDGING

The Group continuously assesses the use of derivative financial instruments to manage currency and interest rate risk. Hedge accounting is not applied, so all derivatives will be classified as trading instruments and measured at fair value thorough profit and loss.

Cash flow hedging is mainly performed by entering into forward contracts and option structures regarding the sale of relevant currency against NOK. Realised gains/losses and changes in fair value are recognised in the income statement. 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 1/6 every month from January 2017 until June 2017. No such structures were active in 2018.

The Group's interest-bearing debt is denominated in USD and has a floating interest rate that varies with the development in the money market rates, except the credit facility for Polar Onyx that has a fixed interest rate. 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. 31 December 2018 the Group has no open interest rate derivatives, and the Group's portfolio of financial hedging instruments at the balance sheet was zero. The same applied for 31 December 2017.

## 5. FAIR VALUE ASSESSMENT

The Group had no financial instruments measured at fair value at 31 December 2018 and 31 December 2017.

## NOTE 19 – OTHER SHORT-TERM LIABILITIES

	2018	2017
Foreign value added tax payable	-	13 780
Loan from joint venture partner	-	9 400
Accrued expenses	1 000	8 400
Accrued interest	4 122	7 966
Prepayments from customers	1 425	7 629
Other	8 427	553
<b>Total other short-term liabilities</b>	<b>14 974</b>	<b>47 727</b>

## NOTE 20 – LEGAL PROCEEDINGS

The claim against Armada Seismic Invest II AS (Armada) in 2012, at the time a subsidiary of GC Rieber Shipping ASA, now a subsidiary of Shearwater, from Arrow Seismic Invest II Limited (now PGS Geophysical (UK) Limited) (PGS) related to the delivery of hull 533 in October 2011, was dismissed by both Bergen District Court and Gulating Court of Appeal. PGS appealed to the Supreme Court, and the Supreme Court's Appeals Committee also ruled in favour of Armada on 13 July 2018. The decision is final, and Armada has been refunded its legal costs of approximately NOK 7.5 million in connection with Bergen District Court, Gulating Court of Appeal and the Supreme Court of Appeal Committee.

## NOTE 21 – CONTINGENCIES

### Legal proceedings regarding GC Rieber Crewing

GC Rieber Crewing AS (GCRC) and GC Rieber Shipping AS (GCRS), both subsidiaries of GC Rieber Shipping ASA, have been the subject of legal proceedings at the Bergen District Court instigated by seventeen former employees of GCRC (one of which has discontinued its claim). Their employments were terminated when the Group decided to liquidate the internal crewing company, GCRC. The former employees are of the opinion that both GCRC and GCRS have a shared employer responsibility towards them and that the dismissals were unlawful and therefore invalid. 14 of the former employees have claimed to reinstate their former positions with GCRC (or, as they cite, GCRS) and claimed compensation for their economic loss. The other two former employees have only submitted compensation claims.

The claims were determined in favour of GCRC and GCRS but the former employees have appealed the decision of the Bergen District Court to the Gulating Court of Appeal. The case is scheduled for hearing during the period from 3 June 2019 until 7 June 2019.

GC Rieber Shipping believes that the Gulating Court of Appeal is likely to determine the case in favour of GCRC/GCRS. However, if the employees are successful in their claim, GCRC/GCRS may be liable for a total monetary claim of approximately NOK 7-10 million and be liable for reinstating 14 of the former employees to their former positions. If such outcome follows, GCRC/GCRS will most likely be liable for the employees' legal costs of approximately NOK 1 million to NOK 1.5 million.

### Earn-out

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

In addition to the selling price, an earn-out has been agreed for the event of Equinor Venture AS selling shares or parts of Octio's assets. The earn-out amount will make 5% of a possible selling price before 31 December 2022.

# **FINANCIAL STATEMENT**

**GC RIEBER**  
**SHIPPING ASA**



# INCOME STATEMENT

## GC RIEBER SHIPPING ASA

NOK (1 000)	NOTE	2018	2017
<b>OPERATING INCOME</b>			
Operating income		-	-
Total operating income		-	-
<b>OPERATING EXPENSES</b>			
Administration expenses	3,4	-6 291	-12 433
Total operating expenses		-6 291	-12 433
Earnings before interests, taxes, depreciations and amortisations (EBITDA)		-6 291	-12 433
Net operating income (EBIT)		-6 291	-12 433
<b>FINANCIAL INCOME AND EXPENSE</b>			
Sale of shares in subsidiaries		-	-
Write-down investment in subsidiary	5	-13 426	-1 920
Write-down receivables in subsidiary	12	-38 416	-73 681
Financial income		9 093	6 814
Financial expenses		-1 739	-43
Financial expenses subsidiaries		-336	-
Realized currency gains (losses)		-190	-20
Unrealized currency gains (losses)		14 753	-4 218
Net financial income and expenses		-30 261	-73 068
Net income before taxes		-36 552	-85 502
Taxes	9	-	-
NET INCOME FOR THE YEAR	7	-36 552	-85 502
<b>ALLOCATION OF NET LOSS/PROFIT</b>			
Allocation of Net Loss/Profit	7	36 552	85 502
Total allocation		36 552	85 502

# STATEMENT OF FINANCIAL POSITION

## GC RIEBER SHIPPING ASA

NOK (1 000)	NOTE	31.12.2018	31.12.2017
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Investments in subsidiaries	5	104 292	92 587
Investments in associated companies	6, 13	633 329	391 248
Long term assets	10, 13	-	61 538
<b>Total financial fixed assets</b>		<b>737 621</b>	<b>545 372</b>
<b>Total fixed assets</b>		<b>737 621</b>	<b>545 372</b>
<b>CURRENT ASSETS</b>			
Receivables from subsidiaries	12	168 640	174 041
Other current assets		194	145
<b>Total receivables</b>		<b>168 834</b>	<b>174 187</b>
Cash and cash equivalents	10	167 129	44 128
<b>Total current assets</b>		<b>335 963</b>	<b>218 315</b>
<b>TOTAL ASSETS</b>		<b>1 073 584</b>	<b>763 687</b>

# STATEMENT OF FINANCIAL POSITION

## GC RIEBER SHIPPING ASA

NOK (1 000)	NOTE	31.12.2018	31.12.2017
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital (86,032,810 shares at NOK 1.80)	7, 11	154 957	78 863
Portfolio of own shares (54,500 shares at NOK 1.80)	7	-98	-271
Share premium	7	286 510	16 604
<b>Paid in capital</b>		<b>441 369</b>	<b>95 196</b>
Other equity	7	331 031	374 835
<b>Total retained earnings</b>		<b>331 031</b>	<b>374 835</b>
<b>Total equity</b>		<b>772 401</b>	<b>470 031</b>
<b>LIABILITIES</b>			
Trade payables		3 111	501
Liabilities to subsidiaries	12	297 071	292 156
Other current liabilities		1 000	1 000
<b>Total current liabilities</b>		<b>301 183</b>	<b>293 657</b>
<b>Total liabilities</b>		<b>301 183</b>	<b>293 657</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 073 584</b>	<b>763 687</b>

Bergen, 14 March 2019

The Board of Directors of GC Rieber Shipping ASA

Paul-Chr. Rieber  
*Chairman*

Morten Foros Krohnstad  
*Vice chairman*

Trygve Bruland

Tove Lunde

Bodil Valland Steinhaug

Einar Ytredal  
*CEO*

# CASH FLOW STATEMENT

## GC RIEBER SHIPPING ASA

NOK (1 000)	NOTE	2018	2017
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net income before taxes		-36 552	-85 502
Write-down investments in subsidiaries	5	13 426	1 920
Write-down on receivables	12	38 416	73 681
Exchange differences		-14 753	4 142
Profit on sale of shares in subsidiaries		-	-
Change in accounts payable		2 610	244
Change in receivables from subsidiaries		-28 098	-25 065
Change in other current assets and other liabilities		-48	-2 872
Net paid interests		1 464	-
Dividends from subsidiaries		-	-
Net cash flow from operating activities		-23 535	-33 452
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
Payments from sale of financial fixed assets		-	-
Payments for investments in financial fixed assets		-262 212	26
Net cash flow from investment activities		-262 212	26
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loan from shareholder	6	240 000	-
Repayment of loan from shareholder	6	-19 917	-
Issue of new equity (in addition to remaining shareholder loan converted to equity)	6	125 917	-
Cost of equity issues		-7 842	-
Sale of own shares	6	763	-
Dividend payment		-	-
Net paid interests		-1 464	-
Net cash flow from financing activities		337 458	-
Net change cash and cash equivalents		51 711	-33 426
Cash and cash equivalents at 01.01.		44 128	78 659
Reclassification from long term receivables to cash		63 323	-
Currency gains (losses) on cash and cash equivalents		7 967	-1 106
Cash and cash equivalents at 31.12.		167 129	44 128

# NOTES TO THE FINANCIAL STATEMENTS

## GC RIEBER SHIPPING ASA

### NOTE 1 - CORPORATE INFORMATION

GC Rieber Shipping ASA (the "Company") 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 14 March 2019.

### 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 carry forward 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 REMUNERATION
<b>MANAGEMENT REMUNERATION 2018</b>				
Einar Ytredal, CEO (from September 2018), CFO (until September 2018)	2 084	21	238	2 343
Christian W. Berg, CEO (until September 2018)	2 280	366	260	2 905
Øystein Kvåle, CFO (from November 2018)	212	1	8	221
Christoffer Knudsen, CCO	1 356	8	88	1 452
Jan Renè Myran, COO	1 544	15	119	1 677
Eilert Nøttingnes, Head of QHSE	1 053	13	43	1 109
Benedicte Breistein, Head of Crewing	765	18	59	842
Bjørn Valberg, Technical Director	1 135	10	67	1 213
<b>Total management remuneration</b>	<b>10 428</b>	<b>452</b>	<b>881</b>	<b>11 761</b>
<b>MANAGEMENT REMUNERATION 2017</b>				
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	-	-	1 105
<b>Total management remuneration</b>	<b>7 264</b>	<b>189</b>	<b>539</b>	<b>7 992</b>

	DIRECTORS' FEES 2018	DIRECTORS' FEES 2017
<b>BOARD REMUNERATION</b>		
Paul-Chr. Rieber, chairman (incl. audit committee)	225	225
Morten Foros Krohnstad, vice-chairman (from April 2018)	150	-
Hans Olav Lindal, vice-chairman (until April 2018)	67	200
Tove Lunde	150	150
Trygve Bruland (incl. audit committee)	200	200
Bodil Valland Steinhaug (from April 2017)	150	113
Kristin Færøvik (until April 2017)	-	50
<b>Total board remuneration</b>	<b>942</b>	<b>938</b>
	2018	2017
<b>AUDITOR'S FEES</b>		
Audit services	479	314
Tax consulting	10	-
Other services	529	601
<b>Total auditor's fees</b>	<b>1 018</b>	<b>915</b>

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

	2018	2017
Board remuneration incl. social security tax	1 073	1 522
Auditor's fees	1 018	915
Management fee to GC Rieber Shipping AS	6 700	6 000
Legal fees <sup>*)</sup>	-4 306	1 839
Consultancy fee	958	1 333
Return on bad debts	-	-909
Other administration expenses	914	1 733
<b>Total operating expenses</b>	<b>6 357</b>	<b>12 433</b>

<sup>\*)</sup> Includes refund of legal fees in connection with the Armada Seismic trial of NOK 7.5 million, see note 14.



## NOTE 5 – INVESTMENTS IN SUBSIDIARIES (NOK 1 000)

COMPANY	BUSINESS OFFICE	VOTING AND OWNER SHARE	CARRYING AMOUNT 31.12.2018	RESULT 2018	EQUITY 31.12.2018
GC Rieber Shipping AS	Bergen	100%	5 364	-18 956	1 023
GC Rieber Shipping BV	Netherlands	100%	20 101	-4 240	22 317
Polar Explorer AS	Bergen	100%	-	-38 018	-285 059
Polar Ship Invest AS	Bergen	100%	30	-	30
Polar Ship Invest II AS	Bergen	100%	26 979	-38 315	426 989
Polar Ship Invest III AS	Bergen	100%	108	-4 030	166 213
Polarus AS	Bergen	100%	50 000	23 673	250 935
Polar Shipping AS	Bergen	100%	1 710	-106	3 829
Polar Queen Ltd.	Isle of Man	100%	-	-	-
<b>Total</b>			<b>104 292</b>	<b>-79 994</b>	<b>586 276</b>

The investments in GC Rieber Shipping AS was written down with NOK 13.4 million in 2018. In 2017 the investments in GC Rieber Shipping AS was written down with NOK 1.9 million. For the subsidiaries with functional value in USD, an exchange rate of USD/NOK 8,1329 has been used to convert the result for the year and a rate of USD/NOK 8,6885 has been used to convert equity as at 31.12.18.

## NOTE 6 – INVESTMENTS IN ASSOCIATES (NOK 1 000)

In December 2016 the Company entered into an agreement with Rasmussengruppen AS to establish Shearwater GeoServices ("Shearwater") as a 50/50 owned marine geophysical company.

On 22 August 2018 Shearwater announced that it had entered into a definitive agreement to acquire the marine seismic acquisition assets and operations of WesternGeco, the geophysical services product line of Schlumberger. The transaction was completed in November 2018.

The total transaction value was USD 600 million in cash consideration plus issuance of shares in Shearwater corresponding to a 15% post transaction ownership stake for Schlumberger. The USD 600 million in cash consideration to Schlumberger and an additional USD 50 million for working capital purposes was funded by raising USD 325 million in new cash equity issue and by USD 325 million in debt financing. GC Rieber Shipping subscribed for USD 28.53 million in the equity issue in Shearwater, initially funded by a shareholder loan of NOK 240 million from the Company's largest shareholder GC Rieber AS. The shareholder loan was in December 2018 refinanced by a NOK 246 million rights issue in GC Rieber Shipping. In accordance with the terms of the shareholder loan, GC Rieber AS set off its claim for repayment against the relevant portion of its contribution commitment in the rights issue, corresponding to an amount of NOK 220 million. The remaining amount of the shareholder loan, NOK 20 million, was repaid to GC Rieber AS. See note 7 for further details about the rights issue.

GC Rieber Shipping's ownership in the combined company after the transaction is approximately 20%, with Rasmussengruppen AS and Schlumberger owning the remaining 65% and 15% respectively.

Following the transaction there are certain changes to guarantees and cash deposits provided by GC Rieber Shipping:

- The USD 7.5 million cash deposit provided by GC Rieber Shipping when establishing Shearwater in 2016 has been released and will no longer be classified as restricted cash
- Upon the establishment of Shearwater, GC Rieber Shipping provided a parent guarantee of 50% (max. USD 99.3 million) of Shearwater's outstanding facility amount. Following the Acquisition, Rasmussengruppen AS has provided a counter guarantee in favor of GC Rieber Shipping for 63.9% of this liability
- If the market value of Shearwater's four vessels Polar Duke, Polar Duchess, Polar Empress and Polar Marquis is reduced below 90% of their outstanding facility amount, GC Rieber Shipping shall, within 12 months, provide a cash deposit for the difference between the market value and the 90% level, limited to USD 10 million. Following the Acquisition, Rasmussengruppen AS has provided a counter guarantee in favor of GC Rieber Shipping for 63.9% of this liability

Shearwater operates as a global, customer-focused and technology-driven provider of marine geophysical services. Shearwater owns and operates a fleet of 14 fully equipped seismic vessels, offering a full range of acquisition services including 3D, 4D and ocean bottom seismic. The company also has a portfolio of proprietary streamer technology and processing software enabling effective execution of geophysical surveys and delivery of high-quality data. The company has approximately 600 employees and operates in all major offshore basins across the world. This combination makes Shearwater a leading global and technology-driven full-service provider of marine geophysical services, able to deliver exceptional customer solutions.

	BUSINESS OFFICE	VOTING AND OWNER SHARE	CARRYING AMOUNT 31.12.2018	RESULT 2018	EQUITY 31.12.2018
<b>COMPANY</b>					
Shearwater GeoServices Holding AS	Bergen	20%	633 329	-337 888	3 945 897
<b>Total</b>			<b>633 329</b>		

Figures from Shearwater is presented on a 100% basis and are based on a preliminary Balance Sheet per 31.12.18. An exchange rate of USD/ NOK 8,1329 has been used to convert the result for the year and a rate of USD/NOK 8,6885 has been used to convert equity as at 31.12.18.

## NOTE 7 – EQUITY

	SHARE CAPITAL	PORTFOLIO OF OWN SHARES	SHARE PREMIUM RESERVE	OTHER EQUITY	TOTAL
<b>STATEMENT OF CHANGES IN EQUITY</b>					
Equity as at 01.01.	78 863	-271	16 604	374 835	470 031
Net income for the year				-36 551	-36 551
Capital increase March	24 000		76 000	-3 682	96 318
Capital increase December	52 094		193 906	-4 160	241 840
Sale of own shares		173		590	763
<b>Equity as at 31.12.</b>	<b>154 957</b>	<b>-98</b>	<b>286 510</b>	<b>331 031</b>	<b>772 401</b>

	NUMBER OF SHARES	PAR VALUE	CARRYING AMOUNT
<b>ORDINARY SHARES</b>			
Share capital	86 087 310	1,80	154 957 158
Own shares	54 500	1,80	-98 100

### RIGHT ISSUES

In 2018 the Company conducted two rights issues:

The first rights issue of NOK 100 million was resolved in an extraordinary general meeting 26 January 2018, with 13,333,333 new shares being offered at a price of NOK 7,5 per share. The rights issue was oversubscribed, and the Board of Directors approved the final allocation of the offer shares 8 March 2018. The share capital increase was registered in the Norwegian Register of Business Enterprises 15 March 2018. Combined with new terms and amendments to the two Subsea credit facilities (see note 13), the rights issue strengthened the competitive position of GC Rieber Shipping's subsea operations.

The second right issue of NOK 246 million was resolved in an extraordinary general meeting 28 November 2018, with 28,941,177 new shares being offered at a price of NOK 8,5 per share. The rights issue was fully subscribed, and the Board of Directors approved the final allocation of the offer shares 18 December 2018. The share capital increase was registered in the Norwegian Register of Business Enterprises 21 December 2018. The second rights issue was conducted to finance GC Rieber Shipping's participation in Shearwater's acquisition of Schlumberger's marine seismic business (see note 6).

Following the two rights issues, the total number of shares in the Company is 86,087,310.

### OWN SHARES

GC Rieber Shipping ASA sold 96,300 (at the time 0.17% of outstanding shares) of its own shares to Board members and employees in December 2018 at a price per share of NOK 8.30. Employees received a discount of 20% on this price up to a maximum of NOK 3,000 per employee.

Following the sale, the company had a holding of 54,500 own shares, i.e. 0.06% of the shares in the company as at 31 December 2018.

## DIVIDEND (NOK 1 000)

Following the successful restructuring of the Company in March 2018, no dividend payments or other distributions from the Company may be made without the prior consent of the lenders. However, the Company's lenders have consented to the following: 24% of potential dividends from the shares of Shearwater GeoServices Holding AS or 24% of potential proceeds from the sale of such shares in whole or in part, may be redistributed to the shareholders of the Company by way of dividends, a share capital reduction or any other manner deemed appropriate by the Company.

The board has not proposed dividends in 2018, and did not pay a dividend for the year ended 31 December 2017.

## 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.

	2018	2017
Net income for the year (NOK 1 000)	-36 551	-85 502
Time weighted average number of shares applied in the calculation of earnings per share	55 204 824	43 662 000
Number of outstanding shares as at 31.12.	86 032 810	43 662 000
Diluted earnings per share (NOK)	-0,66	-1,96

## NOTE 9 - TAXES (NOK 1 000)

	2018	2017
<b>INCOME TAX EXPENSE</b>		
Net income before taxes	-36 551	-85 502
<b>PERMANENT DIFFERENCES</b>		
Other non-deductible costs	-	35
Write-down receivable and investment in subsidiary	51 841	75 601
Deductible cost related to capital increase	-7 842	-
Sale of subsidiaries	-	-
Other non-taxable income	-	-
Dividend/Group contribution from subsidiary	-	-
<b>TEMPORARY DIFFERENCES</b>		
Change profit and loss account	5	7
Tax losses carried forward	- 9 041	9 859
Basis for taxes for the year	-	-
Payable income tax (23%)	-	-

### RECONCILIATION OF TAX EXPENSE FOR THE YEAR

Net income before taxes	-36 551	-85 502
Calculated tax, nominal rate 23%	-8 407	-20 520
Effect of not recognised estimate change deferred tax from 23% to 22%	61	99
Change in deferred tax asset not recognised in balance sheet	-2 139	586
Adjusted deferred tax assets not recognised in balance sheet previous year	-	1 684
Permanent differences	11 924	18 153
Tax expense/-income	1 438	-

	2018	2017
<b>DEFERRED TAX/DEFERRED TAX ASSETS</b>		
Profit and loss account	22	27
Carry forward loss for tax purposes	-256 297	-271 592
Basis for calculation of deferred tax	-256 275	-271 565
Tax rate	22%	23%
Calculated deferred tax/deferred tax asset	-56 380	-62 460
Deferred tax asset not recognised in the balance sheet	56 380	62 460
Deferred tax/deferred tax asset in the balance sheet	-	-

## 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:

	2018	2017
Cash at banks and on hand	167 129	44 128
Tax withholdings	-	-
Total bank deposits and cash	167 129	44 128

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.

In 2018 the cash deposit provided by GC Rieber Shipping when establishing Shearwater in 2016 was released and will no longer be classified as restricted cash. See note 6 for further details.

## NOTE 11 – SHAREHOLDERS' INFORMATION AND TRANSACTIONS WITH RELATED PARTIES

The 20 largest shareholders in GC Rieber Shipping ASA as at 31 December 2018 (outstanding shares):

NAME	NUMBER OF SHARES	OWNER SHARE
GC Rieber AS	66 145 908	76,8%
GC Rieber Fondet	2 026 839	2,4%
AS Javipa	2 003 492	2,3%
Pareto Aksje Norge	1 628 179	1,9%
Viben AS	1 334 435	1,6%
Celsius AS	1 328 768	1,5%
Trioship Invest AS	1 190 000	1,4%
Tannlege Randi Arnesen AS	850 000	1,0%
Delta A/S	820 000	1,0%
M.R.Martens Allm. Fond	786 654	0,9%
Pelicañ AS	685 166	0,8%
Storkleiven AS	600 000	0,7%
Benedicte Martens Nes	386 250	0,4%
Dag Fredrik Jebsen Arnesen	320 000	0,4%
Triofa 2 AS	278 001	0,3%
Mikkel Martens	225 949	0,3%
Thorild Marie Rong	210 648	0,2%
Bergen Råvarebørs AS	208 668	0,2%
Tigo AS	186 359	0,2%
Stian Strøm Arnesen	170 000	0,2%
Other Shareholders	4 701 994	5,5%
Outstanding shares	86 087 310	100,0%
Outstanding shares (reduced by own shares)	86 032 810	

The Chairman of the Board, Paul-Christian Rieber indirectly controls 3.12% of the Group through AS Javipa and Pelicañ AS, which equals 2,688,658 shares. Cosimo AS, a company owned by Board member Trygve Bruland, holds 100,000 shares in the Group. Board member Bodil Valland Steinhaug holds 10,000 shares in the Group. Of the Group Management, CEO Einar Ytredal holds 26,985 shares, CFO Øystein Kvåle holds 15,000 shares, Technical Director Bjørn Valberg holds 11,000 shares, CCO Christoffer Knudsen holds 5,300 shares, COO Jan Renè Myran holds 2,000 shares and Head of QHSE Eilert Nøttingnes holds 2,000 shares in the Group.

No other Board members or members om the Group Management own shares in the Group.

At 31.12.2018, GC Rieber AS owns 66,145,908 shares in GC Rieber Shipping ASA, constituting 76.8% of the outstanding shares in the Company. GC Rieber Shipping ASA holds 54,500 own shares, representing 0.06% 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 6.7 million. Reference is made to note 12 for other transactions with related parties.

## NOTE 12 RECEIVABLES/LIABILITIES (NOK 1 000)

	2018	2017
<b>INTERCOMPANY TRANSACTIONS</b>		
Loan group account scheme	207 004	173 656
Short-term group receivables	51	385
<b>Total group receivables</b>	<b>207 055</b>	<b>174 041</b>
Deposit group account scheme	292 072	292 145
Short-term liabilities group	5 600	11
<b>Total group liabilities</b>	<b>297 672</b>	<b>292 156</b>

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

Of the main group receivables for 2018, loan group account scheme amount to NOK 207 million and group liabilities NOK 292.1 million. Based on an evaluation of future earnings and capital base as at 31.12.18 for the Company's subsidiaries, the Company has found it necessary to write down receivables from Polar Explorer AS amounting to NOK 38.4 million.

Short-term liabilities to the group are ordinary trade payables and a group contribution of NOK million 5 to GC Rieber Shipping AS.

#### Group related transactions

In 2018 the total cost for Corporate Management services from GC Rieber Shipping AS was NOK 6.7 million.

Guarantee commission revenue on guaranteed bank loans in Polar Ship Invest II AS and Polar Ship Invest III AS amounts to NOK 2.4 million.

Guarantee commission cost from GC Rieber AS amounts to NOK 1.4 million.

## NOTE 13 – MORTGAGE AND GUARANTEES

GC Rieber Shipping ASA has provided guarantees for companies in the group amounting to a total of NOK 1 219.8 million. These are mortgaged liabilities in the underlying companies. The Company has also provided parent company guaranties of financial support for companies within the Group that has insufficient equity.

The Company has also provided certain guarantees to Shearwater, see note 6 for further details. As at 31.12.2018 Shearwater was in compliance with the terms and covenants.

## NOTE 14 – LEGAL PROCEEDINGS

The claim against Armada Seismic Invest II AS (Armada) in 2012, at the time a subsidiary of GC Rieber Shipping ASA, now a subsidiary of Shearwater, from Arrow Seismic Invest II Limited (now PGS Geophysical (UK) Limited)) (PGS) related to the delivery of hull 533 in October 2011, was dismissed by both Bergen District Court and Gulating Court of Appeal. PGS appealed to the Supreme Court, and the Supreme Court's Appeals Committee also ruled in favour of Armada on 13 July 2018. The decision is final, and Armada has been refunded its legal costs of approximately NOK 7.5 million in connection with Bergen District Court, Gulating Court of Appeal and the Supreme Court of Appeal Committee.

## NOTE 15 – CONTINGENCIES

### Legal proceedings regarding GC Rieber Crewing

GC Rieber Crewing AS (GCRC) and GC Rieber Shipping AS (GCRS), both subsidiaries of GC Rieber Shipping ASA, have been the subject of legal proceedings at the Bergen District Court instigated by seventeen former employees of GCRC (one of which has discontinued its claim). Their employments were terminated when the Group decided to liquidate the internal crewing company, GCRC. The former employees are of the opinion that both GCRC and GCRS have a shared employer responsibility towards them and that the dismissals were unlawful and therefore invalid. 14 of the former employees have claimed to reinstate their former positions with GCRC (or, as they cite, GCRS) and claimed compensation for their economic loss. The other two former employees have only submitted compensation claims.

The claims were determined in favour of GCRC and GCRS but the former employees have appealed the decision of the Bergen District Court to the Gulating Court of Appeal. The case is scheduled for hearing during the period from 3 June 2019 until 7 June 2019.

GC Rieber Shipping believes that the Gulating Court of Appeal is likely to determine the case in favour of GCRC/GCRS. However, if the employees are successful in their claim, GCRC/GCRS may be liable for a total monetary claim of approximately NOK 7-10 million and be liable for reinstating 14 of the former employees to their former positions. If such outcome follows, GCRC/GCRS will most likely be liable for the employees' legal costs of approximately NOK 1 million to NOK 1.5 million.

### Earn-out

In December 2012 GC Rieber Shipping sold a total of 3 217 697 shares in Octio to Equinor Venture AS. 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 Equinor Venture AS 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.





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, which comprise:

- The financial statements of the parent company GC Rieber Shipping ASA (the Company), which comprise the statement of financial position as at 31 December 2018, 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 consolidated financial statements of GC Rieber Shipping ASA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated 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 Company as at 31 December 2018, 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, 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

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## Auditors Report - GC Rieber Shipping ASA

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.

The Groups business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new Key audit matters for our audit of the 2018 financial statements. In this light, our areas of focus have been the same in 2018 as the previous year

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Impairment assessment of vessels in the Subsea segment</i></p> <p>We refer to note 9 to the financial statements where management explains their impairment process.</p> <p>GC Rieber Shipping ASA has a fleet of vessels within the Subsea segment with a total carrying value of NOK 1 749 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. The inherent necessity to use judgement to arrive on an estimated fair value less cost of disposal for the vessels is also part of the reasons why we focused on this area.</p> <p>It is demanding to estimate fair value less cost of disposal for vessels within the Subsea segment, as there have been few vessel transactions in 2018. 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).</p> <p>Based on the above, management considers estimated fair value less cost of disposal to be the recoverable amount for all vessels in the segment.</p>	<p>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.</p> <p>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).</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>We assessed the individual elements included in the</p>



## Auditors Report - GC Rieber Shipping ASA

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 10 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 information in the annual report, except 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 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 consolidated 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 Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated 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



## Auditors Report - GC Rieber Shipping ASA

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and 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 and 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.



## Auditors Report - GC Rieber Shipping ASA

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

### *Report on Other Legal and Regulatory Requirements*

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#### *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 proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

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#### *Opinion on Registration and Documentation*

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

Bergen, 19 March 2019  
**PricewaterhouseCoopers AS**

Jon Haugervåg  
State Authorised Public Accountant



