ANNUAL REPORT YR 2016

OCEANTEAM

CONTENT

FINANCIAL **HIGHLIGHTS**

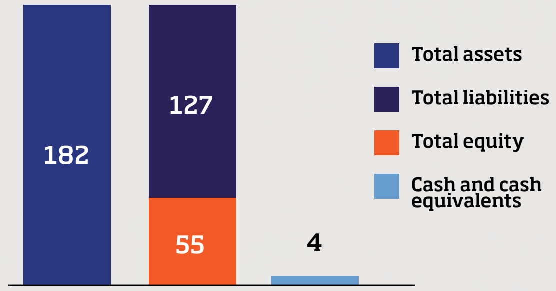
Oceanteam ASA initiated a financial restructuring in October 2016 and has since developed and executed a restructuring plan that will secure a capital cost and structure which will support the value preservation and financial flexibility while enabling value creation for all stakeholders. An agreement has been reached with Oceanteam bondholders which was initially approved on 2 May 2017 and further amended 19 June 2017.

Oceanteam's joint-venture partner McDermott has given written notice of utilisation of its option to purchase all of Oceanteam's interest in North Ocean 105 AS, the company owning the LV North Ocean 105. The transaction was closed on 20 June 2017.

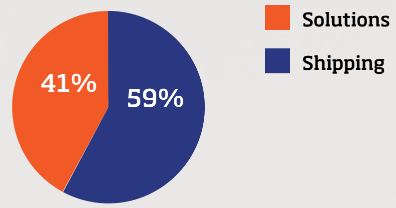
KEY FIGURES **FOR THE GROUP**

BALANCE SHEET

USD in million



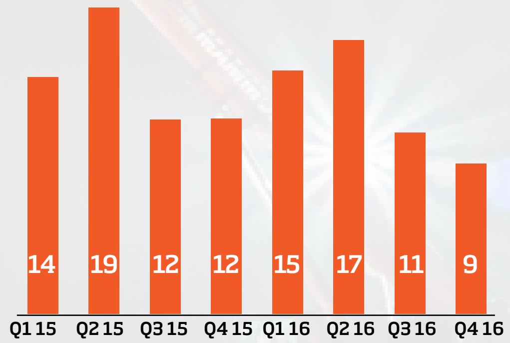
INCOME SPLIT 2016



USD in million	2016	2015
Operating Income	51.9	54.6
Operating cost	(15.4)	(14.7)
General & administration	(14.3)	(13.2)
EBITDA	22.2	26.7
EBITDA percentage	43%	49%

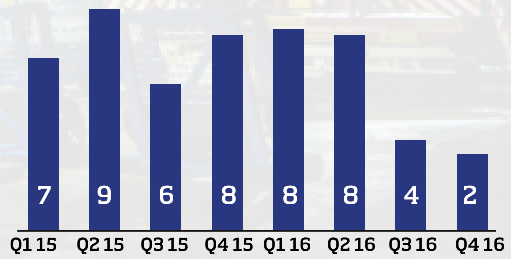
OPERATING INCOME

USD 51.9 million



EBITDA

USD 22.2 million



"EBITDA" means earnings before interest, tax, depreciation, impairment, revaluation and amortization for the Reporting Group in accordance with IFRS, (as set out in the then most recent financial statements (annual or quarterly (as the case may be)) of the Issuer. EBITDA shall be calculated on a 12 months rolling basis.

MESSAGE **FROM THE CEO**

For Oceanteam, 2016 was a combination of business as usual and preparing the Company for a future of high performance and returns. The management of our operating companies and their teams were very much focused on their day-to-day market opportunities and challenges. These included securing our vessel charter rates and current backlog as well as tendering for new contracts, especially in the fields of equipment and engineering solutions. Additionally, they explored new opportunities in areas such as offshore renewables and civil engineering.

Our 2016 operating income came in at USD 51.9 million and we recorded EBITDA of USD 22.2 million, both of which met market performance forecasts in what were very challenging conditions. The Company maintains a significant share of its revenues from its Solutions division, which came in at 41 percent in 2016.

In late October 2016, the Executive Board and management initiated proactive and constructive talks with our bondholders and banks to discuss a new capital foundation for the Company. In April 2017, we were happy to announce the agreement on new terms with our bondholders through a qualified majority. This agreement reflects the firm belief held by all stakeholders in the future direction and proven track record of our Company.

As a result of this agreement and the sale of the Lay Vessel North Ocean 105, Oceanteam has secured the financing it needs and safeguarded its continuity as a going concern. As we have stated earlier, this milestone embodies the joint and constructive efforts of all of our stakeholders (bondholders, banks, the Halbesma family as a major shareholder and the executive management team) to ensure the success of this deal.

LEVERAGING OUR CAPABILITIES

The oil and gas market is expected to remain challenging for the coming period. However, the Company's early focus on offshore renewables, engineering and logistics solutions, plus our expansion in certain geographical areas will help Oceanteam to safely navigate the current market low as well as the structural changes in the oil and gas market. We are also in the process of creating new revenue sources in the fields of civil engineering and offshore-related logistic solutions, making use of the same core capabilities that have made Oceanteam the distinguished niche player it is known as today.

LONG-TERM COMMITMENT

Our bondholders are continuing their support as significant capital providers of the Company. As part of the new agreement they have underlined the importance of maintaining continuity within and around the Company and improving it in a structured way. This includes keeping in place the existing executive and operational management, realising a slimmed-down cost structure and appointing a bondholder representative to the Board in 2017.

ALIGNED VALUE

Once again, in order to align the Company with the current market and asset value developments and to prepare its solid future, we have recognised significant impairments on our assets in the fourth quarter of 2016. Oceanteam has successfully aligned its values with new realities and tied up all loose ends. The corresponding, significant restructuring costs were incurred and recognised in the fourth quarter of 2016 and, due to unexpected delays in closing the deal with the bondholders, these costs will partly incur in the first quarter of 2017 as well.

PURPOSE

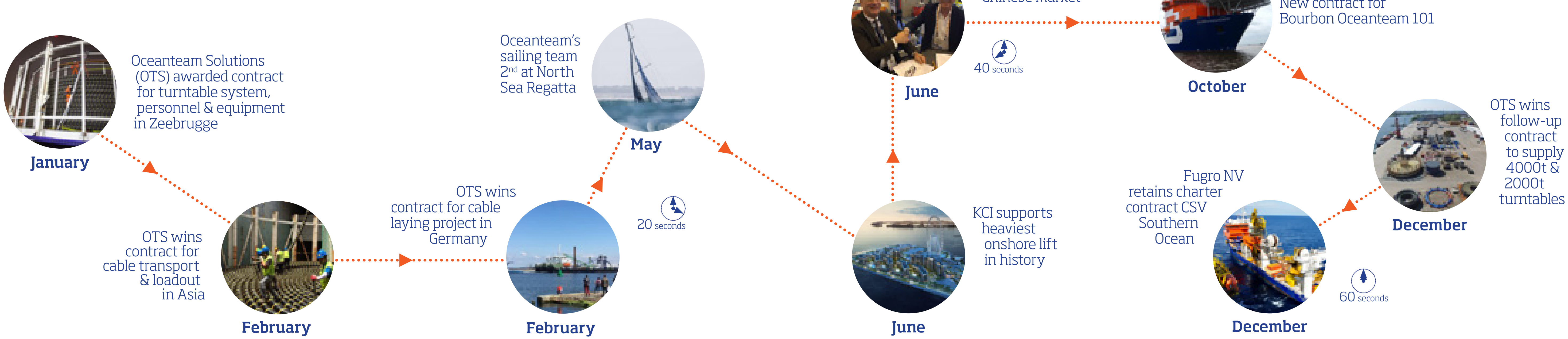
Oceanteam operates in a complex environment and executes complex projects, which require a clear day-to-day commitment to safety, quality and operational details. Even though the Company has gone through a turbulent period, we have never failed our commitments to our clients and have never lost sight of new market opportunities. Oceanteam has a strong track record of delivering projects successfully under all circumstances and 2016 has been no exception. We have started and completed numerous projects, we have built new backlog, aligned our finances and laid a new foundation for the future.

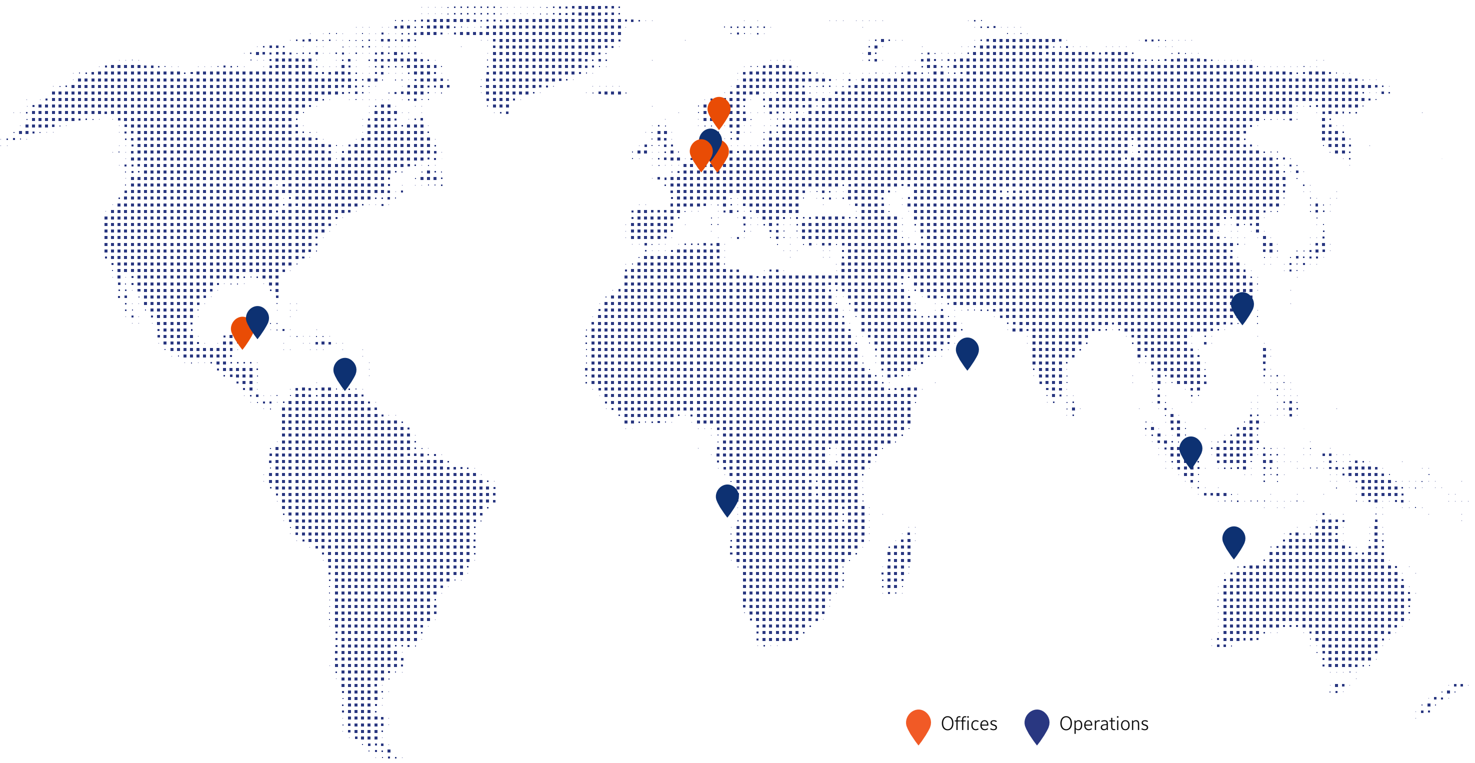
On behalf of the entire Board, I'd like to stress that Oceanteam's Board has made a constructive effort to reach the new agreement with our bondholders. As an illustration of our personal commitment, Mr. Hessel Halbesma (Chairman) and myself, as founders, main shareholders and Board members, have deferred significant due payments to ourselves and, contrary to the new terms proposed by the bondholders, shared at least 50 percent of the bondholders Management Incentive Programme with personnel.

It's all about our purpose. It's about our commitment to our own people, who have made our Company the distinguished one-stop offshore service provider it is today. It's about appreciating shareholders, clients and suppliers. It's about pushing the horizons of entrepreneurship.

Haico Halbesma
CEO
Oceanteam ASA

Oceanteam's 2016 in 60 seconds





WHO WE ARE **AND WHAT WE DO**

Oceanteam is a diversified offshore service provider. Oceanteam provides high quality support to offshore contractors all over the world through its fleet of large and advanced offshore vessels (Oceanteam Shipping), and its expertise in marine equipment, cable logistics and design engineering (Oceanteam Solutions).

Oceanteam focuses on economically and technically challenging projects for clients in the oil and gas and renewables industries. In addition, we are among the few companies in the world to combine high-end engineering know-how, DNV GL certified shipping and expertise, DNV ISO certified solutions and special purpose equipment in a single 'one-stop shop' service, as required.

OUR GLOBAL REACH

Oceanteam has offices in Amsterdam, Velsen and Schiedam in the Netherlands and in Mexico. The corporate head quarter is in Bergen, Norway. The Company is well positioned in growth basins including Gulf of Mexico, Latin America, West Africa, Asia-Pacific and the North Sea.

For more information about the Company:
www.oceanteam.no

The Company ticker on the Oslo Stock Exchange is "OTS" (www.ose.no).

BOARD **AND MANAGEMENT TEAM**

HESSEL HALBESMA

Chairman of the board of
Oceanteam ASA since 2005

Year of birth: 1948

Mr Halbesma is a trained mariner and has founded and managed various private and stock listed offshore service and offshore asset companies. Mr Halbesma is the father of Oceanteam ASA's CEO Haico Halbesma. Mr Halbesma has various board seats in privately held companies.

CATHARINA PETRONELLA JOHANNA POS

Board member
Oceanteam ASA since 2007

Year of birth: 1946

Mrs Pos studied nursing and management and has a background as a manager of international companies and the management of complex teams and processes.

Mrs Pos founded CENZO BV in 1994 and has been a successful entrepreneur within the health care industry since. Mrs Pos has a board seat in two foundations outside of Oceanteam ASA.

BOTE DE VRIES

Board member
Oceanteam ASA since 2017

Year of birth: 1958

Mr. de Vries has a Bachelor in Biology, a Master in Law and has completed multiple advanced financial courses. He is currently working as an independent non-executive director and financial advisor for the offshore and maritime Industry using his broad experience as lender, borrower and investor in the shipping industry. Mr. de Vries has several (non-executive) board seats in maritime and finance related companies. Bote de Vries is board member as from 9 May 2017.

HAICO HALBESMA

CEO
Oceanteam ASA since 2005

Year of birth: 1970

Mr. Halbesma has been Chief Executive Officer of Oceanteam Shipping since co-founding the company in 2005 and has more than 20 years of experience in the industry. Mr. Halbesma started his career in 1994 with offshore service provider Seateam Technology ASA and has since held several positions within the industry and was the COO of DeepOcean's operations in Mexico until end 2005. Mr. Halbesma has a business degree.

Wilhelm Bøhn
Interim CFO

Mwata Belgrave
Director Operations

Mathieu Feisthauer
Fleet Manager

Lex van Doorn
Managing Director

Jan Willem van Bloois
Director Sales & Marketing

Lars van 't Kruijs
Operations Manager

Marc Groenendijk
Managing Director

Joaquin Romero
VP Oceanteam Mexico

Tsonka Rangelova
Corporate Counsel

Elnur Novruzov
Head of Accounting and Control

DIRECTORS' **REPORT 2016**

OPERATIONS **2016**

OCEANTEAM SHIPPING

CSV Bourbon Oceanteam 101: after successfully completing a long-term charter with Oceaneering and BP Angola, the vessel underwent SPS and certain upgrade in dry dock and the vessel started on a new time charter contract in Angola for TOTAL SA. The contract is for a period of three years plus options. The terms remain confidential, but the new charter rate reflects the current rate levels within the market.
CSV Southern Ocean: is on long-term bareboat charter with Fugro TSM Australia since its delivery in 2010. The vessel will remain under contract to Fugro TS Marine Australia until the end of 2018 and Fugro has options for extension.

Lay Vessel North Ocean 105 was delivered in 2012 and has since been on contract with McDermott International and operates globally as a pipe layer. Oceanteam's joint venture partner McDermott has given written notice of utilisation of its option to purchase all of Oceanteam's interest in Northern Ocean 105 AS, the company owning the CSV North Ocean 105. The transaction was closed on 20 June 2017.

Oceanteam Mexico SA de CV operates two Fast Support Vessels (FSV's), Tiburon and Mantarraya.

Tiburon and Mantarraya are still under bareboat charter with Inversiones Setin, however, since Inversiones Setin is in breach of its obligations under the contract and the Company has not received the charter hire due thereunder, the Company has started legal proceedings against Inversiones Setin. The outstanding receivable balance in the amount of USD 0.4 million has been written off as doubtful debt as part of 4Q 2016 financial reporting.

The plan is to terminate the contracts properly, vest a claim for unpaid charter hire, repairs and maintenance overdue and regain the control over the vessels. Subsequent, the vessels are scheduled to go into dry dock and to be ready to commence on the new contracts by end of 2017.

There is moderate risk that these vessels might be nationalised by Venezuelan government following the Company inability to regain access and remove the vessels from the country. However, by correctly terminating the contracts this risk can be mitigated.

An impairment loss in the amount of USD 1.1 million has been provided during 4Q 2016 leaving the total net book value for these assets in the amount of USD 2.6 million. Oceanteam management is closely monitoring the situation and is taking the necessary measures to preserve the value of these assets.

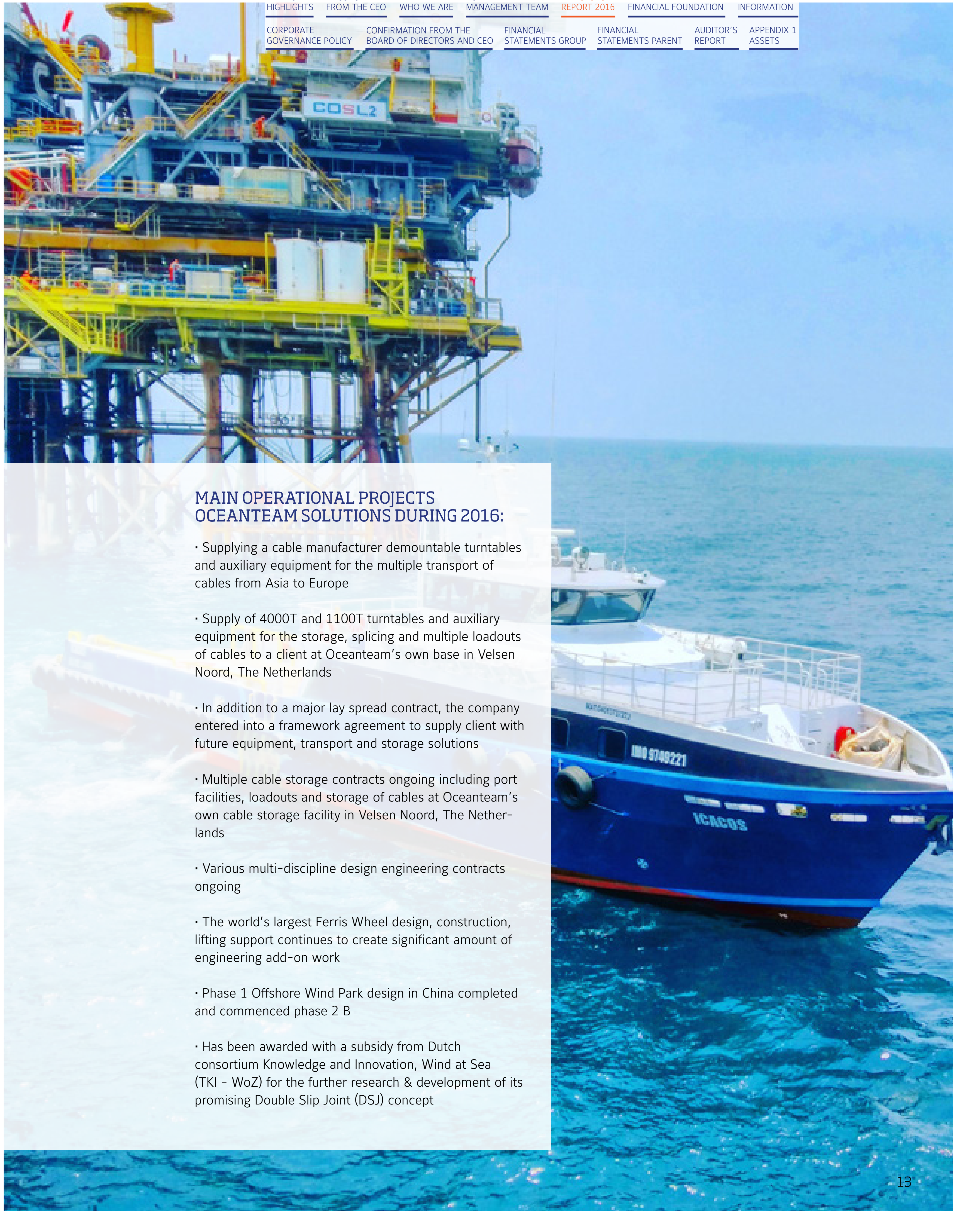
OCEANTEAM SOLUTIONS

Oceanteam Solutions is specialised in building demountable turntable systems that easily can be delivered in 40ft containers to any port globally. The company designs and produces turntables in various sizes, for onshore and offshore use and for a variety of cables, umbilicals, pipes or flowlines. The Company provides full engineering design and consultancy services to clients in the oil and gas, civil engineering and renewables industries. Oceanteam Solutions can also provide services for complex structures both onshore and offshore. With the in-house engineering experience and expertise, clients can contract the most effective vessel and equipment solutions for their projects. Over the years Oceanteam Solutions has built up a broad client base worldwide, to which the company successfully supplies equipment and supports the client's offshore cable, pipeline and umbilical installations, transport and storage projects. From our base with deep-water quayside facilities in Velsen-Noord, the Netherlands, the company can accommodate all sizes of vessels for mobilisation and demobilisation with easy access to the North Sea.

DOT SHIPPING

In March 2014, Oceanteam acquired a 40 percent stake in the newly founded joint venture DOT Shipping together with Diavaz. DOT Shipping successfully delivered two FSV newbuilds, named Icacos and Cobos, in Q4 2014. Both vessels are fully financed and have been operational in the Mexican market since March 2015.

DOT Shipping, where Oceanteam has a 40 percent working interest, has a 50 percent stake in a large newbuild construction support vessel named Tampamachoco 1, within the DOT Radiance joint venture. The delivery of this vessel is postponed to the end of 2017 with an option to delay until the end of 2018.



MAIN OPERATIONAL PROJECTS OCEANTEAM SOLUTIONS DURING 2016:

• Supplying a cable manufacturer demountable turntables and auxiliary equipment for the multiple transport of cables from Asia to Europe

• Supply of 4000T and 1100T turntables and auxiliary equipment for the storage, splicing and multiple loadouts of cables to a client at Oceanteam's own base in Velsen Noord, The Netherlands

• In addition to a major lay spread contract, the company entered into a framework agreement to supply client with future equipment, transport and storage solutions

• Multiple cable storage contracts ongoing including port facilities, loadouts and storage of cables at Oceanteam's own cable storage facility in Velsen Noord, The Netherlands

• Various multi-discipline design engineering contracts ongoing

• The world's largest Ferris Wheel design, construction, lifting support continues to create significant amount of engineering add-on work

• Phase 1 Offshore Wind Park design in China completed and commenced phase 2 B

• Has been awarded with a subsidy from Dutch consortium Knowledge and Innovation, Wind at Sea (TKI - WoZ) for the further research & development of its promising Double Slip Joint (DSJ) concept

MARKET **OUTLOOK**

The main factor in the energy segment market outlook is the turmoil in the oil price. The volatile environment for oil and gas prices and activity has created significant market challenges for our industry, but also opportunities. With the Company's expertise in combining engineering, shipping and equipment, the Company is ready to add more value to its clients.

BACKLOG AND FINANCE

To mitigate the market risk, the Company has secured backlog for 2017 and well into 2019 (excluding contract options) for its CSV assets. There is considerable uncertainty as to how long it will take before demands pick up and market conditions are expected to remain challenging for several years. The Company is still positive and believes that the long-term fundamentals of the relevant markets and regions it operates in remain strong and that its diversification strategy supports utilisation for its assets and ride the next upturn in our cyclical markets. To meet the macro-economic challenges the Company continues to focus on capital and cost discipline to strengthen its balance sheet.

Oceanteam experienced a cash liquidity squeeze in 2016 which in the later part of the year resulted in the need to halt interest payments and to refinance and restructure the credits outstanding at group level as well as at its subsidiaries.

The cash squeeze was predominantly a result of the forced heavy amortisation of debt in shipping, of expensive bond debt at group level and acutely worsening activity levels in the Solutions division alongside depleting corporate costs incurred. In October 2016, the Company halted payments on all the debt in wholly owned entities. In the course of a few weeks, an agreement was reached regarding the main terms of the refinancing and of the restructuring of the outstanding financial credits. The amended and restated bond agreement was executed on 2 May 2017 and further amended on 19 June 2017.

With the refinancing of Oceanteam's bond loan as well as that of the JVs with Bourbon (Fleet Financing, expected end June 2017); the going concern issues are partially addressed. The full redress of going concern are (i) in part from the results of the bond financial terms (extended maturity and cost of 7% p.a. of which 6% in PIK form if required (estimated on quarterly basis): (ii) in part from bond holders allowing USD 8 million of proceeds from sale of shares in North Ocean 105 AS to be used to repay vendors and secured lenders; (iii) in part from refinancing the JV Fleet (expected to be signed and executed by end June 2017) with Bourbon which allows for continued significant disbursements from both JV companies; and finally (iv) in part from wholly owned operations providing additional cash earnings support. Additionally, it is assumed that there will be no unplanned and significant adverse capital requirements from other wholly owned and JV operations of Oceanteam.

With the refinancing of the bond loan (signed and executed on 21 June 2017) and repayment of specific secured loans as per "waterfall mechanism" described in the new bond loan agreement, all loan breaches will be rectified. Full disclosure of the amended bond loan agreement is available on Oceanteam's website.

The resulting refinancing and restructuring includes extending the bond loan at a lower interest rate level; repaying indebtedness to banks with proceeds from the sale of the North Ocean 105 expected straight after closure of transaction on 20 June 2017. Additionally, an amount of the North Ocean 105 proceeds is allocated to lower payable to critical vendors and to fund a consultant to review our cost structure to improve efficiency and lower the cost level by a significant amount. As a part of the restructuring and refinancing, the present Chairman and CEO will see their cash compensation limited to a total of USD 250 000 and USD 450 000 respectively on an annual basis.

The renewed BON-OTS Fleet Financing is expected to be signed and executed by end June 2017. The JV partners and banks (SMN, DVB, NIBC) have made good progress to agree the new terms which are expected to extend the maturity of the loan to at least November 2021.

LEAN ORGANISATION AND STRONG PARTNER

The Company's view is that in the long-term, exploration and production activities are likely to increase again, and consequently the demand for large construction support vessels and services is likely to grow. The Company has a strong and lean organisation and a proven scalable business model with a seasoned management team and Board to achieve the Company's targets.

The Company has continued to focus on strong long-term backlog and seeking full utilisation of its high-end deep-water assets. The Solutions segment creates diversification of the Company's global business and working segments. Furthermore, the Company focuses on teaming up with strong local partners with proven track records in their respective markets. Diversification of clients also helps the Company to increase its knowledge, to develop in different markets and to spread its operational risk.

FIRM POSITION IN OFFSHORE WIND MARKET

In Western Europe several offshore wind park projects have been sanctioned and are about to be realised. For this market, the Company's outlook is that demand for related services will increase in 2017 and beyond due to (i) Limited space and environmental laws are causing large wind farms to be constructed further offshore. (ii) The projects are in deeper waters (iii) Projects will be more complex and on a larger scale. For these reasons, Oceanteam is positive to the demand outlook for its services and this belief is supported by increased leads and by the building of backlog. The Company remains in a strong position to meet future demands and requirements in this market. With over 30 years of experience, Oceanteam Solutions has the competence to meet industry demands and requirements for a broad global client base to support their offshore cable, pipeline and umbilical installations, transport and storage projects.

Oceanteam Solutions uses the current platform to focus on combining the different disciplines and resources into cost effective solutions which creates new opportunities. All with the to reduce and improve the economics both running costs and installation costs, for its clients.

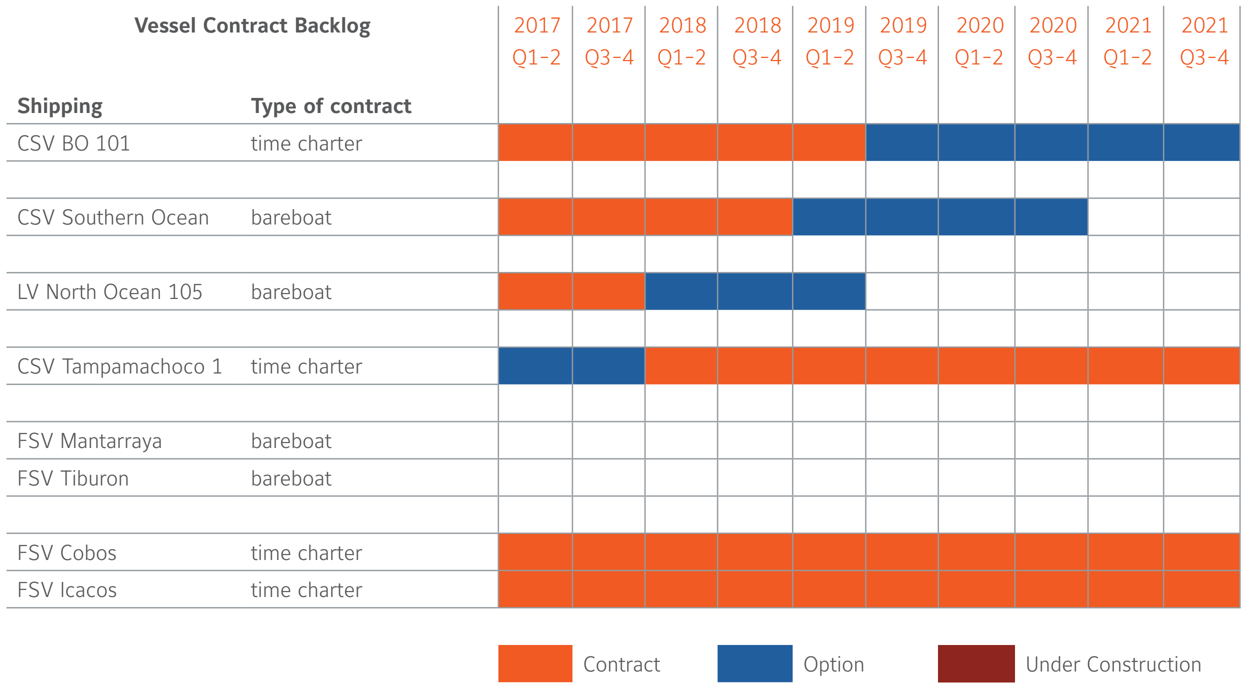
SOLUTION DRIVEN SERVICES

The exact timing of existing projects currently in development remains uncertain, but overall the market is expected to grow, resulting in an increased demand for support vessels and associated services. The focus of the industry is on reducing installation and maintenance costs and on using flexible solutions, which Oceanteam can provide with its solution driven services.

Oceanteam spends significant resources on market research and intelligence. It adapts its strategy and risk profiles when the analysis deems this to be prudent. The Company aims to steer profitably through this challenging period and ride the next upturn in our cyclical markets

SECURED PROJECTS

The oil and gas prices influence oil companies' priorities and choices between new developments, upgrades of existing facilities and commitments to recovery from producing fields. Fluctuations in oil and gas prices also affect the offshore renewable market as available resources flow into this market. Hence oil and gas prices affect activity and asset values in both of Oceanteam's primary markets. Oceanteam is confident and has to date secured sufficient projects in both the oil and gas market and the offshore renewables market to maintain a high to good level of utilisation of its assets and engineers for the coming period.



CORPORATE **RESPONSIBILITY**

Corporate Responsibility at Oceanteam is a matter of making good and sustainable business decisions. The Company considers Corporate Responsibility a strategic benefit that adds value to the Company, its stakeholders and society. The goals of the Company regarding corporate responsibility are to increase the positive effects and reduce potential negative consequences of its operations.

Oceanteam maintains an active dialogue with internal and external stakeholders on Corporate Responsibility (CR) matters to ensure that the Company's CR work is relevant to its market and strategy while meeting the needs and expectations of our stakeholders. We will seek continuously to engage individual stakeholders on specific issues and needs.

As part of our responsibilities towards internal and external stakeholders, the Company has a number of policies expressing its position on governance matters that include safety, environment, business ethics and integrity. The Board of directors is ultimately responsible for CR and governance activities. Development and oversight of the Corporate Responsibility as well as performance and reporting is delegated to the management.

Oceanteam holds DNV GL certificates for ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 standards for quality, environmental and health and safety management.

PROFESSIONAL STANDARD

The Company Code of Conduct applies to all employees and stands above all other company policies and guidelines. The Code of Conduct covers topics including bribery and facilitation payments, conflicts of interest, fair competition as well as gifts and hospitality, human rights, sponsorship and whistleblowing.

All permanent employees and managers at Oceanteam must confirm annually that they have read the Code of Conduct and that they have carried out their tasks and responsibilities in accordance with the Code during the previous year. We also require suppliers, subcontractors, representatives and other contracting parties of Oceanteam to confirm adherence to ethical standards.

WORKING ENVIRONMENT

At the end of 2016, the Company employed 93 people - contractors and marine crew not included - with various background and roots from all over the world, bringing together a broad mix of cultures. The people within Oceanteam are a crucial factor in the entire process of creating value for our clients. HR's contribution to the business is a focus on maintaining an excellent workforce and committed people.

Oceanteam takes a systematic approach to the performance and achievements of the employees and an on-going commitment to their development. The aim is to encourage, acknowledge and continuously develop employees. Uniform job profiles for the Group are designed and implemented through the PMS, which helps ensure our workforce is put to good use in an optimal fashion for and within Oceanteam and its clients. Through the PMS, our employees are challenged to continuously develop and remain up-to-date evolving market stand. The Company encourages its employees continuously to increase their knowledge through training and project management courses.

Leave of absence due to illness remained at a low level in 2016, and the Company will continue to make efforts to keep absence as low as possible. While the working environment is considered to be good, efforts for further improvement are made on an on-going basis.

EQUAL OPPORTUNITY

Oceanteam is fully committed to meeting its obligation to provide equal employment opportunities to all employees and applicants without regard to race, colour, religion, gender, national origin/ancestry, citizenship, age, sexual orientation, disability or other protected status. Most of Oceanteam's employees work in the Netherlands, but a significant portion of the staff represents other nationalities, backgrounds and cultures. Our employees are highly skilled engineers, technicians and financials of which 74 percent are male and 26 percent female.

The discrimination act's objective is to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin colour, language, religion and faith.

Oceanteam is actively and systematically working to comply with the act's intention within our business and actively to avoid discrimination in the fields of recruiting, salary and working conditions, promotion, development, opportunities and protection against harassment.

SAFETY

At times the Company engages in work under challenging conditions, making it imperative to maintain the safety of employees and customers, subcontractors, consultants and other parties. The foundation for this continuous diligence is the Company's HSE management system and the Integrated Management System (IMS) as well as regular Risk Assessments.

The Company's QHSE department is instrumental to the development of our employees to ensure that they are safe and comply with all relevant QHSE legislation. This is done through involvement in our introduction process and attendance at various mandatory training courses. Oceanteam requires all employees to adhere strictly to its policies and procedures. The Company rigorously enforces its obligation to ensure both the appropriate training and competences for the task in hand and the awareness of each employee of their rights and obligations in maintaining a healthy and safe workplace.

An important HSE goal for 2016 was to achieve zero Health Safety and Environmental accidents. In 2016, no large-scale accidents or incidents were recorded in the Oceanteam group. Nor were any personal injuries reported in any Oceanteam company in 2016. However, any and all reported incidents and accidents are always followed up with an investigation that is recorded and filed. The cause and solution of the investigation are recorded in a public accessible database.

NATURAL ENVIRONMENT

The desire to minimise harm to the natural environment continues to be a prime objective. Oceanteam's ISO 14001: 2004 certification and the Integrated Management System ensure a systematic approach to environmental management and continuous improvement throughout the Group.

The identified main aspects and potential negative impact from Oceanteam operations and locations are the use and transfer of oil, general waste production and pollution from waste oil and waste cooling fluids. Mitigating activities to reduce impacts and potential negative impacts include spill kits available on-site, work instructions for waste reduction and sorting and waste transfer notes kept on site. Oceanteam Solutions require smaller amounts of oil-use in their operations, and use only biodegradable oil to ensure minimum environmental risk. The results of the environmental risk mitigation work in 2016 are deemed to be satisfactory, with zero reported leakage or spillage incidents.

Safe and high quality vessels designed with the natural environment in mind are our most important mitigating precaution. All Oceanteam vessels are designed and built in accordance with the latest environmental rules and guidelines in order to enable our clients to operate our vessels with the lowest environmental impact.

As such, all our large vessels have DNV GL CLEAN design class notation, double hull, engines complying with latest requirements for emissions and the use of MDF (Marine Diesel Fuel) to lower emissions. In addition to this, all vessels have advanced garbage and disposal treatment systems.

BUSINESS ETHICS AND ANTI-CORRUPTION

Oceanteam's position on corruption is clear: we have zero tolerance and work against all forms of corruption, including bribery and facilitation payments. We are committed to fair and open competition and do not engage in any anti-competitive practices or other activities that violate antitrust laws or directives. The Code of Conduct covers topics including bribery and facilitation payments, conflicts of interest, fair competition as well as gifts and hospitality, human rights, sponsorship and whistleblowing.

We communicate this position to employees, customers, governments and public officials in the locations where we operate. The Company provides a whistleblowing channel to encourage reporting of any breaches.

HUMAN RIGHTS, LABOUR STANDARDS AND SOCIAL ASPECTS

Oceanteam is present in parts of the world where human rights and labour rights are at risk and where the Company could become complicit in violations through its own activities or indirectly through the supply chain. The Company supports and respects human rights as expressed in the UN Guiding Principles on Business and Human Rights, and endeavours not to be complicit in any human rights violation. Safeguarding the human rights of the workforce, our subcontractors and suppliers is a high priority and is integrated in the Company's employee policies. Oceanteam treats employees fairly, honestly, with dignity and respect. The Company provides equal opportunities for all employees and is committed to high standards of openness, decency and integrity.

Oceanteam takes appropriate legislation and applicable regulations in consideration when developing processes, procedures and policies related to employee and industrial relations/labour standards. We are doing this with the clear intention to deliver "best practice".

We also require suppliers, subcontractors, representatives and other contracting parties of Oceanteam to confirm adherence to our ethical standards.

GOING CONCERN

In accordance with the Accounting Act § 3-3a Oceanteam ASA confirms that the financial statements have been prepared under the assumption of going concern. This assumption is based on income forecasts for the years 2017 – 2019 and the Group's long-term strategic forecasts. The market has been experiencing a downturn which has had a direct impact on the performance and liquidity of the Group. Liquidity forecasts going forward are for negative cash flows which turn positive provided certain conditions are met both around refinancing and some key events, some of which are outside the control of the Group.

The Directors have considered all available information about the future when concluding whether the Company is a going concern at the date they approve the financial statements. The review covers a period of at least twelve months from the date of approval of annual and half-yearly financial statements.

In the directors' view, a positive cash flow assessment for the period of 12 months hinges on completion of key material events achieved such as (i) the successful bond loan refinancing (completed), (ii) McDermott's execution of North Ocean 105 call option (completed), (iii) the successful JV refinancing of OB101 and OB104, (expected to be completed by end June 2017) and (iv) wholly owned operations providing some cash earnings support in addition to JVs OB101 and OB104 contracts running smoothly, (v) the Company has initiated several cost saving initiatives within corporate and operational segments. Additionally, it is assumed that there will be no unplanned and significant adverse capital requirements from other wholly owned and JV operations of Oceanteam.

Detailed disclosure note on future cash flows period of 12 months (from June 2017 until July 2018) with underlying key assumptions has been included within Financial Statement disclosure Note 3 and in Directors' report under section Liquidity risk. The key events assumed in the cash flow forecasts for the 12 months (June 2017 - July 2018) include aforementioned four material events. Further details can be found in the Liquidity risk section of the 2016 annual report.

There is inherited risk in cash flow estimates for company ability to secure new contracts within its business segments. However, the Company has plans to mitigate the constraint through various actions. Reference is made to the disclosures for detailed information about various risks and how the Company is mitigating these.

Revenue streams from the main contracts within the Shipping segment running for 24 months and 30 months are highly predictable.. The financing of these vessels is similarly stable and secured by contract coverage. All risks related to the Shipping segment relates to renewing of contracts when these expires; past history has shown that even in poor market Oceanteam and Bourbon have been able to find immediate employment for these vessels.

The sales transaction of shares in North Ocean 105 AS closed on 20 June 2017. Oceanteam is in good dialogue around the Company's (100%) bank secured loans which are to be refinanced shortly with specific carve-out from the North Ocean 105 proceeds to repay these loans. There should be no downside but only upside earnings potential as it relates FSVs in Venezuela and DOT Group JVs as costs are capped and known while earnings upside is uncapped but unknown.

Solutions is experiencing pricing pressure as volumes have come down across the segment; the company is focusing on utilisation rather than pricing and is presently covering its costs. Within this segment the maritime asset rental business is doing somewhat better based upon an asset cost-base which is written off; an uptick in interest/ demand should improve cash yield of this service. The engineered services business is struggling more as prices have fallen off quite a bit on somewhat lower volumes; right-sizing of this unit has taken place and should yield results going forward as indications are there will be an increase in enquiries with execution in 2018 across our areas of specialty.

Oceanteam ASA initiated a financial restructuring in October 2016 and has since developed and executed a restructuring plan that will secure a capital cost and structure which will support the value preservation and financial flexibility while enabling value creation for all stakeholders. An agreement has been reached with Oceanteam bondholders on 2 May 2017, amended on 19 June 2017.

With the refinancing of Oceanteam's bond loan as well as that of the JVs with Bourbon(Fleet Financing, expected end June 2017); the going concern issues are partially addressed. The full redress of going concerns are (i) in part from the results of the bond financial terms (extended maturity and cost of 7% p.a. of which 6% in PIK (payment in kind, non cash interest) form if required (estimated on quarterly basis): (ii) in part from bond holders allowing USD 8 million of proceeds from sale of shares in North Ocean 105 AS to be used to repay vendors and secured lenders; (iii) in part from refinancing the JV fleet refinancing expected end June 2017 with Bourbon will allow for continued significant disbursements from both JV companies; and finally (iv) in part from wholly owned operations providing additional cash earnings support. Additionally, it is assumed that there will be no unplanned and significant adverse capital requirements from other wholly owned and JV operations of Oceanteam.

The risks around the Company ability to refinance "JV Fleet loans"(under OB101 and OB104) are low. Oceanteam and JV partner Bourbon is in continuous dialogue with its banks regarding the extension of the existing "fleet financing facility". The preliminary terms of the new loan facility have been agreed and are subject for the final approval by end June 2017. The extension of the loan is expected to be at least until November 2021. Outstanding is completion of certain "Condition Precedent" before signing by end June 2017.

The Company has a contract in place for one newbuild vessel Tampamachoco 1 which is under construction and is progressing as planned. Under the existing contract the Company has capital commitment towards the builders of the vessel which is contractually binding and due by end of 2017 with an option to postpone it for another year.

Oceanteam's joint-venture partner McDermott has given written notice of utilisation of its option to purchase all of Oceanteam's interest in North Ocean 105 AS, the company owning the CSV North Ocean 105. The transaction has been closed on 20 June 2017.

The revised "Fleet Financing" is expected to be signed and executed by the end of June 2017 between Oceanteam and Bourbon JVs (OB101 and OB104) and the same bank group (SMN, DVB and NIBC). The loans are expected to be renewed until November 2021. All breaches of covenants resulting from cross-default are expected to be repaired through the signing and execution of the new bond loan agreement (19/21 June 2017) and repayment of specific secured loans as per the new loan (expected to be singed and effective by end of June 2017).

The Board of Directors undertook a review of the Company's ability to meet the requirements of the newly signed bond loan's financial covenants. There are three financial covenants to test against in the amended bond loan agreement. Equity to Total Assets, Debt to Ebitda and Ebitda to Interest and Amortisation. As part of the new bond loan agreement the Company has attained a waiver for both the equity and gearing ratio for a period of time (details available on Company's website). Furthermore, as a result of the new bond loan agreement being signed, earlier breaches of financial ratio covenants which Oceanteam was in breach of as per year-end, are now being remedied. At year-end, Oceanteam was in breach of book equity ratio, market adjusted equity ratio and debt service coverage ratio.

From a going concern perspective maintaining a stable earnings picture going forward will be paramount to resolving the cash strain Oceanteam has been suffering under for the last 24 months. It is the Solutions and DOT divisions which are the key variable in such an assessment; this results as the earnings within Shipping is highly stable due to long-term contracts.

COMMENTS **RELATED TO THE FINANCIAL STATEMENTS**

RESTATED 2015 ACCOUNTS

The Company has now addressed outstanding audit matters stemming from 2015 audited annual accounts which resulted in a restatement of 2015 account reported numbers as part of 2016 year-end reporting. Further details of these corrections can be found in disclosure note 29 – "Corrections of Errors".

OPERATIONS

Total operating revenue in the Group decreased from USD 49.5 million in 2015 to USD 41.9 million in 2016. The lower revenue was a result of a lower activity level in the Solutions division which saw few assignments, pricing pressure and increased costs. Operating loss was USD 9.1 million in 2016 compared with operating loss of USD 7.6 million in 2015. Oceanteam benefitted from the cancellation fee on the Bourbon Oceanteam 101 while coming on a new contract immediately following SPS. At the same time, Solutions performed significantly weaker resulting from a lower activity level and pricing pressure against a cost base which is slower to adjust. Total net results for the Group in 2016 was the net loss of USD 23.3 million compared with the net loss of USD 20.3 million in 2015. The greatest change in result was a non-cash as it related to revaluation of the shipping assets; the greatest cash earnings effect was a positive effect of the Bourbon Oceanteam 101 cancellation and a negative effect of Solutions' performances.

The Group's administrative expenses have increased with USD 0.2 million due to significant restructuring costs of USD 1.5 million which was offset by reduction in headcount mainly in the Solutions segment.

The Group's net operating result before the decrease of carrying amount from revaluation of its vessels is a profit of USD 11.5 million compared with USD 8.2 million in the year 2015.

The Group's net result after the revaluation of its vessels is a net operating loss of USD 23.3 million. Total net results for 2015 is a net loss of USD 20.3 million.

The Board and management are continuously working to improve the financial performance and to achieve an increase in the contract backlog, earnings and growth for 2017.

Within our Solutions segment offshore wind parks are being constructed on an increasing scale. The demand for services related to the offshore renewable industry is expected to further increase in 2017 and beyond.

Within our Shipping segment to mitigate the market risk, the Company has secured a contract backlog for 2017 and until the end 2018 for OB04 and August 2019 for OB101. These include two contractual options for contracts extension for one year each on both contracts.

The Company is creating new revenue sources in the fields of civil engineering and offshore-related logistic solutions.

INVESTMENTS

For the year 2016, the Group made investments of USD 3.1 million in tangible assets used in operations. The investments have been allocated to Oceanteam Solutions and DOT Shipping, relating to a large Deepwater Offshore Construction Service vessel currently under construction and relating to equipment.

SENIOR CALLABLE BOND ISSUE 2012 / 2017

The Company's refinancing of the outstanding bond loan agreement is completed and the JV BON-OTS Fleet Financing is expected to be completed by end June 2017. The agreed terms on new bond loan agreement and expected terms on JV fleet finance are a good indication of Oceanteams financial sound position as maturity is extended by five years for the new bond loan agreement and the same is expected to be achieved for JV Fleet Financing by end of June 2017.

SECURED BANK REVOLVER FOR NEW EQUIPMENT

In April 2015, a facility of EUR 15 million was established with NIBC for aquisition of maritime equipment. During 2016, this facility has been subsequently reduced to EUR 1 million upon request of RentOcean BV. The max draw under this facility has been around EUR 1 million. Per 31 December 2016, the outstanding amount is EUR 165.178 (present EUR 102.000) and it will be terminated and fully repaid with proceeds from the sale of North Ocean 105; it is included and specified in the amended Bond Agreement as part of the waterfall provisions of the Bond Agreement. This facility will be canceled during 2017. We are in breach of NIBC loan repayment as at the end of 2016 and NIBC is not enforcing its rights nor has any intention of doing this as it is part of the refinancing package in which this outstanding will be covered specifically by proceeds from the North Ocean 105 sale. We are unable to draw on this facility for any amount – but rather have agreed to repay it by EUR 10 000 per month since March 2017.

There is no need foreseen for equipment asset growth over the near term. In the medium term (after 3Q 2017) should such demand arise, the capital requirements would be within the cash resources available to Oceanteam.

INTEREST RATE AND FINANCIAL COVENANTS

In October 2016, the interest payment on the Senior Callable Bond Issue 2012/2017 of USD 57.5 million were not made as it came due. As a result, Oceanteam was in cross-default on all its outstanding debt including debt in JV companies from that point onwards. Additionally, from that same point in time Oceanteam halted all amortisations and interest payments on all other debt of the Group. All the institutions have issued Reservation of Rights notices but no action has been taken nor will be taken, this as a result of our refinancing process that has been finalised by approving the amended bond loan agreement on 19 June 2017.

With the refinancing of the bond loan all loan breaches will be rectified through the signing and execution of the new bond loan agreement 19/21 June 2017 and repayment of specific secured loans. Full disclosure of the amended bond loan agreement is available on Oceanteam's website Additionally, small secured facilities with SMN, NIBC and Rabobank within Oceanteam are in process of being repaid with proceeds received from sale of shares in North Ocean 105 at present time and executed ahead of the AGM on 30 June 2017.

The balance of secured bank debt is USD 49.5 million and the bond loan is USD 57.1 million at the end of 2016.

Per 31 December 2016, the Company was in cross default position due to failure to pay scheduled loan principal installment. For this reason, all principal amounts and accrued interests have been reclassified to first year installments or current.

As of the balance sheet date and the reporting date, the Company is in compliance of the loan agreement covenants requirements for gearing ratio. As at the end of 2016, the Company is in non-compliance with its debt service coverage, book equity and market adjusted book equity ratios. All breaches of the Oceanteam's senior callable bond loan covenants and breaches under JV loans (OB101 and OB104)resulting from cross-default have been repaired through approval of the new bond loan agreement on 19 June 2017.

Oceanteam's bond loan agreements include financial covenants which the Company has to comply with. The four financial covenants are (i) booked equity to total assets of 35 percent; (ii) market adjusted equity to total assets of 25 percent; (iii) gearing ratio higher than 5 and (iv) debt service coverage ratio above 1.

According to Oceanteam's accounts, the Group is in breach of the Interest coverage ratio which is the summation of interest and amortising debt divided by EBITDA. With there being debt at group level maturing late in 2016, which was not refinanced before year-end, Oceanteam was in breach of its loans at the 2016 year-end. This breach is remedied as mentioned through the refinancing process which commenced in October 2016 and was finalised on June 19 2017.

CAPITAL STRUCTURE

Oceanteam has diversified capital sources. There is equity, bank loans from five separate banks, and a bond loan. Additionally, in its JV companies there are additional financial institutions which support Oceanteam in its activities. The equity is made up of 26 million shares with an additional 3 million shares in treasury which are available for funding purposes. Oceanteam is of the opinion that it, as a result of successful restructuring, has access to equity markets as much as this was to be considered.

The bank debt is made up of secured and unsecured credit where the secured lending is against shares in JV companies or against equipment. Oceanteam has a good dialogue with these lenders regarding terms and conditions. The secured bank loans (except those under specific JVs) are under present refinancing/restructuring agreed close out and repaid with proceeds from the sale of shares in the North Ocean 105 in June 2017, as part of the revised bond loan agreement. There are no financial covenants on unsecured lending within the Group. Oceanteam is of the opinion that its access to external finance is good but will depend upon operational performance and the execution of the business plan.

The amended and restated bond loan agreement was signed on 2 May 2017, amended in June 2017 and will become effective in Q2 2017. The amended and restated bond loan agreement includes the following new or amended terms:

(i) Extending maturity from 24 October 2017 to 2 May 2022;

(ii) Amending the interest rate from 3 month LIBOR + 11,25 % per annum to 7 % per annum payable in arrears, of which 6 % can be payment-in-kind,and amending certain other related terms;

(iii) Monthly funding of Cash Interest payments to be paid in arrears to the Debt Service Retention Account;

(iv) Deleting and/or amending certain commitments regarding JV assets and their disposal;

(v) Allowing for security to be granted to the Bondholders including a pledge over the Issuer's shares in OB 101 AS and OB 104 AS;

(vi) Allowing for the Bondholders to appoint a board member;

(vii) The inclusion of a Majority Shareholders' Undertaking;

(viii) A quarterly Cash Sweep mechanism;

(ix) Inclusion of new provisions limiting the compensation the management of the Issuer may receive and subordinating parts of the compensation to the Bondholders claims against the Issuer under the Finance Documents;

(x) Setting new financial covenants and suspending and waiving of certain financial covenants for a defined period of time;

(xv) Setting certain conditions around timing and amounts for management incentive payment remuneration;

(xvi) Inclusion of new provisions regarding the appointment of a Management Consultant by the Bond Trustee. The Bond Trustee shall in connection with the choice of Management Consultant be authorised to consult with an ad hoc committee of bondholders and shall furthermore be authorised to rely on the instructions of Bondholders holding more than 2/3rds of the Bonds. The Management Consultant will identify and effect cost reduction measures;

The full document is available on Oceanteam's website.

The bondholders are refinancing the secured bank lenders and will take over the relevant lien on operating assets in the process. The new financial covenants for the bond are book equity, market adjusted book equity, gearing and debt service coverage ratios. If Oceanteam performs in line with the business plan the Group will be in full compliance of these new covenants, after expiry of granted waivers for some of the financial covenants, as per approved on June 19 2017 amended bond agreement. Oceanteam is of the opinion that the successful refinancing, which the Company is executing, illustrates its access to the bond market despite difficult market conditions.

The revaluation reserve in the statement of financial position at year-end of negative USD 36.1 million is the difference between the historical costs and the estimated fair market values. During the year of 2016, the net decrease in the carrying amount of re-valuated assets has been USD 31.8 million. The main reason for the decrease is the continuing low market demand caused by the current oil price level.

The Company's financing strategy is to create the most efficient capital structure for its business developments with the lowest possible weighted average cost of capital.

The Company is exposed to financial risk in different areas. Financial risks include interest rate and currency fluctuations, and investment and trading risks in general. The overall strategy to reduce currency risk is largely based on natural hedging. Natural hedging means having revenue and costs in the same currency on project basis.

The Company's objective for its financing strategy is to create the most efficient capital structure for its business developments with the lowest possible weighted average cost of capital, but at the same time to have flexible capital sources that support the businesses in its growth.

MARKET VALUES OF THE SHARES

The shares on the Oslo Stock Exchange were priced at NOK 3.42 on 15 June 2017 which gives a market valuation of the Company of approx NOK 89 million taking into account the share volume of 26 million shares outstanding. The Company holds 10 percent treasury or almost 3 million shares. At the end of 2016 reporting period, the booked equity is above the Company's share market value and the equity ratio is 30 percent compared with the financial covenant requirement under the bond loan for 35 percent. As at the end of 2016, the Company is in breach of financial covenants (book equity, market adjusted book equity and debt service coverage ratios) requirements for senior callable bond loan.

There are no restrictions in the Company's articles of association for trading the shares.

BALANCE SHEET

Oceanteam applies a revaluation model according to IAS 16 for the valuation of its Construction Support Vessels in operations. The effects of applying the revaluation model in 2016 amounted to negatively USD 31.8 million, consisting of the vessels CSV Bourbon Oceanteam 101, CSV Southern Ocean and Lay Vessel North Ocean 105.

Total assets at year-end amounted to USD 182 million, compared to USD 226 million in the prior year. Equity as a percentage of total assets was 30 percent as of 31 December 2016, compared to 41 percent as of 31 December 2015.

CASH FLOW

Net cash flow from operating activities amounted to USD 14.6 million in 2016 compared to USD 15.9 million in 2015. Net cash flow from investing activities was negative with USD 1.7 million in 2016 against negative USD 2.0 million in the preceding year. Net cash outflow for financing activities was USD 14.6 million in 2016 compared to USD 53.0 million in 2015.

New debt was drawn for 0.03 million, while 10.7 million of debt was repaid. Net change in cash and equivalents was negative with USD 1.7 million in 2016 compared to negative USD 39.4 million in 2015.

PARENT COMPANY

The parent company, Oceanteam ASA, showed a loss of USD 18.2 million. The negative result was attributable to a lack of dividends from equity accounted investments and subsidiaries from both the Shipping and Solutions operational segments, with none being received in 2016. In addition to this, cost remained at high level which was significantly influenced by company capital and oorganisational restructuring efforts. The parent company's share capital per year-end 2016 amounted to USD 2.6 million with a total equity of USD 17.4 million. Net change in cash amounted to negative USD 1.5 million. The parent company is reporting its financial statements in USD as this is its functional currency and is in line with the Group reports.

RISKS

A number of risk factors may adversely affect Oceanteam in the future. Please note that the risks below are not the only risks that may affect Oceanteam's business or the value of the shares. Additional risks not presently known to the Board or considered immaterial may also effect its business operations and projects. Development of the business and changes in market conditions can also lead to new risk areas that previously were not applicable. During 2016, the oil price reduced significantly with its lowest price at the start of the year 2016. Oceanteam's focus on diversification of its activities and market sectors has borne fruit during this difficult period. The volatility and shift in oil prices has affected Oceanteam's activities, but meanwhile Solutions has increased the focus towards offshore renewables, observation wheels and offshore equipment.
The majority of the Company's revenues come from the operational Shipping segment that is in USD and is used to pay bond loan and bank loan interest. Debt is mainly issued in the same currency as the related revenue.

OPERATIONAL RISK

Operational risks includes time charter and bare boat contracts, service life and technical risk of vessels, the Company's operating history, risk for substantial responsibilities, the Company's ability to retain senior management and key personnel, risk for legal proceedings and contractual disputes, construction risk and employment risk for the vessels and equipment. By securing long-term contracts for the main assets for the Group, the operational risk has decreased during the year. Oceanteam has built an organisation that is able to increase its operations and performance, deliver higher added value for its customers and to climb vertical in its value chain for its niche markets. With this operational platform the Company is ready to increase its operations significantly in 2017 without leaving its conservative business modeling and mitigating its operational risks.

FINANCIAL RISK

The Group has exposure to the following financial risks:
- credit risk
- liquidity risk
- market risk (including currency risk, fair value risk, cash flow and interest rate risk)

The Board of Directors have the overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Management Committee, which is responsible for developing and monitoring the Group's risk management policies.

In addition, the Board has established an ad hoc audit committee which is monitoring the cash position on a weekly basis. An external legal counsel is also engaged to advise the Board and management on meeting all legal requirements with regards to reserves and covenants.

The Company is exposed to financial risk in different areas. Financial risks include interest rate and currency fluctuations, investment and trading risks in general, borrowing and leverage.

(A) CREDIT RISK

The Company has sales revenues and liabilities in foreign currencies and is exposed to currency risks. 59 percent of the revenue is in USD while the remaining 41 percent is in EUR. Since the functional currency is in USD the foreign exposure is for liabilities in the EUR and its fluctuations with USD. Some of the local costs for Oceanteam are in NOK which also have been favorable during 2016 due to foreign exchange fluctuations.

The Group's customers and partners are primarily large companies with high credit rating. Credit risk is the risk of financial loss to the Group if a customer or other counterpart to a financial instrument or invoice fails to meet its contractual obligations, and such loss would arise principally from the Group's trade receivables and its clients and customers.

SHIPPING SEGMENT
At year-end, trade receivables from the Shipping segment represented 66 percent of the Group's total trade receivables. Currently, there are three main clients with good payment history.

Geographically the CSV assets are located in Africa, Asia and Australia.

For the FSV assets the geographical risk is concentrated in Mexico and Venezuela. Credit risk for the joint venture DOT Shipping is concentrated in Mexico (Diavaz/PEMEX) and Singapore through the new joint venture within DOT Holding with Pacific Radiance.

Oceanteam Mexico SA de CV operates two Fast Support Vessels (FSV's), Tiburon and Mantarraya.

Tiburon and Mantarraya are still under bareboat charter with Inversiones Setin, however, since Inversiones Setin is in breach of its obligations under the contract and the Company has not received the charter hire due thereunder, the Company has started legal proceedings against Inversiones Setin. The outstanding receivable balance in the amount of USD 0.4 million has been written off as doubtful debt as part of 4Q 2016 financial reporting.

An impairment loss in the amount of USD 1.1 million has been provided during 4Q 2016 leaving the total net book value for these assets in the amount of USD 2.6 million. Oceanteam management is closely monitoring the situation and is taking the necessary measures to preserve the value of these assets.

SOLUTIONS SEGMENT
At year-end, trade receivables from the Solutions segment represented 34 percent of the Group's total trade receivables. The exposure to credit risk depends on the individual characteristics of each customer. Before projects are in tendering phase and awarded, the Group performs full credit assessments on its existing and future clients.

Geographically the credit risk for the Solutions segment can be divided into activities in European countries and South-East Asia countries with an approximate number of 60 clients. Clients within the Solutions segment are in the oil and gas, renewable offshore industry and civil engineering sector.

OCEANTEAM
The Group's bad debts allowance is determined based on an individual assessment of the collectability of each receivable. There was a USD 4.5 million doubtful debt provision at the end of 2016.

Surplus liquidity is placed in well-known licensed financial institutions in legal entity's functional currency (USD, EUR, and NOK). At year-end, the total exposure to credit risk is USD 20.3 million consisting of USD 15.4 million in receivables and USD 3.5 million in bank deposits. See note 14 and 15 for further information.

The need for bank guarantees, parent company guarantees and pre-payments are considered on individual basis project by project.

(B) LIQUIDITY RISK

Liquidity risk relates to the ability to meet its financial obligations as they come due. The market has continued to experience a downturn, which has inherently increased the liquidity risk.

Oceanteam's response has been to delay capital investments and to seek cost savings. The finance structure of the Company is also reason for the increased liquidity risk.

Because liquidity risk has been significant during 2016 and into 2017, Oceanteam ASA initiated a financial restructuring in October 2016 in cooperation with its bondholders with a target to maintain value preservation and financial flexibility while enabling value creation for all stakeholders. As at the end of reporting period, the Compnany is in breach of its senior callable bond which triggered cross default of all other loans. The Company continued to be able to withdraw dividends from JVs within the Shipping segment where cash flows and JV specific loan covenants allowed such dividend payments.

Liquidity forecasts show a constrained cash flow which is dependent on key events within and outside the control of the Group to occur for cash flow to be positive and problems to be resolved. The key events assumed in the cash flow's forecast for the next 12 months include bond refinance according to bond holder meetings approvals on 2 May 2017, 19 May 2017 and EGM approval on 9 May 2017. Cash projections show that there is not sufficient cash flow to serve scheduled payments of principal and interest on the Company borrowings. The Group is dependent on being able to restructure its borrowings. This is illustrated further below. The approved bond restructuring in June 2017 supports the Company's provided cash flow forecast.

Oceanteam has financial obligations coming due both to credit institutions and to vendors. Reviewing the financial obligations to credit institutions, these limited in number and in size (totalling USD 6.3 million) and USD 5.5 million are presently mostly due/ payable. On an individual basis there is agreement with each institution to finance these as a part of the refinancing which Oceanteam is presently completing. All the secured lending facilities will be repaid with proceeds from the agreed sale of shares in 105, closed on 20 closed 20 June 2017. Obligations to vendors are mostly smaller in size and across a larger number of vendors. These obligations are managed in similar fashion as those to credit institutions with individual agreements and with the bulk of these agreed extended until June 2017 and at this point funded through proceeds of North Ocean 105 call option. In as much as there is liquidity risk in JV with Bourbon; the risk is primarily that disbursements out of vessels will be less than in previous year rather than any other risk. In the JV with Diavaz, the risk presently is that Oceanteam needs to support these companies with additional funds in part because of lack of earnings and in part resulting from investment commitments of JV companies in this structure.

The liquidity risk can be divided into short term, medium term and long term risks. The short term risks relate to certain/specific small vendors requiring immediate repayment compared to incoming cash flows. This risk is managed through the incoming cash flow which the Company has from Shipping, Solutions and from DOT/Mexico. This risk has been successfully managed as a result primarily of strong shipping cash flows, from Solutions remaining cash flow neutral, and from delaying financial support of DOT/Mexico and delay of HQ cost coverage/payment to specific service providers. The medium term risks relate to aggregation of smaller vendors as mentioned but with greater focus on Solutions' weak segment performance and on DOT/Mexico financial support. As Solutions is experiencing weaker than expected activity and pricing for its services; cash flow variances medium term are focused on performance from this segment and required cash support to DOT/Mexico. This medium risk is managed as a result of visibility and clarity of proceeds from sale of ownership in North Ocean 105 JV. Long term risks relate to performance of Solutions, to required financial support of DOT/Mexico and to cost containment at group level on specific service costs.

This risk is managed in part through agreement with bondholders to introduce a management consultant to review existing cost structure and cash flows and to suggest improvements to these.

Oceanteam's joint-venture partner McDermott has given written notice of utilisation of its option to purchase all of Oceanteam's interest in North Ocean 105 AS, the company owning the CSV North Ocean 105. The transaction will be closed on 20 June 2017. Additionally, the parent company depends on cash flows in form of dividends, interest payments, and loan repayment from subsidiaries and the joint venture companies. In addition to this, the Company has set achievable cost reduction objectives for operational expenditures and corporate expenses.

Upon occurrence of a JV Company Sale Event related to the North Ocean 105 or the legal entities related thereto, the Issuer shall ensure that the proceeds are deposited directly to the Reserve Account (the "North Ocean 105 call option Net Proceeds"), and the Issuer shall, subject to the Bond Trustee receiving documents, in form and substance satisfactory to it, evidencing the appropriate use of the funds (including a break-down of all amounts to be used and supporting material (in the form of invoices or similar)), apply the North Ocean 105 option call Net Proceeds in the following order:

(i) first, distribute up to USD 4,000,000 as payment of working capital to critical vendors, inter alia including payment to DEPBeheer B.V. of EUR 1,750,000 plus interest of 8,05 % per year as of 1 January 2017 and legal costs, but excluding (i) the Majority Shareholders, any Affiliate of the Issuer or the Majority Shareholders and any related parties to any of them (as defined in the Norwegian Public Limited Liability Companies Act (allmennaksjeloven) section 1-5), and (ii) payables to shareholders in a Group Company or in the JV Companies;

(ii) secondly, repay the Holdco Loan;

(iii) thirdly, repay the Equipment Loans;

(iv) fourthly, retain an amount covering the transaction costs (including Issuer's legal and financial advisor fees) in relation to the amendment and restatement of this Bond Agreement and apply this amount for the payment of such costs (any unpaid fees or costs of the Bond Trustee and/or the Bondholders shall be paid no later than together with payment of the Issuer's transaction costs);

(v) fifthly, retain USD 1 million in the Reserve Account for the payment of the Bondholder Nominated Director and the Management Consultant; and

(vi) sixthly, deposit into the Debt Service Retention Account and apply such funds in accordance with Clause 13.2(c)

At the balance sheet date, the Group had a liquidity position of USD 3.5 million, of which approximately USD 0.6 million normally was restricted or pledged as collateral. The USD 3.5 million in bank deposit consisted of approximately EUR 0.1 million, in approximately USD 3.2 million, NOK 0.1 million and MXN 0.1 million. Per 31 December 2016, Oceanteam ASA is on non-compliant on all of its loan agreements as a result of non-payment

Cash Flow Forecast	Cash balance	Bondloan agreement	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL
Cash in																
Solutions		-	1 390	1 384	1 650	2 054	1 726	1 666	2 438	1 399	1 504	1 530	1 645	1 524	1 405	1 857
Shipping		-	1 026	1 265	588	413	1 489	1 226	889	414	763	376	941	363	26	939
Assets sale		10 652	-	-	100	-	-	-	-	-	-	-	-	-	-	-
Total cash in		**10 652**	**2 416**	**2 649**	**2 338**	**2 467**	**3 216**	**2 892**	**3 327**	**1 813**	**2 267**	**1 906**	**2 585**	**1 887**	**1 431**	**2 796**
Suppliers		5 000	1 099	1 300	1 057	1 188	1 116	1 050	884	647	630	676	698	740	537	808
Creditors & Other		5 282	261	1 090	1 059	593	1 220	518	661	2 025	618	631	789	853	975	1 111
Capex		-	-	161	41	280	743	232	127	210	182	190	190	190	190	196
Total cash out		**10 282**	**1 361**	**2 552**	**2 157**	**2 061**	**3 079**	**1 800**	**1 672**	**2 882**	**1 430**	**1 496**	**1 676**	**1 783**	**1 702**	**2 115**
Overdraft used		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Movements in cash		**(370)**	**1 056**	**97**	**181**	**407**	**136**	**1 092**	**1 655**	**(1 069)**	**837**	**410**	**909**	**104**	**(271)**	**681**
Monthly available cash	**(703)**	**(1 563)**	**(507)**	**(410)**	**(229)**	**178**	**314**	**1 406**	**3 061**	**1 992**	**2 829**	**3 239**	**4 148**	**4 252**	**3 981**	**4 662**
Overdraft			533	505	505	505	477	477	477	449	449	449	421	421	421	393
Available cash (including overdraft facility)			**26**	**95**	**276**	**683**	**791**	**1 883**	**3 538**	**2 440**	**3 278**	**3 687**	**4 568**	**4 673**	**4 402**	**5 055**

of interest and principal instalment on its bond loan, its Holdco loan and its equipment loans.

All outstanding trade receivables for the Shipping segment of approximately USD 3.2 million were received in 2017. For the Solutions segment, the majority of outstanding trade receivables per year end of USD 1.6 million have already been received in 2017.

At parent company there is cash of USD 0.01 million and there is debt of USD 2.7 million with SMN and Euro 1.5 million with Rabobank, ING and NIBC. At JVs with Bourbon there is cash of USD 3.5 million which may be considered partially restricted; and there is debt of combined USD 83 million of which USD 53 million is consolidated into Group reported numbers. At JV with McDermott there was cash and non-recourse debt not relevant to Oceanteam's liquidity position beyond dividends received and as inputs in deciding proceeds to receive 20 June 2017 according to pricing formula.

The table above outlines how Oceanteam is planning to maintain its going concern position over the course of 2017. There are certain key assumptions which are outlined below and are pivotal to the going concern assertion during 2017.

Key Assumptions to support cash flow outlook in the table above:

Cash inflows are mainly contributed by:

- Revenues within Solutions segment (Equipment and Engineering). Revenue streams of Engineering for this period is comparable with 2016 level of revenues whereas equipment segment of the business is expected to grow its revenue volumes compared with 2016 levels.
- Dividends from CSV Southern Ocean, which is on long-term contract with Fugro and CSV Bourbon Oceanteam 101 which is on long-term contract with Total.

Cash Outflows

- G&A is expected to reduce during 2017 for almost 30 percent mainly driven by absence of restructuring cost which was one off during 2016. Centralisation and standardisation of IT, com-munication, financial reporting, project initiation, management and execution will lead to cost reduction within the Group.

Distribution of proceeds from North Ocean 105 option is governed by bond loan agreement approved by bond holders on 2 May 2017 and further amended on 19 June 2017. According to this agreement these proceeds will be used in the following order:

- down payment schedules with suppliers that are not settled with the USD 4.0 million from NO105 sale need to be agreed.
- Critical vendors will be allocated with USD 4.0 million and will be used to cover aged payables within Shipping and Solutions segment.
- HoldCo loans to be paid, SMN USD 2.7 million plus interest of USD 0.2 million and Equipment Loans Rabobank USD 0.8 million and NIBC USD 0.12 million.
- Bond Loan restructuring transaction cost to be agreed with bond loan owners is USD 1.0 million.
- Timing of receiving cash from the sale of North Ocean 105 is expected following transaction closure on 20 June 2017.

C) MARKET RISK

Market risk includes risk of fluctuation in oil prices, political, economic risk and other uncertainties, increased competition and risk of war, other armed conflicts and terrorist attacks. The deteriorated financial climate has led to delays in projects in both the oil and gas and renewable energy industries which might make it more difficult to obtain attractive contracts for the Construction Support Vessels and Fast Support Vessels. Also, the demand for solution driven services may be affected by the economic circumstances. Oceanteam on the other hand operates in different markets and geographical areas, combining engineering know-how and a pool of special-purpose equipment with our fleet of large and advanced offshore vessels. This enables us to deliver complex offshore support (cable, pipeline and umbilical installations, transportation and storage projects) as a single service (one-stop shop).

We establish strong (local) partnerships and strategic alliances. Our ambition is to be a preferred partner in offshore solutions for economically and technically challenging projects in the oil and gas as well as offshore renewables industries.

SHAREHOLDER STRUCTURE AND LIMITATION

Shares in Oceanteam ASA are publically traded at the Oslo Stock Exchange. Shares are identified by the name of its owner or its owner's nominee account. As reflected in the Company's Articles of Association there are no restrictions relating to voting or transfer of ownership of the shares, nor are there mechanisms aimed at preventing takeovers.

EVENTS AFTER THE BALANCE SHEET DATE

- In a press release dated 11 January 2017 Oceanteam ASA announced that it had reached an understanding with its bondholders regarding main terms on the restructuring of its bond loan dated 23 October 2012, named "FRN Oceanteam ASA Senior Callable Bond Issue", under which a principal amount of USD 57.5 million was outstanding and in default at year-end. At 12 April 2017, Nordic Trustee ASA, the trustee, issued a summons to bondholders meeting to be held 2 May 2017 with a list of proposed amendments which was approved by bondholders on 2 May 2017 and subsequently at the EGM meeting on 9 May 2017.
- On 9 June 2017, the Company have issued the new summons for further amendment of Bond Loan agreement in order to secure additional temporary waivers on some of the financial covenants which was subsequently approved following bondholders meeting on 9 June 2017.

Some of the terms with financial impact are as follows:

- Extending maturity from 24 October 2017 to 2 May 2022. Making the bond loan a long-term liability with an assumption that all historical financial covenants are repaired by amended loan agreement where summons were approved on 19 June 2017 and bond loan agreement become effective 21 June 2017.

- Amending the interest rate from 3 month LIBOR + 11,2 percent per annum to 7 percent per annum payable in arrears, of which 6 percent may be payable in new bonds (non-cash), reducing both interest expense and cash outflows for the Company.

- Deferral of past due interest payment 24 October 2016, and interest payments 24 January 2017 and 24 April 2017. The three interest payments will be added to bond principal amount and payment due will be extended to bond maturity date at 2 May 2022. Reducing the cash liquidity needed short-term.

- Allowing for security to be granted to bondholders including a pledge over Oceanteam's shares held in Oceanteam Bourbon 101 AS (50 percent share) and Oceanteam Bourbon 4 AS (50 percent share).

- Oceanteam's joint-venture partner McDermott has given written notice of utilisation of its option to purchase all of Oceanteam's interest in North Ocean 105 AS, the company owning the CSV North Ocean 105. The transaction was closed on 20 June 2017.
- Oceanteam's subsidiary KCI is selected by Beijing based client, and with this enters the Chinese market with offshore wind contract.
- Oceanteam extends contract with 1 year for supply of cable installation spread including 4000T turntable.
- Bank accounts for group company KCI International B.V. have been attached by lien early 2017 due to past due obligations (Balance of USD 3 000 at year-end). This has no material effect on the company's operations.
- At 24 January 2017, Oceanteam Bourbon Spares & Equipment AS changed its name to Oceanteam Bourbon Investments AS.

2016 RESULT AND EQUITY

The consolidated accounts show an operating profit of USD 11.5 million before the decrease of carrying amount from revaluation of its vessels. After the revaluation of its vessels, the consolidated accounts show an operating loss of USD 9.1 million. The consolidated equity is USD 54.9 million as of 31 december 2016. The equity ratio as a percentage of the total assets is 30 percent. The equity in the parent company Oceanteam ASA is USD 17.4 million where USD 2.6 million is share capital.

DISTRIBUTABLE EQUITY

As of 31 December 2016, Oceanteam ASA has a distributable equity as defined by Norwegian Public Limited Companies Act, of USD 17.4 million. There are restrictions to distribute dividends in the bond loan agreements due to certain financial covenants.

ALLOCATION OF NET INCOME

The Board proposes the following allocation of the net result:

USD '000	
Oceanteam ASA (Parent company)	
Net profit / (loss)	(19 423)
Attributable to:	
Other equity	(19 423)
Total allocation	**(19 423)**

ON OUR WAY TO A **NEW FINANCIAL FOUNDATION**

Besides the financial restructuring Oceanteam management has taken numerous initiatives to achieve structural cost savings of which we have seen immediate effects and will result in further improvements going forward. In addition, the Company will hire a consultant who is going to further analyse our structural cost reductions which will improve the Company's financial performance.

In 2015, to maintain the required financial flexibility, Oceanteam took various measures and made a number of changes through "The Next Step" project. This has reduced operational and overhead costs considerably, making the Company far more scalable, effective and cost efficient. This is clearly reflected in our financial performance.

In the third quarter of 2016, the Company started a program named "Project Challenger" with the objective to improve our sales, marketing and PR efforts and to reduce operational costs and overhead expenses. We already see significant improvements and full effect can be shown in the second half of 2017 as soon as all financial restructuring will be fully concluded.

OPERATIONAL EXPENSES;

I. Further integration of the different support functions within the Company. Additional investments in software and working procedures to improve efficiency.

II. Strengthening of the procurement procedures and reset of supplier cost base.

III. Re-flagging of assets.

IV. Apply our engineering expertise such that there is a continuous focus on structural cost reductions for our clients, while maintaining healthy risk and return levels.

V. Assure that we maintain our in-house expertise and staff.

VI. Within engineering there is a focus on R&D and IP development in line with the above.
Various commercially relevant patents have been secured which are ready for use for our clients.

SUPPORT MEASURES;

I. The Company changed offices at three locations in order to reduce costs and make it more fit-for-purpose. The Monaco office has been closed.

II. All external services have been reviewed and rationalised where possible.

III. DOT is in process of being fully integrated in Diavaz.

IV. All support functions within the Company - such as IT, HR, Legal, Project Control - have been standardised.

V. General, management and travel expenses will come down during 2017.

Although cost savings have been one of Oceanteam's priorities on one hand, the Company has increased and will further increase its sales, marketing and PR efforts on the other hand.

MORE FIT, AGILE AND RESPONSIVE;

Although the recovery of today's activity low in the Oil & Gas industry takes longer than expected, Oceanteam is ready to scale up significantly the moment the Oil & Gas industry picks up. The Company has implemented measures to allow projects to be executed in the most optimal and efficient way using its track record and core competencies such as strong project and risk management and its high Quality, Health, Safety and Environmental Standards. Oceanteam is also ready to further penetrate and accelerate into new markets like the renewables and telecom markets. It is being prepared to profit from its new financial foundations together with unparalleled competitiveness leading to new profitability potentials.

SHAREHOLDER **INFORMATION**

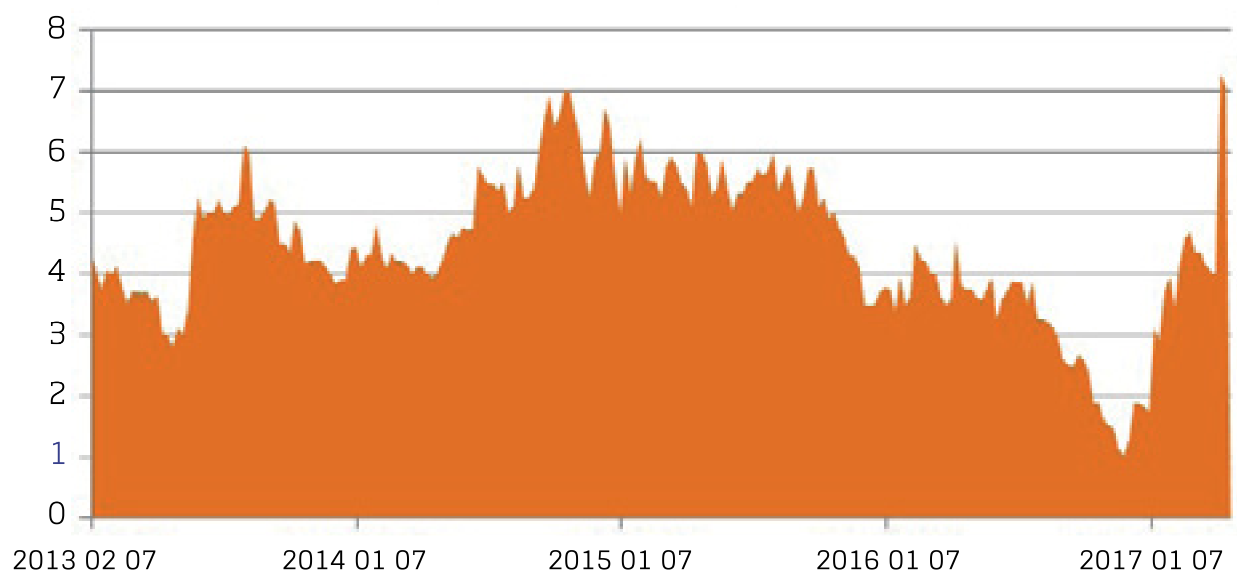
SHARE INFORMATION

Shares in Oceanteam ASA are publically traded at the Oslo Stock Exchange. The Company has 26 million shares out-standing and is traded under the ticker code ''OTS''. All shares are given equally voting rights. Shares are identified by the name of its owner or its owner's nominee account. As reflected in the Company's Articles of Association there are no restrictions relating to voting or transfer of ownership of the shares, nor are there mechanisms aimed at preventing takeovers. There are no specific representations, individual or in total, for shares owned by the employees.

PERFORMANCE

In the period 2013-2016 there has been a slightly negative development of the share price, but in the beginning of 2017 there has been a significant increase; the highest for the period. As of 31 December 2016 the market capitalisation was NOK 185 million.

OTS Share price development 2013-2017

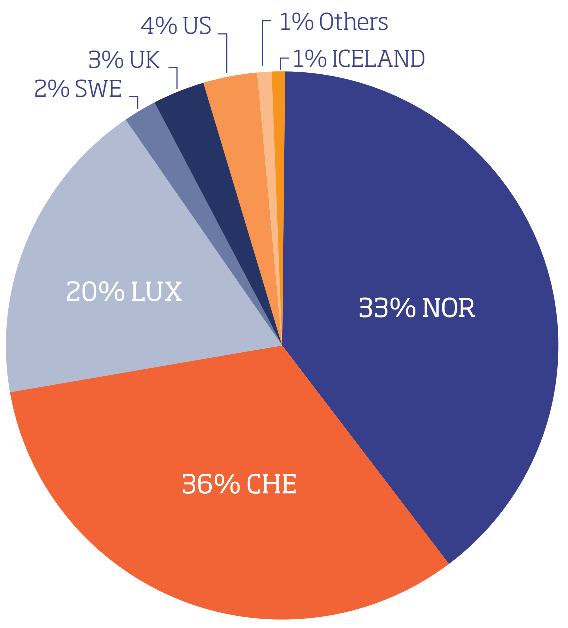


SHAREHOLDERS

Total number owned by top 20.

Shareholders	Notes	Number of shares	Percentage of total
FEASTWOOD HOLDING LTD	1	9 533 720	35,8 %
CCLEARSTREAM BANKING S.A.		4 072 189	15,3 %
ACONCAGUA MANAGEMENT LTD		1 244 204	4,7 %
PERSHING LLC		917 288	3,4 %
YOUNG NOUGATEERS AS		500 000	1,9 %
THE ROYAL BANK OF SCOTLAND PLC		447 947	1,7 %
RAGE, PER EGIL		412 500	1,5 %
JPMORGAN CHASE BANK, N.A., LONDON		373 558	1,4 %
VARNER-GRUPPEN AS		350 211	1,3 %
NORDNET BANK AB		322 832	1,2 %
LANDRO; KENNETH		297 640	1,1 %
NYBORG, PER OLAV		246 027	0,9 %
NANOK EIENDOM AS		233.564	0,9 %
NILSEN, STEINAR JOHAN		230.000	0,9 %
KUMAR, VIJAY		218.000	0,8 %
NETFONDS LIVSFORSIKRING AS		210 820	0,8 %
IMAGINE CAPITAL AS		208 261	0,8 %
ØSTLANDSKE PENSJONISTBOLIGER AS		206 818	0,8 %
RO, LARS		200 000	0,8 %
SKANDINAVISKA ENSKILDA BANKEN AB		167 995	0,6 %
Subtotal 20 largest		**20 393 574**	**76,6 %**
Others		6 240 361	23,4 %
Total		**26 633 935**	**100.0 %**

Percentage of shareholder by geographic location



CORPORATE **GOVERNANCE POLICY**

Adopted by the Board of Directors on December 2016

1 INTRODUCTION

1.1 BACKGROUND

Oceanteam ASA ("Oceanteam" or the "Company") is a listed company, established and registered in Norway and must therefore comply with Norwegian law, including corporate and securities laws and regulations. The Company and its subsidiaries (the "Group") makes every effort to comply with all applicable laws and regulations, as well as the Norwegian Code of Practice for Corporate Governance (Nw: "Norsk anbefaling for eierstyring og selskapsledelse") issued by the Norwegian Corporate Governance Board (the "Code") and published at www.nues.no.

The Board of Directors (the "Board") adopted the first Corporate Governance Policy (the "Policy") on 30 October 2006 to reflect and underline the Company's commitment to good corporate governance. Following amendments to the Code, the Policy has been updated regularly and the current version is based on the Code revised as per 30 October 2014. The Policy is intended both as an instrument for the Board and the management and as a device to maintain good relations and trust with the Company's different interest groups. In furtherance of this goal, the Board has also adopted a Code on Board and Management Proceedings, and an Insider Trading Policy.

1.2 PURPOSE

This Policy includes measures implemented for the purpose of clarifying the division of roles between the shareholders, the Board and the executive management more comprehensively than what follows from applicable legislation, and for ensuring an efficient management of and control over the Company's operations. The main goal is to have systems for communication, monitoring, accountability and incentives that enhance and maximize corporate profit, the long-term health and overall success of the business, and the shareholders' return on their investment. The development of and improvements on the Company's corporate governance is a continuous and important process, to which the Board and the management will devote a strong focus.

1.3 REGULATORY FRAMEWORK

The Company is a Norwegian public limited liability company (ASA) listed on Oslo Børs (the Oslo Stock Exchange).

The Company is subject to the corporate governance requirements set out in the Norwegian Public Limited Liability Companies Act 1997 (the "NCA"), the Norwegian Securities Trading Act of 2007 (the "STA") and the NorwegianStock Exchange Regulations (the "SER").

Any deviations from the guidelines provided in the Code will be explained in accordance with the "comply or explain" principle of the guidelines. The status of compliance in respect of each recommendation provided in the Code will also be set out in the Company's annual report in accordance with the requirements of section 3-3b of the Norwegian Accounting Act.

1.4 MANAGEMENT OF THE COMPANY

Management and control of the Group is shared between the shareholders, represented in the General Meeting, the Board and the Chief Executive Officer ("CEO") according to applicable company law. The Company has an external independent auditor elected by the General Meeting.

1.5 CORPORATE VALUES AND ETHICS

The Company is an offshore shipping company. In addition to owning, chartering and managing Deepwater Offshore Construction Service – and Pipe Lay Vessels and Fast Support Vessels, the Company also provides complimentary engineering and design services, and also offers rental of equipment.

The Company is most conscious with regards to the environment. The fleet consists of modern vessels and great efforts have been made to ensure that pollution is kept on a minimum.

The Company holds certificates to the ISO 9001, ISO 14001 and OHSAS 18001 standards for quality, environmental and health & safety management.

The Company further strives to maintain a high ethical standard. All employees are repeatedly reminded of the importance of ethics and a full set of guidelines to that effect is in the process of being completed.

2 BUSINESS

The operations of the Company shall be in compliance with the business objective set forth in its Articles of Association.

The Company's business purpose reads as follows:

"The objective of the company is sale, purchase, contracting, acquiring, lease and operation of vessels and equipment with associated services directly through wholly or partly owned subsidiaries. The company may sell assets, including shares in subsidiaries, and invest and participate in other companies"

3 BOARD OF DIRECTORS

3.1 ROLE

Oceanteam shall be directed by an efficient Board with collective responsibility for the success of the Company. The Board represents, and is accountable, to the shareholders of the Company.

The Board´s duties shall include the strategic guidance of the Company, an effective monitoring of the senior management, the control and monitoring of the financial situation of the Company and the Company's accountability towards and communication to its shareholders.

The Board shall ensure that the Company is well organised and that its operations are carried out in accordance with all applicable laws and regulations, in accordance with the objects of the Company pursuant to its Articles of Association, and with guidelines given by the shareholders through resolutions in general meetings from time to time.

In order to ensure efficient and thorough working procedures, the Board may appoint one or more working committees to prepare matters for final decision by the Board as a whole. The appointment, composition and mandate of such committees shall be made in due consideration of issues such as the nature of the matter or project at hand, and the particular skills required (if any) to enlighten all aspects of the matter in the best possible manner.

Within a working committee, its members may delegate among themselves specific tasks. If the load of work and the particular skills required for a certain matter or project are found to be such that it would not be reasonably compensated within an ordinary directors' remuneration, or if work is to be assigned to any company associated with a director, the committee shall present the issue to the Board and seek its approval before any additional work is carried out or any assignments made. Further reference is made to section 4.1. According to the Code (section 9) companies are recommended to appoint board committees composed of board members independent from the Company's executive personnel in order to help ensure thorough and independent preparation of matters relating to financial reporting and compensation paid to the members of the executive management. At this point in time no such committee has been established, mainly due to the fact that the Board currently only has, and in the foreseeable future most likely will only have, between 3 and 5 members. Nevertheless, matters to be resolved by the Board are properly prepared by one or more board members in cooperation with the management.

Following the appointment of the new Board member, who has a strong financial background, the Company will finalise the process of establishing the formal audit committee during 2017.

The Board shall initiate such investigations as it deems necessary in order to carry out its responsibilities. The Board shall also initiate such investigations as may for time to time be required by one or more Board Members.

3.2 FINANCIAL CONTROL

3.2.1 Supervision

The Board shall ensure that it is updated on the financial situation of the Company and has a duty to ensure that the Company's operations, accounting and asset management are subject to satisfactory control. The Members of the Board have full and free access to officers, employees and the books and records of the Company. The Board shall ensure that the CEO reports monthly to the Board on the Company´s activities, position and financial situation.

3.2.2 Adequate capitalisation

The Board shall evaluate whether the Company's capital and liquidity are adequate in relation to the risks and the scope of the Company's operations at all times and whether it fulfils the minimum requirements established by law or regulation. The Board shall immediately take adequate measures should it be apparent at any time that the Company's capital or liquidity is less than adequate.

If the Board requests the general Meeting to issue a power to increase the share capital, the Board will ensure that that the increase is designated to a specific purpose. If several purposes are of relevance, each purpose should be dealt with separately in the General Meeting.

3.3 COMPOSITION

3.3.1 Number of directors

The Board shall have between three and nine directors including Chairman of the Board, cf Section 5 in the Company's Articles of Association.

3.3.2 Independent directors

The Company shall have a majority of directors that are independent from its management and main business partners, and no representatives of the management shall be a member of the Board. Further, the Board shall include at least two directors that are independent of the Company's major shareholders, i.e. shareholders holding more than 10 % of the shares.

Independence shall for these purposes mean that there are no circumstances or relationships that are likely to affect or could appear to affect the director's independent judgement. The test of independence includes whether the independent director:

- has been an employee of the Company in a senior position for the last five years
- has received or receives additional remuneration from the Company apart from director's fee or participates in the Company's share option or performance related pay scheme
- has for the last three years had a material and regular business relationship with the Company
- has close family ties with any of the Company's directors or senior employees
- has for the last three years been a partner or employee of the accounting firm that currently audits the Company

The Directors of the Board are encouraged to hold shares in the Company.

3.4 APPOINTMENT AND TERMINATION

– Nomination and Remuneration Committee

The directors are appointed by the shareholders in a general meeting for a period of two years. The general meeting also elects the Chairman of the Board. The shareholders in a general meeting can resolve to remove directors.

At the present time, the Company has chosen not to operate a Nomination and remuneration Committee, thereby deviating from section 7 and 9 of the Code. However, at the extraordinary general meeting held 21 December 2015 it was resolved to lay own aNomination and Remuneration Committee in the Articles of Association. Members to the committee will be elected at the annual general meeting to be held within June 2016. When adopted, the committee shall consist of two members elected by the shareholders in a general meeting and the General Meeting shall set out guidelines for the committee.

After evaluation and advice obtained taking into account the size and state of the company and as part of the cost saving initiatives, the board has decided to propose to the shareholders to remove the requirement for establishment of a nomination and remuneration committee. Upon approval of the EGM held on 9 May 2017, the AoA of the Company have been been amended accordingly.

The committee shall work towards a composition of the Board where due consideration is taken to commitment to shareholders return, independence and experience in the relevant sectors. The committee should have contact with shareholders, the Board and the Company's executive personnel as part of its work on proposing candidates for election to the Board. The company should provide information on the membership of the committee and provide suitable arrangements for shareholders to submit proposals to the committee for candidates for election.

The Board will, to the extent possible, ensure that, in matters of a certain substance where the chairman is or has been actively involved prior to the board meeting (such as acquisitions, mergers etc.), another board member will be appointed to chair the board meeting during the Board's review of such matters, regardless of whether or not the chairman might be considered disqualified pursuant to § 6-27 of the NCA.

3.5 PROCEEDINGS

More detailed provisions on the role, the proceedings and confidentiality obligations of the Board and the CEO are set out in a separate document on Procedure for the Board of Directors and CEO adopted by the Board on 30 October 2006.

3.6 ANNUAL EVALUATION

The Board will annually, in connection with the first board meeting in each calendar year, evaluate its performance in the previous year. The evaluation shall include its own performance, the performance of any sub-committees and the performance of the individual directors. In order for the evaluation to be effective, the Board shall set objectives, on both a collective and individual level, against which their performance can be measured. The results of the evaluation shall not be made available to the public, but to the Nomination and Remuneration Committee if appointed pursuant to section 2.4.

3.7 RISK MANAGEMENT AND INTERNAL CONTROL

The Board shall ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. Internal control and the systems shall encompass the Company's corporate values and guidelines for ethical and corporate social responsibility. The Board will carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements. In compliance with section 3-3b of the Norwegian Accounting Act, the Board will provide an account in the annual report of the main features of the Company's internal control and risk management systems as they relate to the Company's financial reporting.

4 REMUNERATION OF DIRECTORS AND MANAGEMENT

4.1 REMUNERATION OF DIRECTORS

The remuneration of the directors shall be determined by the shareholders in a general meeting and be disclosed in the annual accounts of the Company. Any remuneration in addition to normal director's fee shall be specifically identified.

The Nomination and Remuneration Committee makes recommendations to the general meeting in respect of annual remuneration of all directors.

The Directors, or companies to whom they are associated, shall not accept other appointments or engagements for the Company, without the Board's knowledge. In such cases the terms of appointment, including any remuneration shall be approved of by the Board.

The remuneration of the Board shall not be linked to the Company's performance and the Company shall not grant share options to members of its board.

Directors shall be encouraged to invest part of their remuneration in shares in the Company at market price.

4.2 REMUNERATION OF EXECUTIVE PERSONNEL

The Board shall adopt a statement with guidelines in respect of the remuneration of executive personnel that is to be considered by the general meeting. The statement should be a produced as a separate appendix to the notice for the annual general meeting. The guidelines for remuneration of executive personnel should clearly state which aspects of the guidelines are advisory and which, if any, are binding (equity-based remuneration). Based on this division, separate votes should be held on these aspects of the guidelines at the general meeting.

Remuneration to the CEO shall be determined by the Board in meeting. To this end, the Board has accepted that the present CEO is remunerated through a management service agreement made between the Company and a legal entity owned and controlled by the CEO.

All elements of remuneration to the CEO, and the total remuneration for management shall appear from the annual report.

The Company has at the present time a performance related incentive to management employees. The incentive cannot exceed one year's annual salary.

4.3 SEVERANCE PAYMENTS

No employees of the Group shall have employment contracts granting notice periods of more than 12 months.

5 DISCLOSURE AND TRANSPARENCY

5.1 GENERAL

The Company shall at all times provide its shareholders, the stock market (Oslo Børs) and the financial markets generally (through Oslo Børs' information system) with timely and accurate information. Such information will take the form of annual reports, quarterly interim reports, press releases, stock exchange notifications and investor presentations, as applicable. The Company shall seek to clarify its long-term potential, including its strategy, value drivers and risk factors. The Company shall maintain an open and proactive investor relations policy, a best-practice website and shall give presentations regularly in connection with annual and interim results.

Generally, the Company shall disclose all insider information. The Company will under all circumstances disclose certain events including, without limitation, board and shareholder resolutions regarding dividends, mergers/demergers or changes in share capital, issue of warrants, convertible loans and all agreements of material importance that are entered into between group companies or related parties.

5.2 COMMUNICATION WITH SHAREHOLDERS

The Chairman and other directors shall make themselves available for discussions with the major shareholders to develop a balanced understanding of the issues and concerns of such shareholders, subject always to the provisions of the NCA, the STA and the SER. The Chairman shall ensure that the views of shareholders are communicated to the entire Board.

Information given to the Company's shareholders shall simultaneously be made available on the Company's web site.

6 FAIR TREATMENT OF SHAREHOLDERS

6.1 GENERAL

The Board shall take into account the interest of all the shareholders of the Company and treat all shareholders fairly. There is and will remain to be only one class of shares and all shares are and will remain freely transferrable. If and when applicable, the reason for any proposed deviation from the pre-emptive rights of shareholders to participate in new share capital increases will be explained and included in notifications to the market.

6.2 APPROVAL OF AGREEMENTS WITH SHAREHOLDERS AND OTHER RELATED PARTIES

All transactions that are not immaterial between the Company and a shareholder, a director or senior manager of the Company (or related parties to such persons) will be subject to a valuation from an independent third party.

If the consideration exceeds 5 % of the Company's share capital such transactions shall be approved by the shareholders in a general meeting, to the extent required by the NCA Section 3-8.

The directors and senior management shall notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

7 AUDIT

Under Norwegian law, the Company's auditor is elected by the shareholders in a general meeting.

The Board shall make recommendations to the general meeting on the auditor's appointment, removal and remuneration and shall also monitor the auditor's independence, including the performance by the auditor of any non-audit work. The Board will at least once a year have a meeting with the auditor without the presence of any representatives from the management. In the Management Code, the Board has adopted guidelines for the management's use of the Company's auditor for non-audit work.

The Board will inform the shareholders in the Annual General Meeting (the "AGM") on the auditor's fees specified on audit and non-audit work respectively.

In accordance with the Code, the Company is in the process of establishing an audit committee. However, for the time being the Company meets the criteria in Section 6-41 (2) of the NCA to be exempted from the requirement to elect an audit committee, and the Board has chosen not to establish such committee. An audit committee will be elected as soon as the Company does not fall within the said criteria.

The auditor shall annually present a plan for the auditing work to the Audit Committee or to the Board and have at least one annual meeting with the committee or the Board to go through the Company's internal control systems and to identify possible weaknesses and potential areas of improvement.

8 DIVIDEND POLICY

The Company is, as part of the bond loan agreement, not able to distribute dividends for the life of the bond.

9 SHAREHOLDER MEETINGS

The shareholders represent the ultimate decision-making body of Oceanteam through the general meetings.

The AGM of the Company will be held each year within the end of June. The AGM shall approve the annual accounts and report and the distribution of dividend, and otherwise make such resolutions as required under applicable laws and regulations.

The Board may convene an extraordinary general meeting ("EGM") whenever it deems it appropriate or when otherwise such meetings are required by applicable laws or regulations. The Company's auditor and any shareholder or group of shareholder representing more than 5 % of the current issued and outstanding share capital of the Company may require that the Board convene an EGM.

The Board will make arrangements to ensure that as many shareholders as possible are enabled to exercise their shareholders rights by attending the general meetings, and that the general meetings become an active arena for meetings between the Board and the shareholders by inter alia:

Posing the summons together with the agenda and all documents pertaining to each matter on the agenda on the Company's web-page not later than on the 21st day prior to the date of the meeting (except when otherwise decided by the general meeting, cf NCA section 5-11b) irrespective of whether or not the Company also resolves to summon the meeting by way of other forms of communication mail, facsimile or other electronic means (e-mail), ref § 7 in the Company's articles of association.

• Posing in the same manner on the web-page information about the total number of shares and voting rights at the date of the summons, as well as any draft resolutions, or if the meeting is not required to pass a resolution, a statement from the board in respect of each item on the agenda, and any forms required to be used in order to vote by proxy or by letter, unless such forms have been submitted directly to each shareholder.

• Ensure that the shareholders are adequately informed about their right to vote by proxy and of the procedures to be observed in doing so.

• Ensure that the summons, the documents and any further supporting material is sufficiently detailed and comprehensive in order for the shareholders to understand and form an opinion on the matters at hand.

• Ensure that the summons will specify that any shareholder wishing to attend the general meeting must notify the company within a certain time limit stated in the notice, which must not expire earlier than five days before the general meeting, ref § 7 in the Company's articles of association. Shareholders failing to notify the company within the specified time limit may be denied entrance to the general meeting.

• Ensure that the shareholders' are adequately informed about their right to submit proposals to be resolved by the general meeting, cf NCA § 5-11 and that proposal which are received within 7 days prior to the date of the summons are included in the summons. If the summons has already been sent, new summons shall be issued provided that the deadline for summoning has not been exceeded.

• Ensure that all other applicable provisions of the NCA, the Regulation on shareholders meetings of 6 July 2009 no 983 ("Generalforsamlingsforskriften") and section 5-9 of the STA are observed and complied with.

The Company will publish the minutes from general meetings on its web-site within 15 days from the date of the meeting and will also keep them available for inspection at the Company's offices.

The Board will not make contact with shareholders of the Company outside the general meeting in a way that may unfairly discriminate between the shareholders or infringe on any applicable laws or regulations.

The Board shall adopt procedures that ensure an independent chairing of the general meeting.

The directors, the Nomination and Remuneration Committee if appointed, and the auditor shall attend the general meetings.

10 CHANGE OF CONTROL, TAKEOVERS

10.1 GENERAL

The shares in Oceanteam are freely transferable, and the Company shall not establish any mechanisms that may hinder a takeover or deter takeover-bids, unless this has been resolved in a general meeting by a two-third majority (of votes cast and share capital represented). However, the Board may, in the case of a takeover-bid, take such actions that evidently are in the best interest of the shareholders, such as, inter alia, advising the shareholders in the assessment of the bid and, if appropriate, seeking to find a competing bidder ("white knight"), always provided that the Board should not hinder or obstruct any take-over bids for the Company's activities or shares.

In the event of a take-over bid for the Company's activities or shares, the Board has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer. The Company's Board of directors shall issue a statement including a recommendation as to whether shareholders shall or shall not accept the offer. If the Board finds itself unable to give a recommendation to shareholders on whether or not to accept the offer, it shall explain the background for not making such a recommendation. The Board's statement on a bid shall make it clear whether the views expressed are unanimous, and if this is not the case it shall explain the basis on which specific members of the Board have excluded themselves from the Board's statement. The Board shall arrange a valuation from an independent expert. The valuation shall be published and explained at the latest at the same time as the Board's statement.

10.2 OVERVIEW OF NORWEGIAN STATUTORY PROVISIONS ON TAKEOVERS

10.2.1 Voluntary offer

An offer to acquire shares in Oceanteam which, if accepted, trigger an obligation to put forward a mandatory offer must be made in an offer document and according to the requirements for voluntary offers set forth in the STA.

10.2.2 Mandatory offer

Subject to certain exceptions, a mandatory offer has to be made in the event an acquirer (together with any concert parties) acquires more than 33%, 40% or 50% of the voting shares in the Company.

The requirement to make a mandatory offer is triggered when a purchaser becomes the owner of such percentage of the shares. A mandatory offer must be made within four weeks after the threshold was passed. The only alternative to a mandatory offer at this stage is to sell a sufficient number of shares to fall below the relevant threshold.

All shareholders must be treated equally and the price to be paid is the higher of (i) the highest price paid by the purchaser during the last six months, and (ii) the market price when the obligation to make the mandatory offer was triggered The offer must be made in cash or contain a cash alternative at least equal in value to any non-cash offer.

10.2.3 Compulsory acquistion ("squeeze out)

Compulsory acquisition of the remaining shares may be initiated by a shareholder who holds more than 90 % of the shares and voting rights. The acquisition is initiated through a Board decision of the shareholder and payment of the price offered. Failing agreement between the parties, the price shall be determined through a valuation by the court, but the acquiror will obtain title to the shares immediately.

Bergen, 22 June 2017

The Board of Directors of Oceanteam ASA

Hessel Halbesma
Chairman

Catharina Pos
Director

Bote de Vries
Director

Halco Halbesma
CEO

Bote de Vries became director of the Company on 9 May 2017. He was not involved with the Company in the annual year 2016 nor in the first quarter 2017. Bote de Vries has reviewed the annual accounts 2016, discussed these accounts with the auditors, the CEO and the CFO. Due to the short time frame and the complexity of the financial situation of the Company Bote de Vries is however not able to independently confirm that the annual accounts have been prepared in accordance with the Norwegian Accounting Act.

CORPORATE **GOVERNANCE DEVIATIONS**

Oceanteam ASA ("**Oceanteam**" or the "**Company**") adopted a Corporate Governance Policy in 2015 (the "**Policy**") which outlines the Company's governing principles in accordance with applicable laws and regulations, as well as the Norwegian Code of Practice for Corporate Governance (the "**Code**"). As further set out in the Policy, any deviations from the guidelines in the Code shall be explained in accordance with the "comply or explain" principle of the guidelines.

The Company has not complied with certain provisions in the Policy in the financial year of 2016, which will be further explained below.

SECTION 3.2.1 SUPERVISION

"The Board shall ensure that it is updated on the financial situation of the Company and has a duty to ensure that the Company's operations, accounting and asset management are subject to satisfactory control". The Company's auditor has pointed out that the Company currently has a further potential for improving its internal control routines. For example, delay of finalization of 2016 annual accounts, 2015 accounts restatements and changes made to 4Q 2016 reported numbers as part of 2016 annual account finalization.

The Company is currently building up a solid team in order to ensure satisfactory control and avoid delays in issuing the annual accounts and misstatements and inaccuracies as detected in the annual accounts of 2015. Such misstatements and inaccuracies have been rectified in the annual accounts of 2016, creating a solid basis for the future reporting within the statutory time frames. The risk management systems as referred to in Section 3.7 (Risk management and internal control) are currently being scrutinized by the new team and evaluated together with the management team and the Company's auditors. The board was, and is, fully aware of these shortcomings which are a result of limited internal resources which again is due to the financial constraints that the Company has been working under. The board has initiated an internal review to identify which actions are required and how they are to be implemented within the Company's future financial constraints.

SECTION 3.3.2 (INDEPENDENT DIRECTORS)

Pursuant to section 3.3.2 of the Policy, the Company shall have a majority of directors that are independent from its management and main business partners. When assessing whether the independence criteria is met, it is inter alia relevant if the directors have received or receives additional remuneration from the Company apart from directors' fees. In 2016, all the directors of the Company received such remuneration in accordance with certain consultancy agreements (as further described in the related party disclosure). Hence, the independence requirements in the Policy have not been met.

The consultancy agreements were entered into as the Company is in need for continuous in-depth support to the management for the day-to-day business of the Company by experienced senior professionals with profound knowledge of the Company. The Company is of the opinion that the directors fulfil these criteria, and deemed it beneficial that the directors provide the required support to the Company. The Company has therefore chosen to deviate from section 3.3.2 of the Policy and section 8 of the Code.

In order to ensure complete transparency on such consultancy agreements, and in compliance with the Code section 11, such agreements for the provision of additional services provided by the directors have been approved by the Board of Directors of the Company.

SECTION 3.4 (APPOINTMENT AND TERMINATION - NOMINATION AND REMUNERATION COMMITTEE)

Pursuant to section 3.4 of the Policy, the Company should have elected members to a Nomination and Remuneration Committee at its annual general meeting in 2016 in accordance with its Articles of Association. Such committee was, however, not elected, as the Company's size entails that the Company views it as an unnecessary costly arrangement to have a separate Nomination and Remuneration Committee. The Company has therefore chosen to deviate from section 3.4 of the Policy and section 7 and 9 of the Code.

SECTION 3.7 RISK MANAGEMENT AND INTERNAL CONTROL

The Board shall ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. Internal control and the systems shall encompass the Company's corporate values and guidelines for ethical and corporate social responsibility. The Board will carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements. In compliance with section 3-3b of the Norwegian Accounting Act, the Board will provide an account in the annual report of the main features of the Company's internal control and risk management systems as they relate to the Company's financial reporting.

SECTION 4.2 (REMUNERATION OF EXECUTIVE PERSONNEL)

The Company has at the present time a performance related incentive to management employees, which, pursuant to section 4.2 of the Policy, cannot exceed one year's salary. The CEO of the Company, Haico Halbesma, was awarded an incentive in 2016 for his performance in 2015 which exceeded such limit. Given the challenging market conditions and the dire financial situation in the Company, the Board of Directors have deemed it critical that the Company retains its current CEO and that he is highly motivated to endure the challenges that the Company is currently facing. The Board of Directors are therefore of the opinion that a deviation from the Policy is required and in the best interest of the Company.

SECTION 6.2 APPROVAL OF AGREEMENTS WITH SHAREHOLDERS AND OTHER RELATED PARTIES

All transactions that are not immaterial between the Company and a shareholder, a director or senior manager of the Company (or related parties to such persons) will be subject to a valuation from an independent third party. The directors and senior management shall notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

The Company acknowledges that it is in need of improving its routines in relation to related party transactions. The board has however ensured that all material related party transactions have been disclosed to all shareholders through the annual accounts and shareholder meetings. Further the board has ensured that all such agreements have been entered into on arm's length terms. The board will continue to ensure complete transparency on all related party transactions and improve its routines.

CONFIRMATION **FROM THE BOARD OF DIRECTORS AND CEO**

We confirm that, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2016 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial positions and profit or loss of the entity and the Group taken as a whole. We also confirm that the Board of Directors` Report includes a true and fair review of the development and performance of the business and the position of the entity and the Group, together with a description of the principal risks and uncertainties facing the entity and the Group.

Bergen / Norway, 22 June 2017
The Board of Directors Oceanteam ASA

Hessel Halbesma	**Catharina Pos**	**Bote de Vries**	**Haico Halbesma**
Chairman	Director	Director	Chief Excecutive Officer

Bote de Vries became director of the Company on 9 May 2017. He was not involved with the Company in the annual year 2016 nor in the first quarter 2017. Bote de Vries has reviewed the annual accounts 2016, discussed these accounts with the auditors, the CEO and the CFO. Due to the short time frame and the complexity of the financial situation of the Company Bote de Vries is however not able to independently confirm that the annual accounts have been prepared in accordance with the Norwegian Accounting Act.

FINANCIAL STATEMENTS GROUP

Consolidated statement of profit or loss and other comprehensive income

Group
USD '000

	Notes	2016	2015 Restated
Revenue		41 869	49 502
Net income from associates/joint ventures		9 986	5 066
Total operating income	**5,6,7**	**51 855**	**54 567**
Operating costs	5	(15 380)	(14 676)
General & administration	8,9,28	(14 260)	(13 191)
Depreciation and amortisation	11,12	(9 049)	(11 113)
Write off / Impairment	11,12	(1 635)	(7 386)
Total operating expenses before increase (decrease) of carrying amount of revaluation of assets		**(40 324)**	**(46 366)**
Profit (loss) before increase (decrease) of carrying amount from revaluation of assets		**11 531**	**8 201**
Increase (decrease) of carrying amount from revaluation of vessels	12	(20 591)	(15 770)
Operating profit (loss) after increase (decrease) of carrying amount from revaluation of assets		**(9 060)**	**(7 569)**
Financial income		239	236
Financial expense		(11 610)	(12 719)
Foreign exchange results (loss)		(617)	498
Net finance	**10, 5**	**(11 987)**	**(11 985)**
Ordinary profit (loss) before taxes		**(21 047)**	**(19 554)**
Tax expense	13	(2 286)	(751)
Total net result		**(23 333)**	**(20 305)**

Consolidated statement of profit or loss and other comprehensive income

Group
USD '000

	Notes	2016	2015 Restated
Items that will never be reclassified to profit or loss			
Other comprehensive income			
Effect of revaluation model	12	(11 159)	(9 109)
Items that will never be reclassified to profit or loss		**(11 159)**	**(9 109)**
Items that may be reclassified subsequently to profit or loss			
Translation differences			(112)
Items that may be reclassified subsequently to profit or loss			(112)
Other comprehensive income, net of tax		**(11 159)**	**(9 221)**
Total comprehensive income for the year		**(34 491)**	**(29 526)**
Profit (loss) attributable to:			
Owners of the company		(18 076)	(17 273)
Non controlling interests		(5 256)	(3 031)
Profit (loss)		**(23 333)**	**(20 305)**
Total comprehensive income attributable to:			
Owners of the company		(29 235)	(26 494)
Non controlling interests		(5 256)	(3 031)
Total comprehensive income for the year		**(34 491)**	**(29 526)**
Earnings per share (in USD)			
Basic earnings per share (in USD)	25	(0.88)	(0.76)
Dilutive earnings per share (in USD)	25	(0.88)	(0.76)

Further information on the 2015 restatement can be found in note 29.

Consolidated statement of financial position

Group
USD '000

	Notes	2016	2015 Restated
Assets			
Non-current Assets - Property, plant and equipment			
Investment in associates and joint ventures	26	22 197	32 699
Vessels and equipment	12	126 334	153 406
Total		**148 530**	**186 105**
Non-current Assets - Other			
Deferred tax assets	13	3 000	5 250
Intangible assets		1 336	1 500
Goodwill		9 300	9 300
Total	11	**13 636**	**16 050**
Total non-current assets		**162 166**	**202 155**
Current Assets			
Trade receivables		4 828	5 782
Other receivables		11 307	12 678
Receivables	14, 28	**16 135**	**18 461**
Cash and cash equivalents	15	**3 514**	**5 165**
Total current assets		**19 650**	**23 626**
Total assets		**181 816**	**225 780**

Consolidated statement of financial position

Group
USD '000

	Notes	2016	2015 Restated
Equity and liabilities			
Share capital	17	2 595	2 595
Treasury shares		(257)	(257)
Share premium		1 304	1 304
Reserves		39 754	47 678
Revaluation reserve	12	(12 472)	9 185
Equity attributable to owners of the Company		**30 924**	**60 505**
Non-controlling interests	27	47 547	45 211
Revaluation reserve	12	(23 583)	(13 489)
Total non-controlling interests		**23 965**	**31 722**
Total equity		**54 889**	**92 227**
Loans and borrowings	18,28	-	-
Total non current liabilities		-	**-**
First year installments	18, 28	105 560	109 138
Trade payables	19	6 356	4 880
Tax payable	13	(65)	(87)
Public charges		353	770
Other current liabilities	19,28	14 723	18 852
Total current liabilities		**126 927**	**133 553**
Total liabilities		**126 927**	**133 553**
Total equity and liabilities		**181 816**	**225 780**

Bergen 22 June 2017
The Board of Directors Oceanteam ASA

Hessel Halbesma
Chairman

Catharina Pos
Director

Bote de Vries
Director

Haico Halbesma
Chief Executive Officer

Bote de Vries became director of the Company on 9 May 2017. He was not involved with the Company in the annual year 2016 nor in the first quarter 2017. Bote de Vries has reviewed the annual accounts 2016, discussed these accounts with the auditors, the CEO and the CFO. Due to the short time frame and the complexity of the financial situation of the Company Bote de Vries is however not able to independently confirm that the annual accounts have been prepared in accordance with the Norwegian Accounting Act.

Consolidated cash flow statement

Group
USD '000

	Notes	2016	2015
Net result after increase (decrease) of carrying amount from revaluation of assets		**(23 333)**	**(20 305)**
Decrease of carrying amount from revaluation of vessels		20 592	15 770
Tax		2 286	751
Ordinary profit (loss) before taxes and revaluation		**(456)**	**(3 784)**
Depreciation and amortization of tangible assets	12	9 048	11 113
Tax paid	13	22	(226)
Net income of associates	26	(9 986)	(2 931)
Write off assets	11	1 635	7 385
Change in trade receivables	14	570	3 089
Change in other receivables	14	1 211	(4 073)
Change in trade payables	19	1 476	(1 013)
Change in other accruals		4 091	5 097
Effect of changes to exchange rates on cash and cash equivalents			1 650
Cash in from dividends		6 250	239
Items classified as investing/financing activities		(346)	(616)
Paid interests		1 390	
Other changes		(258)	
Net cash flow from operating activities		**14 648**	**15 930**
Cash out due to investments	2,3	(3 080)	(5 470)
Cash in due to disposals			2 895
Cash in due to disinvestments		1 350	600
Net cash flow from investing activities		**(1 730)**	**(1 975)**
Issuing of new debt		30	5 540
Repayment of debt		(10 773)	(46 117)
Dividend paid/ decrease in paid-in captial to non-controlling interests		(3 825)	(12 404)
Net cash flow from financing activities	**5**	**(14 568)**	**(52 981)**
Effect of changes to exchange rates on cash and cash equivalents			(356)
Net change in cash and equivalents		**(1 651)**	**(39 382)**
Cash and equivalents at start of period		**5 165**	**44 547**
Cash and equivalents at end of period**		**3 514**	**5 165**

* restricted cash is USD 0.6 million
** In addition to the cash and cash equivalent per 31 December 2016, the Group holds treasury shares of approximately USD 0.6 million in current market value

There is no need foreseen for equipment asset growth over the near term. In the medium term (after 3Q 2017) should such demand arise, the capital requirements would be within the cash resources available to Oceanteam.

Consolidated statement of changes in equity

Group
USD '000

	Notes	2016	2015
Equity at period opening balance (Number of shares: 29,593,259)		**92 227**	**133 773**
Profit after taxes majority		(18 076)	(17 271)
Profit after taxes minority		(5 256)	(3 031)
Revaluation of assets	12	(11 159)	(9 109)
Tax on revaluation reserve			
Translation differences			(112)
Transactions with owners of the Company, recognised directly to equity			
Changes in non-controlling interests		(2 500)	(18 445)
Prior year adjustments		(346)	6 423
Equity issue			
Equity at period end (Number of shares: 29,593,259)	**17**	**54 889**	**92 227**

Consolidated statement of changes in equity

USD '000	Share capital	Treasury shares	Share premium	Translation reserve	Other equity	Total other equity	Revaluation reserve	Non controlling interests	Total equity
Equity at 31 December 2015	2 595	(257)	1 304		47 678	47 678	9 185	31 722	92 227
Profit and loss					(7 579)	(7 579)	(10 497)	(5 256)	(23 333)
Coverage of previous losses									
Other comprehensive income									
Effect of revaluation model							(11 159)		(11 159)
Tax on revaluation reserve									
Translation differences									
Total comprehensive income					**(7 579)**	**(7 579)**	**(21 656)**	**(5 256)**	**(34 492)**
Contributions by and distributions to owners									
Change in non-controlling interests									
Dividends to non-controllling interests								(2 500)	(2 500)
Adjustments prior year					(346)	(346)			(346)
Investments									
Issue of ordinary shares									
Equity per 31 December 2016	**2 595**	**(257)**	**1 304**		**39 754**	**39 754**	**(12 472)**	**23 965**	**54 889**

Consolidated statement of changes in equity

USD '000	Share capital	Treasury shares	Share premium	Translation reserve	Other equity	Total other equity	Revaluation reserve	Non controlling interests	Total equity
Equity at 31 December 2014	2 595	(257)	1 304	(1 563)	51 421	49 858	27 079	53 198	133 777
Profit and loss					(9 386)	(9 386)	(7 885)	(3 031)	(20 305)
Coverage of previous losses									
Other comprehensive income									
Effect of revaluation							(9 109)		(9 109)
Tax on revaluation reserve									
Translation differences				1 684		1 684	(900)	(900)	(112)
Total comprehensive income				**1 684**	**(9 386)**	**7 702**	**(17 894)**	**(3 931)**	**(29 526)**
Contributions by and distributions to owners									
Change in non controlling interests								(7 154)	(7 154)
Dividends to non-controllling interests								(5 250)	(5 250)
Investments/Revaluation									
Adjustments prior period					5 643	5 643		(5 140)	503
Issue of ordinary shares									
Reclassify				(121)		(121)			(121)
Equity per 31 December 2015	**2 595**	**(257)**	**1 304**		**47 678**	**47 678**	**9 185**	**31 722**	**92 227**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Corporate information

Oceanteam is an offshore service provider. Oceanteam provides high-quality support to offshore contractors all over the world through its fleet of large and advanced offshore vessels (Oceanteam Shipping, both through subsidiaries and investments in JVs and associate) and its expertise in marine equipment, cable logistics and design engineering (Oceanteam Solutions).

Oceanteam focuses on economically and technically challenging projects for clients in the oil and gas, renewables and civil industries. In addition, we are among the few companies in the world to combine high-end engineering know-how, DNV GL certified shipping and expertise, DNV ISO certified solutions and special purpose equipment in a single 'one-stop shop' service, if required.

Oceanteam has offices in Amsterdam, Velsen and Schiedam in the Netherlands, and in Ciudad del Carmen in Mexico. The corporate headquarter is in Bergen, Norway.

The Company is a public limited company incorporated and domiciled in Norway. The address of its registered office is Tveiteråsveien 12, 5232 Paradis, Norway.

The Company is listed at the Oslo Stock Exchange and is traded under the ticker code "OTS". The consolidated financial statements were authorised for issue by the Board of Directors on 22 June 2017, and are based on the assumptions of going concern. The Group annual accounts consist of the Parent company Oceanteam ASA with its subsidiaries, joint venture companies and associated companies.

Note 2 - Summary of significant accounting policies

2.1 BASIS OF PREPARATION

The group accounts for Oceanteam ASA are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the Norwegian Accounting Act § 3-9.

The Group's financial statements are based on the principle of historical cost of acquisitions, construction or production, as modified by the revaluation model of the CSV vessels and Pipe lay vessel. The financial year follows the calendar year. The Group was established on 5 October 2005.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

IFRSs and IFRICs effective for annual periods beginning on or after 1 January 2016

Relevant standards and interpretations are issued and effective. The Group have adopted these standards where applicable.
There are no new standards implemented by Oceanteam ASA in 2016.

IFRs AND IFRICs issued but not yet effective

The following standards are issued before the issuance of the Company's financial statements of which IFRS 16 is not yet approved by the European Union (EU).

- IFRS 9 Financial Instruments - Classification and Measurement; effective date January 1, 2018.
- IFRS 15 Revenue from Contracts with Customers; effective date January 1, 2018.
- IFRS 16 Leases; effective date January 1, 2019.

Oceanteam is in the process of evaluating the potential accounting impact of these standards.

IFRS 9 Financial Instruments

IFRS 9 shall be applied retrospectively. There are some transitional effects that shall or may be recognised in the opening equity at transition, i.e. January 1, 2018. Oceanteam has not yet fully analysed whether this may be applicable to any of our financial instruments. Preliminary assessment of IFRS 9 has not indicated any significant changes in timing of recognition or how to measure assets or liabilities and related income and expense. There will be some changes to presentation and disclosures, however, the detailed effect has not yet been determined.

Oceanteam is in the process of evaluating the impact of the requirements of IFRS 9. The Group does not expect the standard to have a significant impact on the Consolidated Financial Statements. The Group will finalise its detailed assessment of the impact of adoption during 2017 and will adopt IFRS 9 on the required effective date. In preparation for the adoption of IFRS 9, the Group is considering the following:

- Classification and measurement

The standard replaces the multiple classification and measurement models in IAS 39 with a single model. Except for trade receivables, financial assets will initially be measured at fair value. For debt instruments, subsequent measurement will be based on the composition of contractual cash flows and the business model under which the debt instruments are managed. This results in measurement at either fair value through profit or loss, amortised cost, or fair value through other comprehensive income. In most cases, equity instruments will be measured at fair value through profit and loss.

- Impairment

IFRS 9 requires a change from an incurred loss to an expected credit loss (ECL) impairment model. The ECL model will apply to debt instruments, most loan commitments and contract assets under both IFRS 15 ' Revenue from Contracts with Customers' and lease receivables under both IAS 17 'Leases' and IFRS 16 'Leases'. Under the ECL model, entities will be required to recognise a twelve month ECL on initial recognition and thereafter as long as there is no significant deterioration in credit risk. The recognition of lifetime ECL will be required when a significant increase in risk occurs. For trade receivables, a simplified approach may be applied whereby the lifetime ECL is always recognised.

The Group intends to apply the simplified approach and record lifetime expected losses on all trade receivables. Based on a preliminary assessment lifetime ECLs are not expected to be significant but a more detailed analysis considering forward-looking elements will be required to determine the full extent of the impact.

IFRS 15 Revenue from Contracts with Customers

The standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will replace all current revenue recognition requirements under IFRS. In particular, the standard replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts", which the Group's current accounting for revenue are based. At effective date a full retrospective application or a modified retrospective application is mandatory for reporting periods beginning on or after 1st of January 2018. Early adoption is permitted. The Group is in the process of evaluating which retrospective method will be applied.

During 2016, the Group performed a preliminary assessment of IFRS 15, subject to change arising from more detailed on-going analysis. Preliminary assessment did not reveal any material changes to revenue recognition process. However, the Company will need to introduce new internal controls to ensure the effective and ongoing compliance with the new revenue standard. Furthermore, the Group is considering on-going clarifications issued by the IASB, and will monitor any further developments.

IFRS 16 Leases

Oceanteam has tentatively decided to implement IFRS 16 retrospectively with the cumulative effect of initial application of the standard to be recognised at the date it becomes effective, i.e. January 1, 2019. Further, Oceanteam intends to analyse its portfolio and the data available to measure lease arrangements at effective date transition. The Company also intend to utilise the exclusions of leases with duration of less than 12 months and applying it to assets of a low value (small asset leases).

Preliminary assessment of IFRS 16 indicates an increase in recognised fixed assets and related liabilities, with a corresponding reclassification of expense activity from operating expenses to depreciation and amortization expense, and also to interest expense.
The amounts of change will depend on Oceanteam's portfolio of leasing contracts at the time of transition. The information included in Oceanteam's note 7 "Leasing" is indicative of the current operating leases to be reclassified into increase in fixed assets and liabilities.

2.2 BASIS OF CONSOLIDATION

A) Business combinations
The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Contingent considerations are measured at net present value and regulated quarterly using a discount rate similar to WACC.

B) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

C) Non-controlling interests
NCI and related goodwill is measured at their share of fair value. Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. NCI Investments and related goodwill are assessed for impairments quarterly and tested for impairment annually.

D) Loss of control
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

E) Interests in equity-accounted investees
The Group's interests in equity-accounted investees comprise interests in associates and joint ventures. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Joint ventures are those arrangements in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.
Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

F) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3 SEGMENT REPORTING
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly group administrative expenses, head office expenses, and income tax assets and liabilities.

The offshore shipping operations and solutions driven services, including engineering services and equipment rental, are reported in two different segments.
For more information, please refer to note 5.

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and reporting 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 ('the functional currency'). The consolidated financial statements are presented in USD, which is the Group's presentation currency in 2016.

(b) Transactions and balances
Transactions in foreign currencies are translated into the respective functional currencies of Group companies Transactions should be recognized at the transaction date exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss.

Non-monetary items at historical cost are translated, but at the rate at the date of the transaction (but they are not re-translated)

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

(c) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyper inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) Assets and liabilities are translated at the closing rate at the date of that statement of financial position.

(b) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

(c) All resulting exchange differences are recognised as a separate component of other comprehensive income.
Translation differences that are related to NCI are allocated to NCI.
On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.
These consolidated financial statements are presented in USD. All financial information presented in USD has been rounded to the nearest thousand.

2.5 NON-CURRENT ASSETS - PROPERTY PLANT AND EQUIPMENT

a) Recognition and measurement

Construction Support Vessels (CSV) – Principles applied
CSV's are initially recognised at cost of acquisition. Construction support vessels are subsequently measured at revalued amount. The principles applied are in accordance with IFRS 13, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

CSV's are revaluated quarterly on a recurring basis. In addition, it may be revalued whenever there is an event that may indicate their carrying amounts are likely to differ materially from their revaluated amounts. When an asset is revaluated, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revaluated amount of the asset.

Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income, unless they offset previous decreases in the carrying amounts of the same asset, in which case, they are recognised in profit or loss. Decreases in carrying amounts that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases in carrying amounts are recognised in profit or loss.

Presentation of change in revaluation of construction support vessels in Oceanteam (OTS):

Before we arrived at our current presentation, we relied on result of audit by Norway Financial Supervisory Authority, conducted during 2016 and presented the new lines in profit and loss statement.

The lines used in annual report 2016 / IAS 1 considerations are as follows:

. Total operating expenses before increase (decrease) of carrying amount of revaluation of assets

. Profit (loss) before increase (decrease) of carrying amount from revaluation of assets

. Operating profit (loss) after increase (decrease) of carrying amount from revaluation of assets

Refer to note 12 and note 26 in the annual report 2016.

Other Tangible Fixed Assets – Principles applied
All other tangible fixed assets are initially recognised at acquisition cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Components of the costs
Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

b) Subsequent Expenditures
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they incurred.

c) Depreciation
Depreciation is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives, as follows:
- CSV vessels 25 years
- Fast Support Vessels 15 years
- Machinery and equipment 10–15 years
- Furniture, fittings and equipment 3–8 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

d) Disposal
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other (losses)/gains – net, in the income statement. When revaluated assets are sold, the amounts included in other reserves are transferred to retained earnings.

e) Component Accounting
When an item of vessel, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is depreciated separately. A separate component may be either a physical component, or a non- physical component that represents a major inspection or overhaul. An item of vessel, plant and equipment will be separated into parts ("components") when those parts are significant in relation on the total cost of the item.

2.6 NON-CURRENT ASSET - OTHER

a) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired at the date of acquisition.

b) Other Intangible Assets
Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.
Customer relations and development/design of vessels are included under other tangible assets.

c) Computer Software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3–5 years).
Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

d) Amortisation
Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:
- Customer relations 3 years
- Design 5 years

e) Deferred tax assets are the amounts of income
Taxes recoverable in future periods in respect of:
. deductible temporary differences
. the carry forward of unused tax losses, and
. the carry forward of unused tax credits

2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS
With the exception of Construction Support Vessels which is measured at fair value and accounted for according to revaluation method and the principles set forth in IFRS 13 and discussed in section 2.5, the group's remaining non-financial assets, both tangible and intangible, are measured for impairment of its net book value compared to net value of cash flows from its Cash-Generating Unit (CGU).

Intangible assets that are not amortised are subject to quarterly assessments and a mandatory annual impairment test according to IAS 36. Other non-financial assets that are subject to amortisation or depreciation are tested for impairment according to IAS 36 whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value-in-use. The recoverable amount is determined for an individual asset if it generate cash inflows that are largely independent of those from other assets or group of assets. An impairment loss is recognized for the amount by which the assets or CGU's carrying amount value (net book value) exceeds its recoverable amount.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, and risks specific to the asset.

The group has non-financial assets with a carrying amount of a total of USD 162.2 million representing USD 148.5 million of Property, Plant and Equipment assets and USD 13.6 million of Non-current assets-other, as at 31 December 2016.

Due to the general downturn in the industry and the increased uncertainty, management has assessed the carrying amount assets for impairment, as at the end of 2016. In accordance with IFRS principles in IAS 36, management uses higher off value in use and fair value less cost sell for all its non-financial assets except CSVs for which the Company is using a fair value model (modified discounted cash flow model), as part of revaluation process.

At year-end 2016 the company has accumulated impairment provisions of a total of USD 16.3 million, provisions of USD 9.6 million to reduce tangible assets and provisions of USD 6.7 million to reduce intangible assets to their carrying amounts and estimated recoverable values. For the remaining vessels; management concluded that the recoverable amount was higher than their carrying amounts.

When assessing value-in-use at time of impairment test the conclusion depended on:

The estimated future cash flows discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money, and risks specific to the asset.

Market assessments includes significant management judgment related to factors such as estimated utilisation, disposal values, charter hire rates,employee and revenue growth rates, operating expenses as well as estimated fair values, which provided by two independent external brokers (mainly for CSV vessels). Withing Solutions Engineering (KCI Engineers) while assessing "goodwill asset" impairment significant management judgment was applied for interdependency between full time employee growth/recovery rate and revenue and operating expenses. The risks connected to valuation of non-financial assets have increased during 2016 due to the challenging market conditions. This risk has increased the need for judgment in the valuations. This is how we addressed the extended need for judgment:

Our input includes actual contract inputs and legally binding contractual agreements entered into during the year. Historical asset performance and considerations are important pillars in forming our key assumptions around vessel utilisation and operating expenditures.

When we considered sensitivity analysis, we noted that the forecasted cash flows are highly sensitive to even minor changes to assumptions and the discount rate applied. We assessed the discount rate by comparing the assumptions used to build the discount rate with external market data. We considered that the discount rate used was within an appropriate range and if anything on the conservative side of the interest range corridor.

2.8 RECEIVABLES

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired.

2.9 CASH AND CASH EQUIVALENT

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.10 SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

2.11 TRADE PAYABLES

Trade payables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

2.12 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of statement of financial position.

Borrowing costs are capitalised to the extent that they are directly attributable to the purchase, construction or production of a non-current asset. Borrowing costs are capitalised when the interest costs are incurred during the non-current asset's construction period. The borrowing costs are capitalised until the date when the non-current asset is ready for use. If the cost price exceeds the recoverable amount, an impairment loss is recognised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.13 TAXES

(a) Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognised to the extent that it is more likely than not that future taxable profit will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(b) Shipping activities

The shipping activities are operated in several countries and under different tax schemes, including the ordinary tax system in Norway and the Norwegian tonnage tax system. In addition, we operate under local tax systems in The Netherlands, Germany and Mexico. Our onshore activities are generally subject to the ordinary corporate tax rates within the country in which the activities are located. The variation in the tax systems and rates may cause tax costs to vary significantly depending on the country in which profits are accumulated and taxed. The Group's taxes include taxes of Group companies based on taxable profit for the financial period, together with tax adjustments for previous periods and the change in deferred taxes. Tax credits arising from subsidiaries' distribution of dividends are deducted from tax expenses.

Companies taxed under special tax shipping tax systems will generally not be taxed on their net operating profit from the approved shipping activities. A portion of net financial income and other non-shipping activities are normally taxed at the ordinary applicable tax rate. Taxation under shipping tax regimes requires compliance to certain requirements, and breach of these requirements could lead to forced exit of the regime. A forced exit of the Norwegian shipping tax system will lead to accelerated tax payments. Tax payable and deferred taxes are recognised directly in equity to the extent that they relate to factors that are recognised directly in equity.

2.14 EMPLOYEE BENEFITS

Pension obligations

The Group has a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The obligations for contributions to defined contribution plans are expensed as the related service is provided.

Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.16 REVENUE RECOGNITION

Continuing business (IAS 17, IAS18 and IAS11)

Oceanteam ASA is an offshore shipping company and solutions provider. Oceanteam's business is the owning, chartering and managing of deep-water offshore construction service - and pipelay vessels and, fast support vessels.

In addition, Oceanteam provided complementary engineering services consisting of both engineering & design services and equipment rental to support our clients.

a) Shipping revenues

Income is recognised when it is probable that transactions will generate future financial benefits that will accrue to the Company and the amount can be reliably estimated. The majority of contracts are long-term time charter contracts. Income and expenses related to a charter party are accrued based on the number of days the contract lasts prior to and after the end of the accounting period.

In the event of off-hire periods, the vessel owner carries the risk beyond any worked up dry-dock days which in some instances are specified in the contract. The Group has taken out off-hire insurance to cover major operational interruptions such as repairing collision damage or other serious unforeseen repair work.

The mobilisation of a vessel is the period for planning and preparation before the charter has commenced. The demobilisation is the period when all the special equipment for a project is being taken off until the vessel is ready for a new project or charter. Mobilisation (demobilisation) fees are invoiced to the client and recognised over the mobilisation (demobilisation) period.]

b) Solutions Engineering services

KCI Engineering has some lump sum construction contracts with a defined design engineering scope, but most of the revenues relate to billable hours as the service is being performed.

c) Solutions Equipment rental

Income from rental of equipment is recognised when the company renders services to the client for the relevant period of time according to contract. Income from the sale of underutilized equipment is recognised when delivery takes place and most significant of risk and return is transferred

Work in progress / to be invoiced

The work in progress on third party construction contracts is valued at the incurred construction contract costs increased by the attributed profit and net of recognised losses and invoiced instalments. If the result from a construction contract cannot be reliably estimated no profit is attributed or recognised as part of work in progress. The construction contract costs include the costs directly relate to the construction contract, the indirect costs that are attributable and allocated to construction contract activities and other costs that are chargeable to the customer under the terms of the contract.

The percentage of completion is determined on the basis of the construction contract costs incurred up to the balance sheet date in proportion to the estimated aggregate construction contract costs/inspection of the completed part of the construction contract/the completion of a physically distinguishable component of the construction contract. Income and expenses are recognised in the profit and loss account based on the progress of the project.

Work in progress on construction contracts with a debit balance position is presented under the current assets. Work in progress on construction contracts with a credit balance position is presented under the current liabilities. The amounts are recognised under the receivables if the amount of the (collective) net income is greater than the sum of the invoiced instalments. If the (collective) amount of the income is less than the invoices, the amount is recognised under the liabilities.

2.17 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Financial covenants may restrict the possibility to distribute dividends.

2.18 FINANCIAL AND OPERATING LEASING

(i) The Group as a lessee

Finance leases

Finance leases are leases under which the Group assumes most of the risk and return associated with the ownership of the asset. At the inception of the lease, finance leases are recognised at the lower of their fair value and the present value of the minimum lease payments, minus accumulated depreciation and impairment losses. When calculating the lease's present value, the implicit interest cost in the lease is used if it is possible to calculate this.

If this cannot be calculated, the Company's marginal borrowing rate is used. Direct costs linked to establishing the lease are included in the asset's cost price.

The same depreciation period as for the Company's other depreciable assets is used. If it is not reasonably certain that the Company will assume ownership when the term of the lease expires, the asset is depreciated over the term of the lease or the asset's economic life, whichever is the shorter.

Operating leases

Leases for which most of the risk and return associated with the ownership of the asset have not been transferred to the Group are classified as operating leases. Lease payments are classified as operating costs and recognised in the section profit and loss from operations.

(ii) The Group as a lessor

Finance leases

The Group presents assets it has leased to others as receivables equal to the net investment in the leases. The Group's financial income is determined such that a constant rate of return is achieved on outstanding receivables during the contract period. Direct costs incurred in connection with establishing the lease are included in the receivable.

Operating leases

The Group presents assets it has leased to others as non-current assets in the statement of financial position. The rental income is recognised as revenue on a straight line basis over the term of the lease. Direct costs incurred in establishing the operating lease are included in the leased asset's carrying amount and are expensed over the term of the lease on the same basis as the rental income.

2.19 FINANCIAL INSTRUMENTS

In accordance with IAS 39, financial instruments: Recognition and measurement, financial instruments within the scope of IAS 39 are classified in the following categories: at fair value with changes in value through profit or loss, held to maturity, loans and receivables, available for sale and other liabilities.

Financial assets with fixed or determinable cash flows that are not quoted in an active market are classified as loans and receivables.

Financial liabilities that do not form part of the held for trading purposes category and which have not been designated as being at fair value with changes in value through profit or loss are classified as other liabilities.

Financial instruments that are held to maturity are included in fixed asset investments unless the redemption date is less than 12 months after the end of the reporting period. Financial instruments in the held for trading purposes group are classified as current assets. Financial instruments that are available for sale are presented as current assets if the management has decided to sell the instrument within the 12-month period following the end of the reporting period.

The gain or loss resulting from changes in the fair value of financial investments that are classified as available for sale is recognised in OCI until the investment is sold. When the investment is sold, the accumulated gain or loss on the financial instrument that has previously been recognised in equity is reversed and the gain or loss is recognised in the statement of profit and loss and other comprehensive income.

Note 3 - Financial risk management

Detailed disclosure note on future cash flows period of 12 months (from June 2017 until June 2018) with underlying key assumptions has been included within Financial Statement disclosure Note 3 and in Directors' report under section Liquidity risk.

The key events assumed in the cash flow forecasts for the 12 months (June 2017 - June 2018) include new loan facilities for which term sheets are in progress or have been received – in addition to aforementioned bond refinancing. However, the Company has plans to mitigate the constraint through various actions. Reference is made to the disclosures for detailed information about various risks and how the Company is mitigating these.

A phase of execution of the new bond loan agreement requirements is to be expected after the loan agreement is approved and before it becomes effective.

The Board of Directors undertook a review of the Company's ability to meet the requirements of the newly signed bond loan's financial covenants. There are three financial covenants to test against in the amended bond loan agreement. Equity to Total Assets, Debt to Ebitda and Ebitda to Interest and Amortisation. As part of the proposed new bond loan agreement the company has attained a waiver for the book equity, market adjusted book equity and gearing ratios for a period of time (details available on company website). Furthermore, as a result of the new bond loan agreement being signed, earlier breaches of financial ratio covenants which Oceanteam was in breach of as per year end, are now being remedied. At 2016 year end, Oceanteam was in breach of book equity ratio, market adjusted equity ratio and debt service coverage ratio.

The Debt service ratio is as a result of its PIK nature a non-issue for the reporting period of 2017. This ratio has not been met as at the end of 2016 reporting period.

As McDermott has given written notice of its utilisation of the call on Oceanteam's shares in the North Ocean 105 at pre-agreed pricing mechanism on given date of 20 June 2017; questions as to this event not occurring are null-and-void.

From a going concern perspective; maintaining a stable earnings picture going forward will be paramount to resolving the cash strain Oceanteam has been suffering under for the last 24 months. It is the Solutions and DOT divisions which are the key variable in such an assessment; this results as the earnings within Shipping is highly stable due to long-term contracts.

Debt service coverage ratio is expected to be maintained as interest rate for senior callable bond loan has significantly reduced (from 12% to 7% from which only 1% is payable and 6% is "payment in kind" payable after loan is repaid). Gearing ratio is challenging to meet for the company during the first 3 quarters, therefore waiver until 1st October 2017 has been agreed with bond loan owner. It is estimated that company will be able to meet gearing ratio (maximum 5) post 1st October 2017. The main assumptions impacting these judgments are): a) enterprise profitability as per budget for 2017 b) proceeds for Northern Ocean 105 c) asset impairment and revaluation write offs remains within available headroom d) new bond loan agreement is effective

(A) CREDIT RISK

The Company has sales revenues and liabilities in foreign currencies and is exposed to currency risks. 59 percent of the revenue is in USD while the remaining 41 percent is in EUR. Since the functional currency is in USD the foreign exposure is for liabilities in the EUR and its fluctuations with USD. Some of the local costs for Oceanteam are in NOK which also have been favorable during 2016 due to foreign exchange fluctuations.

The Group's customers and partners are primarily large companies with high credit rating. Credit risk is the risk of financial loss to the Group if a customer or other counterpart to a financial instrument or invoice fails to meet its contractual obligations, and such loss would arise principally from the Group's trade receivables and its clients and customers.

Shipping segment

At year-end, trade receivables from the segment "Shipping" represented 66 percent of the Group's total trade receivables. Currently, there are three main clients with good payment history.

Geographically the CSV assets are located in Africa, Asia and Australia.

For the FSV assets the geographical risk is concentrated in Mexico and Venezuela. Credit risk for the joint venture DOT Shipping is concentrated in Mexico (Diavaz/PEMEX) and Singapore through the new joint venture within DOT Holding with Pacific Radiance.

Oceanteam Mexico SA de CV operates two Fast Support Vessels (FSV's), the Tiburon and Mantarraya. Tiburon and Mantarraya are still under bareboat charter with Inversiones Setin, however, since Inversiones Setin is in breach of its obligations under the contract and the Company has not received the charter hire due thereunder, the Company has started legal proceedings against Inversiones Setin. The outstanding receivable balance in the amount of USD 0.4 million has been written off as doubtful debt as part of 4Q 2016 financial reporting.

FSV vessels Mantarraya II and Tiburon II are currently contracted in Venezuela and the Company is engaged with legal proceedings around the repossession of the vessels.

Solutions segment

At year-end, trade receivables from the Solutions segment represented 34 percent of the Group's total trade receivables and. 28 percent of the Group's total receivables. The exposure to credit risk depends on the individual characteristics of each customer. Before projects are in tendering phase and awarded, the Group performs full credit assessments on its existing and future clients.
Geographically the credit risk for the Solutions segment can be divided into activities in European countries and South-East Asia countries and with approximate number of 60 clients. Clients within the Solutions segment are in the oil and gas, renewable offshore industry and civil engineering sector.

Oceanteam

The Group's bad debts allowance is determined based on an individual assessment of the collectability of each receivable. There was a USD 4.5 million doubtful debt provision at the end of 2016.
Surplus liquidity is placed in well-known licensed financial institutions in legal entity's functional hard currency (USD, EUR, and NOK). At year-end, the total exposure to credit risk is USD 20.3 million consisting of USD 16.8 million in receivables and USD 3.5 million in bank deposits. See note 14 and 15 for further information.
The need for bank guarantees, parent company guarantees and pre-payments are considered on individual basis project by project.

(B) LIQUIDITY RISK

Liquidity risk relates to the ability to meet its financial obligations as they come due. The market has continued to experience a downturn, which has inherently increased the liquidity risk.
Oceanteam's response has been to establish new financial instruments, to delay capital investments and to seek cost savings. The finance structure of the Company is also reason for the increased liquidity risk.
Because liquidity risk has been significant during 2016 and into 2017, Oceanteam ASA initiated a financial restructuring in October 2016 in cooperation with its bondholders with a target to maintain value preservation and financial flexibility while enabling value creation for all stakeholders. As at the end of reporting period, the Company is in breach of its senior callable bond which triggered cross default of all other loans. The Company continued to be able to withdraw dividends from JVs within shipping segment where cash flows and JV specific loan covenants allowed such dividend payments.

Liquidity forecast show a constrained cash flow which is dependent on key events within and outside the control of the Group to occur for cash flow to be positive and problems to be resolved. The key events assumed in the cash flow's forecast for the next 12 months include bond refinance according to bond holder meeting approval on 2 May 2017 and EGM approval on 9 May 2017. Cash projections show that there is not sufficient cash flow to serve scheduled payments of principal and interest on the Company borrowings. The Group is dependent on being able to restructure its borrowings. This is illustrated further below. The approved bond restructuring in May 2017 supports the Company's provided cash flow forecast.

Oceanteam has financial obligations coming due both to credit institutions and to vendors. Reviewing the financial obligations to credit institutions, these limited in number and in size (totalling $6.3mm) and $5.5m are presently mostly due/ payable. On an individual basis there is agreement with each institution to finance these as a part of the refinancing which Oceanteam is presently completing. All the secured lending facilities will be repaid with proceeds from the agreed sale of shares in 105 closing 20 June 2017. Obligations to vendors are mostly smaller in size and across a larger number of vendors. These obligations are managed in similar fashion as those to credit institutions with individual agreements and with the bulk of these agreed extended until June 2017 and at this point funded through proceeds of Northern Ocean 105 call option. In as much as there is liquidity risk in JV with Bourbon; the risk is primarily that disbursements out of vehicles will be less than in previous year rather than any other risk. In the JV with Diavaz, the risks presently is that Oceanteam needs to support these companies with additional funds in part because of lack of earnings and in part resulting from investment commitments of JV companies in this structure.

The liquidity risk can be divided into short term, medium term and long term risks. The short term risks relate to certain/specific small vendors requiring immediate repayment compared to incoming cash flows. This risk is managed through the incoming cash flow which the company has from Shipping, from Solution and from DOT/Mexico. This risk has been successfully managed as a result primarily of strong shipping cash flows, from Solutions remaining cash flow neutral, and from delaying financial support of DOT/Mexico and delay of HQ cost coverage/payment to specific service providers. The medium term risks relate to aggregation of smaller vendors as mentioned but with greater focus on Solutions weak segment performance and on DOT/Mexico financial support. As Solution is experiencing weaker than expected activity and pricing for its services; cash flow variances medium term are focused on performance from this segment and required cash support to DOT/Mexico. This medium risk is managed as a result of visibility and clarity of proceeds from sale of ownership in Northern Ocean 105 JV. Long term risks relate to performance of Solutions, to required financial support of DOT/Mexico and to cost containment at group level on specific service costs.

This risk is managed in part through agreement with bondholders to introduce a management consultant to review existing cost structure and cash flows and to suggest improvements to these.

Shipping revenue and earnings streams from the main CSV contracts are running for 18 months and 26 months are highly predictable. All risks related to Shipping segment relates to renewing of contracts when these expires; past history has shown that even in poor market Oceanteam and Bourbon have been able to find immediate employment for Oceanteam's main assets. The sales transaction of shares in 105 closed on 20 June 2017. Oceanteam is in good dialogue around the Company (100%)bank secured loans which are to be refinanced shortly with specific carve-out from 105 proceeds to repay these loans. There should be no downside but only upside earnings potential as it relates FSVs in Venezuela and DOT Group JVs as costs are capped and known while earnings upside is uncapped but unknown.

Solution is experiencing pricing pressure as volumes have come down across segment; we are focusing on utilisation rather than price and are presently about covering our costs. Within this segment the maritime asset rental business is doing somewhat better based upon an asset cost-base which is written off; an uptick in interest/ demand should improve cash yield of this service. The engineered services business is struggling more as prices have fallen off quite a bit on somewhat lower volumes; right-sizing of this unit has taken place and should yield results going forward as indications are for increased inquiry for execution 2018 across our areas of specialty.

Oceanteam's joint-venture partner McDermott has given written notice of utilisation of its option to purchase all of Oceanteam's interest in North Ocean 105 AS, the company owning the CSV North Ocean 105. The transaction has been closed on 20 June 2017.

The renewed BON-OTS Fleet Financing is expected to be signed and executed by end June 2017. The JV partners and banks (SMN, DVB, NIBC) have made good progress to agree the new terms which are expected to extend the maturity of the loan to at least November 2021.

Additionally, the parent company depends on cash flows in form of dividends, interest payments, and loan repayment from subsidiaries and the joint venture companies. In addition to this, the Company has set achievable cost reduction objectives for operational expenditures and corporate expenses.
Upon occurrence of a JV Company call option event related to the Northern Ocean 105 Vessel or the legal entities related thereto, the Issuer shall ensure that the proceeds are deposited directly to the Reserve Account (the "105 Net Proceeds"), and the Issuer shall, subject to the Bond Trustee receiving documents, in form and substance satisfactory to it, evidencing the appropriate use of the funds (including a break-down of all amounts to be used and supporting material (in the form of invoices or similar)), apply the Northern Ocean 105 call option net proceeds in the following order:

(i) first, distribute up to USD 4,000,000 as payment of working capital to critical vendors, inter alia including payment to DEPBeheer B.V. of EUR 1,750,000 plus interest of 8,05 % per year as of 1 January 2017 and legal costs, but excluding (i) the Majority Shareholders, any Affiliate of the Issuer or the Majority Shareholders and any related parties to any of them (as defined in the Norwegian Public Limited Liability Companies Act (allmennaksjeloven) section 1-5), and
(ii) payables to shareholders in a Group Company or in the JV Companies; (ii) secondly, repay the Holdco Loan;
(iii) thirdly, repay the Equipment Loans;
(iv) fourthly, retain an amount covering the transaction costs (including Issuer's legal and financial advisor fees) in relation to the amendment and restatement of this Bond Agreement and apply this amount for the payment of such costs (any unpaid fees or costs of the Bond Trustee nd/or the Bondholders shall be paid no later than together with payment of the Issuer's transaction costs);
(v) fifthly, retain USD 1,000,000 in the Reserve Account for the payment of the Bondholder Nominated Director and the Management Consultant; and
(vi) sixthly, deposit into the Debt Service Retention Account and apply such funds in accordance with Clause 13.2(c)

At the balance sheet date, the Group had a liquidity position of USD 3.5 million, of which approximately. USD 0.6 million normally was restricted or pledged as collateral. The USD 3.5 million in bank deposit consisted of approximately. EUR 0.1 million, in approximately. USD 3.2 million, NOK 0.1 million and MXN 0.1 million. Per 31 December 2016, Oceanteam ASA is not in compliance on all of its loan agreements as a result of non-payment of interest and principal instalment on its bond loan, its Holdco loan and its equipment loans.

All outstanding trade receivables for the shipping segment of approximately USD 3.2 million were received in 2017. For the Solutions segment, the majority of outstanding trade receivables per year end of USD 1.6 million have already been received in 2017.

At parent company there is cash of USD 0.01 million and there is debt of USD 2.7 million with SMN and Euro 1.5 million with Rabobank, ING and NIBC. At JVs with Bourbon there is cash of USD 3.5 million which may be considered partially restricted; and there is debt of combined USD 83 million of which USD 53 million is consolidated into Group reported numbers. At JV with McDermott there was cash and non-recourse debt not relevant to Oceanteam's liquidity position beyond dividends received and as inputs in deciding proceeds to receive 20 June 2017 according to pricing formula.

The table below outlines how Oceanteam is planning to maintain its going concern position over the course of 2017. There are certain key assumptions which are outlined below and are pivotal to the going concern assertion during 2017.

Key Assumptions to support cash flow outlook in the table above:

Cash inflows are mainly contributed by:

- Revenues within Solutions segment (Equipment and Engineering). Revenue streams of Engineering for this period is comparable with 2016 level of revenues whereas equipment segment of the business is expected to grow its revenue volumes compared with 2016 levels.

Dividends from CSV Southern Ocean, which is on long-term contract with Fugro and CSV Bourbon Oceanteam 101 which is on long term contract with Total.

Cash Outflows

- General and Administrative costs are expected to decrease during 2017 with almost 30 percent mainly driven by absence of restructuring cost which was one off during 2016. Centralisation and standardisation of IT, communication, financial reporting, project initiation, management and execution will lead to cost reduction within the Group.

- Distribution of proceeds from North Ocean 105 option is governed by proposed loan agreement which was approved on 2nd May 2017 and further amended on 19th June 2017. According to this agreement these proceeds will be used in the following order:

- Critical vendors will be allocated with USD 4.0 million that will be used to cover aged payables and other liabilities within Shipping and Solutions segment. Mutual understandings have been achieved with the critical vendors on payment time lines where the payable balances will not be covered by proceeds of North Ocean 105.
- HoldCo loans to be paid, SMN USD 2.7 million plus interest MUSD 0.2 and Equipment Loans Rabobank USD 0.8 million and NIBC USD 0.12 million.
- Bond Loan restructuring transaction costs which were agreed with the Bond Loan owners on 19 June 2017.
- Reserve bank account to be created to serve required payments as per approved bond loan agreement.
- Cash proceeds from North Ocean 105 contract option transaction is expected to be received on or about 20 June 2017.

C) MARKET RISK

Market risk includes risk of fluctuation in oil prices, political, economic risk and other uncertainties, increased competition and risk of war, other armed conflicts and terrorist attacks. The deteriorated financial climate has led to delays in projects in both the oil and gas and renewable energy industries which might make it more difficult to obtain attractive contracts for the Construction Support Vessels and Fast Support Vessels. Also, the demand for solution driven services may be affected by the economic circumstances. Oceanteam on the other hand operates in different markets and geographical areas, combining engineering know-how and a pool of special-purpose equipment with our fleet of large and advanced offshore vessels. This enables us to deliver complex offshore support (cable, pipeline and umbilical installations, transportation and storage projects) as a single service (one-stop shop).
We establish strong (local) partnerships and strategic alliances. Our ambition is to be a preferred partner in offshore solutions for economically and technically challenging projects in the oil and gas as well as offshore renewables industries.

		Exchange rates 31.12.2016	Exchange rates 31.12.2015
Exchange rates used in the annual report:	EUR/USD	1.0541	1.0920
	USD/NOK	0.1160	0.1135
EUR - European euro	NOK/EUR	9.0863	9.6190
NOK - Norwegian kroner	NOK/USD	8.6200	8.8090
USD - American dollar	USD/EUR	0.9487	0.9158

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2016	2015
USD	13 035	12 675
EUR	3 100	5 786
NOK		
Other currencies		
	16 135	18 461

The carrying amounts of the Group's short-term and long-term liabilities are denominated in the following currencies:

	2016	2015
USD	(120 719)	(122 767)
NOK	(1 203)	(1 979)
EUR	(5 005)	(8 807)
Other currencies		
	(126 927)	(133 553)

USD exchange rate movements:

	31.12.2016	Increase	Decrease
USD/EUR	0.9487	1.0000	0.8000
Effect on receivables in EUR	2 941	159	620
USD/EUR	0.9487	1.0000	0.8000
Effect on liabilities in EUR	(4 748)	(257)	744

The largest currency risk for Oceanteam Shipping is connected to movement in the EUR versus USD, but since both receivables and liabilities are in USD the fluctuations will be minimal.

		2016 Carrying amount	2015 Carrying amount
Cash balance		3 514	5 165
Secured bank loans		48 262	52 253
Unsecured loans		195	259
Bond loan		57 103	56 627
Total loans and borrowings		**105 560**	**109 139**
LIBOR + margin	**3%**	**4%**	**5%**
Total effect on interests with LIBOR increase of 100 basis points	3 167	4 222	5 278
Positive (negative) effects	1 056		(1056)

Interest rate fluctuations

An increase (decrease) in the interest level with 100 bp will give an effect of USD 1.0 million on the balance of loans and borrowings per 31 December 2016. The interests rates are also linked to the development of LIBOR margins.

Note 4 - Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

4.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

(a) Income taxes and deferred tax assets

For further information, please refer to note 13.

(b) Revaluation model

The estimate of the fair value of the CSVs and Pipelay vessel may fluctuate due to changes in charter hire, OPEX, WACC (weighted average cost of capital) and market conditions and operational risks of operating vessels.
More information about the revaluation model can be found under note 12.

(c) Goodwill

The estimate of Cash Generated Units (CGU) may have variation on cash flow estimates and WACC.
For further information, please refer to note 11.

(d) Leases

At inception of and arrangement, the Group determines whether the arrangement is or contains a lease.
Please refer to note 7 for further information.

(e) Investment in Oceanteam Bourbon 101 AS and Oceanteam Bourbon 4 AS

For changes in investment in these entities, please refer to note 26 (associates) and note 27.

(f) Impairment testing

For information about the group impairment testing, please refer to note 11 and 12.

Note 5 - Operating Segments

The Group has two segments, Oceanteam Shipping and Oceanteam Solutions. Oceanteam Solutions consists engineering and equipment business. The current segments are the Group's strategic divisions.

The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Group's Board (the chief operating decision maker) reviews internal management reports on a monthly basis.

The following summary describes the operations in each of the Group's reportable segments:

USD '000	Oceanteam Shipping		Oceanteam Solutions		TOTAL	
	2016	2015	2016	2015	2016	2015
Revenue	20 328	23 224	21 541	26 278	(41 869)	49 502
Net income from associates/joint ventures	10 041	5 145	(55)	(79)	9 986	5 066
Operating cost	(550)	(826)	(14 830)	(13 849)	(15 380)	(14 676)
G&A	(8 615)	(7 139)	(5 646)	(6 053)	(14 260)	(13 191)
Net operating result	**21 205**	**20 404**	**1 011**	**6 297**	**22 215**	**26 700**
Intersegment revenue	2 239	1 184	168	-	2 407	1 184
Intersegment cost	(168)	-	(2 239)	(1 184)	(2 407)	(1 184)
Depreciation and Amortisation	(6 599)	(8 703)	(2 450)	(2 411)	(9 049)	(11 113)
Write off / Impairment	(1 433)	(3 996)	(202)	(3 390)	(1 635)	(7 386)
Reportable segment operating profit before impact of revaluation	**15 244**	**8 890**	**(3 712)**	**(688)**	**11 531**	**8 201**
Increase (decrease) of carrying amount of revaluation of vessels	(20 591)	(15 770)	-	-	(20 591)	(15 770)
Reportable segment profit after impact of revaluation	**5 347**	**(6 880)**	**(3 712)**	**(688)**	**(9 060)**	**(7 569)**
Financial income	635	797	(396)	(561)	239	236
Financial expense	(11 145)	(12 445)	(465)	(273)	(11 610)	(12 719)
Foreign exchange effects	(107)	402	(510)	96	(617)	498
Net finance	**(10 617)**	**(11 247)**	**(1 370)**	**(738)**	**(11 987)**	**(11 985)**
Pre-tax profit	**(15 964)**	**(18 127)**	**(5 083)**	**(1 426)**	**(21 047)**	**(19 553)**
Income tax	(121)	6	(2 164)	(757)	(2 286)	(751)
Net result	**(16 085)**	**(18 121)**	**(7 247)**	**(2 183)**	**(23 333)**	**(20 305)**
Reportable segments assets	**144 954**	**177 296**	**36 862**	**48 484**	**181 816**	**225 780**
Reportable segments liabilities	**(90 783)**	**(103 315)**	**(36 144)**	**(30 238)**	**(126 927)**	**(133 553)**
Capital Expenditure	**243**	**987**	**2 837**	**2 248**	**3 080**	**3 235**
Investment in equity accounted investees	**22 293**	**32 715**	**(96)**	**(16)**	**22 197**	**32 699**

The Shipping segment consist of two operating CSV vessels, one Pipelay vessel and four FSV crew boats. All the vessels worked outside Europe in 2016. One of the CSV vessels, OB 101, and the Pipelay vessel, North Ocean 105, are consolidated according to equity method, while the other CSV vessel, CSV Southern Ocean, is fully consolidated. FSVs (Icacos and Cobos) operated by DOT Shipping JV are consolidated using equity method and FSVs (Montarayya and Tiburon) operated in Valenzuela are fully consolidated. Administration expenses in Oceanteam Shipping ASA are allocated to Shipping segment since material resources from Oceanteam Shipping ASA are allocated to Shipping segment. The Oceanteam Solutions segment consist of engineering services from KCI BV and equipment business from RentOcean, an equipment department organized under Oceanteam Shipping BV. Administration expenses in Oceanteam Shipping BV are allocated to equipment business due to RentOcean.

Geograpical segments

The geographic information below analyses the Group's revenue and non-current assets by the Company's country of domicile and other countries.

In presenting the following information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of assets.

USD '000

Revenue	2016	2015
Far East & Australia	27 728	33 680
Europe	14 458	14 764
South America	0	1 058
Total	**42 186**	**49 502**

Net income from joint ventures and associates	2016	2015
Africa	7 756	4 373
The Netherlands	(55)	(79)
South America	2 285	772
Total	**9 986**	**5 066**

Sales are allocated based on the area in which the services are rendered, given figures are according to owners percentages

Revenue comprises:	2016	2015	Change in %
Revenue	41 869	49 502	(15)%
Net income from joint ventures and associates	9 986	5 066	97%
Total operating income	**51 855**	**54 567**	**(5)%**

Major customers

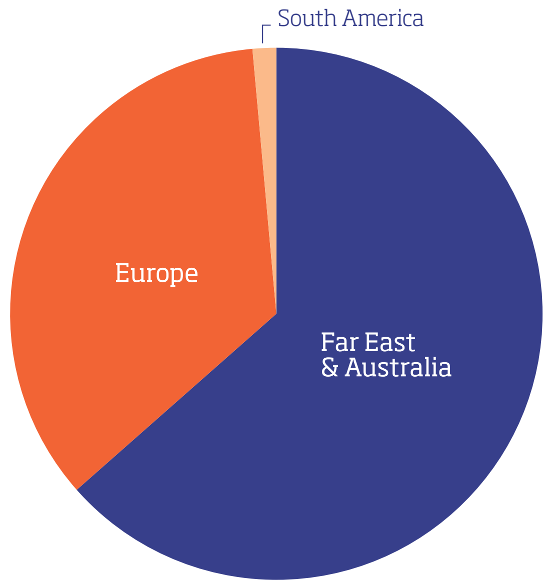
Segment	Major Customer	2016	% of Group's revenue	2015	% of Group's revenue
Shipping	Customer 1	20 152	39%	19 395	35.5%
Solutions	Customer 2	4 486	9%	7 648	14%

There were no other major customers (more than 10 percent of Group revenue) as per definition of IFRS 8.34.

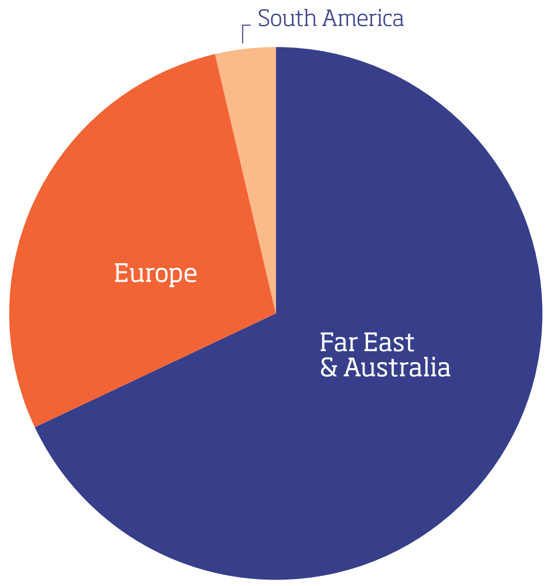
Non-current assets	2016	2015
Australia & Africa	29 567	66 908
Asia	40 173	
South America	28 281	29 900
Europe	15 070	22 412
Total	**113 091**	**119 219**

Non-current assets exclude financial instruments, deferred tax assets and employee benefit assets and are according to Oceanteam's owners' percentages.

Note 5 - Geographical segment revenue



Geograpical segment revenue 2016

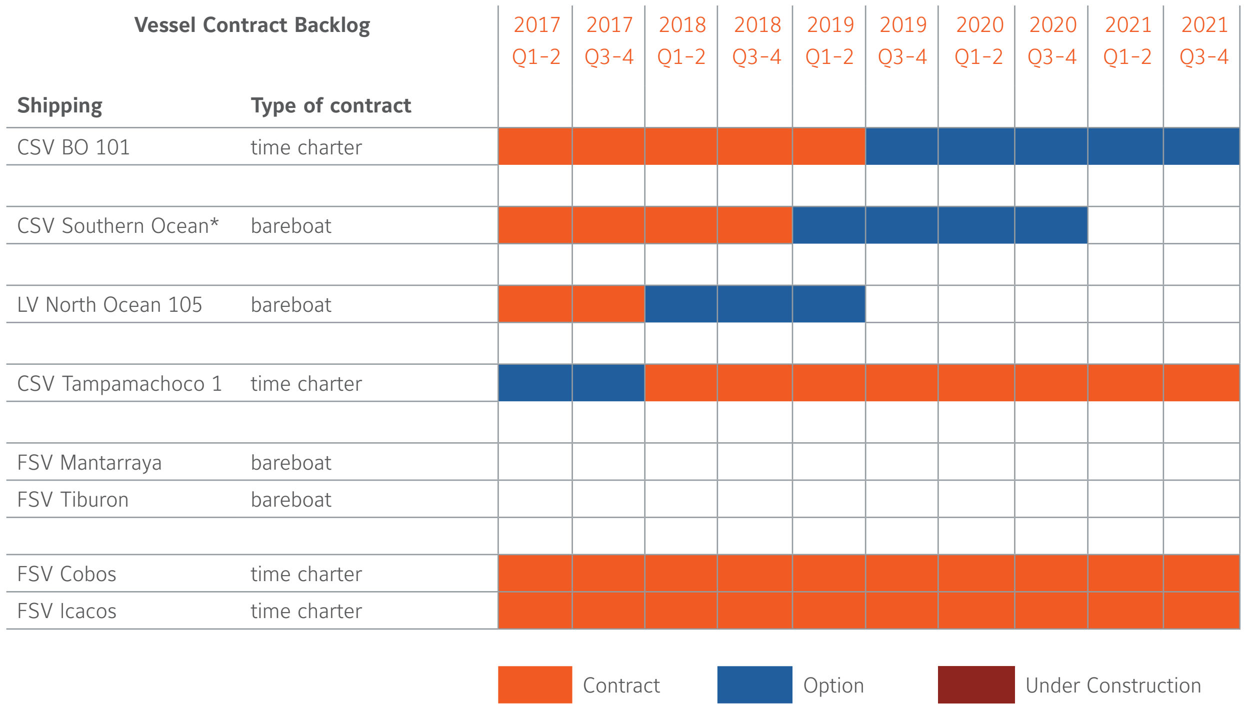


Geograpical segment revenue 2015

Note 6 - Revenue

Revenue comprises:	2016	2015	Change in %
CSV Shipping	20 328	21 228	(4)%
FSV Shipping		1 996	(100)%
Solutions engineering	9 899	12 641	(22)%
Solutions equipment handling and rental	11 642	13 637	(15)%
Total revenue	**41 869**	**49 502**	**(15)%**

The percentage of completion is determined on the basis of the construction contract costs incurred up to the balance sheet date in proportion to the estimated aggregate construction contract costs/inspection of the completed part of the construction contract/the completion of a physically distinguishable component of the construction contract. Income and expenses are recognised in the profit and loss account based on the progress of the project.



Contract backlog:
- CSV Bourbon Oceanteam 101: The company has signed a new contract for the vessel untill August 2019 +(2 x 1 year option).
- CSV Southern Ocean: Fugro TS Marine Australia firm until 31 December 2018 (+2 x 1 year option).
- Lay Vessel North Ocean 105: McDermott International Inc. firm until 30 June 2017 (+1 year option +1 further additonal year provided the charterers give advance written notice according to details in charter agreement).
- FSV Mantaraya and FSV Tiburon: contracts extended until end 2016. However contract risk is considered high, client is not paying and legal actions are imminent to collect overdue amounts.
- CSV Tampamachoco: under construction, delivery end of 2017. Vessel has a 5 year time charter contract in Mexico upon delivery.
- FSV Cobos & Icacos - Vessels are working under 7 year time charter contract in Mexico. The vessels started operations in March 2015.
- Oceanteam Solutions: the level of secured work/tenders out are at satisfactory level. Seasonal effects remain and projects tend to have durations of weeks and months instead of years. Activity in the oil and gas segment is low but are being compensated by the offshore renewable segment and other projects.

Note 7 - Lease revenue and expenses

Future contracted revenue from lease contracts in Shipping segment

The future minimum lease payments, of consolidated entities in the Shipping segment, only relate to Oceanteam Bourbon 4 AS. This income is from the bareboat hire of CSV South Ocean and as shown in the Vessel Contract Backlog is from Q1 2017 to Q4 2018.

USD 000'	2016	2015
Less than one year:	20 499	20 981
Between one and five years:	20 909	41 355
More than five years:	-	-
Total	41 408	62 337

Future contracted revenue from lease contracts in Solutions segment

The Solutions segment leases out its equipment pool on its own contracts which are from 3 to 9 months. The future minimum lease payments under non - cancellable leases are as follows:

USD 000'	2016	2015
Less than one year:	2 242	9 266
Between one and five years:	1 817	3 260
More than five years:	2 604	2 823
Total	6 662	15 350

Lease expenses in shipping segment

The Shipping segment maintains one material lease contract consisting of a ship crane mounted on the vessel CSV Southern Ocean.
The non-cancellable lease payments are as follows:

USD 000'	2016	2015
Less than one year:	1 260	1 260
Between one and five years:	1 155	2 415
More than five years:	-	-
Total	2 415	3 675

The ship crane mounted on the vessel CSV Southern Ocean is leased by Oceanteam Bourbon 4 AS from the associated company Oceanteam Bourbon Spares and Equipment AS. This lease is treated as an operating lease. Oceanteam Bourbon Spares and Equipment AS leases this crane from a company external to the Oceanteam group. This lease is treated as a finance lease.

Note 8 - Personnel cost

USD '000

Personnel cost	2016	2015
Salary	3 711	3 401
Pensions	243	216
Social security cost	371	433
Insurance	96	103
Directors fees	122	188
Contractors fees	3 222	2 271
Other cost net of subsidy*	(145)	59
Total	**7 620**	**6 670**
Average number of full time employees	100	124

* Some employees in the Netherlands are participating in a R&D payroll tax subsidy scheme (WBSO). The credits are recorded as a cost reduction of USD 305 326 in other costs.
Contractor fees are related to external consultants and temporary employees supporting the groups operation.

USD '000

Management remuneration

2016	Position	Board fees	Wages / Fees	Pension premiums	Other remuneration	Total
Haico Halbesma	CEO/CFO		583		507	1 090
Wilhelm Bøhn	interim CFO/advisor		75		50	125
Torbjørn Skulstad	Ex-CFO		274	7	223	504
Hessel Halbesma	Chairman	36			1 826	1 862
Mrs Catharina Pos	Director	24			107	131
Mr James Hill	Director	24			101	125
Total		**84**	**931**	**7**	**2 814**	**3 837**

2015	Position	Board fees	Wages / Fees	Pension premiums	Other remuneration	Total
Haico Halbesma	CEO		365		232	597
Torbjørn Skulstad	CFO		107	8	188	303
Hessel Halbesma	Chairman	37			1 021	1 058
Mrs Catharina Pos	Director	25			95	120
Mr James Hill	Director	25			99	124
Total		**87**	**472**	**8**	**1 635**	**2 202**

The CEO has entered a service agreement through his company Heer Holland B.V. The annual fee was EUR 330 000 (EUR 27 500 per month) from January to June and increased to EUR 360 000 (EUR 30 000 per month) from July onwards. The total fee for the year was EUR 345 000 (USD 392 209). These have been classified as wages/fees.

Haico Halbesma, Oceanteam ASA CEO, will become entitled to a USD 300,000 restructuring bonus upon successful fulfillment of the restructuring strategy and scope.

There is contract termination fee in place for the amount of EUR 1.8 million between the Company and Heer Holland.

Through Feastwood Holding Ltd, another company affiliated with the CEO, services fees have been charged for additional CFO functions performed by the CEO in 2016. These fees were EUR 17 500 per month (January -October) totaling EUR 175 000 (USD 190 357). These have been classified as wages/fees.
Additonally, through Feastwood Holding Ltd, there have been CEO charges for 2015 incentives of EUR 450 000 (USD 499 589). The 2015 annual bonus was approved by the Board in June 2016. The company has recognised USD 7,000 of expense in 2016 related to the CEO's Phantom Shares. Both of these costs have been classified as other remuneration.

Wilhelm Bøhn has a contract with the Company to assist in restructuring the bond loan and the shipping segment financing as per the predefined strategy and scope while acting as interim CFO For this he will upon successful fulfillment of this restructuring strategy and scope receive a bonus of USD 300 000, and a retainer of USD 300 000 paid out over 12 months starting 23 October 2016 with the last payment in October 2017. Restructuring Bonus which he will be entitled to after the board and bondholders voted in favour of restructuring the FRN Oceanteam Shipping ASA Senior Callable Bond Issue and the amended bond loan agreement is in place 2012/2017. In case Wilhelm Bøhn would arrange an interim loan facility prior to this, Mr Bøhn would have received another bonus of USD 300 000 . The latter didn't happen and is as such not applicable.

For the year 2016, the agreed fee for the chairman of the board is NOK 300 000 (USD 35 809) and NOK 200 000 (USD 24 121) for the other members of the board. In addition, board chairman Hessel Halbesma has a service agreement and charged fees of EUR 1 759 588 (USD 1 818 648) through Feastwood Holding Ltd. The current year expense includes a backdated increase in the hourly rate charged from EUR 300 to EUR 500 for work performed in 2015 which totals EUR 608 400 (USD 693 000). The company has recognised USD 7 000 of expense in 2016 related to the Chairman's Phantom Shares.

Board director Mrs Catharina Pos has received services fees through her company Cenzo B.V. of EUR 90 000 (USD 100 346), and board director Mr James Hill has received services fees through his company Groom et Hill S.A.R.L of EUR 85 676 (USD 94 121). The company has recognised USD 7,000 of expense in 2016 related to each of their Phantom Shares.

Refer to note 20 for the year-end balances of related parties.

The incentive scheme throughout the Group is given at the discretion of the board and CEO. The CEO makes a proposal to the Board for different incentives for the employees of the Company. The incentive can either be paid out in shares or in cash. If payment should be in shares, share prices will be calculated at market value. Incentives for the CEO are defined by the Board.

All employees in Oceanteam are included in an incentive plan which can consist of phantom shares in order to retain and attract employees. A phantom share award was executed in 2014 at expiration date 30 September 2016 with a valuation equal to the Company's share on the Oslo Stock Exchange (20 days average closing price). At year-end, phantom shares have not yet been paid to the employees. The liability to the company for the unpaid incentives is registered as a liability of USD 364,000.

There have not been given loans, advance payments and security by the company or other companies in the group to the individual senior executives and the individual members of the board of directors, audit committee and other elected corporate bodies.

There have not been given remuneration, pension's plans or other benefits to members of the audit committee or other elected corporate bodies.

The new bond loan agreement which became effective in June 2017, contains restrictions on payments and remuneration to CEO, CFO and board of directors.

Note 9 - General administration - auditors fee

USD '000 Specification of auditor fee	2016	2015
Statutory audit	746	598
Other assurance services	-	188
Tax advisory	67	65
Other	173	23
Total	**986**	**875**

* USD 381,000 relates to the audit of 2015 group accounts and efforts to close outstanding qualifying audit matters.

Note 10 - Financial income and financial expenses

USD '000	2016	2015
Interest income bank	4	30
Other financial income	236	206
Foreign exchange gain/loss	(617)	498
Interest expense	(10 341)	(11 442)
Call premium*	(476)	(476)
Other financial expense	(792)	(800)
Total	(11 987)	(11 985)

* Amortization expense related to Oceanteam ASA's 2012/2017 USD 92.5 million bond issuance.

Note 11 - Non-current assets - Other

USD '000 2016	Deferred tax	Goodwill	Customer relations	IP licences, concept etc	OTS Designs	Total
Historical cost 1 January 2016	6 000	13 000	4 400	499	1 677	25 576
Additions-Internally developed						-
Additions - Acquired separately				74	95	170
Disposals						-
Historical cost 31.12.16	**6 000**	**13 000**	**4 400**	**573**	**1 772**	**25 745**
Accumulated amortisation 1 January 2016			(4 400)	(172)	(505)	(5 077)
Amortisation				(95)	(250)	(344)
Impairments / reversals						-
Amortisation	**-**		**(4 400)**	**(266)**	**(755)**	**(5 421)**
Accumulated impairments 1 January 2016	(750)	(3 700)				(4 450)
Impairments / reversals	(2 250)			10		(2 240)
Accumulated impairments	**(3 000)**	**(3 700)**		**10**	**-**	**(6 690)**
Book value 31 December 2016	**3 000**	**9 300**	**-**	**317**	**1 019**	**13 636**
Amortization rates	Not Amortized	Not Amortized	3 years	5 years	5 years	
Amortization Method			Linear	Linear	Linear	

The industry downside and reducing level of profit margins during 2014 and 2015 were strong indicators of impairment trigger for Oceanteam Solutions Engineering Cash Generating Unit level and assets assigned to it. Following additional assessments of future cash flow, Company concluded to make an impairment write-off in the amount of USD 3.7 million. This was mainly driven by conservative assumptions for gross margin for Solutions segment (KCI Engineering) and for the full time employee growth rate.
Therefore, the balance of goodwill as at 31 December 2015 was restated from 13.0 MUSD to 9.3 MUSD. Please refer to the note 29 for the further details.

The Company has recognised deferred tax asset loss in the amount of USD 2.3 million during 4Q 2016.

USD '000 2015	Deferred tax	Restated Goodwill	Customer relations	IP licences, concept etc	OTS Designs	Intangible assets
Historical cost 01.01.2015	6 000	12 987	4 400	567	1 192	25 146
Additions - Internally developed		13			-	13
Additions - Acquired separately				387	485	872
Disposals				(455)		(455)
Historical cost 31.12.2015	**6 000**	**13 000**	**4 400**	**499**	**1 677**	**25 576**
Accumulated amortisation			(4 400)		(15)	(4 415)
Amortisation				(172)	(214)	(386)
Impairments / reversals					(276)	(276)
Amortisation	**-**		**(4 400)**	**(172)**	**(505)**	**(5 077)**
Accumulated impairments		(3 700)				(3 700
Impairments / reversals	(750)					(750)
Accumulated impairments	**(750)**	**(3 700)**				**(4 450)**
Book value 31.12.2015	**5 250**	**9 300**	**-**	**327**	**1 173**	**16 050**
Amortization rates	Not Amortized	Not Amortized	3 years	5 years	5 years	
Amortization Method			Linear	Linear	Linear	

A) Impairment testing of goodwill

Oceanteam's goodwill originates from acquisitions in 2008 and 2010. For the purposes of impairment testing, goodwill is allocated to the Group's cash generating unit (CGU) which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The legal unit KCI the Engineers is defined as the CGU.

On 20 February 2014, Oceanteam ASA purchased the remaining 30 percent shares of KCI The Engineers. Goodwill has been taken into account 100 percent previously when we Oceanteam increased the ownership from 50 to 70 percent in 2010.

Determination of recoverable amount

Value in use, is used to find the recoverable amount. The calculations are based on future cash flows where budgets and strategically goals for the period 2017-2021 are used. The assumptions for a five year cash flow and terminal value are shown below. Present value is calculated by using discounted cash flows where the weighted average cost of capital (WACC) is 8.2 percent post tax. WACC is based on a risk free rate of 1.7 percent, a market risk premium of 7 percent and asset beta 0.56.

The growth rate is driven by increase of full time employees and its utilisation and terminal values are based on a prudent estimate for business long outlook.

Key Assumptions
- full time employees (FTE): 86 in actual headcount 2016 is maintained at the same level for 2017, and then increased by average of 5% for years 2018, 2019 and 2020. Thereafter, it kept flat for assumptions of terminal values.
- utilisation of FTEs: actual level of 65% for 2016 is maintained for 2017 and then increased to the expected level of 73% in 2018. This level of utilisation is maintained thereafter, including assumptions for terminal values.
- Revenues are driven by assumptions made around FTEs and its utilisation. Actual revenue of USD 9.0 milllion in 2016 is kept at the same level for 2017. Revenue is mainly recovered during 2018 and 2019 (increased in average 12% per year) and thereafter kept flat.
- Operating expenditures are driven by cost per FTEs and its assumption in the model. Operating expenditures for 2017 are maintained same level at 2016 actuals and then increased by 5% in average consistent with FTE for years between 2018 and 2021. Thereafter it kept flat.
- Actual cash flows are assumed to follow same patterns of EBITDA which was negative 0.3 % in 2016. This has been maintained at same level in 2017 and expected to be increased to 10% in 2018. Thereafter it's maintained at that level.

Sensitivity analysis

Headroom is the difference between calculated value in use and carrying amount. Negative headroom indicates that goodwill is impaired.

Per 31 December 2016, impairment test for goodwill gives a headroom of approximately EUR 1 million and indicates that no impairment will occur.

Sensitivity analysis shows that impairment loss on the amount of USD 0.6 million, is indicated with a WACC of 9,0% (0,8% increase). Management believes strongly in the budget and estimates in the valuation of the goodwill. Management also see significant synergies between KCI and the equipment business, that are not included in this valuation.

Main sensitivies are around assumptions for FTEs and its utilisation. Sensivity analysis indicate impairment loss of USD 0.3 million if FTE growth assumption for years between 2018 untill 2020 will be reduced from 5% to 4%. In addition to this impairment loss of USD 0.6 million is observed when utilisation is reduced from 73% to 72% for years including and after 2018.

B) Impairment test of OTS designs

OTS designs have been tested for impairment by measuring the recoverable amount at fair value less cost to sell. No indicator for impairment has been identified. In 2015, the Company has started depreciating this asset lineary over 5 years.

NOTE 12 - Non-current Assets Property Plant and Equipment

USD '000 Carrying values	Southern Ocean	Fast Support Vessels, Machinery & other	Total
Consolidation method	Subsidiary	Subsidiaries	
Carrying values per 1 January 2016	129 455	23 952	153 407
Additions	22	2 888	2 910
Disposals			
Depreciation tangible asset	(5 646)	(3 058)	(8 704)
Impairment		(1 091)	(1 091)
Change in revaluation-recognized in operating profit and loss	(20 188)		(20 188)
Change in revaluation-recognized in other comprehensive income			
Carrying values per 31.12.2016	**103 642**	**22 692**	**126 334**

USD '000 Vessels and equipment	Southern Ocean	Fast Support Vessels, Machinery & other	Total
Historical Cost 31 December 2015	169 535	47 887	217 422
Additions	22	2 888	2 910
Disposals			
Historical Cost 31 December 2016	**169 557**	**50 775**	**220 332**
Accumulated depreciation 31 December 2015	(8 633)	(15 382)	(24 015)
Depreciation	(5 652)	(3 058)	(8 709)
Disposals depreciation	6		6
Accumulated depreciation 31 December 2016	**(14 280)**	**(18 440)**	**(32 719)**
Accumulated impairments 31 December 2015		(8 553)	(8 553)
Impairments/reversals	(51 635)	(1 091)	(52 726)
Accumulated impairments 31 December 2016	**(51 635)**	**(9 644)**	**(61 279)**
Carrying amount 31 December 2016 if CSV's were stated at historical cost	**103 642**	**22 692**	**126 334**
Revaluation per 31 December 2016			
Total carrying amount per 31 December2016	**103 642**	**22 692**	**126 334**
Depreciation rates	5-25 years	3-15 years	
Depreciation method	linear	linear	

When internal resources are used to engineer and construct a fixed asset, the relevant costs are added to the historical cost. All construction financing costs are capitalized. There has not been costs related to own development and borrowing cost in 2016. The Construction Support Vessels (CSV's), the Lay Vessel (LV) and the Fast Support Vessels (FSV's) are financed and held for security, see note 6 loans and borrowings.

The tables below specifies the allocation of revaluation reserves in consolidated balance statement and, total revaluation reserves allocated to vessel Southern Ocean and the impact in consolidated income statement

USD '000 Revaluation reserves	Revaluation for Southern Ocean, Oceanteams working interest (50%)	Revaluation for Bourbon Oceanteam 101	Revaluation for North Ocean 105	Total
Gross Revaluation reserve 1 January 2016	(13 489)	20 531	2 143	9 185
Change in revaluation	(10 094)	(9 731)	(1 832)	(21 657)
Gross Revaluation reserve 31 December 2016	**(23 583)**	**10 801**	**311**	**(12 472)**
Accumulated depreciation premium values 31 December 2015	(1 455)	(5 916)	(633)	(8 004)
Depreciation premium values	(780)	(514)	(82)	(1 376)
Total depreciation premium values	**(2 235)**	**(6 430)**	**(714)**	**(9 380)**
Total net revaluation reserve 31 December 2016	**(25 818)**	**4 371**	**(403)**	**(21 851)**
Accumulated depreciation over P&L	**2 235**	**6 430**	**714**	**9 380**
Total net Impairment 31 December 2016	**(23 583)**	**10 801**	**311**	**(12 472)**

Revaluation reserves	Revaluation for Southern Ocean, Oceanteams working interest (50%)	Revaluation Non controlling interests (50%)	Total
Gross Revaluation reserve 1 January 2016	(13 489)	(13 489)	(26 978)
Change in revaluation	(10 094)	(10 094)	(20 188)
Gross Revaluation reserve 31 December 2016	**(23 583)**	**(23 583)**	**(47 166)**
Accumulated depreciation premium values 31 December 2015	(1 455)	(1 455)	(2 910)
Depreciation premium values	(780)	(780)	(1 559)
Total depreciation premium values	**(2 235)**	**(2 235)**	**(4 469)**
Total impairment 31 December 2016	**(25 817)**	**(25 817)**	**(51 635)**
Accumulated depreciation over P&L	**2 235**	**2 235**	**4 469**
Total net Revaluation 31 December 2016	**(23 583)**	**(23 583)**	**(47 166)**

Premium values are the values above calculated fair value. For fair value measurements, ref section below.

IMPACT IN PROFIT AND LOSS AND OCI	Revaluation for Southern Ocean, Oceanteams working interest (50%)	Revaluation Non controlling interests (50%)	Revaluation for Bourbon Oceanteam 101	Revaluation for North Ocean 105	Total
Movement in Profit and Loss	(10 094)	(10 094)		(403)	(20 590)
Movement in OCI			(9 731)	(1 429)	(11 159)
Total	**(10 094)**	**(10 094)**	**(9 731)**	**(1 832)**	**(31 750)**

FAIR VALUE MEASUREMENTS

Fair value measurement of vessels

The Group is conducting a quarterly fair value measurements for the Construction Support Vessels. All vessels in this category are equity accounted except for the CSV Southern Ocean, in OB 4 AS, which is 100 percent consolidated into group numbers. The fair values are derived from both observable and unobservable inputs, which is shown at the table below. The fair values are based on calculation of future cash flows from estimated time charter rates and bareboat charter rates deducted for operating expenses. Estimated charter rates are based on signed contract only and does not include contract options. The implied charter rates are applied for the period after contract expiration by deducted assumed operating expensed with a growth rate. Implied rates are calculated based on valuations provided by external brokers. Future cash flows are calculated throughout the vessels lifetime with WACC, as discounted rate to find the net present values. The totals of net present values from ending reporting date and throughout vessels lifetime ends up in the fair values for the vessels as shown below.

Valuation process of the Group

The Group's finance department includes a team that performs the fair value measurement process which involves assessment of the inputs used in revaluation model every quarter. Discussions and analyses quarter to quarter are held within the finance team, CFO and CEO and final result will be presented for board approval.

Number in table below shows Oceanteam ASA's working interests, percentage is given under each each vessel name.

Recurring Fair Value Measurements	Southern Ocean	North Ocean 105	Bourbon Oceanteam 101	Total
Consolidation method	Subsidiary	Associate 25%	Joint Venture 50%	
Fair values per 31.12.15	129 455	12 242	41 562	183 258
Additions	22	2 519		2 541
Disposals	-	(1 350)		(1 350)
Depreciation tangible asset	(5 646)			(5 646)
Depreciation premium vessel value		(82)	(514)	(596)
Change in revaluation-recognised in operating profit and loss	(20 188)	(403)		(20 591)
Change in revaluation-recognised in other comprehensive income		(1 429)	(9 731)	(11 159)
Fair values per 31.12.2016	**103 642**	**11 497**	**31 317**	**146 458**

Inputs/Assumptions	Intervals in USD' 000
External broker values	50 000 - 95 000
Utilisation	65% - 95%
Opex	700 -4 800
WACC	8.4 %
Annual charter rates	14 000 - 21 000
Annual Implied Bareboat rates	8 800 - 12 700
Remaining useful life	16 - 19 years
Residual value	10 000
Inflation	2% - 3%

Significat inputs and assumptions for recurring fair value measurements are categorized as level 3 of the fair value hierarchy according to FRS 13.92.(b).

Sensitivity in fair value measurements in the volatile markets

There is a relative lack of liquidity in the Sale and Purchase market for offshore units and information on comparable Sale and Purchase transaction and market demand has, where available, been very limited or not available. In addition the recent oil price change has made the assessment of values more uncertain.

	Total fair values	Total fair value decreases to	In percentage	Total fair value increases to	In percentage
Fair value measurement 31.12.16	146 458				
Sensitivity to 1% change in WACC		144 306	(1.3%)	148 261	1.4%
Sensitivity to 5% change in broker valuations		141 712	(3.1%)	150 837	3.1%

The table above shows the sensitivity in revaluation model based effected by changes in WACC of one percent and broker values of five percent.

Impairment testing

Because of the volatile market and other impairment indicators, impairment tests have been done on all tangible assets. Oceanteam have applied a group WACC of 8.0 percent when testing our tangible assets. The calculated WACC has the following assumptions:

- 10 year state USD.
- A 48/52 ratio of equity/debt.
- A 0.5 Equity Beta.

a) Impairment test of Fast Support Vessels - Impairment test of Montarraya II and Tiburon II
Impairment loss of USD 1.1 million have been recognised for year end 2016 bringing the net book value for two vessels to USD 2.6 million.
Tiburon and Mantarraya are still under bareboat charter with Inversiones Setin, however, since Inversiones Setin is in breach of its obligations under the contract and the Company has not received the charter hire due thereunder, the Company has started legal proceedings against Inversiones Setin. The outstanding receivable balance in the amount of USD 0.4 million has been written off as doubtful debt as part of 4Q 2016 financial reporting.
b) Equipment assets within Solutions segment
Solutions is tested for impairment both for the tangible assets and the goodwill described in note 11.
The estimates are discounted with the group WACC described above and there are no indications of impairment for any relevant changes in the WACC or other assumptions.

Note 13 - Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Some companies operate under the Norwegian Tonnage Tax system were the tax is estimated to be zero.

USD '000	2016	2015
Income tax expense		
Tax payable	(65)	(1)
Tax payable previous year	(22)	-
Changes in deferred tax	(2 250)	(750)
Prepaid taxes / Other Changes	51	-
Deferred tax from equity transactions	-	-
Total income tax expense	(2 286)	(751)
Tax base calculation		
Profit/(loss) before income tax	(21 047)	(19 554)
Permanent differences	4 677	5 056
Income taxable under Norwegian tonnage tax regime	(16 372)	(9 632)
Changes in temporary differences	2 497	98
Corrections from previous periods	-	7 000
Translation differences	522	517
Tax base	(29 723)	(16 515)
Temporary differences:		
Fixed assets	(2 345)	1 159
Non-current receivables	-	-
Non current assets	-	-
Current assets	-	-
Profit and Loss account	119	146
Tax-deductible part of write-down	-	-
Taxable income from Subsidiairies	-	-
Effect foreign exchange on long-term liabilities	-	-
Other temporary differences	-	-
Total	(2 226)	1 305
Loss carry forward*	187 063	179 914
Total	184 838	181 219
Temporary differences included in base for tax calculation	12 000	21 000
Temporary differences not included in base for calculating deferred tax	172 838	160 219
Net deferred tax asset/(liability) - (2016: 25%, 2015: 27%)	46 209	48 929
Net deferred tax asset/(liability) recorded in balance sheet - (2016: 25%, 2015: 27%)	3 000	5 250

Effective tax rate	**2016**	**2015**
Expected income taxes at statutory		
Tax rate 25% (2015: 27%)	(5 262)	(5 280)
Permanent differences 25% (2015: 27%)	982	1 365
Deferred tax from equity transactions	-	-
Income taxable under Norwegian tonnage tax regime	(4 093)	(2 408)
Change in temp. differences not recognised	6 086	5 571
Deferred tax from share of loss in subs.	-	-
Income tax expense	(2 286)	(751)
Effective tax rate in %	0.0 %	0.0 %

Deferred income tax and liabilities are offset when there is an enforceable right to offset deferred tax assets against deferred tax liabilities and when the deferred income tax relate to the same fiscal authority.

Oceanteam has recognized USD 3 million as a deferred tax asset related to carryforward taxable losses for the operations in the Netherlands. The deferred tax asset is related to the equipment business, and is based on latest forecast for this business segment. This was written down from 5.25 million in Q4 2016 and plans indicates that there will be sufficient taxable profit to offset some of the tax loss carry forward before 2018, which is the period of utilization. Contracts and budgeted revenue with customers gives convincing evidence to support the conclusion that the deferred tax asset can be recognized in the accounts. Foreign deferred tax assets are only recorded in tax note if it is expected that they can be utilised within the statute of limitations in their local jurisdiction.
Parent company Oceanteam ASA and other Norwegian entities in the group has suffered large tax losses from exiting the contracting business. The basis for potential deferred tax loss is estimated to amount to 171 million USD for the Norwegian entities. Confirmation from the tax authorities of a deferred tax loss of NOK 1.374 million has been received in January 2017. The deferred tax losses are not recognized in the balance sheet as there is uncertainty to what extent the losses can be offset against future profits. Carry-forward taxable losses do not have a statute of limitations under current Norwegian tax regime.

Revaluated vessels that are in the tonnage tax regime have no deferred tax on the revaluation surplus since taxed under the tonnage tax regime.

Note 14 - Receivables

USD '000	2016	2015
Trade receivables at nominal value	9 373	10 162
Less: provision for impairment of trade receivables	4 545	4 380
Trade receivables net	4 828	5 782

Movements on the group provision for impairment of trade receivables are as follows:		
At 1 January	4 380	2 951
Provision for receivables impairment	165	1 429
At 31 December	**4 545**	**4 380**

Trade receivables	Due 1-30 days	Due 31- 60 days	Due 61- 90 days	Due > 90 days	Total
Shipping	1 082	1 752	208	163	3 205
Solutions equipment handling and rental	722	410	141	350	1 623
Total trade receivables	**1 804**	**2 162**	**349**	**513**	**4 828**

Other receivables	2016	2015
VAT receivable		108
Prepayments	172	723
Accrued revenue	1 457	1 430
Receivables to JV's and associates	9 353	10 062
Other short term receivables	326	354
Other current receivables	**11 307**	**12 678**

Reclassification item above is receivables from Oceanteam ASA to joint ventures and associates.

Joint ventures and associates are equity accounted, hence the debts are eliminated on group level so the receivables in parent company are left without a balancing post on Group level. For this reason, reclassification has been done.

The creation and release of provision for impaired receivables have been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The group does not hold any collateral as security. The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2016	2015
USD (Shipping segment)	3 205	2 892
EUR (Engineering and equipment)	1 623	2 890
Other		
Total	**4 828**	**5 782**

Note 15 - Cash and cash equivalents

	2016	2015
Cash	3 514	5 165
Cash and cash equivalents 31.12	**3 514**	**5 165**
Of which is restricted deposits*	601	500
Unused overdraft facilities 31.12 (in EUR '000)	26	26

* Restricted amounts consists of a restricted cash limit on the earnings account for the CSV vessels of USD 0.5 million, escrow and reserves of USD 51 thousand, and employee taxes withheld of USD 50 thousand. For other restrictions on cash and cash equivilents, refer to note 18 Loans and Borrowings.

The consolidated group's total cash consists of unrestricted cash USD 2.9 million and restricted cash of USD 0.6 million for a total of USD 3.5 million. The balance consists of various currencies with the following breakdown: USD 3.2 million, EUR 0.1 million, NOK 0.1 million, and MXN 0.1 million (all balances translated to USD). USD 3.2 million out of total cash belongs to JV Oceanteam Bourbon OB 4AS.

In addition, Oceanteam ASA maintains a USD 3 million credit facility with the bank, Sparebank 1 Midt-Norge SMN (SMN), with maturity date 31 December 2016. The credit facility is secured with pledge against Oceanteam ASA's shares, in Ocenateam Bourbon 101 AS and Oceanteam Bourbon 4 AS and accounts- and dividend receivable from the same companies. At year-end the credit facility was in default, but both parties were in common understanding of making a new extension in 2017.

Note 16 - Investments in Subsidiaries and other consolidated entities

USD '000

Overview subsidiaries:	Profit / (Loss) 2016	Equity/ (Negative Equity)	Equity percentage	Voting share	Head Office/Country of registration
Subsidiary companies:					
Oceanteam II B.V.	(121)	31 193	100%	100%	Amsterdam, Netherlands
RentOcean B.V.	(253)	(536)	100%	100%	Amsterdam, Netherlands
North Ocean 309 AS	(83)	(282)	100%	100%	Bergen, Norway
Oceanteam Shipping Monaco SAM	44	267	100%	100%	Monte Carlo, Monaco
Oceanteam Bourbon 4 AS*******	11 805	19 754	50%	60%	Bergen, Norway

2nd level Subsidiaries					
Oceanteam Shipping B.V.*	(3 268)	9 638	100%	100%	Amsterdam, Netherlands
KCI International B.V.*/******	(492)	6 535	100%	100%	Amsterdam, Netherlands
Oceanteam Shipping GmbH*	(19)	(67)	100%	100%	Wilhelmshaven, Germany
Oceanteam Mexico B.V.*	5	31	100%	100%	Amsterdam, Netherlands
3rd level Subsidiaries					
Oceanteam Mexico S.A. de C.V.********	(4 212)	(3 591)	90%	49%	Cd, del Carmen, Mexico
Oceanteam Solutions B.V.**	22	71	100%	100%	Amsterdam, Netherlands
Oceanteam GmbH**	-	-	100%	100%	Wilhelmshaven, Germany
KCI The Engineers B.V.***	(841)	3 072	100%	100%	Schiedam, Netherlands
4th level Subsidiary					
Oceanteam Power & Umbilical GmbH****	-	-	100%	100%	Wilhelmshaven, Germany

* Refer to Note 18 for details of restrictions in place in consolidated entities.
The group consolidated financial statements include parent company Oceanteam ASA and 14 subsidiaries.
The subsidiaries are fully consolidated. For further discussions on the consolidation of the entities, refer to note 27.

* The shares are directly owned by Oceanteam II B.V. a subsidiary of Oceanteam ASA
** The shares are directly owned by Oceanteam Shipping B.V. a subsidiary of Oceanteam II B.V.
*** The shares are directly owned by KCI International B.V. a subsidiary of Oceanteam II B.V.
**** The shares are directly owned by Oceanteam GmbH. a subsidiary of Oceanteam Shipping B.V.
***** Oceanteam ASA holds 49% of the ordinary shares in Oceanteam Mexico S.A. de C.V. however, between its ordinary shares and class N shares it holds 90% of the equity in the company. The class N shares don't give the same voting rights as ordinary shares but do give voting rights on matters including; amendments to the purpose of the company, dissolution of the company and mergers and divisions. Additionally, Oceanteam ASA provides the funding to this company and sets the policies and strategy. On this basis Oceanteam ASA is considered to have control of Oceanteam Mexico S.A. de C.V.
****** At 13 October 2016 Oceanteam ASA sold its shares, a 100% stake, to Oceanteam II B.V.
******* Oceanteam Bourbon 4 AS has a material non-controlling interest of 50% illustrated in table below
******** The shares are directly owned by Oceanteam Mexico B.V. a subsidiary of Oceanteam II B.V.

	Oceanteam Bourbon 4 AS
Operating segment	CSV Southern Ocean
Principal place of business	Bergen, Norway
Ownership interest held by non-controlling interests	50%
Voting rights held by non-controlling interests*	40%

The following is summarised financial information for Oceanteam Bourbon 4 AS based on the company's financial statements prepared according to IFRS.
The information is before intercompany eliminations with other companies in the Group.
* For further information about voting rights and history of consolidation, ref note 27.

	Oceanteam Bourbon 4 AS	
USD '000	2016	2015
Operating income	20 152	19 395
Operating expenses	(5 962)	(7 736)
Net finance costs	(2 398)	(2 027)
Tax on ordinary result	(2)	(2)
Net profit / (loss) for the year	11 790	9 630
Adjustments made at group level:		
Increase (decrease) of carrying amount from revaluation of vessels	(20 187)	(15 770)
Depreciation on premium value	(1 559)	(2 910)
Profit after increase (decrease) of carrying amount from revaluation of assets	**(9 956)**	**(9 050)**
Other comprehensive income	-	-
Total comprehensive income	**(9 956)**	**(9 050)**
Profit attributable to non-controlling interests	**(4 978)**	**(4 525)**

Current assets	6 242	5 554
Non-current assets	72 533	76 598
Current liabilities	(59 019)	(8 497)
Non-current liabilities	-	(65 705)
Net assets	**19 755**	**7 949**
Adjustments made at group level:		
Fair value adjustments	29 552	56 766
Fair value of Net assets	**49 307**	**64 715**
Net assets attributable to non-controlling interests	**24 654**	**32 357**

Oceanteam ASA controls the day to day operations of Oceanteam Bourbon 4 AS however any decisions including the transfer of assets, cash or declaration of dividends, has to be jointly decided upon by both JV partners, Oceanteam ASA and Bourbon Offshore Norway AS. See note 27 for further details.
Oceanteam Bourbon 4 AS has a credit and guarantee facility agreement with several banks which has various covenants including minimum free cash of USD 500.000.

The consolidated group's total cash consists of USD 3.5 million out of which USD 3.2 million belongs to Oceanteam Bourbon 4 AS.

See notes 15 and 18 for further details

Note 17 - Share Capital and Shareholder Information

Share capital:

As per 31.12.2016, The share capital of the company is NOK 14 796 629.50 (USD 2 595 148) divided into 29 593 259 shares with a nominal value of NOK 0.50 (USD 0.09). All shares are given equally voting rights.

Oceanteam owns a total of 2 959 324 own shares representing 10.0 percent of the shares in the Company. The calculations are made on the basis of 29 593 259 shares in the Company. The purpose of the buy-back is to secure Oceanteam's obligations related to the share based incentive plan for executives and employees, as detailed in resolution 10 of Annual General Meeting, held on 31 May 2012.

Shareholders	Notes	Number of shares	Percentage of total
FEASTWOOD HOLDING LTD	1	9 533 720	35,8 %
CLEARSTREAM BANKING S.A.		4 072 189	15,3 %
ACONCAGUA MANAGEMENT LTD		1 244 204	4,7 %
PERSHING LLC		917 288	3,4 %
YOUNG NOUGATEERS AS		500 000	1,9 %
THE ROYAL BANK OF SCOTLAND PLC		447 947	1,7 %
RAGE, PER EGIL		412 500	1,5 %
JPMORGAN CHASE BANK, N.A., LONDON		373 558	1,4 %
VARNER-GRUPPEN AS		350 211	1,3 %
NORDNET BANK AB		322 832	1,2 %
LANDRO; KENNETH		297 640	1,1 %
NYBORG, PER OLAV		246 027	0,9 %
NANOK EIENDOM AS		233 564	0,9 %
NILSEN, STEINAR JOHAN		230 000	0,9 %
KUMAR, VIJAY		218 000	0,8 %
NETFONDS LIVSFORSIKRING AS		210 820	0,8 %
IMAGINE CAPITAL AS		208 261	0,8 %
ØSTLANDSKE PENSJONISTBOLIGER AS		206 818	0,8 %
RO, LARS		200 000	0,8 %
SKANDINAVISKA ENSKILDA BANKEN AB		167 995	0,6 %
Subtotal 20 largest		**20 393 574**	**76,6 %**
Others		6 240 361	23,4 %
Total		**26 633 935**	**100,0 %**

Board			
Hessel Halbesma (UBS AG)	1	9 533 720	35,8 %
James Wingett Hill	3	50 000	0.2 %
Total for Board		**9 583 720**	**36,0 %**
Management			
Haico Halbesma, CEO	1	9 594 707	36,0%
Torbjørn Skulstad, (Ex-CFO)	2	20	0.0%
Total of shares owned by executive employees		**9 594 727**	**36,0%**
Related parties			
Norha Invest AS	1	0	0%
Tor Arend Halbesma	1	50 000	0.2%
Total shares owned by related parties		**50 000**	**0.2%**
Total shares controlled by Halbesma family	1	**9 644 707**	**36,2%**

1. UBS ASG nominee account is controlled by the Halbesma family. Haico Halbesma is currently CEO and Hessel Halbesma is Chairman of Oceanteam ASA. Haico Halbesma owns 60 987 shares privately and jointly controls 9 533 720 shares together with Hessel Halbesma. Tor Arend Halbesma is a son of Hessel Halbesma.

2. Torbjørn Skulstad was CFO of Oceanteam (until Nov 30th 2016).

3. James Wingett Hill was director of Oceanteam until 9 May 2017.
For more information, please refer to related party transaction in note 20.

Note 18 - Loans and borrowings

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows including interests representing nominal value at payment date. There is none net-settled derivative financial liabilities.

USD '000

At 31 December 2016	Q1	Q2	Q3-Q4	Over 1 year	Total
Total outstanding on loan	105 560				105 560
Total outstanding on loan	**105 560**	**0**	**0**	**0**	**105 560**

The total loan amount is due in first quarter 2017 by operation of default.

At 31 December 2015	0 to 1 year	1 to 2 years	2 to 5 years	over 5 years	Total
Total outstanding on loan	109 138				109 138
Total outstanding on loan	**109 138**	**0**	**0**	**0**	**109 138**

Loans/ Currency of loan		**True rate of interest**	**Description**	**31 December 2016**	**31 December 2015**
Oceanteam ASA	Senior Unsecured	LIBOR + margin	Senior Callable Bond Issue 2012/2017	57 103	56 627
CSV Southern Ocean (USD)	Secured	LIBOR + margin*	SpareBank 1 SMN Bank USD 81 million	46 575	54 675
Oceanteam Solutions	Secured		NIBC Bank N.V and Rabobank Amsterdam U. A	195	259
Oceanteam ASA	Secured		SpareBank 1 SMN Bank USD 2.7 million	2 700	
***Borrowing costs				(1 013)	(2 422)
****Total short-term debt**				**105 560**	**109 138**

* 50% of the LIBOR interest rate is fixed.
** All interest bearing debt are booked as first year installments as currently there is a technical default on senior unsecured bond loan.
*** Borrowing costs related to refinancing goes to reduction of long-term debt according to IFRS.

The CSV vessels and various equipment are collateral for the loans. The carrying amount for CSV vessel is MUSD 103.642 per 31 December 2016. The carrying amount for equipment which is pledged for loan security is MUSD 4.923 per 2016.

Per 31 December 2016 the interest payments on the Senior Callable Bond Issue 2012/2017 of USD 92.5 millions were not made as they came due. The past due interest payments and the bond principal of MUSD 57.5 entered into default. Due to these circumstances, third party bond brokers estimated the fair value of the Bond to 23.5 % of nominal (outstanding principal) value.

	2016	**2015**
Financial costs		
CSV Southern Ocean (USD)	2 398	2 681
Bond loan (USD)	8 746	9 741
Oceanteam Solutions (EUR)	362	230
Other	104	67
Total interest costs	**11 610**	**12 719**

Total bank facilities

As per 31 December 2016 the total interest bearing debt of the company is USD 105.6 million. The consolidated group's total cash consists of unrestricted cash USD 2.9 million and restricted cash of USD 0.6 million for a total of USD 3.5 million. The equity ratio was 30.2 percent per balance sheet date.

Cross Defaults

Cross default occurs if an event of default occurs for any financial indebtedness in any of the group companies, joint venture companies or associated companies, limited to an aggregate financial indebtedness of USD 4 million or above.

Per 31 December 2016, the company was in cross default position due failure to pay scheduled loan principal installement. Because of this principal amount and accrued interests as been reclassifed to first year installments.

As of the balance sheet date and the reporting date, the Company is in breach of compliance with its debt service coverage, book equity and market adjusted book equity ratios.

FRN Oceanteam Shipping ASA Senior Callable Bond Issue 2012/2017 - USD 92,5 million

The Company has issued an unsecured bond loan in the amount of USD 92.5 million dated 24 October 2012. The Bonds shall amortize as follows:

a) USD 35 million shall mature, with pro rata redemption, at the interest payment date April 2015 at 100% par value (plus accrued interest on the redeemed amount)

b) the remaining amount under the old Bond shall mature at the Final maturity date 24 October 2017

Coupon rate: 3 months Libor + 11,25% margin, quarterly interest payments.

Financial covenants:
> Book equity ratio of minimum 35%
>Market adjusted equity ratio of minimum 25%
>Gearing ratio:
*maximum of 6.00 for the period 24 October 2012 -23 October 2014
*maximum of 5.50 for the period 24 October 2014 - 23 October 2015
*maximum of 5.00 for the period 24 October 2015 - 24 October 2017
>Debt service coverage ratio of minimum 1.00

The Bond Loan is callable at any time in the time frames below:
>24 October 2012 - 23 October 2013 at a price equal to 110% of par value
>24 October 2013 - 23 October 2014 at a price equal to 108% of par value
>24 October 2014 - 23 October 2015 at a price equal to 107% of par value
>24 October 2015 - 23 October 2016 at a price equal to 106% of par value
>24 October 2016 - 23 October 2017 at a price equal to 103% of par value

Accrued interest on redeemed amount will be added to redemption price.

This loan has been placed under Bond loan (USD) in table above.
Oceanteam ASA initiated a financial restructuring in October 2016 and has since developed and executed a restructuring plan that will secure a capital cost and structure which will support the value preservation and financial flexibility while enabling value creation for all stakeholders. An agreement has been reached with Oceanteam bondholders on 2 May 2017 amended in June 19 2017. The new bond maturity date is 22 May 2022. The further details of the new bond agreement can be fond on the Company website.

SpareBank 1 SMN Bank, DVB Bank SE Nordic Branch and NIBC Bank N.V – USD 81.000.000 - CSV Southern Ocean

All amounts below are presented on 100 percent basis, please note that 100% is included in the group accounts since this is a subsidary.

Oceanteam Bourbon 4 AS (borrower) has entered into a credit and guarantee facility agreement in the amount of USD 81 million with Sparebank 1 SMN Bank, DVB Bank SE Nordic and NIBC Bank N.V as lenders and Sparebank 1 SMN as facility agent. The balance of the loan per 31 December 2016 is USD 46.6 million. The current interest is 3 month LIBOR + 3,40 % margin p.a.. The loan will be repaid in 20 quarterly instalments of USD 2.025 million from 17 October 2012 and a balloon of USD 45.525 million expected in Q2 2017. The company have entered a Swap agreement with Sparebank 1 SMN where 50% of the principal will be repaid with a fixed interest rate of 0,815% + 3,40% Margin.

Key loan covenants for the borrower include: > Free cash of minimum USD 500.000
 > Working capital to be positive at all times. First year installments are deducted from short term liabilities according to NGAAP.
 > Maket value adjusted Equity of minimum 25%
 > Vessel Value / Loan balance, minimum 135%

Other key loan covenants include:
 > Market value adjusted Equity of minimum 25% of total value adjusted assets (OTS Group, reporting quarterly)
 > Market value adjusted Equity of minimum 25% of total value adjusted assets (BON, reporting semi-annually)

This loan has been placed under Southern Ocean in table above.
Per 31 December 2016, the Company was in compliance with JV specific covenants but due to breach with covenants within OT Group with the market value adjusted Equity it triggered cross-default resulting in non-compliance reporting at year end for Oceanteam Bourbon 104 specific loan.

NIBC Bank N.V - EUR 1.000.000 Revolver Facility - RentOcean BV

RentOcean BV (borrower) entered in April 2015 into a EUR 15 million financial facility agreement with NIBC Bank N.V. Oceanteam ASA is guarantor for the facility. The facility matures in three years after the facility start date. The purpose of this facility is to draw loans with security in new solution contracts. The loans will be paid down quarterly over the duartion of the contracts. The facility has been reduced to EUR 1.000.000 and debt reserve account is used for loan repayment.

The interest on active loans is 3 month EURIBOR/LIBOR + 3,75 percent margin p.a. RentOcean also paid a arrangement fee and pays a yearly commitment fee for the facility.

Outstanding amount per 31 December 2016 is EUR 165.178 (present EUR 102.000).

Key loan covenants for the borrower include:
> Solvency is, at all times, at least 25%.
> The balance of the Debt Service Reserve account is:
 (A) At all times at least EUR 50 000
 (B) At least EUR 100 000 at any time while the aggregate outstanding amount the the loans is more than EUR 5 million, but less than EUR 10 million.
 (C) At least EUR 125 000 at any time while the aggregate outstanding amount of the loans is more than EUR 10 million.

The covenants for the guarantor are covenants in the OTS ASA bond agreeement, please refer to more information on the bond agreement above.

This loan has been placed under loan in Oceanteam Solutions in table above.

Other loans

The Group also has another short term credit facilities.

SpareBank 1 SMN Bank - USD 2.7 million overdraft - Oceanteam ASA
Oceanteam ASA did in April 2015 draw a 3 million overdraft from SMN. The facility will mature in April 2017 and the interest rate is 3 months LIBOR + 6 % margin p.a.
This loan has been placed under Oceanteam ASA in table above.

Cöoperatieve Rabobank Amsterdam U.A - EUR 1.5 million overdraft - Oceanteam Shipping B.V.
Oceanteam Shipping B.V did in October 2015 draw a 1-5 million overdraft from Rabobank. The interest rate is 1 months EURIBOR + 5,5 % margin p.a.
Overdraft amount per 31 December 2016 is EUR 165.178.
This loan is placed under Oceanteam Solutions in table above.

Sparebank 1 SMN Bank, DVB Bank SE Nordic Branch and NIBC Bank N.V - USD 66,000,000 - CSV 101

All amounts below are presented on 100 percent basis, please note that nothing is included in the group accounts since the Groups interest in Oceanteam Bourbon 101 AS is classified as associate.
Oceanteam Bourbon 101 AS (borrower) has entered into a senior secured term loan and guarantee facility agreement dated 6 July 2012 Sparebank 1 SMN bank, DVB Bank SE nordic Branch and NIBC Bank N.V as banks and with Sparebank 1 SMN as agent for a total amount of USD 66 million. The loan balance per 31 December 2016 is USD 37.9 million. The interest rate of the loan is 3 month LIBOR + 3,4 % p.a. The senior secured term loan will be repaid in 20 quarterly instalments of USD 1.65 million from 17 Octber 2012 until final installment of USD 33.0 million on 17 July 2017. The company have entered a Swap agreement with Sparebank 1 SMN where 50% of the principal will be repaid with a fixed interest rate of 0,815% + 3,40% Margin.

Key loan covenants for the borrower include:
 > Free cash of minimum USD 500.000
 > Working capital to be positive at all times. First year installments are deducted from short term liabilities according to NGAAP.
 > Maket value adjusted Equity of minimum 25%
 > Vessel Value / Loan balance, minimum 135%

Other key loan covenants include:
 > Market value adjusted Equity of minimum 25% of total value adjusted assets (OTS Group, reporting quarterly)
 > Market value adjusted Equity of minimum 25% of total value adjusted assets (BON, reporting semi-annually)

Per 31 December 2016, the Company was in compliance with JV specific covenants but due to breach with covenants within OT Group with the market value adjusted Equity it triggered cross-default resulting in non-compliance reporting at year end for Oceanteam Bourbon 101 specific loan.

GE Capital CEF Mexico, S. de R.L de CV - USD 10.501.120 - DOT Shipping AS

DOT Shipping AS (borrower) has entered into a loan agreement with GE Capital CEF Mexico, S. de R.L. de C.V. in the amount of USD 11.7 million. Contstructora Subacuatica Diavaz, S.A de C.V and Diavaz OceanTeam Servicios Navieros, S.A.P.I. CV are guarantors to the loan.

Please note that nothing is included in the group accounts since the Groups interest in DOT Shipping AS is classified as investment in joint venture.

Per 31 December 2016, the Company was in compliance with JV specific covenants but due to breach with covenants within OTS Group with the market value adjusted Equity it triggered cross-default resulting in non-compliance reporting at year end for DOT Shipping loan covenants.

BNP Paribas - USD 69.443.000 - North Ocean 105 AS

North Ocean 105 AS (borrower) entered into a financing agreement of USD 69.4 million with BNP Paribas in September 2010. The interest is 2.76% per year and the loan will be repaid with 17 consecutive semiannual installments which commenced on October 1, 2012. Borrowings under the agreement are secured by, among other things, a pledge of all the equity of the Company, a mortgage on the North Ocean 105, and a lien on substantially all of the other assets of the Company. McDermott, which through its wholly owned subsidiary JRMN has a 75% ownership interest in the Company, has unconditionally guaranteed all amounts to be borrowed under the agreement.

The loan balance per 31 December 2016 is USD 32.7 million.

Please note that nothing is included in Group accounts since the Groups interest in DOT Shipping AS is classified as

investment in joint ventures.
Per 31 December 2016, the Company was in compliance with JV specific covenants but due to breach with covenants within OT Group with the market value adjusted Equity it triggered cross-default resulting in non-compliance reporting at year end for North Ocean 105 AS loan covenants.

Note 19 - Liabilities

USD '000

Trade payables	Current	Due 30-60 days	Due 61-90 days	Due > 120 days	Total
Shipping	327	243	49	1 921	2 540
Solutions equipment handling and rental	439	591	538	2 247	3 816
Total trade payables	**766**	**834**	**587**	**4 168**	**6 356**

Other payables	**2016**	**2015**
Aging above provides information on overdue status of invoices for the Group companies.		
Incurred interest cost	3 555	1 702
Holiday and wages due	418	485
Provisions	1 460	1 981
Preinvoicing	78	521
JV Partner balance	5 879	9 704
Other short term debt	3 332	4 458
Total other current liabilities	**14 723**	**18 852**

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.
Other short term debt mainly represented by provision for KCI purchase transaction taken place in 2014 (MUSD 1.8), bank overdraft (MUSD 0.9) and other minor balances.

Note 20 - Related party transactions

Cenzo BV
Cenzo is controlled by Catharina Petronella Johanna Pos, director of Oceanteam ASA.
Transactions consists mainly of invoicing of board fees and other consulting services provided to The Company during 2016. Refer to note 8 for more details.

Feastwood Holding Ltd (1)
Feastwood Holding Ltd is controlled by Hessel Halbesma, chairman of Oceanteam ASA and Haico Halbesma, CEO of Oceanteam ASA. Transactions consist of invoicing for services provided by Hessel Halbesma and recharges related to disbursements. These services provided include board services, providing exclusive access to his network and long time business partners, maintenance and development of partnership arrangements, sourcing and strategic development related to financing the group, Intellectual property expansion, initiation and steering of change management and general support to various management functions within the group.

They year 2016 charge includes USD 693.000 resulted from a hourly rate increase for 2015 services and beyond from EUR 300 to EUR 500 per hour. Refer to note 8 for more details.

Feastwood Holding Ltd (2)
Feastwood Holdings Ltd issued in addition invoices relating to services provided by Haico Halbesma. These relate to year 2015 incentives and additional CFO services. Refer to note 8 for more details.

Heer Holland BV
Heer Holland BV is controlled by Haico Halbesma, CEO of Oceanteam ASA. Transactions consists mainly of invoicing of monthly management services. Refer to note 8 for more details.

Groom Hill
Groom Hill is 33% owned by James Wingett Hill, director of Oceanteam ASA.
Transactions consists mainly of invoicing of board fees and other consulting services provided to the Company during 2016. Refer to note 8 for more details.

Challenger Management Services S.A.M.
Challenger Management Services S.A.M is controlled by Hessel Halbesma and Haico Halbesma. Transactions consist of invoicing for cummunication services and rental of office space.

Toha Invest BV
Toha Invest BV is controlled by Haico Halbesma and Hessel Halbesma. Transactions consist of invoicing for the rental of office space.

Imperator AS
Imperator AS is controlled by Wilhelm Bøhn, the interim CFO of Oceanteam ASA and his close family. Transactions consist of invoices in accordance with a service agreement. Refer to note 8 for more details.

4C Offshore Ltd
4C Offshore Ltd is controlled by Hessel Halbesma, chairman of Oceanteam ASA and Haico Halbesma, CEO of Oceanteam ASA. The transactions with 4C Offshore Ltd consist mainly of invoices for consultancy work, IT maintenance and licensing fees.

Heleos Energy BV
Hessel Halbesma, chairman of Oceanteam ASA, is a director of Heleos Energy BV. The income received from this company relates to the usage of KCI the Engineers BV's engineering services.

Annerieke Vonk
Annerieke Vonk, long term partner of Haico Halbesma, CEO of Oceanteam ASA, and Haico Halbesma rented their private apartment to two Oceanteam employees from 1 April 2015.

USD '000	Income/recharge expense		Cost		
Company	2016	2015	2016	2015	Type of transaction
Cenzo BV	-	-	(124)	(78)	Other services than Board committee
Feastwood Holding Ltd (1)	190	119	(1 855)	(1 124)	see above
Feastwood Holding Ltd (2)	-	-	(691)	-	see above
Heer Holland BV	-	-	(392)	(581)	see above
Groom Hill S.A.R.L	-	-	(118)	(83)	Other services than Board committee
Challenger Management Services S.A.M	-	-	(96)	-	Other services than Board committee
Toha Invest BV	-	-	(305)	-	Rental of Amsterdam office
Imperator AS	-	-	(75)	-	Management Services
4C Offshore Ltd	-	-	(223)	(309)	see above
Heleos Energy BV	199	-	-	-	see above
Annerieke Vonk	-	-	(25)	(24)	see above

	Amounts receivable		Vendor & accrued balance	
Company	2016	2015	2016	2015
Cenzo BV	-	-	(82)	-
Feastwood Holding Ltd (1)	-	546	(16)	-
Feastwood Holding Ltd (2)	-	-	(691)	-
Heer Holland BV	-	-	(28)	(30)
Groom Hill S.A.R.L	-	-	(84)	(7)
Challenger Management Services S.A.M	-	-	(56)	-
Toha Invest BV	-	-	2	-
Imperator AS	-	-	(37)	-
4C Offshore Ltd	-	-	(312)	(207)
Heleos Energy BV	199	-	-	-
Annerieke Vonk	-	-	(12)	-

Transactions with Group companies

USD '000	Interest Income		Management fee income	
	2016	2015	2016	2015
Oceanteam Bourbon 101 AS	2	18	35	7
Oceanteam Bourbon Spares and Equipment AS	33	1	12	30
North Ocean 105 AS	200	-	-	-
DOT Holdings AS	-	-	-	756

Only tranctions with non-consolidated companies are disclosed above. See note 20 in the parent financial

statements for details of transactions between Oceanteam ASA and all group companies.
Internal interest is calculated on intercompany balances. An interest rate of 7% is applied to all the above company's interest bearing intercompany balances subject to North Ocean 105 AS on which 4% is applied.

Note 21 - Contingent Liabilities

Oceanteam has commenced proceedings against Intramar (trade name of Mr. Nico de Wit) in respect of insurance premium paid and undocumented set-offs by Mr. de Wit. The claims of Oceanteam II B.V., Oceanteam ASA and Oceanteam Shipping GmbH have been dismissed in February 2017. In March 2012 and October 2013 arrests have been filed against Intramar to secure Oceanteam's claim. Intramar might claim damages caused by wrongful arrest.

During 2015, the Company has entered into the contract for two new FSVs with guaranteed buy back option from the builder. As these vessels did not start on the contract by the end of August 2016, the builder had the right to sell the vessels to the third party. Any losses or gains realised as part of this transactions will be shared equally between the Company and vessel builder.

Please refer to the note 8. Personnel Cost for contingent liabilities outstanding at year end for the key management personnel within Oceanteam ASA.

Note 22 - Contingent assets

There are no material contingent assets at year-end.

Note 23 - Guarantees

The parent company Oceanteam ASA has issued guarantees in support of the obligations of its subsidiaries under joint venture agreements, loan agreements and contracts with clients.

Oceanteam ASA last year for the obligations of DOT Radiance Pte Ltd as a Borrower under a Facility Agreement for Tampamachoco for an amount of USD 60,900,000 under which Oceanteam ASA, Constructora Subaquatica Diavaz SA de CV and Pacific Radiance BV act as guarantors in favour of DBS Bank Ltd for the acquisition of the vessel Tampamachoco.

Oceanteam ASA is acting as a guarantor under the NIBC loan as well.

A guarantee consisting of "Total Consideration" pursuant to the April 2014 purchase of the shares in the two companies KCI Holding B.V. and KCI International B.V was triggered by the non-performance of last and final instalment payment of EUR 1 750 000 (USD 1 844 500) due at 31 December 2016. Under the new bond agreement there is commitment to settle this balance from the proceeds of the North Ocean 105 AS call option.
The guarantee is warranted by Oceanteam ASA.

Note 24 - Events after balance sheet date

- In a press release 11 January 2017 Oceanteam ASA announced that it had reached an understanding with its bond holders regarding main terms on the restructuring of its bond loan dated 23 October 2012, named "FRN Oceanteam ASA Senior Callable Bond Issue", and under which a principal amount of USD 57 500 000 was outstanding and in default at year-end. At 12 April Nordic Trustee ASA, the trustee, issued a summons to bond holders meeting to be held 2 May 2017 with a list of proposed amendments of which, when it was approved 2 May 2017, amended on 19 June 2017 by Bond holders and subsequently at became effective on 21 June 2017. Some of the terms with financial impact are as follows:

- Extending maturity from 24 October 2017 to 2 May 2022. Making the bond loan a long-term liability.

- Amending the interest rate from 3 month LIBOR + 11,25% per annum to 7% per annum payable in arrears, of which 6% may be payable in new bonds (not cash), reducing both interest expense and cash outflows for the company.

- Deferral of past due interest payment 24 October 2016, and interest payments 24 January 2017 and 24 April 2017. The three interest payments will be added to bond principal amount and payment due will be extended to bond maturity date at 2 May 2022. Reducing the cash liquidity needed short-term.
- Allowing for security to be granted to bond holders including a pledge over Oceanteam's shares held in Oceanteam Bourbon 101 AS(50% share) and Oceanteam Bourbon 4 AS (50% share).
- imposing maximum annual management compensation amounts for Oceanteam ASA Chairman, CEO and CFO. The details are provided in the note 21 Contingent Liabilities.

- Oceanteam's joint-venture partner McDermott has given written notice of utilisation of its option to purchase all of Oceanteam's interest in North Ocean 105 AS, the company owning the CSV North Ocean 105. The transaction was closed on 20 June 2017.
- Oceanteam's subsidiary KCI is selected by Beijing based client, and with this enters the Chinese market with offshore wind contract.
- Oceanteam extends contract with 1 year for supply of cable installation spread including 4000T turntable.
- Since early 2017 a lien regarding past due obligations is attached to Oceanteam ASA's shares in the Dutch subsidiaries.
- At 24 January 2017 Oceanteam Bourbon Spares & Equipment AS changed its name to Oceanteam Bourbon Investments A
- Bank accounts for group company KCI International B.V. have been attached by lien early 2017 due to past due obligations (Balance of USD 3.000 at year-end). This has no material effect on the company's operations.

Note 25 - Earnings per share

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. Own shares of 2 959 324 may be used in employee incentive program and represents a dilutive effect of up to 10% if fully utilised.

USD '000	2016	2015
Net Result (USD '000)	**(23 333)**	**(20 305)**
Shares per 1 January	29 593	29 593
Holdings of own shares	(2 959)	(2 959)
Share consolidation (10:1)	-	-
Issued, not registered shares	-	-
Shares 31 December	29 593	29 593
Own shares 31 December	(2 959)	(2 959)
Weighted average of shares during the year	**26 634**	**26 634**
Earnings per share (USD)	**(0.88)**	**(0.76)**
Weighted average if all own shares are issued as employee incentives.	29 593	29 593
Dilutive earnings per share (USD)	**(0.88)**	**(0.76)**

*Please refer to note 17 for Share Capital and Shareholders information and note 18 for repayment of bond loan.
** Please note that the diluted earnings per share is the same as the basic earnings per share since the effect of the shares issuable under employee & executive share based payment is considered anti-dilutive (that is it increases basic earnings per share)

Note 26 - Investment in joint ventures, associates and subsidiaries

INVESTMENTS IN JOINT VENTURES AND ASSOCIATES	Investment in Oceanteam Bourbon 101 AS	Participation in LV 105	DOT Shipping GROUP	Investment in Oceanteam Bourbon Spares & Equipment AS	Total
Consolidation method	**Associate**	**Associate**	**Joint venture**	**Joint venture**	
Carrying amount of investment per 31 Dec 2015	5 762	10 671	2 827	(41)	19 218
Change in investments	(2 550)	(6 350)			(8 900)
Net result from investment in 2016	7 756	2 437	(153)	(55)	9 986
Depreciation premium value	514	82			596
Total carrying amount excluding revaluations 31 December 2016	**11 483**	**6 840**	**2 674**	**(96)**	**20 900**

The table above summarises the investments in the Group. The following sections in this note describe the different categories of investments more thoroughly, excluding revaluation.

REVALUATIONS FOR JOINT VENTURES AND ASSOCIATES	Investment in Oceanteam Bourbon 101 AS	Participation in LV 105	DOT shipping GROUP	Investment in Oceanteam Bourbon Spares & Equipment AS	Total
Consolidation method	**Associate**	**Associate**	**Joint venture**	**Joint venture**	
Carrying amount of net revaluations	11 945	1 510			13 455
Change in investments					
Net result from investment in 2016					
Change in gross revaluation in 2016	(10 245)	(1 914)			(12 158)
Total carrying amount 31 December 2016	**1 700**	**(403)**			**1 297**
Total investments including revaluations 31 December 2016	**13 182**	**6 437**	**2 674**	**(96)**	**22 197**

Joint ventures

DOT Shipping, is a joint venture with Diavaz, consisting of DOT Holdings AS, DOT Shipping AS, DOT Shipping BV, DOT S.A. de C.V. and DOT Radiance PTE LTD. These entities will be presented together under DOT Shipping companies.

The following is summarised financial information for DOT Shipping companies and Oceanteam Bourbon Spares & Equipment AS, its financial statements prepared in accordance with IFRS.
All companies mentioned above are equity accounted in the Group.

Pursuant to an MOA between DOT Radiance Pte Ltd. and Pacific Crest Pte. Ltd. as amended DOT Radiance Pte Ltd. will receive CSV Tampamachoco if the conditions listed in the contract amendments are fulfilled.

Pursuant to an agreement between DOT Radiance Pte Ltd and Pacific Crest Pte Ltd, DOT Radiance Pte Ltd will receive CSV Tampamachoco if conditions listed in the contract amendments are fulfilled.

Diavaz Oceanteam Servicios Navieros SAPI de CV has a time charter wirh Constructora Subaquatica Diavaz SA de CV for the provision of Tampamachoco. This agreement is currently being amended to reflect the delayed delivery of Tampamachoco.

Oceanteam's joint-venture partner McDermott has given written notice of utilisation of its option to purchase all of Oceanteam's interest in North Ocean 105 AS, the company owning the CSV North Ocean 105. The transaction was closed on 20 June 2017.
Oceanteam Bourbon Spares & Equipment AS is an unlisted joint arrangement in which the Group has joint control and a 50 percent ownership interest. This company is founded in October 2012 by Oceanteam Shipping ASA and Bourbon Offshore Norway AS. The Group has classified its interest in Oceanteam Bourbon Spares & Equipment AS as a joint venture.

	DOT Shipping companies	Oceanteam Bourbon Spares & Equipment AS
Nature of relationship with the Group	"FSV Icacos FSV Cobos CSV large under construction"	Equipment business
Principal place of business	Mexico	Bergen, Norway
Ownership interest	40%	50%
Voting rights held	50%	50%

The following is summarised financial information for DOT Shipping companies and Oceanteam Bourbon Spares & Equipment AS, based on their respective financial statements prepared with USD as the functional currency, modified for fair value adjustments and differences in the Group's accounting policies.

USD '000	DOT Shipping companies 2016	DOT Shipping companies 2015	Oceanteam Bourbon Spares & Equipment AS 2016	Oceanteam Bourbon Spares & Equipment AS 2015
Revenue	4 071	3 603	1 260	
Profit before tax	(382)	301	(110)	(157)
Tax				
Net result	**1 172**	**301**	**(110)**	**(157)**
Current assets	3 450	3 984	523	1 153
Non-current assets	32 527	28 021	2 149	154
Current liabilities	(4 522)	(3 651)	(2 184)	(33)
Non-current liabilities	(20 815)	(17 279)	(685)	(1 312)
Net assets	**10 641**	**11 074**	**197**	**(38)**

USD '000	DOT Shipping companies 2016	DOT Shipping companies 2015	Oceanteam Bourbon Spares & Equipment AS 2016	Oceanteam Bourbon Spares & Equipment AS 2015
Group's interest in net assets of investee at beginning of year	2 827	1 733	(41)	63
Investments		2 698		
Total comprehensive income attributable to the Group	(153)	(1 604)	(55)	(104)
Total other comprehensive income attributable to the Group				
Dividends received during the year				
Carrying amount of interest in investee at 31 December 2016	**2 674**	**2 826**	**(95)**	**(41)**

Cont. note 26 - Investment in joint ventures, associates and subsidiaries

Associates

Oceanteam Bourbon 101 AS is an unlisted company which the Group has 50 percent ownership interest. This company was founded in June 2009 by Oceanteam ASA and Bourbon Offshore Norway AS.

North Ocean 105 AS is an unlisted company which the Group has 25 percent ownership interest. The remaining 75 percent ownership interest is owned by J.Ray McDermott.
The Group has classified its interest in Oceanteam Bourbon 101 AS and North Ocean 105 AS associates, both of which are equity accounted.

	Oceanteam Bourbon 101 AS	North Ocean 105 AS
Nature of relationship with the Group	Vessel CSV Bourbon Oceanteam 101	Vessel LV 105
Principal place of business	Bergen, Norway	Bergen, Norway
Ownership interest	50%	25%
Voting rights held	40%*	25%

The following is summarised financial information for Oceanteam Bourbon 101 AS and North Ocean 105 AS based on the USD as their functional currency, modified for fair value adjustments on acquisition and differences in Group's accounting policies.
*In December 2013 the owning parties agreed to change the shareholders' agreement for Oceanteam Bourbon 101 AS. Oceanteam ASA have two of total five directors in the board, which is the base for calculation of voting rights given above. The owner companies, Bourbon Offshore Norway AS and Oceanteam ASA have equal voting shares in general meetings. The changes were implemented from 1 January 2014.

USD '000	Oceanteam Bourbon 101 AS		North Ocean 105 AS	
	2016	**2015**	**2016**	**2015**
Revenue	28 064	23 590	14 671	16 346
Profit before tax	16 543	10 449	7 751	8 147
Tax	(2)	(2)	(2)	(2)
Net result	**16 541**	**10 447**	**7 749**	**8 145**
Current assets	7 767	7 450	1 609	1 687
Non-current assets	59 133	58 261	97 713	102 748
Current liabilities	(43 937)	(7 329)	(28 011)	(1 859)
Non-current liabilities	-	(51 733)	(32 679)	(73 227)
Net assets	**22 963**	**6 649**	**38 632**	**29 350**

USD '000	Oceanteam Bourbon 101 AS		North Ocean 105 AS	
	2016	**2015**	**2016**	**2015**
Group's interest in net assets of investee at beginning of year	17 818	26 828	12 182	13 043
Change in investment	(112)		(1 350)	(1 900)
Total profit attributable to the Group	7 756	4 520	2 437	2 118
Total other comprehensive income attributable to the Group	(9 731)	(8 030)	(1 832)	(1 079)
Dividends received during the year	(2 550)	(5 500)	(5 000)	
Carrying amount of interest in investee at 31 December 2016	**13 182**	**17 818**	**6 437**	**12 182**

Note 27 - Business combinations

Oceanteam Bourbon 4 AS

During December 2013 the shareholders' agreements between Oceanteam ASA and Bourbon Offshore Norway AS regarding the companies Oceanteam Bourbon 4 AS and Oceanteam Bourbon 101 AS was amended. The result of the amendment was that Bourbon Offshore Norway AS acquired significant control over Oceanteam Bourbon 101 AS, and that Oceanteam ASA acquired significant control over Oceanteam Bourbon 4 AS. The change became effective from 1 January 2014.
After the amendment equity interest still remained 50 percent, but voting shares in Oceanteam Bourbon 4 AS became 60 percent and significant control of the company came in place. The control is currently also affirmed by Oceanteam ASA being represented by three of a total of five directors at the company's board. But in general, the owner companies, Bourbon Offshore Norway AS and Oceanteam ASA have equal voting shares in general meetings.

Oceanteam Bourbon 4 AS operates the vessel CSV Southern Ocean which is currently on bareboat charter with Fugro TSMarine Australia until December 2018.

Per 31.12.16 non-controlling interests held USD 24.7 million of equity (2015: USD 32.4 million of equity) in the group accounts.
Revenue from the company in 2016 was USD 20.2 million (2015: USD 19.4 million) and profit is USD 11.8 million (2015: 9.6 million), revaluation reserve for the company is amounted to negative USD 47.2 million per balance sheet date.

Korndörffer Contracting International B.V. (KCI)

At 13 October 2016 Oceanteam ASA sold its shares in KCI, a 100% stake, to Oceanteam II B.V, a subsidiary, owned 100% by Oceanteam ASA.
The change of ownership had no effect on consolidated financial figures since both before and after the sale KCI is owned 100% by the group and fully consolidated.

Note 28 - Classification financial assets and liabilities

Financial assets

USD '000	**2016**			**2015**		
	Loans and receivables	Other receivables	Total	Loans and receivables	Other receivables	Total
Trade receivables and other receivables	4 828	11 307	16 135	5 782	12 678	18 461
Cash and cash equivalents	3 514		3 514	5 165		5 165
Total financial assets	**8 342**	**11 307**	**19 650**	**10 947**	**12 678**	**23 626**

Financial liabilities

USD '000	**2016**			**2015**		
	Other liabilities	Other liabilities	Total	Other liabilities	Other liabilities	Total
Loans and borrowings						
First year installments	105 560		105 560	109 138		109 138
Trade payables and other current liabilities	6 356	15 011	21 367	4 880	19 535	24 415
Total financial liabilities	**111 916**	**15 011**	**126 927**	**114 018**	**19 535**	**133 553**

Liabilities held to maturity are carried at amortised cost. For further information, please refer to loans and borrowings in note 18, and accounting principles in note 2.

Note 29 - Correction of errors

The company has now completed documentation in relation to allocation of DOT group structure set up related costs from parent companies into JVs. This also included an assessment of the capital recognition criteria in accordance with IAS 16 within the DOT Group. As a result only costs directly attributable to the construction of the FSVs (Icacos and Cobos) and the CSV vessel (Tampamachoco) have been recognised. This led to an overstatement of operating income of USD 2.3 million, overstatement of investments in associates by USD 1.5 million and overstatement of other receivable balance by USD 0.8 million.

The $2.3 million includes of $0.9 million which Oceanteam ASA had invoiced to DOT Holdings AS which was subsequently reversed and $0.1 million, representing a 5% markup on invoiced amounts, which hadn't been accounted for arriving at a decreased invoiced amount of $0.8 million. Following the capitalisation review within the DOT Group the value of Oceanteam ASA's investment in the DOT Group and the net income from the DOT Group was decreased by $1.5 million.

The income from the associate Oceanteam Bourbon 101 AS was decreased by $0.1 million and net investments from associate was increased by the same amount due to classification error.

$0.7 million has been reclassified from Net income from associates/ joint ventures to Revenue due to classification error for reporting net investments from associates.

The company has concluded to recognise $ 3.7 million impairment loss against goodwill balance of $13 million within solutions engineering cash generating unit, as at the end of 2015 reporting period. This had brought the goodwill balance to $ 9.3 million for 2015 year end reporting period. As this impairment loss existed as at the end of 2015, IFRS requires us to restate the Company position for this reporting period. Impairment loss was recognised following completion of documentation for the goodwill impairment assessment as at the end of 2015.
VAT receivable was overstated in the consolidated entity, Oceanteam Mexico SA de CV, at the 2015 period end by $0.6 million. This has now been written off in the 2015 figures.

Determination of recoverable amount

Value in use, is used to find the recoverable amount. The calculations are based on actual numbers for 2016 and future cash flows where budgets and strategically goals for the period 2017-2020 are used. The assumptions for a five year cash flow and terminal value are shown below. Present value is calculated by using discounted cash flows where the weighted average cost of capital (WACC) is 8.2 percent post tax. WACC is based on a risk free rate of 1.7 percent, a market risk premium of 7 percent and asset beta 0.56.

Key assumptions

- full time employees (FTE): applied 86 in actual headcount 2016 and maintained at the same level for 2017, and then increased by average of 5% for years 2018, 2019 and 2020. Thereafter, it kept flat for assumptions of terminal values.
- utilisation of FTEs: applied actual level of 65% for 2016 where same level is maintained for 2017 and then increased to the expected level of 73% in 2018. This level of utilisation is maintained thereafter, including assumptions for terminal values.
- Revenues are driven by assumptions made around FTEs and its utilisation. Applied actual revenue of USD 9.0 milllion for 2016 and kept at same level for 2017. Revenue is mainly recovered during 2018 and 2019 (increased in average 12% per year) and thereafter kept flat.
- Operating expenditures are driven by cost per FTEs and its assumption in the model. Applied actual operating expenditures of USD 6.3 million for 2016, maintained at same level in 2017 and then increased by 5% in average consistent with FTE for years between 2018 and 2020. Thereafter it kept flat.
- Actual cash flows are assumed to follow patterns of EBITDA which was negative 0.3 % in 2016, maintained at same level in 2017 and expected to be increased to 10% in 2018. Thereafter it's maintained at that level.

A reclassification has been made within equity to increase Reserves by $5.9 million and decrease the Non-controlling interest by $5.9 million. This is due to a classification error being made in the 2015 annual report.

The bond loan has been reclassified from non-current liabilities to short-term liabilities due to the fact that as at the end of the prior period the company was not in compliance with its covenants.

$0.5 million of intangible assets has been reclassified from Vessels and equipment to Intangible assets due a classification error made in the 2015 annual report.

A bank account overdraft balance of $0.4 million had incorrectly been netted off against Cash and cash equivalents in the 2015 financial statements. This has been reclassified as a short term liability.

The errors has been corrected by restating each of the affected financial statement line items for the prior period as follows:

Consolidated statement of profit and loss and other comprehensive income	2015	Profit Increase/ (Decrease)	2015 (Restated)
Revenue	49 548	(46)	49 502
Net income from associates/ joint ventures	7 402	(2 337)	5 066
Total operating revenues	**56 950**	**(2 383)**	**54 567**
Write off	(3 065)	(4 322)	(7 386)
Total operating expenses before increase (decrease) of carrying amount of revaluation of assets	**(42 045)**	**(4 322)**	**(46 366)**
Profit (loss) before increase (decrease) of carrying amount from revaluation of assets	**14 905**	**(6 704)**	**8 201**
Operating profit (loss) after increase (decrease) of carrying amount from revaluation of assets	**(865)**	**(6 704)**	**(7 569)**
Ordinary profit (loss) before taxes	(12 850)	(6 704)	(19 554)
Net result	**(13 602)**	**(6 704)**	**(20 305)**
Items that may be reclassified subsequently to profit or loss			
Translation differences	-	(112)	(112)
Items that may be reclassified subsequently to profit or loss	-	(112)	(112)
Other comprehensive income, net of tax	**(9 109)**	**(112)**	**(9 221)**
Total comprehensive income for the year	**(22 711)**	**(6 816)**	**(29 526)**
Profit (loss) attributable to:			
Owners of the Company	(10 559)	(6 716)	(17 273)
Non-controlling interests	(3 043)	12	(3 031)
Profit (loss)	**(13 602)**	**(6 704)**	**(20 305)**
Total comprehensive income attributable to:			
Owners of the Company	(19 668)	(6 828)	(26 494)
Non-controlling interests	(3 043)	12	(3 031)
Total comprehensive income for the year	**(22 711)**	**(6 816)**	**(29 526)**
Earnings per share	(0.51)	(0.25)	(0.76)

Basic earnings per share for the prior year have also been restated. The amount for correction was an decrease of $ 0,25 per share.

Consolidated statement of financial position	31.12.2015	Increase/(Decrease)	31.12.15 (Restated)
Goodwill	12 987	(3 687)	9 300
Investment in associates	34 300	(1 601)	32 699
Intangible assets	1 063	437	1 500
Vessels and equipment	153 856	(450)	153 406
Non-current assets	**207 456**	**(5 301)**	**202 155**
Other receivables	14 054	(1 376)	12 678
Cash and cash equivalents	4 733	432	5 165
Current assets	**24 570**	**(944)**	**23 626**
Total assets	**232 026**	**(6 245)**	**225 780**
Loans and borrowings	101 038	(101 038)	-
First year installments	8 100	101 038	109 138
Other current liabalities	18 396	456	18 852
Total Liabilities	**133 097**	**456**	**133 553**
Reserves	49 175	(1 497)	47 678
Equity attributable to owners of the Company	**62 003**	**(1 497)**	**60 505**
Non-controlling interests	50 413	(5 202)	45 211
Total non-controlling interests	**36 924**	**(5 202)**	**31 722**
Total equity	**98 928**	**(6 699)**	**92 227**
Total equity and liabilities	**232 026**	**(6 245)**	**225 780**

FINANCIAL STATEMENTS PARENT

Income statement
01.01 - 31.12

USD '000	Notes	2016	(Restated) 2015
Operating expenses			
Payroll expenses	3, 14, 19	3 976	2 473
Depreciation	7	398	490
Other operating expenses		2 900	2 066
Total operating expenses		**7 274**	**5 029**
Operating profit / (loss)		**(7 274)**	**(5 029)**
Financial income and expense			
Profit on investment in joint ventures, subsidiairies and associates	2, 4		13 897
Interest from group companies	4	1 375	1 101
Foreign exchange result	4	(95)	(199)
Write-off	4	(4 678)	(6 813)
Other financial expenses	4	(188)	(210)
Interest expense	4	(8 563)	(9 507)
Net finance		**(12 149)**	**(1 731)**
Profit / (loss) before income tax		**(19 423)**	**(6 760)**
Tax on ordinary income	5		
Net profit / (loss)		**(19 423)**	**(6 760)**
Attributable to:			
Other equity	13	(19 423)	(6 760)
Total		**(19 423)**	**(6 760)**

Further information on the 2015 restatement can be found in note 22.

Statement of financial position 31 December

ASSETS

USD '000	Notes	2016	(Restated) 2015
Non-current assets			
Intangible assets			
Project strategy, concessions & rights	7	307	327
OTS Designs	7	845	999
Total intangible assets		**1 152**	**1 326**
Tangible assets			
Office equipment	7	195	261
Total tangible assets		**195**	**261**
Financial assets			
Investments in joint ventures and subsidiaries	8	34 125	41 330
Loans to group companies	9	45 575	51 417
Investments in associates	8	298	298
Total financial assets		**79 998**	**93 045**
Total non-current assets		**81 345**	**94 632**
Current assets			
Receivables			
Other receivables	10	23	1 198
Total receivables		**23**	**1 198**
Cash and cash equivalents	11	160	1 687
Total current assets		**183**	**2 885**
Total assets		**81 528**	**97 517**

Statement of financial position 31 December

EQUITY AND LIABILITIES

USD '000	Notes	2016	(Restated) 2015
Equity			
Owners equity			
Share capital	12, 13	2 595	2 595
Holdings of own shares	12, 13	(257)	(257)
Share premium reserve	13	1 304	1 304
Total owners equity		**3 642**	**3 642**
Accumulated profits			
Other equity	13	12 586	32 009
Total accumulated profits		**12 586**	**32 009**
Total equity		**16 228**	**35 651**
Liabilities			
Other non-current liabilities	10		126
Total non-current liabilities			**126**
Current liabilities			
Bond loan	10	56 269	54 854
Liabilities to financial institution	10	2 700	3 000
Accounts payable	10	1 806	1 814
Public duties payable	10	71	39
Other current liabilities	10	4 454	2 033
Total current liabilities		**65 300**	**61 740**
Total liabilities		**65 300**	**61 866**
Total equity and liabilities		**81 528**	**97 517**

Bergen 22 June 2017
The Board of Directors of Oceanteam ASA

Hessel Halbesma	**Catharina Pos**	**Bote de Vries**	**Haico Halbesma**
Chairman	Director	Director	Chief Executive Officer

Bote de Vries became director of the Company on 9 May 2017. He was not involved with the Company in the annual year 2016 nor in the first quarter 2017. Bote de Vries has reviewed the annual accounts 2016, discussed these accounts with the auditors, the CEO and the CFO. Due to the short time frame and the complexity of the financial situation of the Company Bote de Vries is however not able to independently confirm that the annual accounts have been prepared in accordance with the NAA.

Cash flow statement
01.01 - 31.12

USD '000	2016	(Restated) 2015
Cash flow from operating activities		
Profit / (loss) before income taxes	(19 423)	(6 760)
Depreciation	398	490
Write-off assets	4 678	6 810
Paid taxes		
Change in other receivables	1 175	
Change in accounts payable	(9)	881
Items classified as investment/financing activities	(1 255)	(13 141)
Change in other accruals	2 328	678
Net cash flow from operating activities	**(12 108)**	**(11 042)**
Cash flow from investing activities		
Paid-out from purchase of fixed assets	(219)	(573)
Paid in dividend from subsidiaries	9 075	12 469
Paid-out for loan to subsidiaries and associates		(8 430)
Proceeds from sales of shares		5
Purchase of shares		(2 657)
Repayment of share capital from subsidiaries, joint ventures and associates	2 025	7 154
Net cash flow from investing activities	**10 881**	**7 968**
Cash flow from financing activities		
Paid-in from new loans raised		3 000
Issuance of debt		
Paid-out non-current liabilities	(300)	(35 000)
Treasury shares		
Paid-out short-term debt		
Paid in equity		
Paid in dividend		
Net cash flow from financing activities	**(300)**	**(32 000)**
Net change in cash and cash equivalents	(1 527)	(35 074)
Cash acquire in merger		
Cash and cash equivalents at 01.01	1 687	36 761
Cash and cash equivalents at 31.12	**160**	**1 687**

NOTES TO THE FINANCIAL STATEMENTS PARENT

Note 1 - Primary accounting principles

The financial statements, which have been presented in compliance with the Norwegian Public Liability Companies Act, the Norwegian Accounting Act and Norwegian generally accepted accounting principles in effect as of 31 December 2016, consist of the profit and loss account, balance sheet, cash flow statement and notes to the accounts.

The financial statements have been prepared based on the fundamental principles governing historical cost accounting, comparability, continued operations, congruence and prudence. Transactions are recorded at their value at the time of the transaction. The different accounting principles are further commented on below.

Assets/ liabilities related to current business activities and items which fall due within one year are classified as current assets/ liabilities. Current assets/ short-term debts are recorded at the lowest/ highest of acquisition cost and fair value. The definition of fair value is the estimated future sales price reduced by expected sales costs. Other assets are classified as fixed assets. Fixed assets are entered in the accounts at historical cost, with deductions for depreciation. In the event of a decline in value which is not temporary, the fixed asset will be subject to a write-down. The same principle applies to liabilities.

According to generally accepted accounting standards there are some exceptions to the basic assessment and valuation principles. Comments on these exceptions can be found in the respective notes to the accounts. When applying the basic accounting principles and disclosure of transactions and other items, the "substance over form" rule is adopted. Contingent losses which are probable and quantifiable are charged to the profit and loss account.

ACCOUNTING PRINCIPLES FOR MATERIAL ITEMS

Revenue recognition

Revenue is normally recognised at the time of delivery of services. Oceanteam ASA issues management fees to companies in the same Group which goes to cost reduction in the same account group as the invoiced companies will book to cost. There is also calculated interest on intercompany receivables based on an intergroup cash pooling agreement.

Other operating expenses

Other cost which are not related to day to day operations are classified as other operating expenses.

Dividends

Dividends, group contributions and other distributions are recognised in the same year as they are recognised in the subsidiary or joint venture financial statement. If dividends / group contribution exceed withheld profits after acquisition, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet of the parent company.

Dividend from subsidiaries and joint ventures will only be recognised per balance sheet date if it's significantly more likely than not that the dividend will be approved in the relevant company.

Use of estimates

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities in accordance with generally accepted accounting principles in Norway.

Pensions

The Company has a pension scheme that is classified as a defined contribution plan. The defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Depreciation

Based on the historical cost of the asset, straight line depreciation is applied over the useful economic life of the fixed assets. The same rules apply for intangible fixed assets. Depreciation is classified as an operating cost. Finance leases are depreciated over the term of the lease and the liability is reduced in line with the lease payments after deducting interest.

Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax / tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 25 percent of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilised.

FOREIGN CURRENCY TRANSLATION

Functional and reporting currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Company's functional and reporting currency are in USD.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are measured at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses) / gains – net'.

BALANCE SHEET CLASSIFICATION

Current assets and short-term liabilities consist of receivables and payables due within one year. Other balance sheet items are classified as fixed assets / long term liabilities.

Current assets are valued at the lower of cost and fair value. Short-term liabilities are recognized at nominal value. Fixed assets are valued at cost, less depreciation and impairment losses. Long-term liabilities are recognised at nominal value.

Intangible assets

Intangible assets are recognised to the extent that the criteria for capitalisation are met and are measured at cost and accumulated impairment losses.

Intangible assets are to be tested annually for impairment and are reviewed 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 to sell and value in use.

Tangible assets

Tangible assets are entered in the accounts at historical cost, with deductions for accumulated depreciation and write-down. If the fair value of a tangible asset is lower than book value, and the decline in value is not temporary, the tangible asset will be written down to fair value.

Investment in Joint Ventures, Subsidiaries and Associates

Subsidiaries and investments in joint ventures and associates are valued at cost in the Company accounts. The investment is valued as cost of the shares in the subsidiaries and the joint ventures, less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Accounts receivable and other receivables

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables.

For the remaining receivables, a general provision is estimated based on expected loss.

CASH FLOW STATEMENT

The cash flow statement is presented using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Cash and cash equivalents include cash, bank deposits and other short term, highly liquid investments with maturities of three months or less.

Currency
Cash, receivables, liabilities in foreign currency is valued using exchange rate at year end.

Events after the balance sheet date
New information on the Company's position at the balance sheet date is taken into account in the annual financial statements.

Events after the balance sheet date that do not affect the Company's position at the balance sheet date, but which will affect the Company's position in the future, are stated if significant.

Note 2 - Profit on investments

USD '000	2016	2015
By business area		
Profit from sale of shares		
Dividend from joint venture companies		
Dividend from subsidiaries		6 347
Dividend from associates		7 550
Total		**13 897**

Geographical distribution		
Europe		13 897
Total		**13 897**

Note 3 - Employees, Board and auditor

USD '000	2016	2015
Employee benefits expense		
Salaries	653	567
Social security	75	65
Pension costs	36	29
Other benefits	26	37
Contractor fees*	3 186	1 775
Total	**3 976**	**2 473**
Employees in Oceanteam Shipping ASA in average	7	5

*Contractor fees are related to external consultants and temporary employees supporting the Group's operations. The year on year increase is driven by services provided by Feastwood Holding Limited in 2015 being recognised in 2016. The cost of these services, totaling USD 693 000, relates to a backdated increase in the hourly rate charged from EUR 300 to EUR 500.

Management remuneration
USD '000

2016	Position	Board fees	Wages / Fees	Pension premiums	Other remuneration	Total
Haico Halbesma	CEO		583		507	1 090
Wilhelm Bøhn	CFO (interim)		75		50	125
Torbjørn Skulstad	CFO (ex-CFO)		237	7	223	467
Hessel Halbesma	Chairman	36			1 826	1 862
Mrs Catharina Pos	Director	24			107	131
Mr James Hill	Director	24			101	125
Total		**84**	**895**	**7**	**2 814**	**3 800**

2015	Position	Board fees	Wages / Fees	Pension premiums	Other remuneration	Total
Haico Halbesma	CEO		365		232	597
Torbjørn Skulstad	CFO (ex-CFO)		107	8	188	303
Hessel Halbesma	Chairman	37			1 021	1 058
Mrs Catharina Pos	Director	25			95	120
Mr James Hill	Director	25			99	124
Total		**87**	**472**	**8**	**1 635**	**2 202**

Auditor's fee consists of the following:
USD '000

	2016	2015
Statutory audit	411	392
Other assurance services	182	178
Tax advisory	41	15
Other	10	8
Total	**644**	**593**

The CEO has entered a service agreement through his company Heer Holland B.V. The annual fee was EUR 330 000 (EUR 27 500 per month) from January to June and increased to EUR 360 000 (EUR 30 000 per month) from July onwards. The total fee for the year was EUR 345 000 (USD 392 209). These have been classified as wages/fees.

Haico Halbesma, Oceanteam ASA CEO, will become entitled to a USD 300,000 restructuring bonus upon successful fulfillment of the restructuring strategy and scope.

There is contract termination fee in place for the amount of EUR 1.8 million between the Company and Heer Holland B.V.

Through Feastwood Holding Ltd, another company affiliated with the CEO, services fees have been charged for additional CFO functions performed by the CEO in 2016. These fees were EUR 17 500 per month (January -October) totaling EUR 175 000 (USD 190 357). These have been classified as wages/fees.

Additonally, through Feastwood Holding Ltd, there have been CEO charges for 2015 incentives of EUR 450 000 (USD 499 589). The 2015 annual bonus was approved by the Board in June 2016. The Company has recognised USD 7 000 of expense in 2016 related to the CEO's Phantom Shares. Both of these costs have been classified as other remuneration.

Wilhelm Bøhn has a contract with the Company to assist in restructuring the bond loan and the shipping segment financing as per the predefined strategy and scope while acting as interim CFO For this he will upon successful fulfillment of this restructuring strategy and scope receive a bonus of USD 300 000, and a retainer of USD 300 000 paid out over 12 months starting 23 October 2016 with the last payment in October 2017. Restructuring Bonus which he will be entitled to after the board and bondholders voted in favour of restructuring the FRN Oceanteam Shipping ASA Senior Callable Bond Issue and the amended bond loan agreement is in place 2012/2017. In case Wilhelm Bøhn would arrange an interim loan facility prior to this, Mr Bøhn would have received another bonus of USD 300 000 . The latter didn't happen and is as such not applicable.

For the year 2016, the agreed fee for the chairman of the board is NOK 300 000 (USD 35 809) and NOK 200 000 (USD 24 121) for the other members of the board. In addition, board chairman Hessel Halbesma has a service agreement and charged fees of EUR 1 759 588 (USD 1 818 648) through Feastwood Holding Ltd. The current year expense includes a backdated increase in the hourly rate charged from EUR 300 to EUR 500 for work performed in 2015 which totals EUR 608 400 (USD 693 000). The company has recognised USD 7 000 of expense in 2016 related to the Chairman's Phantom Shares.

Board director Mrs Catharina Pos has received services fees through her company Cenzo B.V. of EUR 90 000 (USD 100 346), and board director Mr James Hill has received services fees through his company Groom et Hill S.A.R.L of EUR 85 676 (USD 94 121). The company has recognised USD 7,000 of expense in 2016 related to each of their Phantom Shares.

Please refer to note 19 for the year-end balances of related parties.

The incentive scheme throughout the Company is given at the discretion of the Board and CEO. The CEO makes a proposal to the Board for different incentives for the employees of the Company. The incentive can either be paid out in shares or in cash. If payment should be in shares, share prices will be calculated at market value. Incentives for the CEO are defined by the Board.

All employees in Oceanteam are included in an incentive plan which can consist of phantom shares in order to retain and attract employees. A phantom share award was executed in 2014 at expiration date 30 September 2016 with a valuation equal to the Company's share on the Oslo Stock Exchange (20 days average closing price). At year-end, phantom shares have not yet been paid to the employees. The liability to the Company for the unpaid incentives is registered as a liability of USD 184 167.

There have not been given loans, advance payments and security by the Company or other companies in the Group to the individual senior executives and the individual members of the Board of Directors, audit committee and other elected corporate bodies.

There have not been given remuneration, pension's plans or other benefits to members of the audit committee or other elected corporate bodies.

Note 4 - Financial income and financial expenses

USD '000	2016	2015
Finance income		
Dividend income from joint ventures		
Dividend income from subsidiaries		6 347
Dividend income from associates		7 550
Income from sale of shares		
Interest income from group companies	1 375	1 101
Other interest income		29
Other financial income (foreign exchange gains)	260	40
Total finance income	**1 635**	**15 068**
Finance costs		
Reversing write-down investment in subsidiaries		
Write-down investments / receivables	(4 678)	(6 813)
Interest expenses	(8 087)	(9 031)
Call premium*	(476)	(476)
Other financial expenses	(188)	(239)
Other financial cost (foreign exchange losses)	(355)	(240)
Total finance costs	**(13 784)**	**(16 799)**
Result financial items	**(12 149)**	**(1 731)**

* Amortisation expense related to Oceanteam ASA's 2012/2017 USD 92.5 million bond issuance.

Note 5 - Income taxes

USD '000	2016	2015
Income tax expense		
Tax payable		
Tax payable previous year		
Changes in deferred tax		
Total income tax expense		
Tax base calculation		
Profit/(loss) before income tax	(19 423)	(6 760)
Permanent differences	4 678	(11 669)
Changes in temporary differences	247	98
Corrections from previous periods	-	3 182
Translation differences	2 924	517
Tax base	**(11 574)**	**(14 632)**
Temporary differences		
Fixed assets	(551)	1 159
Non-current receivables		
Non-current assets		
Current assets		
Profit and Loss account	119	146
Tax-deductible part of write-down		
Taxable income from subsidiairies		
Effect foreign exchange on long-term liabilities		
Other temporary differences		
Total	**(432)**	**1 305**
Loss carry forward	171 053	156 039
Taxable income from subsidiairies		
Total	**171 053**	**157 344**
Temporary differences not included in base for calculating deferred tax	(170 621)	157 344
Deferred tax liability (asset) - (2016: 25%, 2015: 27%)	(42 655)	(42 483)
Effective tax rate	**2016**	**2015**
Expected income taxes at statutory		
Tax rate 25% (2015: 27%)	(4 856)	(1 825)
Permanent differences 25% (2015: 27%)	982	(3 151)
Change in temp. differences not recognised	3 874	4 976
Income tax expense	**-**	**-**
Effective tax rate in %	0.0 %	0.0 %

Deferred tax assets are not recognised in the balance sheet as there is uncertainty regarding utilisation in the foreseeable future.

Note 6 - Deferred tax

Confirmation from the tax authorities for a cumulative carryforward tax loss of NOK 1 374 million (USD 156 million) for the year 2015 was received 19 January 2017. Cumulative carryforward tax loss at year-end 2016 is estimated to NOK 1 475 million (USD 171.1 million). The carryforward tax loss has no statute or limitation and can be utilised against Company's future profits.

Note 7 - Assets

INTANGIBLE ASSETS

USD '000	2016	2015
IP licences		
Acquisition cost at 01.01	499	567
Additions	75	387
Disposals		(455)
Acquisition cost at 31.12	**574**	**499**
Accumulated depreciation 01.01	(172)	
Depreciation in the year	(95)	(172)
Accumulated depreciation 31.12	**(267)**	**(172)**
Net book value	**307**	**327**
OTS Designs		
Acquisition cost at 01.01	1 249	1 178
Additions	96	71
Disposals		
Acquisition cost at 31.12	**1 345**	**1 249**
Accumulated depreciation 01.01	(250)	
Depreciation in the year	(250)	(250)
Accumulated depreciation 31.12	**(500)**	**(250)**
Net book value	**845**	**999**

This balance item includes cost related to design of C12000 (previously 300-series). This project started in 2011 and has so far been through different performance studies where KCI, Marin and several external consultants have been engaged. Oceanteam has also initiated research work related to a whole new design and will have the rights and ownership to all outcomes of this project when it comes to drawings, researches, tests, etc. Depreciation started in 2015, with a useful economic life estimated to 5 years.

Ongoing projects are expected to generate economic benefits at least equal to their expenditure.

TANGIBLE ASSETS

USD '000	2016	2015
Property, plant and equipment		
Acquisition cost at 01.01	601	486
Additions	51	115
Disposals	(63)	
Acquisition cost at 31.12	**589**	**601**
Accumulated depreciation 01.01	(341)	(272)
Depreciation in the year	(53)	(68)
Accumulated depreciation 31.12	**(394)**	**(340)**
Net book value	**195**	**261**
The useful economic life is estimated to be:	3-5 years	3-5 years

Note 8 - Investment in subsidiaries, joint ventures and associates

	Year acquired / incorporated	Head Office/ Country of registration	Ownership share	Voting share
Subsidiaries directly owned				
Oceanteam II B.V.	2007	Amsterdam, Netherlands	100%	100%
RentOcean B.V.	2015	Amsterdam, Netherlands	100%	100%
North Ocean 309 AS	2011	Bergen, Norway	100%	100%
Oceanteam Shipping Monaco SAM	2011	Monte Carlo, Monaco	100%	100%
Oceanteam Bourbon 4 AS	2006*	Bergen, Norway	50%	60%
Joint ventures directly owned				
DOT Shipping B.V.	2014	Amsterdam, Netherlands	40%	50%
Oceanteam Bourbon Spares and Equipment AS	2012	Bergen, Norway	50%	50%
DOT Holdings AS	2014	Bergen, Norway	40%	50%
DOT Servicios Navieros, S.A. de C.V.	2014	Mexico City, Mexico	40%	50%
NorHol, S.A. de C.V.	2015	Mexico City, Mexico	40%	50%
Associates directly owned				
Oceanteam Bourbon 101 AS	2006*	Bergen, Norway	50%	40%
North Ocean 105 AS	2010	Bergen, Norway	25%	25%
Subsidiaries indirectly owned				
Oceanteam Mexico B.V.	2008	Amsterdam, Netherlands	100%	100%
Oceanteam Shipping B.V.	2011	Amsterdam, Netherlands	100%	100%
Oceanteam Solutions B.V.	2012	Amsterdam, Netherlands	100%	100%
KCI International B.V.	2008	Schiedam, Netherlands	100%	100%
KCI the Engineers B.V.	2008	Schiedam, Netherlands	100%	100%
Oceanteam Shipping GmbH	2007	Wilhelmshaven, Germany	100%	100%
Oceanteam GmbH	2007	Wilhelmshaven, Germany	100%	100%
Oceanteam Power and Umbilical GmbH	2007	Wilhelmshaven, Germany	100%	100%
Oceanteam Mexico S.A de C.V.	2008	Cd. del Carmen, Mexico	90%	49%
Joint ventures indirectly owned				
DOT Shipping AS	2014	Bergen, Norway	40%	50%
Associates indirectly owned				
DOT Radiance PTE. Ltd	2014	Singapore city, Singapore	20%	20%

*During December 2013 the shareholders' agreements between Oceanteam ASA and Bourbon Offshore Norway AS regarding the companies Oceanteam Bourbon 4 AS and Oceanteam Bourbon 101 AS was amended. The result of the amendment was that Bourbon Offshore Norway AS acquired significant control over Oceanteam Bourbon 101 AS, and that Oceanteam ASA acquired significant control over Oceanteam Bourbon 4 AS. The change became effective from 1 January 2014.

After the amendment equity interest still remained 50 percent, but voting shares in Oceanteam Bourbon 4 AS became 60 percent and significant control of the company came in place. The control is currently also affirmed by Oceanteam ASA being represented by three of a total of five directors at the company's board. But in general, the owner companies, Bourbon Offshore Norway AS and Oceanteam ASA, have equal voting shares in general meetings.

Note 8 - Investment in subsidiaries, joint ventures and associates (continued)

Investments valued at cost (company accounts)

Subsidiaries and joint ventures

USD '000 Company name	Share capital	Number of shares issued	Net book value	The Company's total equity	Net profit (loss) 2016
Oceanteam II B.V.	22	18 000	27 946	31 193	(121)
RentOcean B.V.	11	10 000	11	(536)	(253)
North Ocean 309 AS	17	100	19	(282)	(83)
Oceanteam Shipping Monaco SAM	215	1 500	216	267	44
Oceanteam Bourbon 4 AS	3 010	100	1 681	19 754	11 805
DOT Shipping B.V.	14	10 000	5	98	17
Oceanteam Bourbon Spares and Equipment AS	5	30	3	(197)	(110)
DOT Holdings AS	434	2 400	4 244	8 391	1 334
DOT Servicios Navieros, S.A. de C.V.	3	50		(1 461)	(1 469)
NorHol, S.A. de C.V.		50			
Sum	**3 731**		**34 125**	**57 227**	**11 164**

Associates

Company name	Share capital	Number of shares issued	Net book value	The Company's total equity	Net profit (loss) 2016
Oceanteam Bourbon 101 AS	402	2 610	294	22 963	16 541
North Ocean 105 AS	24	19 119	4	38 630	7 749
Sum	**426**		**298**	**61 593**	**24 290**

The above investments are only those directly owned by Oceanteam ASA.

The investments are valued at the lower of cost and net realisable value.

Note 9 - Intercompany balances with group companies and associates

USD '000 Intercompany balances	2016	2015
Oceanteam Bourbon 101 AS	28	6 345
Oceanteam Bourbon 4 AS	5 908	9 797
Oceanteam Bourbon Spares & Equipment AS	492	679
Oceanteam Shipping GmbH	(9)	
Oceanteam II B.V.	13 988	7 285
Oceanteam Mexico S.A de C.V.	1 715	4 570
Oceanteam Mexico B.V.	12	
KCI International B.V.	3 724	3 438
North Ocean 309 AS	451	650
Oceanteam Shipping Monaco SAM	(456)	(114)
Oceanteam Solutions B.V.	(87)	(70)
RentOcean B.V.	5 966	5 207
North Ocean 105 AS	6 968	8 118
Oceanteam Shipping B.V.	1 770	785
KCI the Engineers B.V.	1 544	1 451
DOT Servicios Navieros, S.A. de C.V.	363	363
DOT Shipping B.V.	25	25
DOT Shipping AS	62	62
DOT Holdings AS	3 111	2 826
Sum	**45 575**	**51 417**

Note 10 - Receivables and liabilities

USD '000	2016	2015
Receivables		
Prepayments	(23)	(1 198)
Non-current liabilities		
Other long-term debt		(126)
Total non-current liabilities		**(126)**
Current liabilities		
Bond Loan - nominal value	(56 627)	(56 150)
Bond Loan - expected call premium accrued	(476)	(476)
Bond loan - borrowing cost (to be amortised over loan period)	834	1 772
Total	**(56 269)**	**(54 854)**
SMN extended draw down bond loan	(2 700)	(3 000)
Accounts payable	(1 806)	(1 814)
Public duties payable	(71)	(39)
Other current liabilities	(4 454)	(2 033)
Total current liabilities	**(65 300)**	**(61 740)**

The Company's bond loan has been reclassified from a non-current liability to a short-term debt due to the fact that the Company was not in compliance with some of the bond loan covenants requirements as at the end of 2015. At the year-end of 2016, the bond loan was in default as a scheduled interest payment, due on 24 October 2016, was not made. See note 15 for further information.

As of the balance sheet date and the reporting date, the Company is in breach of its debt service coverage, book equity and market adjusted book equity ratio covenants. The Company is compliant with the covenant requirement on gearing ratio.

FRN Oceanteam ASA Senior Callable Bond Issue 2012/2017 - USD 92,5 million

The Company has issued an unsecured bond loan in the amount of USD 92.5 million dated 24 October 2012. The Bond shall amortise as follows:

a) USD 35 million shall mature, with pro rata redemption, at the interest payment date April 2015 at 100% par value (plus accrued interest on the redeemed amount)

b) the remaining amount under the old Bond shall mature at the Final maturity date 24 October 2017

Coupon rate: 3 months Libor + 11,25% margin, quarterly interest payments.

Financial covenants:

> Book equity ratio of minimum 35%
>Market adjusted equity ratio of minimum 25%
>Gearing ratio:
*maximum of 6.00 for the period 24 October 2012 -23 October 2014
*maximum of 5.50 for the period 24 October 2014 - 23 October 2015
*maximum of 5.00 for the period 24 October 2015 - 24 October 2017
>Debt service coverage ratio of minimum 1.00

The Bond Loan is callable at any time in the time frames below:
>24 October 2012 - 23 October 2013 at a price equal to 110% of par value
>24 October 2013 - 23 October 2014 at a price equal to 108% of par value
>24 October 2014 - 23 October 2015 at a price equal to 107% of par value
>24 October 2015 - 23 October 2016 at a price equal to 106% of par value
>24 October 2016 - 23 October 2017 at a price equal to 103% of par value

Accrued interest on redeemed amount will be added to redemption price.

Oceanteam ASA initiated a financial restructuring in October 2016 and has since developed and executed a restructuring plan that will secure a capital cost and structure which will support the value preservation and financial flexibility while enabling value creation for all stakeholders. An agreement has been reached with Oceanteam bondholders on 2 May 2017 amended in June 19 2017. The new bond maturity date is 22 May 2022. The further details of the new bond agreement can be fond on the Company website.

Cross Defaults
Cross default occurs if an event of default occurs for any financial indebtedness in any of the group companies, joint venture companies or associated companies, limited to an aggregate financial indebtedness of USD 4 million or above.

Note 11 - Bank deposits

Tax deducted from employees, deposited in a separate bank account amounts to NOK 432.153 (USD 50.135). There are also restricted escrow and reserves bank accounts with a total of USD 50.663.

In addition, Oceanteam ASA maintains a USD 3 million credit facility with the bank, Sparebank 1 Midt-Norge SMN (SMN), with maturity date 31 December 2016. The credit facility is secured with pledge against Oceanteam ASA's shares, in Oceanteam Bourbon 101 AS and Oceanteam Bourbon 4 AS and the accounts and dividend receivable from the same companies. At year-end, the credit facility was in default, but both parties were in common understanding of making a new extension in 2017.

Note 12 - Share Capital and Shareholder Information

Share capital:
As per 31.12.2016, The share capital of the company is NOK 14 796 629.50 (USD 2 595 148) divided into 29 593 259 shares with a nominal value of NOK 0.50 (USD 0.09). All shares are given equally voting rights.

Oceanteam owns a total of 2 959 324 own shares representing 10.0 percent of the shares in the Company. The calculations are made on the basis of 29 593 259 shares in the Company. The purpose of the buy-back is to secure Oceanteam's obligations related to the share based incentive plan for executives and employees, as detailed in resolution 10 of Annual General Meeting, held on 31 May 2012.

Shareholders	Notes	Number of shares	Percentage of total
FEASTWOOD HOLDING LTD	1	9 533 720	35,8 %
CLEARSTREAM BANKING S.A.		4 072 189	15,3 %
ACONCAGUA MANAGEMENT LTD		1 244 204	4,7 %
PERSHING LLC		917 288	3,4 %
YOUNG NOUGATEERS AS		500 000	1,9 %
THE ROYAL BANK OF SCOTLAND PLC		447 947	1,7 %
RAGE, PER EGIL		412 500	1,5 %
JPMORGAN CHASE BANK, N.A., LONDON		373 558	1,4 %
VARNER-GRUPPEN AS		350 211	1,3 %
NORDNET BANK AB		322 832	1,2 %
LANDRO; KENNETH		297 640	1,1 %
NYBORG, PER OLAV		246 027	0,9 %
NANOK EIENDOM AS		233 564	0,9 %
NILSEN, STEINAR JOHAN		230 000	0,9 %
KUMAR, VIJAY		218 000	0,8 %
NETFONDS LIVSFORSIKRING AS		210 820	0,8 %
IMAGINE CAPITAL AS		208 261	0,8 %
ØSTLANDSKE PENSJONISTBOLIGER AS		206 818	0,8 %
RO, LARS		200 000	0,8 %
SKANDINAVISKA ENSKILDA BANKEN AB		167 995	0,6 %
Subtotal 20 largest		**20 393 574**	**76,6 %**
Others		6 240 361	23,4 %
Total		**26 633 935**	**100,0 %**

Board			
Hessel Halbesma (UBS AG)	1	9 533 720	35,8 %
James Wingett Hill	3	50 000	0.2 %
Total for Board		**9 583 720**	**36,0 %**
Management			
Haico Halbesma, CEO	1	9 594 707	36,0%
Torbjørn Skulstad, (Ex-CFO)	2	20	0.0%
Total of shares owned by executive employees		**9 594 727**	**36,0%**
Related parties			
Norha Invest AS	1	0	0%
Tor Arend Halbesma	1	50 000	0.2%
Total shares owned by related parties		**50 000**	**0.2%**
Total shares controlled by Halbesma family	1	**9 644 707**	**36,2%**

1. UBS ASG nominee account is controlled by the Halbesma family. Haico Halbesma is currently CEO and Hessel Halbesma is Chairman of Oceanteam ASA. Haico Halbesma owns 60 987 shares privately and jointly controls 9 533 720 shares together with Hessel Halbesma. Tor Arend Halbesma is a son of Hessel Halbesma.

2. Torbjørn Skulstad was CFO of Oceanteam (until Nov 30th 2016).

3. James Wingett Hill was director of Oceanteam until 9 May 2017.
For more information, please refer to related party transaction in note 19.

Note 13 - Equity

USD '000	Share capital	Own shares	Premium fund	Accumulated profit	Total
Equity 01.01.16	2 595	(257)	1 304	32 009	35 651
Net profit (loss) for the year				(19 423)	(19 423)
Equity 31.12.16	**2 595**	**(257)**	**1 304**	**12 586**	**16 228**

Note 14 - Pensions

The Company is required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The Company's pension scheme meets the requirements of that law. The Company's pension scheme is a defined contribution plan funded through an insurance company.

Note 15 - Events after the balance sheet date

In a press release dated 11 January 2017, Oceanteam ASA announced that it had reached an understanding with its bond holders regarding main terms on the restructuring of its bond loan dated 23 October 2012, named "FRN Oceanteam ASA Senior Callable Bond Issue", and under which a principal amount of USD 57 500 000 was outstanding and in default at year-end. At 12 April 2017, Nordic Trustee ASA, the trustee, issued a summons to a bondholders' meeting to be held on 2 May 2017 with a list of proposed amendments which, when it was approved 2 May 2017, amended on 19 June 2017 by Bond holders and subsequently became effective on 21 June 2017.
Some of the terms with financial impact are as follows:

a) Extending maturity from 24 October 2017 to 2 May 2022. Making the bond loan a long-term liability for 2017 and onwards reporting.

b) Amending the interest rate from 3 month LIBOR + 11,25% per annum to 7% per annum payable in arrears, of which 6% may be payable in new bonds (not cash), reducing both interest expense and cash outflows for the Company.

c) Deferral of past due interest payment 24 October 2016, and interest payments 24 January 2017 and 24 April 2017. The three interest payments will be added to the bond principal amount and payment due will be extended to bond maturity date at 2 May 2022. Reducing the cash liquidity needed short-term.

d) Allowing for security to be granted to bond holders including a pledge over Oceanteam's shares held in Oceanteam Bourbon 101 AS (50% share) and Oceanteam Bourbon 4 AS (50% share).

e) imposing maximum annual management compensation amounts for Oceanteam ASA Chairman, CEO and CFO. The details are provided in the note 17 Contingent Liabilities

• Since early 2017, a lien regarding past due obligations is attached to Oceanteam ASA's shares in the Dutch subsidiaries.

• Oceanteam's joint-venture partner McDermott has given written notice of utilisation of its option to purchase all of Oceanteam's interest in North Ocean 105 AS, the company owning the CSV North Ocean 105. The transaction was closed on 20 June 2017

• At 24 January 2017, Oceanteam Bourbon Spares & Equipment AS changed its name to Oceanteam Bourbon Investments AS.

• Bank accounts for group company KCI International B.V. have been attached by lien early 2017 due to past due obligations (Balance of USD 3.000 at year-end). This has no material effect on the company's operations.

Note 16. Financial risk management

GOING CONCERN

In accordance with the Accounting Act § 3-3a the Company confirms that the financial statements have been prepared under the assumption of going concern. This assumption is based on income forecasts for the years 2017–2019 and the Group's long-term strategic forecasts. The market has been experiencing a downturn which has had a direct impact on the performance and liquidity of the Company. Liquidity forecasts going forward are for negative cash flows which turn positive provided certain conditions are met both around refinancing and some key events, some of which are outside the control of the Company.

The Directors have considered all available information about the future when concluding whether the Company is a going concern at the date they approve the financial statements. The review covers a period of at least twelve months from the date of approval of annual and half-yearly financial statements. In the directors' view, a positive cash flow assessment for the period of less than 12 months hinges on success completion of key material events such as (I) the new bond loan approval (approved 2 may 2017, amended 19 June 2017 and subsequently effective 21 June 2017) and (ii) McDermott execution of North Ocean 105 vessel option (The transaction was closed 20 June 2017). These events will result in cash proceeds into the Company to be realised within the next 8 months period, as per cash flow forecast included into the description of liquidity risk.

(A) CREDIT RISK

The credit risk of receivables from group entities is dependant on the performance of the actual operations within the subsidiary, joint venture or associate.

(B) LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company is receiving their revenue and thus cash liquidity from their subsidiaries and associates, and is consequently dependant on the liquidity in these companies.

Liquidity risk has been significant during 2016 and into 2017. The Company initiated a financial restructuring in October 2016 in cooperation with its bondholders with a target to maintain value preservation and financial flexibility while enabling value creation for all stakeholders.

Liquidity forecast show a constrained cash flow which is dependent on key events within and outside the control of the Company to occur for cash flow to be positive and problems
to be resolved. The key events assumed in the cash flow's forecast for the next 12 months include bond refinance according to published bond holder summons which was approved by bond holders on 2 May 2017, amended on 19 June by Bondholders and subsequently became effective on 21 June 2017 and bank refinance expected to be completed during the second quarter of 2017 as well as disposal of specific assets.

(C) MARKET RISK

The market risk with regard to currency risk is considered low as the functional and reporting currency are in USD. The bond loan and the majority of the Company's revenues, which are dividends, intercompany interest and management fees, are in USD. Other liabilities are mostly a mix of USD, EUR and NOK. Market risk is considered low.

Note 17. Contingent liabilities

Oceanteam ASA has commenced proceedings against Intramar (trade name of Mr. Nico de Wit) in respect of insurance premium paid and undocumented set-offs by Mr. de Wit. The claims of Oceanteam ASA have been dismissed in February 2017. In March 2012 and October 2013 arrests have been filed against Intramar to secure Oceanteam's claim. Intramar might claim damages caused by wrongful arrest.

Please refer to the note 3. Personnel Cost for contingent liabilities outstanding at year end for the key management personnel within Oceanteam ASA.

Note 18. Contingent assets

There is no material contingent assets at year-end.

Note 19. Transactions with related parties

Cenzo BV

Cenzo is controlled by Catharina Petronella Johanna Pos, director of Oceanteam ASA. Transactions consists mainly of invoicing of board fees and other consulting services provided to the Company during 2016. Please refer to note 3 for more details.

Feastwood Holding Ltd (1)

Feastwood Holding Ltd is controlled by Hessel Halbesma, chairman of Oceanteam ASA and Haico Halbesma, CEO of Oceanteam ASA. Transactions consist of invoicing for services provided by Hessel Halbesma and recharges related to disbursements. These services provided include board services, providing exclusive access to his network and long time business partners, maintenance and development of partnership arrangements, sourcing and strategic development related to financing the group, Intellectual property expansion, initiation and steering of change management and general support to various management functions within the group.

They year 2016 charge includes USD 693.000 resulted from a hourly rate increase for 2015 services and beyond from EUR 300 to EUR 500 per hour. Refer to note 3 for more details.

Feastwood Holding Ltd (2)

Feastwood Holding Ltd issued in addition invoices relating to services provided by Haico Halbesma. These relate to year 2015 incentives and additional CFO services. Refer to note 3 for more details.

Heer Holland BV

Heer Holland BV is controlled by Haico Halbesma, CEO of Oceanteam ASA. Transactions consists mainly of invoicing of monthly management services. Refer to note 3 for more details.

Groom Hill

Groom Hill is 33% owned by James Wingett Hill, director of Oceanteam ASA. Transactions consists mainly of invoicing of board fees and other consulting services provided to Company during 2016. Refer to note 3 for more details.

Challenger Management Services S.A.M.

Challenger Management Services S.A.M. is controlled by Hessel Halbesma and Haico Halbesma. Transactions consist of invoicing for cummunication services provided.

Imperator AS

Imperator AS is controlled by Wilhelm Bøhn, the interim CFO of Oceanteam ASA and his close family. Transactions consist of invoices in accordance with a service agreement. Refer to note 3 for more details.

4C Offshore Ltd

4C Offshore Ltd is controlled by Hessel Halbesma, chairman of Oceanteam ASA and Haico Halbesma, CEO of Oceanteam ASA. The transactions with 4C Offshore Ltd consist mainly of invoices for consultancy work, IT maintenance and licensing fees.

USD '000	Income/ recharged expense		Cost		
Company	2016	2015	2016	2015	Type of transaction
Cenzo BV	-	-	(124)	(78)	Other services than Board committee
Feastwood Holding Ltd (1)	190	119	(1 855)	(1 124)	see above
Feastwood Holding Ltd (2)	-	-	(691)	-	see above
Heer Holland BV	-	-	(392)	(581)	see above
Groom Hill S.A.R.L	-	-	(118)	(83)	Other services than Board committee
Challenger Management Services S.A.M	-	-	(14)	-	Other services than Board committee
Imperator AS	-	-	(75)	-	Management Services
4C Offshore Ltd	-	-	(222)	(117)	see above

	Amounts receivable		Vendor & accrued balance	
Company	2016	2015	2016	2015
Cenzo BV	-	-	(82)	-
Feastwood Holding Ltd (1)	-	546	(16)	-
Feastwood Holding Ltd (2)	-	-	(691)	-
Heer Holland BV	-	-	(28)	(30)
Groom Hill S.A.R.L	-	-	(84)	(7)
Challenger Management Services S.A.M	-	-	(14)	-
Imperator AS	-	-	(37)	-
4C Offshore Ltd	-	-	(197)	(25)

Note 20 - Transactions with Group companies

USD '000	Interest Income		Management fee income	
	2016	2015	2016	2015
KCI Interrnational B.V.	268	339	22	27
KCI the Engineers B.V	128	(55)	15	295
Oceanteam Shipping BV	(27)	235	680	800
Oceanteam II BV	86	23	5	29
Oceanteam Mexico BV	1	10	5	14
Oceanteam Mexico SA de CV	346	417	220	199
Oceanteam Shipping GmbH	-	25	-	7
Oceanteam Equipment Base Ltd	(1)	18	-	-
Oceanteam Bourbon 101 AS	2	18	35	7
Oceanteam Bourbon 4 AS	6	21	30	7
North Ocean 309 AS	53	43	21	32
Oceanteam Shipping Monaco SAM	(11)	15	28	(101)
Oceanteam Solutions BV	(6)	(9)	15	60
Oceanteam Bourbon Spares and Equipment AS	33	1	12	30
RentOcean BV	298	-	300	-
North Ocean 105 AS	200	-	-	-
DOT Holdings AS	-	-	-	756

Internal interest is calculated on intercompany balances. An interest rate of 7% is applied to all the above company's intercompany balances subject to North Ocean 105 AS on which 4% is applied and RentOcean BV and Oceanteam II BV on which 3.75% is applied.

Please see note 9 for intercompany balances.

Note 21 - Guarantees

The Company has issued guarantees for the subsidiaries and joint venture companies in the Group. For all major assets, guarantees are in place.

A guarantee consisting of "Total Consideration" pursuant to the April 2014 purchase of the shares in the two companies KCI Holding B.V. and KCI International B.V. was triggered by the non-performance of the last and final instalment payment of EUR 1 750 000 (USD 1 844 500) due at 31 December 2016. The guarantee is warranted by Oceanteam ASA.

Note 22 - Restatement

The Company has concluded to recognise a USD 4.8 million impairment loss against its investment in KCI International B.V., as at the end of the 2015 reporting period. This brings the carrying value of the investment down to USD 7.2 million. As this impairment loss existed as at the end of 2015, Norwegian generally accepted accounting principles requir us to restate the Company's position for this reporting period.

The Company has also completed documentation in relation to allocation of the DOT group structure set up related costs. This has resulted in a reduction of management fees charged by the Company, totalling USD 0.8 million.
The classification of expenses between Payroll expenses and Other operating expenses has been corrected. This reclassification totals USD 0.2 million.

The classification of investments between Investments in joint ventures & subsidiaries and Investments in associates has also been corrected. This reclassification totals USD 4.3 million.

The bond loan has been reclassified from non-current liabilities to short-term liabilities due to the fact that as at the end of the prior period the company was not in compliance with its covenants.
The errors have been corrected by restating each of the affected financial statement line items for the prior period as follows:

INCOME STATEMENT

USD '000	2015	"Profit Increase/ (Decrease)"	2015 (Restated)
Operating expenses			
Payroll expenses	2 322	151	2 473
Other operating expenses	1 461	605	2 066
Total operating expenses	**4 273**	**756**	**5 029**
Operating profit / (loss)	**(4 273)**	**(756)**	**(5 029)**
Financial Income and expense			
Write-off	(1 976)	(4 836)	(6 813)
Net finance	**3 105**	**(4 836)**	**(1 731)**
Profit / (loss) before income tax	**(1 168)**	**(5 592)**	**(6 760)**
Net Profit / (loss)	**(1 168)**	**(5 592)**	**(6 760)**
Attributable to:			
Other equity	(1 168)	(5 592)	(6 760)
Total	**(1 168)**	**(5 592)**	**(6 760)**

STATEMENT OF FINANCIAL POSITION

USD '000	2015	"Profit Increase/ (Decrease)"	2015 (Restated)
Financial assets			
Investments in joint ventures and subsidiaries	41 917	(587)	41 330
Loans to group companies	52 173	(756)	51 417
Investments in associates	4 548	(4 250)	298
Total financial assets	**98 638**	**(5 593)**	**93 045**
Total assets	**103 110**	**(5 593)**	**97 517**
Other equity	37 602	(5 593)	32 009
Total accumulated profits	**37 602**	**(5 593)**	**32 009**
Total equity	**41 244**	**(5 593)**	**35 651**
Non current liabilities			
Bond loan	54 854	(54 854)	
Total non current liabilities	**54 980**	**(54 854)**	126
Current liabilities			
Bond loan		54 854	54 854
Total current liabilities	**6 886**	**54 854**	**61 740**
Total equity and liabilities	**103 110**	**(5 593)**	**97 517**

AUDITOR'S REPORT

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To the Annual Shareholders' Meeting of Oceanteam ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Qualified opinion

We have audited the financial statements of Oceanteam ASA. The financial statements comprise:

- The financial statements of the parent company Oceanteam ASA (the "Company"), which comprise the statement of financial position as at 31 December 2016, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Oceanteam ASA and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 December 2016 and the statement of profit and loss and other comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with laws and regulations, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report.
- Except for possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements of the Company give a true and fair view of the financial position of the Group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- Except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for qualified opinion

We have not been able to obtain sufficient audit evidence over the completeness of the statement from management regarding transactions with related parties. Consequently, we have not been able to establish whether there are undisclosed related party transactions or assess the impact of these on the consolidated financial statements of the Group and the financial statements of the Company.

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 qualified opinion.

Material uncertainty related to going concern

It is stated in note 3 and in the Board of Directors' Report that the Group's liquidity forecast is showing a constrained cash flow. There are significant assumptions within the cash flow forecast which are both within and outside the control of the Group.

The events and assumptions described in note 3 and in the Board of Directors' Report indicate that there is a material uncertainty that may create doubt as to whether or not the going concern assumption is present. This matter does not affect our opinion on the financial statements.

Emphasis of matter related to correction of errors in the previous period

The Group states in note 29 and the Company states in note 22 that errors have been identified in the financial statements for 2015. The errors have been corrected by restating each of the affected financial statement line items for prior periods. This matter does not affect our opinion on the financial statements.

Emphasis of matter related to qualification from Board member

Bote de Vries became member of the Board of Directors of the Company on 9 May 2017. He was not involved with the Company during 2016 nor in the first quarter 2017. Bote de Vries has performed certain procedures over the financial statements of Oceanteam ASA. Due to the short time frame of his involvement and the complexity of the financial situation of the Company and Group, Bote de Vries states that he has not been able to independently confirm that the financial statements have been prepared in accordance with the Norwegian Accounting Act. This matter does not affect our opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Assessment of the carrying value of goodwill

Refer to note 11 Intangible Assets and note 29 Correction of Errors

The key audit matter	*How the matter was addressed in our audit*
The Group's operations are sensitive to certain factors including the activity in the oil and gas sector which in turn impacts the demand for the Group's services and the margins that the Group is able to achieve. The margins will also be impacted by cost saving initiatives and the extent to which the cost savings are achieved. The economic environment, current long-term assumptions and the Group's business plans indicate that impairment is a risk related to goodwill. As of 31 December 2016, the Group has goodwill of USD 9.3 million. In 2016 the Group has recognized an impairment charge to goodwill related to 2015 and consequently restated the relevant account balances in 2015. KPMG included a qualification in the Auditor's Report in 2015 related to the	Our audit procedures in this area included, among others: • Evaluating management's assessment of the impairment of goodwill in 2015 and the associated restatement and disclosures; • Assessing management's process and results for identification and classification of CGU's to ensure they were appropriate and in accordance with IAS 36; • Evaluating management's assessment of impairment indicators; • Assessing whether, with assistance from our valuation specialists, the models used to calculate value in use are appropriate and mathematically accurate; • Assessing the discount rates applied for each cash flow forecast; • Challenging management on the timing of the cash flows; • Evaluating the historical accuracy of management's budgets and forecasts and

valuation of goodwill.	challenging management on the current year cash flow forecasts; • Evaluating and challenging management on the growth assumptions in the cash flow forecasts, forecast margins and utilization; and • Evaluating the adequacy and appropriateness of the disclosures in the financial statements related to the carrying value of goodwill and the assumptions applied to the impairment testing.

Assessment of the carrying value of property, plant and equipment

Refer to note 12 Non-current Assets - Property Plant and Equipment

The key audit matter	*How the matter was addressed in our audit*
The Group has chosen to apply the revaluation model in IAS 16 Property, plant and equipment for construction support vessels and lay vessels. The vessels are measured at fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The accounting policy for the construction support vessels impacts vessels and equipment and investments in associates and joint ventures owning construction support vessels. The valuations are sensitive to certain factors including the activity in the oil and gas sector which impacts the broker values, utilization, operating expenses, discount rate and remaining useful life. The economic environment and current long-term assumptions indicate that there is increased uncertainty related to the valuation of construction support vessels and investments in associates. As of 31 December 2016, the Group has a construction support vessel (Southern Ocean) with a balance of USD 103.6 million and investments in associates and joint ventures of USD 22.2 million.	Our audit procedures in this area included, among others: • Assessing management's process and results for obtaining and applying the relevant input to the valuation models; • Assessing whether, with assistance from our valuation specialists, the models used to calculate fair value are appropriate and mathematically accurate; • Assessing the discount rates applied for each cash flow forecast; • Evaluating and challenging management on the assumptions in the cash flow forecasts for the vessel contract period, including operating expenses and utilization; • Evaluating and challenging management on the assumptions in the cash flow forecasts beyond the vessel contract period including useful life, residual value and operating expenses; • Evaluating the third party broker estimates applied in the models by considering the source, relevance and reliability of external data or information; • Evaluating the adequacy and appropriateness of the disclosures in the financial statements related to the carrying value of vessels, investment in joint ventures and associates; and • Evaluating the presentation of the decrease of carrying amount from revaluation of vessels in the consolidated statement of profit or loss and other comprehensive income following the reclassification to operating profit.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, with the exception of the financial statements and the independent auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, with the exception of our report on other legal and regulatory requirements below.

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

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

Responsibilities of the Board of Directors and the Managing Director for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

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

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

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

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report, including the statements on corporate governance and corporate social responsibility, concerning the financial statements and the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

A member of the Board of Directors states that he has not been able to independently confirm that the financial statements have been prepared in accordance with the Norwegian Accounting Act. This matter is described in paragraph "Emphasis of matter related to qualification from Board member" and does not affect our opinion on the financial statements.

Qualified opinion on registration and documentation

Management has not fulfilled its duty to produce proper and clearly set out registration and documentation of the Group's transactions and account balances on a timely basis. Further management has not fulfilled its duty to produce proper and clearly set out documentation of the Group's related party transactions.

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, except for the effects of the matters described in the section above, 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

Other matters

At 31 December 2015 the Company had a receivable with a related party of USD 0.5 million. The receivable was not in compliance with the Norwegian Public Limited Liability Companies Act § 8-7 since the credit was not within the threshold of the funds that the Company may use for distribution of dividends and adequate security was not provided. The receivable was settled in 2016.

During 2015 and parts of 2016 the Group has carried out transactions with related parties without maintaining a complete register of all such transactions. Consequently, the Group may not have identified and disclosed all such transactions. Non-disclosure of related party transactions represents a breach in the Norwegian Public Limited Liability Companies Act chapters 3 and 8. This may in our opinion result in the Board of Directors and/or the Managing Director being liable for damages.

This audit report replaces our previous audit report dated 30 April 2017, which was issued on the date of the statutory deadline for listed companies for preparation of financial statements. A complete set of financial statements and Board of Directors report had not been submitted by the Board of Directors and Managing Director at this date.

Bergen, 23 June 2017
KPMG AS

Anfinn Fardal
State Authorised Public Accountant

APPENDIX 1
ASSETS

OCEANTEAM ASSETS

VESSELS

CSV BOURBON OCEANTEAM 101

Since delivery in December 2007, this DP2 Construction Support Vessel has been operating as a field support vessel in Angola. The first of the standard design North Ocean 100 series is jointly owned by Oceanteam and Bourbon Offshore Norway. The ship is 125 meters at length with a 27 meter beam. It has excellent seafaring capabilities, two heave compensated cranes of 150 tonnes and 100 tonnes, moon pool, 2000m2 free deck space and 120 accommodation which enables the 101 to be utilized for field support, construction, installation and IRM support.

CSV SOUTHERN OCEAN

The vessel was delivered in Q4 2010 and immediately commenced its first project in Australia. This DP2 Construction Support / Flexible Product Installation vessel combines a moon pool, two large heave compensated cranes of 250 tonnes and 110 tonnes. 2500m2 deck space, 120 accommodation and excellent seafaring capabilities, enabling her to be utilized for field support, construction, installation and IRM.

LAY VESSEL NORTH OCEAN 105

High-capacity, rigid reeled vertical pipelay vessel, with 3000 tonnes payload reel capacity for subsea construction and installation, and deepwater moorings installation. The vessel began a 5 year charter contract at delivery, 20th April 2012.

FSV ICACOS / FSV COBOS

These innovative Fast Support Vessels (FSV's) were delivered and started operation in Mexico in March 2015. The vessels are capable of transporting 96 POB and cargo at a cruising speed of 25 knots with largely improved fuel efficiency.

FSV MANTARRAYA / FSV TIBURON

These innovative Fast Support Vessels (FSV's) are operational. The vessels are capable of transporting
75 POB and cargo at a cruising speed of 25 knots with largely improved fuel efficiency.

CSV TAMPAMACHOCO I

The construction of a large offshore construction support vessel for Oceanteam's subsidiary DOT Shipping is progressing as planned. The vessel, that is due for delivery early 2017 is fully financed and has secured a long-term time charter in Mexico.

UP TO 5000T DEMOUNTABLE TURNTABLES & RELATED EQUIPMENT

The new patented turntable series is designed for flexibility and quick mobilisation on standard PSV/CSV with limited deck load. The modular systems are delivered to the mobilisation site in 40ft containers.
All system components are "plug and play" and interchangeable.

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