SOLSTAD OFFSHORE ASA

2016

ANNUAL REPORT

solstad.no

OUR VISION is to conduct profitable, integrated shipping operations with advanced vessels using both our own vessels and chartered vessels. The company primarily offers services related to petroleum and wind energy activities offshore.

CONTENT

FINANCIAL CALENDAR 2017

Preliminary dates for quarterly reports and ordinary General Meeting in SOFF are:

Annual Report 2016: **April 3, 2017**

Result 1. quarter 2017 / Ordinary General Meeting: **May 10, 2017**

Result 2. quarter 2017: **August 23, 2017**

Result 3. quarter 2017: **November 8, 2017**

Preliminary result 2017: **February 22, 2018**

OUR BUSINESS

Solstad Rederi AS was established in 1964 by Captain Johannes Solstad. 31st August 2014 the company celebrated its 50 years anniversary. The Company's head office and home port are still located in Skudesneshavn, Norway.
During the Company's first ten years of operation it acquired and operated 14 dry cargo vessels (liner type) and also took delivery of three new build semi-container vessels. The size of these vessels varied from 8,000 DW to 14,000 DW.

The Company's offshore activities began in 1973, when it ordered four supply vessels from a Dutch shipyard and by 1976 the Company operated 9 supply vessels of various types. Most of them were jointly owned with other Haugesund-based shipping companies and all were built at the same Dutch shipyard, Pattje.

From 1974 to 1982, the Company owned and operated a combined fleet of both offshore and dry cargo vessels and had several new builds on order. Two AHT's and three AHT's were built in New Foundland and four semi-container vessels were built in Rostock in East Germany. However, the last dry cargo vessel was sold in 1982 and for the next eight years Solstad Rederi AS only operated offshore supply vessels.

In October 1997, the Company was listed on the Oslo Stock Exchange under the name of Solstad Offshore ASA. Solstad Shipping AS is wholly owned by Solstad Offshore ASA and is responsible for management and marketing.

A new era began in 2016 as the company was no longer controlled by Solstad family. The Aker Group entered as partly owners during the summer of 2016, with subsequent merger with Rem Offshore ASA. During 2017 it is expected merger with Farstad Shipping and Deep Sea Supply. The merged company will become Norway's largest shipping company, and a major player worldwide.

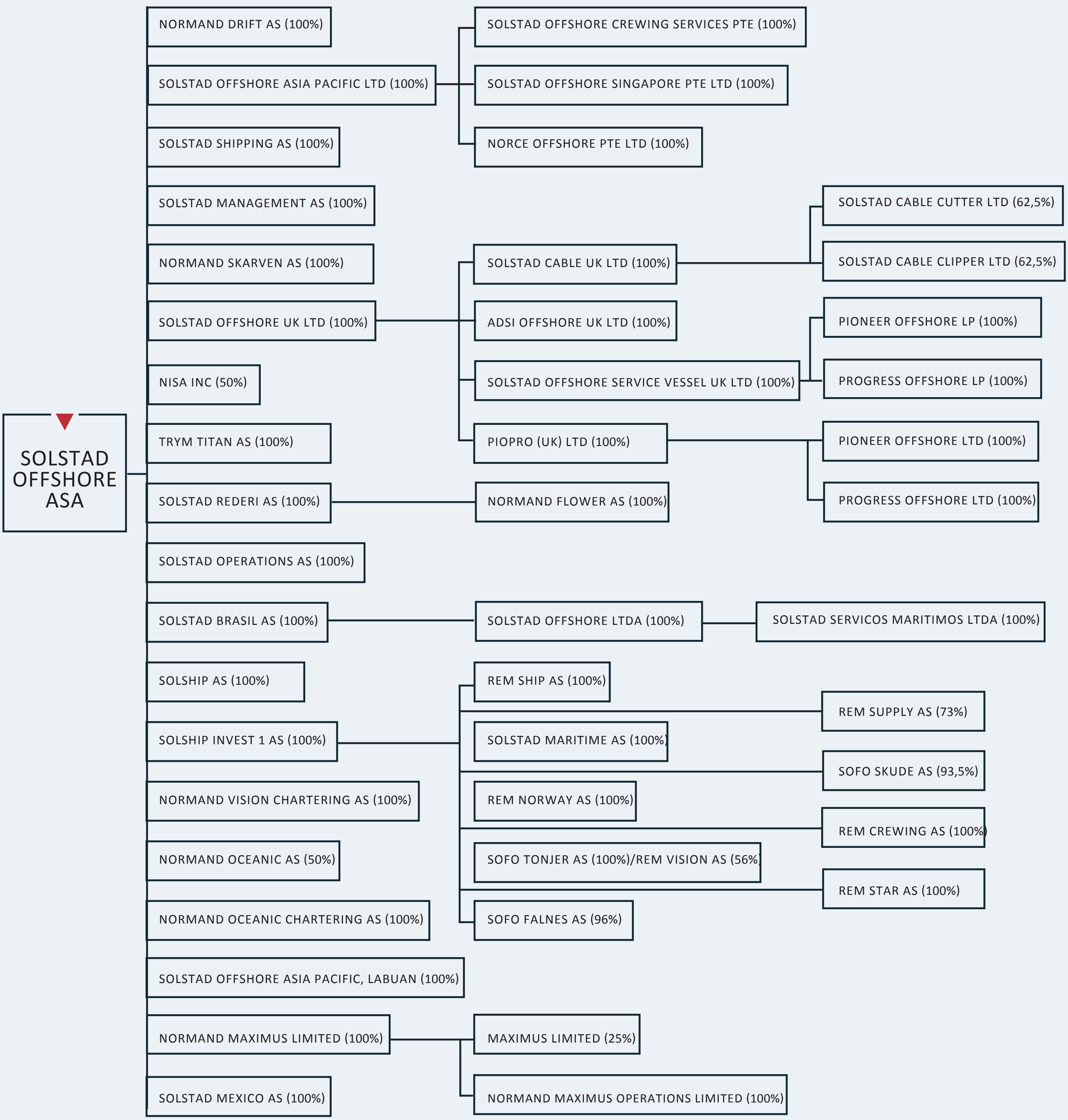
At the end of the year the fleet consited of 61 wholly or partly owned vessel. Solstad Offshore operates totally 26 construction service vessels, 16 anchor handling vessels and 19 platform supply vessels.

Today the vessels operates world-wide, but the North Sea is still the largest market.

Solstad Offshore ASA has about 1.300 employees. At the end of the year Solstad had, in addition to the head office in Skudeneshavn, branch offices in Fosnavåg, Aberdeen, Singapore, Rio de Janeiro, Perth og Manila.

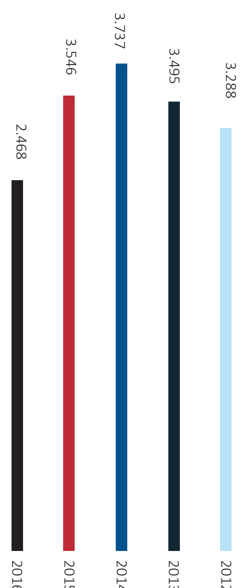
CORPORATE STRUCTURE

PER APRIL 2017

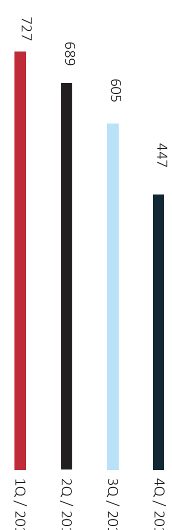


FINANCIAL HIGHLIGHTS

OPERATING INCOME LAST FIVE YEARS (MNOK)



OPERATING INCOME 2016 QUARTERLY (MNOK)



	Reference	2016	2015	2014	2013	2012
PROFIT AND LOSS (NOK million)						
Freigt revenue		2 468	3 546	3 737	3 495	3 288
Other income		114	110	143	51	74
Result before impairment & depreciation		876	1 429	1 650	1 497	1 438
Operating result		-736	-335	1 252	1 123	873
Net financial items		-79	-1 244	-1 107	-582	-420
Result before tax		-815	-1 579	145	541	366
Annual result		-827	-1 604	113	485	400
Hereof majority share		-866	-1 581	359	491	380
BALANCE SHEET						
Deferred tax asset		42	38	62	59	115
Long term assets		19 318	14 212	15 249	12 137	12 665
Current assets		2 774	2 000	2 497	2 285	1 624
Total assets		22 286	16 236	17 746	15 025	14 727
Equity		3 456	3 668	5 058	4 954	4 625
Deferred tax		-	-	-	-	3
Long-term liabilities		17 566	9 274	10 427	7 700	7 165
Current liabilities		1 006	3 141	2 088	2 264	2 815
Long-term interest bearing liabilities		17 719	11 426	11 217	9 964	9 980
Bank overdraft		-	83	122	91	65
Free and restricted bank deposits		1 750	1 025	1 321	1 240	807
Net interest bearing liabilities		15 968	10 483	10 018	8 815	9 238
PROFITABILITY						
Operating margin	1	34 %	39 %	43 %	42 %	43 %
Earning on equity	2,6	-23 %	-36 %	3 %	11 %	8 %
Earning on capital employed	3	-4 %	-2 %	8 %	8 %	6 %
LIQUITDITY						
Liquid assets		1 750	1 025	1 321	1 240	807
Working capital		1 768	-1 140	409	2 285	1 624
EBITDA	4	1 009	1 555	1 717	1 589	1 428
Current ratio	5	2,8	0,6	1,2	1,0	0,6
CAPITAL						
Total assets		22 286	16 236	17 746	15 025	14 727
Equity		3 456	3 668	5 058	4 954	4 625
Equity ratio	6	16 %	23 %	28 %	33 %	31 %

KEY FIGURES

PER SHARE

KEY FIGURES PER SHARE	REFERENCE	2016	2015	2014	2013	2012
Result	7	-18,92	-41,39	9,37	12,77	9,84
EBITDA	4	22,06	40,69	44,79	41,33	36,94
Booked equity	8	39,02	95,99	132,40	128,88	119,56
Price A-shares/earnings (P/E)		-0,61	-0,51	8,43	9,40	10,16
Price B-shares/earnings (P/E)		-0,54				
Price A-shares/EBITDA		0,52	0,52	1,76	2,90	2,71
Price B-shares/EBITDA		0,46				
Dividend		-	-	3,50	5,00	2,50
Share capital (NOK million)		177,37	77,37	77,37	77,37	77,37
Share price A-shares 31.12. (NOK)		11,50	21,00	79,00	120,00	100,00
Share price B-shares 31.12. (NOK)		10,20				
Company Market Value (NOK million)		996	812	3 056	4 642	3 869
Average number of shares adj. for treasury shares		45 737 348	38 200 012	38 323 643	38 445 455	38 662 733
Number of A-shares per 31.12 adj for treasury shares		70 562 402	38 206 866	38 197 727	38 440 155	38 682 077
Number of A-shares per 31.12 adj for treasury shares		17 999 444				

REFERENCES AND DEFINITIONS:

1. Operating profit before depreciation as a percentage of total operating income.
2. Profit before tax as a percentage of average equity including minority interests.
3. Operating profit plus interest income and income from associated companies divided by equity and debt.
4. Operating profit before depreciation, adjusted for share EBITDA from joint ventures (JVs) and gains / losses.
5. Current assets divided by current liabilities.
6. Book equity including minority interests in% of total assets.
7. The majority share of the result divided by the average number of shares.
8. Booked equity including minority interests divided by number of shares at the end of the year.

OUR VALUES

SAFETY

PERFORMANCE

FLEXIBLE & RELIABLE

HANDS ON

COMPETANCE

WE CARE

CUSTOMER FOCUSED

THE BOARD'S ANNUAL REPORT

In the past two years the market for offshore service vessels weakened significantly as a result of greatly reduced activity in the petroleum activities at sea. The increased activity in renewable energy through the development and operation of offshore wind turbines, where certain types of vessel could be used, has nearly compensated for this. The expectations for the level of activity in the industry in the coming years are marked by uncertainty. The major economic challenges for many of the shipowning companies in the industry will likely result in changes of ownership, consolidations and decommissioning of a large number of older and obsolete ships.

Solstad Offshore ASA completed in 2016 total capital increase (share capital and convertible debt) of approximately MNOK 875. This, together with a comprehensive refinancing of its security and bond debt has helped the company and has strengthened its balance sheet and liquidity. Through a so-called triangular merger, Rem Offshore ASA's assets and liabilities in December 2016 were merged with a wholly owned subsidiary of Solstad Offshore ASA. In this transaction, the Group acquired a modern fleet of 17 vessels.

On 6 February 2017, the market was informed about a planned merger of Farstad Shipping ASA and Deep Sea Supply Plc with a subsidiary of Solstad Offshore ASA as the acquiring company. The boards of the companies involved took up the conditions of the merger on 24 March 2017. The transactions will not be effective until they, among others, have been dealt with by the competition authorities and the general meetings of companies and all creditor deadlines expired.

The Group had 2016 operating revenues of MNOK 2,581 compared with MNOK 3,656 in 2015 . Net income after tax was MNOK -827 compared to MNOK 1,604 in 2015. There were expensed MNOK 1,199 in writedowns on ships in 2016 (MNOK 1,346). Cash flow (EBITDA (1)) for the year was MNOK 1,008 compared to MNOK 1,515 in 2015.

Our employees' strong focus on Health, Safety and Environmental measures gave also in 2016 very positive results. This focus resulted in both lower loss of time injuriesand incidents requiring medical treatment or limited ability to work.

(1) Operating profit before depreciation, adjusted for share EBITDA from joint ventures (JVs) and gains / losses

1. BUSINESS, OBJECTIVES AND STRATEGY

The company's mission is to conduct integrated shipping company with advanced vessel types in its market segment utilizing their own or chartered vessels. The company primarily offers services related to petroleum and wind energy activities offshore.

The company's strategy is to deliver customized solutions and quality services, and actively develop services in close cooperation with existing and new customers.

The goal is to be a significant player and offer a wide range of services based on ships and high quality equipment, and staff with high maritime skills. In the North Sea, the goal is to be a leading shipping company within the range of services the Group provides. Internationally, the company will be a major player in maritime services aimed at the development and maintenance market related to both surface and underwater installations.

In areas such as safety, the environment, solidity and profitability, the company has ambitious targets. Our most important objective within our safety work is to prevent injury or damage to personnel and equipment whilst our most important environmental target is the continual reduction of environmentally damaging spills from our vessels.

The company is generally responsible for the overall operations of the vessels including chartering, manning and technical management. Where it is natural to achieve cost-effective operations and the optimal return on capital employed, it is also possible to seek cooperation, and long-term strategic cooperation with other players. To mitigate risk and capital investment it is important to have such cooperation.

2. THE COMPANY’S ACTIVITIES

Solstad Offshore ASA’s activities are primarily directed towards the offshore petroleum industry and in the market for renewable energy at sea. The majority of the vessels are equipped to carry out installation, inspection and maintenance as well as surface to subsea installations - even in harsh deepwater areas. The fleet also includes vessels which performs traditional supply and anchor handling services. The business also includes assignments related to wind power development at sea.

The fleet currently consists of 61 wholly and partly owned vessels, after the merger with Rem Offshore ASA was completed in December 2016. The fleet has the following composition (including the former REM-fleet): 26 construction service vessels (CSV including one Derrick Lay Barge (DLB)), 16 anchor handling vessels (AHTS) and 19 supply vessels (PSV). The vessels are operated from offices in Skudeneshavn (headquarters), Fosnavåg, Aberdeen, Rio de Janeiro, Singapore and Perth. The fleet operates mainly in the North Sea region, Asia, Brazil, West Africa and the US Gulf. During 2016 15 to 20 vessels were laid up due to market challenges in the industry.

Company's net freight income was divided in 2016 by 77% (64%) of CSV, 19% (26%) of AHTS and 4% (10%) from PSV. Geographically freight revenue up by 34% (33%) from the North Sea, 17% (21%) from South America, 7% (6%) from West Africa, 17% (16%) from Central and North America, 1 % (5%) from Mediterranean / Europe and 24% (19%) from Asia.

The company took delivery of a large construction service vessel Normand Maximus in 2016. After delivery of the vessel in October it commenced on an 8 year charter with Saipem.

For further details on the company's fleet refer to the Fleet Overview at the back of the Annual Report.

3. THE MARKET

The persistently low oil price has changed the market outlook for the sector significantly. Both maintenance and investments in new petroleum related projects offshore are put on hold or being postponed due to lack of profitability. This has a dramatic effect for the suppliers where capacity and cost level has been increasing through decades of strong growth of demand and high earnings. Generally, overcapacity led to rapidly declining day rates and weak utilization for offshore service vessels. Similar to 2015, shipowners have also in 2016 had to curtail activity and cost through lay-up of many vessels and redundancies of a large number of employees. Overall 150 ships in the North Sea area were laid up at year end.

The main categories of offshore service vessels are AHTS, PSV and CSV. The first two groups are normally ranked according to engine power and payload, as well as technical equipment in general. CSV segment, i.e. ships primarily used for installations and underwater activities, including the market for wind energy business, are more diversified depending on the vessels that can be used. Various activities, from simple inspection missions to extensive installation work and pipelay , require different ship size and fittings. The investments in the most advanced vessels are considerably larger than what is required in connection with the least sophisticated operations in this segment.

The world fleet of AHTS's over 15,000 bhp at year end was 234 vessels whilst there were 991 PSV's with a capacity of more than 3,000 dwt. There were around 90 and 270 respectively of these vessels operating in the North Sea. At the same time, 16 AHTS's over 15,000 bhp and 160 PSV's over 3,000 dwt were under construction.

There are about 45 larger construction service vessels under construction at shipyards in Europe, USA and Asia. Total fleet of CSV's at the end of 2015 was 269 vessels.

There is uncertainty as to whether all vessels under construction will be delivered.

4. CORPORATE PARTICULARS

In 2016, the company, in connection with the refinancing of its debt and merger of REM Offshore ASA, added approximately MNOK 875 in new capital, of which approximately MNOK 625 as equity in terms of issues at NOK 12.50 per share. In this connection, it also created a separate class of shares in SOFF, B shares, with limited voting rights. B shares were listed on the Oslo Stock Exchange in December 2016. Total outstanding shares at year end was 88,686,821 (38,687,377), of which approximately 71 million Class A shares and 18 million Class B shares. The number of shareholders was 3,829 as of 31.12.2016. The foreign share was approximately 7%.

At the beginning of the year, the Company's share price was NOK 21, while at year-end was NOK 12, which is a decrease of 40%. This is primarily as a result of the very challenging times in the industry are in. The company did not distribute dividends in 2016.

The Board considers that the company will not be able to pay dividends in the coming years. The agreements for the refinancing of the Group's bank and bond debt also includes restrictions in relation to this.

The Board is until the next Annual General Meeting in May 2017 authorized to buy up to 10% of its own shares. The Board requested this authorization for continuous access as a short term investment option, as well as a strategic investment. As of 31.12.16, the portfolio of 125,506 treasury shares to 424,975 years before.

At the AGM in May 2016, the Board renewed authorization to increase share capital by up to MNOK 4. The authorization, which is valid until the first annual general meeting, has not been used as of today. The Board will propose to the General Meeting on 10 May 2017 a renewal of authorizations concerning increase of the share capital and purchase of own shares.

Solstad Offshore ASA has been listed on the Oslo Stock Exchange since 1997. As the holding company of the group's main activity ownership of shares in subsidiaries and other strategic business investments. The major holdings are now in Solstad Rederi AS and Solship Invest 1 AS (formerly Rem Offshore ASA) in Norway, Solstad Offshore (UK) Ltd. in Aberdeen, Solstad Offshore Asia Pacific Ltd in Singapore / Perth and Solstad Offshore Ltda in Brazil. All mentioned companies are wholly owned subsidiaries.

5. CORPORATE GOVERNANCE AND MANAGEMENT

Solstad Offshore ASA’s governance and management are based on the company’s vision and strategy. The company is listed on the Oslo Stock Exchange and is subject to the Norwegian companies, accounting, stock exchange listing and securities trading legislation. Solstad Offshore ASA adheres to the Norwegian Code of Practice for Corporate Governance dated October 30, 2014. More information on corporate governance is given in a separate chapter in the annual report and on the Company’s web site.

6. FINANCIAL POSITION AND DEVELOPMENT – THE GROUP

The financial statements for 2016 prepared in accordance with IFRS (International Financial Reporting Standards), as adopted by the EU, with comparative figures for 2015. The above mentioned merger with Rem Offshore ASA was effective from 9 December 2016. The profit share for the period from 9 to 31. December is considered to be immaterial to the consolidated accounts and are thus not included in the income statement. In the balance sheet at 31.12.2016, however, all assets and liabilities are included.

Revenues in 2016 were MNOK 2,581 compared with MNOK 3,656 in 2015. The reduction is primarily connected to the lower demand for services in the platform supply and anchor handling segment. This is due to the oil companies reduced activity because of the low oil price. Total income in the construction service segment (from petroleum and wind energy market) was also lower than in 2015 due to lower rates and reduced utilization. Cash flow from operations for the year was MNOK 1,008 (MNOK 1,515).

Operating profit before interest and tax was a loss of MNOK 736 compared with a loss of MNOK 335 in 2015. The change is mainly due to reduced activity compared with previous year.

Group loss after tax for 2016 was a loss of MNOK 827 (MNOK loss 1,604 to 2015). Net income includes a net financial loss of MNOK 79 (MNOK 1,244 in 2015). Financial deficit mainly consists of net interest expenses of MNOK 527 (MNOK 480 in 2015), MNOK 443 in net income of realized and unrealized gains related to assets and liabilities and financial hedging contracts measured at year-end (cost MNOK 765 in 2015). Net earnings per share was NOK -18.92 (NOK-41.38 in 2015).

Operating income (excluding capital gains) before depreciation and amortization, including share of joint ventures (operating margin) amounted to 39% of revenues compared with 40% in 2015.

Equity per 31.12.16 was MNOK 3456 (2015 - MNOK 3668) ie NOK 39, - per share (2015 - NOK 96 per share).

Significant accounting estimates relate to both the value and future utilization of the company's ships, and both these estimates are subject to uncertainties. In 2016, it identified several indicators that the assets are impaired. It therefore made impairment testing under IAS 36. The conducted analysis resulted in three ships being written down by a total of MNOK 100 in Q2, while a further 30 vessels were written down by totally MNOK 1,099 in Q4. The Group's fleet, exclusive the former REM-fleet, is thus written down by MNOK 1,199 during 2016 (2015 - MNOK 1,346).

Interest bearing debt at 31.12.16 was MNOK 17,819 (2015 - MNOK 11,793), of which MNOK 331 (2015 - MNOK 2,520) are classified as current liabilities. The debt was divided between 45% NOK, 50% in USD and 5% in GBP. At the end of the year, 2-4 year hedging agreements were entered for approximately 35% of total long-term debt. Furthermore, some of the debt in NOK is linked, through financial instruments, to USD so that the real debt exposure is 41% NOK, 52% USD and 7% GBP.

The Group's long-term bank and bond debt was refinanced in 2016. The agreements, which runs for about 5 years from 1 July 2016 entails that it should pay about 25% of the initial installment for the first three years with the option to pay 50% in year 4.

The Group is exposed to market, commercial, operational and financial risks that affect the assets, liabilities, available liquidity and future cash flows. There is established a risk mitigation framework to manage these risks based on identifying, assessing and managing risks, develop plans and procedures for how to handle these risks at the most appropriate level in the organization. The Board closely monitors the overall risk picture for the group both through management's daily work and reporting to the Board. The Group continuously works to improve its risk management framework.

Market and operational risks are, respectively changes in demand for and prices of services provided by the Group, and potential adverse effects of the provision of such services. The Group continually evaluates measures to reduce risk exposure as mentioned above. Since 2014, oil prices have dropped significantly and market volatility has increased. This has resulted in increased uncertainty in oil and gas sector, something that affects the Group's counterparties. Handling of such risks has become increasingly important.

The Group is exposed to interest rate and currency risk, primarily through long-term financing and long term contracts. Interest rate risk is partially mitigated by hedging contracts, while currency risk is reduced by having debt in the same currency as the long-term charter agreements.

Net interest bearing debt at the end of 2016 was MNOK 16,069 (2015 - MNOK 10,772).

The Group is exposed to operational and financial risk in their business. This is the risk that changes in freight rates, exchange rates and interest rates will affect the value of assets, liabilities and future cash flows. To reduce and control these risks, reviewing and assessing management running its primary financial market risks. When a major risk factor identified, assessed the need to make efforts to mitigate the specific risks. The Group is exposed to interest rate and currency risk, primarily through long-term financing and long-term charter contracts. The former risk is partially eliminated by hedging agreements. Currency risk is partially eliminated by entering into / ha net loans / liabilities in the same currency as the freight contracts.

In 2015 the Group carried out, like the industry in general, several rounds of downsizing. Adapting to changing market conditions has been a necessity also in 2016, and the workforce was reduced among maritime personnel and employees of the national organizations.

Under "Financial Highlights" and "Key figures per share" are definitions of the different accounting principles used, along with an overview of key figures from the consolidated accounts.

7. HEALTH, THE ENVIRONMENT, SAFETY AND QUALITY ASSURANCE

The company operates in accordance with international regulations / standards and is certified to. ISM, ISO 14001: 2004, ISO 9001: 2008 (MLC Maritime Labour Convention) and ISPS (International Ship and Port Facility Security) the codes requirements. The crews on board are trained in the company's procedures approved pursuant to the requirements of the STCW 10 (Seafarers Training, Certification and Watchkeeping Code). Internal audits carried out on all ships and offices on an annual basis.

The company places great emphasis on preventive measures to prevent injuries, operations and operational accidents and interuptions. In 2016 there were reports of near 22,000 HSE reports in the company's HSE & QA systems, which were recorded and processed at different levels. A total of 1,335 reports processed and analysed onshore, and the conclusions formed the basis for preventive measures to avoid future accidents.

Company management system, Solstad Integrated Management System, includes overall objectives, and a description of the various processes / activities that employees at sea and land are involved.

Overall the company had two work-related lost-time injuries that provides an H-factor (number of injuries per 1 million hours worked) of 0.28 for 2016 (0.23 in 2015). One of these two injuries can be categorized as severe (red event). The company's goal of no lost-time injuries are also maintained for 2017 and the company focuses on the evaluation, facilitation, planning and preventative work to prevent all kinds of personnel-related injuries and incidents with adverse effect on the environment. The fleet had 54 litres of emissions of various types of oil products at sea in 2016. The company has a program for sorting and reporting of all waste, and the program covers both ship and shore organization.

Solstad Green Operations is the company's environmental program which aims to save the environment from emissions primarily through reduced fuel consumption. Since inception in 2009, fuel consumption has been reduced by 18%. In 2016 the employees aboard the Solstad fleet performed 13,110 Green Operations (SGO). Among other things, this resulted in a savings of 23,115 tons of fuel.

Solstad Offshore ASA follows the Accounting Act new provisions relating to the reporting of CSR. The report for 2016 is available on the company website "www.solstad.no."

The working environment as well on land as on board ships, is considered to be good, and there is continuous focus on improvements in the working environment, including the avoidance of any form of discrimination related to age, gender, religion, colour or the like. Sick leave amongst the offshore employees in Norwegian terms was 3.3% in 2016 (3.2%).

Group administration staff is 57% of men and 43% women. Of a total of 800 marine crew were 75 women at year end. When recruiting employees equality is an essential criterion. The supply of female sailors are limited both in Norway and internationally. The company carries out extensive recruitment and training of cadets / trainees and participation in efforts to get young people to take maritime education. Despite this focus, it has not so far persuaded school system and ship owners / ship owners' organizations to have a greater number of women to invest in maritime education / occupation.

When recruiting, the company's objective is that gender, nationality, disability, religion and the like should not influence the hiring process.

8. EXPECTATIONS FOR 2017

The market for offshore service vessels is still characterized by significant overcapacity. Shipping companies have had to implement major cost cuts through layoffs of staff and lay up of ships. For most players, it has also been essential to raise new equity and to enter into agreements with banks and bondholders on the facilitation of the operation of the debt.

The combination of the oil price has risen somewhat from lows in recent years and reduced development and operating costs make the oil companies again seem to consider implementing the previously postponed or new projects. Along with increasing consolidation in the industry, minimal access of new construction and expected phase-out of older tonnage this can rectify some of the current imbalance in the market. In addition, it is assumed that the wind power market will increase it's demand for modern tonnage CSV. After the end of the year the Company has succeeded to win several important contracts in the subsea and renewable markets.

Solstad Offshore ASA has a diversified fleet adapted for providing various services in connection with offshore activities related to exploration, development / installation and operation / maintenance. The need for modern tonnage customized special needs in different waters and great depths are expected in the long term to increase again. For 2017, the company has fixed contracts for about MNOK 1,900. As a result of the market situation there is generally greater uncertainty about payment abilities of some of its customers than before.

In the long term it is still expected that demand for oil and gas will remain high. Access to multiple sources, including from land-based wells and renewable energy, makes the supply side also increase. Permanent reduction in the overall cost will be required to make investments in petroleum or offshore wind power attractive relative to other alternatives.

Assuming that the proposed merger between Solstad, Farstad and Deep Sea Supply is implemented, the Group will strengthen its operating base significantly. The new Group will operate 154 ships, consisting of 33 CSV, 55 AHTS and 66 PSV and will be a global leader in its market segment

9. FINANCE –PARENT COMPANY

The result for Solstad Offshore ASA was in 2016 a loss of MNOK 620 (MNOK 160 profit in 2015). Net financial loss of MNOK 590 (profit of MNOK 185 in 2015) is mainly due to impairment of shares in subsidiaries of MNOK 1,571 (MNOK 89 in 2015), partly offset by dividends from group companies of MNOK 1,090. Operating profit was a loss of MNOK 30.3 (MNOK 18.2 in 2015).

The company's assets are mainly related to the value of shares in subsidiaries and associates, as well as loans to group companies. Booked equity at year end was MNOK 3,441. The debt at the same date was MNOK 1,334, of which MNOK 1,000 in bond and MNOK 60 in long-term loans from subsidiaries.
The annual accounts are prepared on the assumption of a going concern, in accordance with § 3-3 of the Accounting Act. On the basis of, amongst others, the liquidity budget for 2017 and its forecasts for operations, The Directors affirm that this assumption is correct.

The Board proposed that the following distribution is made:

Allocated to dividend	NOK	0
Transfer from retained profits	NOK	620,016,885
Net applied/transferred	NOK	620,016,885

Board of Directors in Solstad Offshore ASA
Skudeneshavn 03.04.2017

Terje Vareberg Chairman	Frank Reite Director	Toril Eidesvik Director
Ellen Solstad Director	Anders Onarheim Director	Lars Peder Solstad CEO

AFFIRMATION BY THE BOARD AND MANAGING DIRECTOR

We hereby affirm that, to the best of understanding, the Annual Accounts for the period 1st January to 31st December 2016 have been prepared in accordance with current accounting standards; and that the information in the accounts represents a true and fair view of the company's and the consolidated group's assets, liabilities, financial position and overall performance. We further affirm that the Annual Report provides a true and fair view of the development, earnings and standing of the company and the consolidated group; outlining the most important risk factors and uncertainties facing the group.

Board of Directors in Solstad Offshore ASA
Skudeneshavn 03.04.2017

Terje Vareberg Chairman	Frank Reite Director	Toril Eidesvik Director
Ellen Solstad Director	Anders Onarheim Director	Lars Peder Solstad CEO

THE BOARD OF DIRECTORS

TERJE VAREBERG
(born 1948)

Terje Vareberg has an MBA from Norwegian School of Business Administration 1974. He has worked as Cheif Executive Officer in Sparebank 1 SR-Bank and as Executive Vice President / Deputy CEO in Statoil. Terje Vareberg has national and international experience from various positions / directorships. Terje Vareberg was elected as board member in 2011, and chairman since 2014.

SHARES IN SOLSTAD OFFSHORE ASA: 4,188

TORIL EIDESVIK
(born 1968)

Toril Eidesvik is a trained solicitor from UiO (1993) and has worked as solicitor with Simonsen Musæus Advokatfirma (from 1994 – 1998) and Gjensidige NOR Sparebank (1998 – 2002). In the period from 2003 to 2008 she worked as solicitor in Caiano AS. From 2009 until 2012 she was Managing Director of Green Reefers ASA and from 2013 to 2014 she was CEO in the ship supply company EMS Seven Seas ASA. She has long experience as a board member, and today Eidesvik work as CEO in TTS Group ASA. Toril Eidesvik has been a board member since 2005.

SHARES IN SOLSTAD OFFSHORE ASA: 3.488

ANDERS ONARHEIM
(born 1959)

Anders Onarheim is currently working as Managing Director of Spitsebergen AS. He holds an MBA from Washington University in St. Louis, and started his career with the financial institution Edward D. Jones. He has later worked in well renowned investment banks like Merril Lynch and Goldman Sachs internationally and also worked as managing director of Carnegie AS for 15 years. Anders Onarheim today holds positions in several boards and has been a member of the board of Solstad Offshore since May 2014.

SHARES IN SOLSTAD OFFSHORE ASA: 27,933

FRANK O. REITE
(born 1970)

Frank O. Reite first joined Aker in 1995, and became CFO in Aker ASA in August 2015. He came from the position of President & CEO of Akastor, and has previously held a variety of executive positions in the Aker group, including overseeing and developing Aker's investments in Converto Capital Fund AS, Aker Havfisk, Norway Seafoods AS and Aker Yards ASA. Frank O. Reite has experience from banking and has served as Director in Paine & Partners. He is chairman of several companies within the Aker Group. Frank O. Reite holds a B.A. in business administration from Handelshøyskolen BI in Oslo. He was elected board member at the Company's extraordinary general meeting 13 July 2016. Mr. Reite is chairman of Aker Capital AS.

SHARES IN SOLSTAD OFFSHORE ASA: 0

ELLEN SOLSTAD
(born 1974)

Ellen Solstad has previously been working in RG Hagland AS and Solstad Offshore UK Ltd. Since 2003 she has been in charge of the Solstad family office. Ellen Solstad holds a bachelor degree from BI Norwegian Business School and is board member in several companies, among others, Wilson ASA and Solvang ASA. Ellen Solstad was elected board member at the Company's extraordinary general meeting 13 July 2016

SHARES IN SOLSTAD OFFSHORE ASA: 0

CORPORATE GOVERNANCE

Corporate governance in Solstad Offshore ASA is based on the company's vision and strategy. The company is listed on the Oslo Stock Exchange and subject to Norwegian companies, accounting, exchange listing and securities trading legislation. Solstad Offshore ASA adheres to the Norwegian Code of Practice for Corporate Governance of 30th October 2014.

Implementation and reporting

The company believes that it is important to clarify the division or roles between shareholders, the board of directors, and executive management, and has therefore chosen to report on the company's corporate governance as recommended in the Code of Practice. Solstad Offshore ASA maintains guidelines for ethical conduct and social responsibility aimed at securing values and corporate culture in the organization to provide a basis for value creation, safe and green operation, workplace satisfaction, positive reputation and innovation.

Business

The objects of the company are set out in the articles of association as "to operate shipping operations and everything connected therewith…» Within these objects the company's business concept is to run an integrated shipping business with highly specified vessels in chosen segments on our own or chartered vessels. The core operations are primarily the provision of services to oil-related offshore activities. The company articles are available in full online at www.solstad.no. More details of the goals and strategy of the company are set out in Section 1 of the Annual Report.

Equity and dividends

The company's posted equity amounted to 15% of total assets at year's end 2016, which is a reduction from 23% for 2015. The company goal over time is give the shareholders an attractive return. This return is taken to mean the total of share price increase and paid dividend.

The company aims each year to pay dividend to shareholders. The amount will in average correspond to 20% - 40% of company profits after tax, adjusted as necessary for major currency variances and non-controlling interests. Dividend will nonetheless always take account of forecast future earnings and cash flows, as well as demand for financing and other matters affecting company standing. Solstad Offshore ASA did not pay dividend in 2016. Based on current market situation, the Board will propose to the Annual General Meeting no dividends to be paid for the fiscal year 2016.

The General Meeting held on 9th May 2016 authorized the directors to make the following payments:

- Expand share capital in Solstad Offshore ASA by maximum NOK 4,000,000 by the issuance of maximum 2,000,000 new shares, each of face value NOK 2,-. The authorization, which remain in force until the General Meeting in 2016, also covers a decision to merge under the Public Companies Act, section 13-5.

- Acquire treasury shares to a total value of maximum NOK 7,737,475,- which is to say maximum 10% of shareholder capital. The directors are free to determine the means of acquisition and sale of treasury shares. The company will pay a minimum NOK 1,- and maximum NOK 250,- per share acquired under this authorization. The authorization remains in force until the General Meeting in 2017.

- Resolve to expand the shareholder capital by maximum NOK 280,000,- by the new subscription of maximum 140,000 shares each of face value NOK 2,-. Within these limits the directors will determine whether to offer one or several issues and their size. The capital expansion will be reserved for company personnel, and shareholders waive all preemptive rights to these shares. The directors will determine the subscription price and other condition of sale. The authorization remains in force until the General Meeting in 2017.

Equal treatment of shareholders and transactions with close associates

Solstad Offshore ASA has two classes of shares. Share Class A has all the rights, while Class B Shares is restricted to 1/10 vote. Other rights are equal for the two share classes.

The rights of the directors to acquire treasury shares are contingent upon such acquisition taking place in the marketplace.

During 2016 there were no transactions between the company and the shareholders, the board of directors and the executive management and their close associates, expect as reported in the financial statements, see Note 15.

The company maintains rules to ensure that the board of directors and executive management report to the board in case of any direct or indirect material interest in any contract signed by the company.

Freely negotiable shares

The shares in Solstad Offshore ASA are freely negotiable. The articles set no limits on sale / negotiability.

General meeting and nomination committee

The annual general meeting is normally held in the month of May. According to the articles of association, documents up for consideration at the general meeting are posted on the company webpage. Efforts are made to ensure they contain all necessary information to enable shareholders to take a stand on all matters to be dealt with. The board chairman takes part in the general meeting, as does the company auditor. The meeting invitation and briefing documents for the general meeting are also published on the webpage (www.solstad.no) no later than three weeks before the meeting. The board is keen to enable as many shareholder as possible to take part. The deadline for attendance is put as close as possible to the meeting date. Shareholders who cannot attend, are urged to attend by proxy. The invitation sets out the information about procedures that shareholders must follow in order to take part and cast votes at the general meeting. They also describe how to appoint a proxy. Two people should be named who can vote on behalf of the shareholder by proxy. The proxy authorization form is designed as far as possible to allow shareholders to vote on individual issues and individual candidates for election / re-election. The Agenda is determined by the board of directors, according to the article 6 of the

Articles of Association. The chairman opens the general meeting and a meeting chair is elected. The minutes of the general meeting are published as a stock exchange notice, as well as on the company website. The Articles of Association states that the company shall have a nomination committee of 2-3 members as further decided by the general meeting. The nomination committee shall propose candidates for the board of directors and for the nomination committee itself, and propose remuneration for the board and the committee members. The general meeting will elect the members of the nomination committee, including the chairperson, and lays down their remuneration. The guidelines for the nomination committee and their contact details are published on the company webpage (www.solstad.no).

Board composition and independence

The nomination committee's primary goal is to propose candidates who will ensure that the company has a board of directors with the maximum relevant expertise, capacity and diversity. The board should also be composed so that directors can act independently of special interests and have a minimum of two directors who are independent of the major shareholder. In connection with new directorship candidates the focus is on gender equality, in addition to looking for appropriate expertise and capacity. Directors are elected for a two-year term of office. Representatives from the executive personnel in the administration are not members of the board.

Board work

The directors draw up an annual plan for the board's work. Normally there will be six to eight regular board meetings, augmented by telephone conferences as needed. Instructions for the board and executive personnel have been drawn up. Company internal control is exercised according to the adopted guidelines and reviewed with the auditor and board each year. The board receives monthly financial report where economic standing and financial status are reviewed. The elected vice-chairman chairs the work of the board in the absence of the chairman. An audit committee consists of two members who are independent of the business and elected by and from the directors. Each year the board conducts a self-assessment of its work and qualifications if necessary.

Risk management and internal control

The board seeks through its work to ensure that the company maintains good standards of internal control and appropriate systems of risk management, in light of the scope and nature of the company's business, and the provisions that govern the business. The company has established a system of operation and administration that relies on work procedures and job descriptions. The system also covers social responsibility and ethical guidelines. There is a commitment to quality assurance. The board receives information about operational, administrative and financial developments in monthly reports. Each year the board reviews corporate strategy and the business plan, including also an analysis of the company's risk exposure. Exposure is monitored monthly through the reports from the administration.

Remuneration of directors

The remuneration paid to the board of directors reflects the board's responsibilities, expertise, time commitments and complexity of the business, and is not linked to performance. The amounts involved are reported in the financial statements. The directors do not have stock options. In cases where members of the board undertakes significant work for the company, all the directors are informed and the fees are approved by the board. These fees are reported in the financial statements. All transactions between directors or personnel (or companies that they represent or are associated with) on the one hand, and the company on the other, are implemented in accordance with the arm's length doctrine.

Apart from the details included in the Notes regarding remuneration and contracts with directors (or companies that they represent or are associated with) the company has no other obligations. Remuneration to directors is considered to reflect market conditions.

Remuneration to executive personnel

The remuneration to the managing director is determined by the board meeting. Other elements of the remuneration are reported in the Notes to the financial statements. The guidelines for remuneration of executive personnel are presented to the general meeting for information purposes.

Apart from the details included in the Notes regarding remuneration and contracts with the managing director and deputy managing director (or companies that they represent or are associated with) the company has no other obligation. Remuneration to the managing director is considered to reflect market conditions. There are no stock option programs for personnel.

Information and communications

To be confident of equal treatment of shareholders the company is committed at all times to ensure that the stock market has correct, clear and timely details about the company's business and standing. Presentation of the quarterly and annual accounts is made according to a schedule displayed in the financial calendar on the company webpage at www.solstad.no and filed as a Notice with the Oslo Stock Exchange. Beyond that, frequent briefings and discussions are held with analysts and investors. Information is disclosed through stock exchange notices, discussions with analysts, and general briefings for investors, as well as special briefings for stock brokers and investors. The company adheres to the recommendations of the OSE regarding Investor Relations reporting.

Take-overs

Solstad Offshore ASA has no defense mechanisms to prevent stock buy-ups in the Articles, nor have we implemented other measures to limit acquisition of shares in the company. If an offer is presented for company shares the board will work to inform shareholders and allow time to decide on the offer, and issue a statement that assesses the offer, and a recommendation to shareholders whether to accept it or not.

Auditor

Each year the auditor sets out the highlights of the audit plan to the audit committee. The auditor will also go through a report about his views and observations regarding accounting principles, risk areas, internal control routines, and other aspects. The auditor will also deliver a written report each year to affirm his compliance with certain impartiality and objectivity standards. The auditor attends board meetings to discuss the financial statements for the year, and the annual general meeting.

Important consultancy work performed by the auditor requires prior approval by the directors. The remuneration to the auditor is reported in the financial statements. The board of directors meet once a year without the managing director or other representatives from the administration present.

GROUP ACCOUNTS

FOR SOLSTAD OFFSHORE ASA

STATEMENT OF COMPREHENSIVE INCOME

1.1 - 31.12

GROUP (NOK 1,000)	NOTES	2016	2015
Freight income	4	2 467 574	3 546 418
Other operating income	4,5	113 768	109 542
Total operating income		**2 581 342**	**3 655 959**
Personnel costs	5,6	- 992 972	- 1 395 564
Ordinary depreciation	8	- 367 860	- 299 908
Impairment fixed assets	8	- 1 199 371	- 1 346 481
Depreciation capitalised periodic maintenance	8	- 108 787	- 183 157
Other operating expenses	5	- 728 814	- 899 675
Insurance claims	10	16 217	67 811
Income from investment in joint ventures	9	64 083	65 878
Total operating costs		**- 3 317 505**	**- 3 991 094**
Operating profit/loss		**- 736 163**	**- 335 135**
Income from investment in associated companies	9	- 2 481	- 1 021
Interest income		7 400	9 909
Other financial income		1 353 186	753 078
Interest charges		- 526 627	- 480 426
Other finance costs		- 910 516	- 1 525 590
Net financial items	**7**	**- 79 037**	**- 1 244 050**
Ordinary profit / loss before taxes		**- 815 200**	**- 1 579 186**
Tax on ordinary result	12	- 11 309	- 24 996
Net profit / loss for year		**- 826 509**	**- 1 604 181**
Comprehensive income			
Translation adjustments foreign currency		- 119 557	302 669
Net gain on available for sale financial assets		- 729	- 153
Comprehensive income that may be reclassified in subsequent periods		**- 120 286**	**302 516**
Actuarial gain/ (loss)	6	1 066	46 949
Comprehensive income that may not be reclassified in subsequent peiods		**1 066**	**46 949**
Comprehensive income		**- 945 729**	**- 1 254 716**
Net profit attributable to:			
Minority shares		39 044	- 23 074
Majority shares		- 865 554	- 1 581 108
Comprehensive income attributable to:			
Minority shares		39 044	- 23 074
Majority shares		- 984 773	- 1 231 642
Earnings per share (NOK)	14	-18,92	-41,38

STATEMENT OF FINANCIAL POSITION

GROUP (NOK 1,000)	NOTES	31.12.16	31.12.15
ASSETS			
Long-term assets			
Intangible fixed assets			
Deferred tax asset	12	41 154	37 987
Total intangible fixed assets		**41 154**	**37 987**
Long-term fixed assets			
Vessels and new build contracts	2,8	18 046 030	13 466 610
Capitalized periodic maintenance	8	394 788	270 661
Other tangible fixed assets	8	34 921	28 242
Total long-term fixed assets		**18 475 738**	**13 765 513**
Financial assets			
Investment in joint ventures	9	408 809	344 032
Loans to associated companies and joint ventures	15	0	14 852
Investments in associated companies	9	301 889	42 302
Investments in stocks and shares	9	3 192	2 991
Other financial assets	3	1 871	2 250
Other long-term receivables	19	84 094	1 945
Total financial assets		**799 854**	**408 373**
Total long-term assets		**19 316 747**	**14 211 873**
Current assets			
Stock	21	73 120	57 026
Receivables			
Account receivables	20	570 676	635 073
Other short-term receivables	20	370 031	282 804
Total receivables		**940 707**	**917 877**
Investments			
Market based shares	9	10 188	229
Bank deposits and cash equivalents	16	1 750 450	1 025 066
Total current assets		**2 774 464**	**2 000 199**
Asset held for sale	8	193 673	24 112
TOTAL ASSETS		**22 284 884**	**16 236 183**

STATEMENT OF FINANCIAL POSITION

GROUP (NOK 1,000)	NOTES	31.12.16	31.12.15
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital (88,686,821 at NOK 2)	13	177 374	77 375
Treasury shares	13	- 251	- 850
Other paid-in capital		111 648	111 648
Share premium		2 165 293	1 654 186
Total paid-in equity		**2 454 064**	**1 842 359**
Earned equity			
Other equity		1 064 868	1 940 140
Total earned equity		**1 064 868**	**1 940 140**
Minority interests		- 63 205	- 114 924
Total equity		**3 455 727**	**3 667 575**
Liabilities			
Long-term provisions			
Deferred income	24	193 730	9 136
Pension obligations	6	63 490	50 672
Other financial liabilities	3	77 260	94 603
Total long-term provisions		**334 481**	**154 411**
Other long-term liabilities			
Other long-term liabilities	11	226 991	367 703
Debt to credit institutions	11	14 020 292	8 905 838
Leasing obligations	11	3 241 204	0
Total long-term liabilities		**17 488 488**	**9 273 541**
Current liabilities			
Accounts payable		244 643	126 178
Bank overdraft	3	0	82 656
Taxes payable	12	48 886	58 273
Accrued salaries and related taxes		50 178	40 821
Other current financial liabilities	3	6 615	33 648
Other current liabilities	22	325 172	279 079
Current interest bearing liabilities	10,11	330 694	2 520 002
Total current liabilities		**1 006 188**	**3 140 656**
Total liabilities		**18 829 157**	**12 568 608**
TOTAL EQUITY AND LIABILITIES		**22 284 884**	**16 236 183**

Skudeneshavn, April 3, 2017

Terje Vareberg Chairman	Ellen Solstad Director	Frank O. Reite Director	Anders Onarheim Director	Toril Eidesvik Director	Lars Peder Solstad CEO

STATEMENT OF CHANGES IN EQUITY

(NOK 1,000)	Notes	Share capital	Treasury shares	Share premium	Other paid-in capital	Other changes	Other equity	Total majority shares	Minority shares	Total equity
Equity 01.01.2015		**77 375**	**-979**	**1 654 186**	**111 648**	**210 034**	**3 094 281**	**5 146 545**	**-89 013**	**5 057 532**
Annual result							-1 581 108	-1 581 108	-23 074	-1 604 181
Actuarial gain/ loss (-)							46 949	46 949		46 949
Translation adjustments						302 669		302 669		302 669
Value changes in assets available for sale	9					-153		-153		-153
Comprehensive income						**302 516**	**-1 534 158**	**-1 231 642**	**-23 074**	**-1 254 716**
Purchase/ sale treasury shares	13		129				1 133	1 263		1 263
Paid dividend/ surplus	14						-135 406	-135 406	-2 838	-138 243
Unallocated dividend on treasury shares							1 714	1 714		1 714
Other adjustments							26	26		26
Equity 31.12.2015		**77 375**	**-850**	**1 654 186**	**111 648**	**512 550**	**1 427 590**	**3 782 500**	**-114 924**	**3 667 575**

(NOK 1,000)	Notes	Share capital	Treasury shares	Share premium	Other paid-in capital	Other changes	Other equity	Total majority shares	Minority shares	Total equity
Equity 01.01.2016		**77 375**	**-850**	**1 654 186**	**111 648**	**512 550**	**1 427 590**	**3 782 500**	**-114 924**	**3 667 575**
Annual result							-865 554	-865 554	39 044	-826 509
Actuarial gain/ loss (-)							1 066	1 066		1 066
Translation adjustments						-119 557		-119 557		-119 557
Value changes in assets available for sale	9					-729		-729		-729
Comprehensive income						**-120 286**	**-864 488**	**-984 773**	**39 044**	**-945 729**
Purchase/ sale treasury shares	2,13		600			429	3 472	4 501		4 501
Equity contribution (*)	2,23	99 999		511 106				611 105		611 105
Equity share convertible loan	11						128 000	128 000		128 000
Paid dividend/ surplus									-9 725	-9 725
Minority share merger	2						63 205	63 205	-63 205	
Change in minority share purchase	2						-85 605	-85 605	85 605	
Other adjustments	13		-1				1			
Equity 31.12.2016		**177 374**	**-251**	**2 165 293**	**111 648**	**392 693**	**672 176**	**3 518 932**	**-63 205**	**3 455 727**

* Equity contribution includes TNOK 299 423 equity in kind relating to the merger of Rem Offshore ASA, refer to note 23.

STATEMENT OF CASH FLOW

1.1 - 31.12

CASH FLOW FROM OPERATIONS (NOK 1,000)	Note	2016	2015
Result before tax		**- 815 200**	**- 1 579 186**
Taxes paid		- 23 569	- 7 118
Ordinary depreciation and write downs	8	1 676 019	1 829 545
Loss/ gain long-term assets		- 231 778	- 36 076
Interest income		- 7 399	- 9 909
Interest expense		542 149	480 426
Interests reveiced		7 399	9 795
Interests paid		- 569 484	- 489 744
Terminated borrowing costs	11	63 550	0
Effect of change in pension assets		5 979	17 780
Change in value of financial instruments		- 43 962	38 983
Unrealised currency gain/loss		- 194 975	619 357
Change in short-term receivables/payables		290 651	- 139 686
Change in other accruals		- 52 298	30 122
Net cash flow from operations		**647 081**	**764 290**
CASH FLOW FROM INVESTMENTS			
Investment in tangible fixed assets	8	- 2 868 142	- 127 869
Payment of periodic maintenance	8	- 154 156	- 170 843
Sale of fixed assets		3 164 487	17 366
Payment of long-term receivables		- 21 146	44 348
Addition of cash related to merger		773 011	0
Investments in other shares/ interests		- 262 690	0
Realized shares and interests		1 837	0
Net cash flow from investments		**633 202**	**- 236 997**
CASH FLOW FROM FINANCING			
Paid-in capital		311 683	0
Payment to minority interests		- 9 725	- 2 838
Payment of dividends		0	- 133 692
Sale and purchase treasury shares		0	1 263
Bank overdraft		- 82 656	- 39 251
Convertible loan		250 000	0
Long-term debt		8 103 729	3 091 492
Repayment of long-term debt		- 9 107 717	- 3 845 937
Net cash flow from financing		**- 534 686**	**- 928 964**
Effect of changes in foreign exchange rates		- 20 213	106 000
Net change in cash and cash equivalents		745 597	- 401 671
Cash and cash equivalents at 01.01		1 025 066	1 320 736
Cash and cash equivalents at 31.12	**3**	**1 750 450**	**1 025 066**

NOTES

NOTE 1 ACCOUNTING PRINCIPLES

The Group, Solstad Offshore ASA (SOFF), operates a shipping business from its head office in Skudeneshavn, Norway, and its main activities are the operation of offshore service and construction vessels. The Group is listed on Oslo Stock Exchange. The financial statements were approved by the Board of Directors on 4th of April 2017, and will be presented for approval in the Annual General Meeting.

Statement of Compliance and basis for preparation

The consolidated financial statements have been prepared in accordance with the Norwegian Accounting Act, International Financial Reporting Standards (IFRS) and interpretations by the International Accounting Standards Board (IASB) which is approved by the European Union (EU).

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value, and are presented in Norwegian Kroner.

Changes in accounting principles and interpretations

There are no new or amended IFRS and IFRIC interpretations adopted during the year with material impact.

Approved IFRS and IFRIC interpretations not yet implemented

IFRS 9 Financial Instruments

IFRS 9 will replace IAS 39. This standard addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relate to the classification and measurement, as well as hedge accounting and impairment of financial instruments. IFRS 9 retains but simplifies the model for measuring and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through ordinary profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 is effective for annual periods beginning 1 January 2018 or later.

Except for increased disclosure requirements, it is not expected that the changes will affect the financial statement significantly.

IFRS 15 Revenue from contracts with customers

IASB and FASB have released a new, common standard for revenue recognition, IFRS 15 Revenue from Contracts with Customers. The standard replaces all existing IFRS requirements for recognition. The core principle of IFRS 15 is that revenue is recognized to reflect the transfer of the contracted goods or services to customers, and then to an amount that reflects the consideration the company expects to be entitled in exchange for those goods or services. The standard applies to all income contracts and contains a model for recognition and measurement of the sale of certain non-financial assets (excl. Sale of property, plant and equipment). The new standard is effective for financial years starting 1 January 2018 or later.

Except for increased disclosure requirements, it is not expected that the changes will affect the financial statement significantly.

IFRS 16 Leases

IFRS 16 Lease replaces existing IFRS standard for leases, IAS 17 Leases. IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties in a lease, i.e. the customer (lessee) and provider (lessor). The new standard requires that the lessee recognizes the assets and liabilities of most leases, which is a significant change from current policies. For the lessor IFRS 16 continues essentially all existing principles in IAS 17. In line with this, should a lessor continue to classify their leases as operating leases or finance leases, and accounting for these two types of leases differ. IFRS 16 is effective for financial years starting 1 January 2019 or later, but the EU has not yet approved.

In addition to increased disclosures balance will be affected by the leases listed under Other leases in Note 11. The effect is not expected to have a material impact on the consolidated financial statements.

IAS 12 Income taxes (amendment)

The amendments clarify how to account for deferred tax assets for unrealised losses on debt instruments measured at fair value, including that unrealised losses on debt instruments measured at fair value for IFRS purposes and at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The amendment is expected to be effective from January 1st, 2017, but EU has not yet approved the amendment.

The amendment is not expected to have significant effect on the financial statement.

IAS 7 Statement of cash flows (amendment)

The amendments introduces requirements for an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendment is expected to be effective from January 1st, 2017, but EU has not yet approved the amendment.

Except for increased disclosure requirements, it is not expected that the changes will affect the financial statement significantly.

Consolidation

The consolidated financial statements comprise of the financial statements of Solstad Offshore ASA and its subsidiaries as at 31st December

NOTES

each year. Any deviating accounting principles are adjusted for in this consolidation.

The Group accounts state the total profit & loss and financial position of Solstad Offshore ASA and its controlling interests as a whole. The consolidated accounts include companies in which Solstad Offshore ASA has direct or indirect ownership of more than 50% of the voting shares, or otherwise has direct control, according to IFRS 10. Share options, convertibles and other equity instruments are evaluated when assessing whether control exists.

Subsidiaries are consolidated 100% line by line in the group accounts. A subsidiary is an entity where the Group has controlling interest, direct or indirect, of more than 50% of the voting shares.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The cost of an acquisition is calculated as the fair value of assets acquired, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. Any excess cost of acquisition over the fair value of the net assets of the subsidiary or joint venture acquired calculated at the date of handover, will be posted as goodwill.

All inter-company transactions, receivables, liabilities and unrealized profits, as well as intra-group profit distributions, are eliminated. In the consolidation, the profit and loss accounts of foreign subsidiaries, not using NOK as functional currency, are translated using the exchange rate on the day of transaction. The balance sheet is translated using the balance sheet date exchange rate. Translation adjustments between local currency and functional currency are classified as financial items, while adjustments arising from translation from functional to presentation currency are booked as translation adjusments to equity through other comprehensive income.

The minority interest in equity as well as net income is reported separately in the consolidated financial statements.

Investment in associates and joint ventures

The Group's investment in its associates and joint ventures are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence but which is not a subsidiary. A joint venture is an entity in which the Group has significant influence, but where agreements are entered, requires that strategic decisions have to be unanimous.

The reporting dates of the associates, joint venture and the Group are the same and the same accounting principles are applied.
Investments in an associate and joint ventures are posted in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate or joint venture, less any impairment in value. The profit and loss for the Group reflects the associates' or joint ventures' share of profits under operating costs. Changes posted directly in the associates' or joint ventures' comprehensive income or equity, are recognized pro-rata in the Group accounts, and are, where applicable, disclosed in other income and in the statement of changes in equity. Profit and loss on transactions in the associated company or joint venture are eliminated in the Group accounts in the Group's equity.

Other investments

Other investments, such as shares, loans, receivables and others are classified under one of the following categories according to IAS 39:

- **Financial assets at fair value through profit and loss**
  This category consists of financial assets, including derivatives, available for sale (trading) which normally are realized within 12 months after the balance day. Such assets are initially booked at fair value on the balance sheet. Changes in fair value are booked through profit and loss.

- **Available for sale assets**
  The category includes non-derivative financial assets which not fit into any of the other categories. If management's intention is to realize the investment within 12 months of the balance day, they are classified as current assets. The investments are initially valuated at fair value. Impairment is booked through profit and loss. All changes in fair value, including reversal of previously booked impairment of financial assets, are booked to equity through Other comprehensive income.

- **Held to maturity investments**
  Non-derivative financial assets with a fixed maturity date and which it is the management's intention to retain until maturity are included in this category. Such investments are initially valued at amortized cost. Any reduction in value is booked through profit and loss as impairment.

- **Loans and receivables**
  Loans and receivables are non-derivative financial assets with fixed payments not quoted in an active market. These financial assets are initially valuated at amortizsed cost. Any reduction in value is booked through profit and loss as impairment.

Financial investments

All investments, except for Financial assets at fair value, are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. Transaction costs for Financial assets at fair value are accounted for through profit and loss. Transaction costs related to the change in value for Available for sale investments are recognized in

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Comprehensive income in the next reporting period.

Other long-term investments that are intended to be held to maturity, such as bonds, are subsequently measured at the amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the acquisition over the year to maturity. For investments booked at amortized cost, gains and losses are posted to income when the investments are devalued or depreciated as well as through the amortization process.

For investments that are actively traded in organized financial markets, the fair value is determined by reference to the stock exchange market value at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Financial investments are devalued if the right to receive cash flow from the investment no longer exists, or if the Group has undertaken an obligation to redeem the asset to a third party, without delay, on a pass-through-agreement. Furthermore, when financial investments are devalued, the right to receive cash flows from the investment is transferred together with almost all of the risk or profit from the asset, or if almost all of the risk and reward is retained, but control of the investment is transferred.

Financial liabilities are devalued when the obligation is fulfilled, cancelled or matured in accordance with the contract.

Classification of items in the balance sheet

Current assets and short term debt are posts which mature within one year of the balance sheet date as well as any posts relating to stock turnover if this occurs later. The short-term portion of the long-term debt is classified as current liability. Investments in shares not considered as strategic are classified as current assets. All other assets are classified as long-term assets.

Foreign currency translation

The functional and reporting currency of Solstad Offshore ASA is Norwegian Kroner (NOK). Transactions in foreign currencies are posted at the currency rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date. Non-monetary items such as vessels that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of initial transaction. Non-monetary items in companies where the functional currency deviates from the reporting currency are measured at the exchange rate at the date of the balance sheet. Any translation adjustments are included in comprehensive income.

The Group's most used currencies had the following exchange rates at the balance sheet date:

	GBP	USD	EUR	BRL
Per 31.12.15	13.072	8.809	9.6190	2.2240
Per 31.12.16	10.613	8.620	9.0863	2.6487

Segment information

The Group's primary reporting format is business segments and its secondary format is geographical segments. The Group's three main business activities are Anchor-Handling Vessels (AHTS), Supply Vessels (PSV) and Construction Service Vessels (CSV). Any other activities, including vessels under construction, are included in a separate segment. Overhead costs are apportioned between these segments in the same way as any other operating expenses. All accounting policies applied in the segment reporting are the same as used in the Group reporting.

The Group's geographical segments are determined by the location of the Group's vessels and operations throughout the year.

Property, plant and equipment – impairment charges and depreciation

Property, plant and equipment acquired by Group companies are stated at historical cost, except the assets of acquired subsidiaries that are stated at the fair value at the date of acquisition. Depreciation is calculated on a straight-line basis and adjusted for residual value and impairment, if any. Residual value is the current estimated amount that would be obtained from disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition anticipated at the end of its useful lifespan. The book value of the property, plant and equipment on the balance sheet represents the cost less accumulated depreciation and any impairment.

Each part of a fixed asset that is significant to the total cost of the item are separately identified and depreciated over that component's useful lifetime. The ships are divided into the following components: hull, anchor handling, loading and unloading equipment, thrusters, DP and lifting equipment and other equipment. Based on the Group's periodic maintenance program and running replacement the vessels vital parts, the expected lifetime of the assets is set to 30 years for all of the components, except for planned periodic maintenance. Expected useful life is 20 years.

The residual value and expected useful lifetime assumptions of long-lived assets are reviewed at each balance sheet date, and where they

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differ significantly from previous estimates, depreciation charges are amended accordingly. Changes in useful life or residual value are accounted for prospectively.

Ordinary repairs and maintenance costs are charged to the income statement in the period in which they are incurred. The cost of major conversions and periodic maintenance of vessels is capitalised and depreciated over the useful lifespan of the parts replaced. Periodic maintenance is divided into interim and major maintenance. Useful life is normally the period until the respectively next interim and main classification of ships, usually 5 years.

The book values of plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the booked value may not be recoverable. If any such indications exist and where the book value exceeds the estimated recoverable amount, the asset or cash-generating units are depreciated to their recoverable amount. The recoverable amount of plant and equipment is the greater of the net selling price and their recoverable value. When assessing recoverable value, estimated future cash flows are discounted to their current value using a pre-tax discount rate that reflects current market assessments of the monetary value and the specific risk to the asset. For an asset that does not generate cash inflow, a recoverable amount is calculated for the cash-generating unit to which the asset belongs. Any previously calculated depreciation is reversed if there are any amendments to the estimates used to calculate the recoverable amount. Reversal of previously calculated depreciation is limited to the book value of the asset if its value had not been impaired.

The business segments are the Group's strategic units of control. However, while calculating the recoverable amount, each vessel is treated as one cash-generating unit.

Gains and losses on disposal are determined by comparing the disposal proceeds with the book value and any profit or loss is included in operating profit.

New build contracts
Installments on new build contracts are posted in the balance sheet as fixed assets. Costs related to the on-site supervision and other pre-delivery construction costs including construction loan interest are capitalized per vessel. The depreciation starts from when a new build is delivered from the yard.

Leases
Lease of property, plant and equipment where the Group has all the risks and rewards of ownership, are classified as financial leases. Financial leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term interest-bearing liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful lifetime of the asset or the lease term.

Any leases where a significant amount of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases net of any incentives received from the lessor are charged to profit and loss on a straight-line basis over the period of the lease.

Trade and other receivables
Trade receivables are booked at their anticipated realizable value, which is the original invoice amount less an estimated amount for depreciation of these receivables. Assessment of provision for bad debts is calculated when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms and conditions.

Cash and cash equivalents
Cash and cash equivalents comprise of cash in hand, short-term deposits and other short-term highly liquid investments with maturity dates of less than three months. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

Tied bank deposits are funds on separate bank accounts for tax deductions

Treasury shares
The nominal value of treasury shares held is deducted from registered share capital. Any differences between the nominal value and the acquisition price of treasury shares, together with any gains or losses on transactions therein, are recorded directly to reserves.

Interest-bearing loan and borrowings
All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial registration, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recorded in the profit and loss. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in net profit or loss when the liabilities

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are devalued or depreciated.

Provisions

Provisions are made in the financial statements if the Group considers it likely, based on the legal provisions or business liabilities of past events, that an outflow of resources will be required to cover its liabilities and if the amount can be accurately estimated. All provisions shall be reviewed on the balance sheet date and adjusted, if necessary, to reflect a more accurate estimate. In instances where the timeframe may be of significance, a provision is made for the current value of future payments to cover liabilities. Provisions are not made for future operating losses

Taxes

The tax expense in the Financial Statement consists of payable tax and changes in deferred tax.

Companies taxed under The Norwegian Shipping Tax Regime will not be taxed on its net operating profit. Taxation under the shipping tax regime requires compliance to stringent requirements, and voluntary or compulsory exit from the regime will result in taxation of net profits based on ordinary taxation. Net taxable financial income is taxed according to the shipping tax regime (25%).

Operations on foreign continental shelves are, in a number of cases, taxable to the state of operation. In such cases the tax is computed according to the tax legislation of the current state, combined with any double taxation avoidance agreement between the state where the ship owner is registered and the state where the operation is performed. Income tax based on a net result is classified as income tax. Other taxes are classified as contract related expenses.

Deferred tax is calculated using the liability method at 24% of all temporary differences between the taxable value of assets and liabilities and their booked amounts at the end of the accounting year. Any temporary differences that may increase or decrease tax are offset and posted as a net figure.

Deferred tax is calculated for assets and liabilities for which future realization will lead to tax payable.

The recognized amount of deferred tax assets is reviewed at each balance sheet date. If it is no longer likely that adequate taxable profit will be generated, then the deferred tax asset will be reduced. Anticipated utilization of tax losses are not discounted when calculating the deferred tax asset.

Tonnage tax paid under the tonnage tax regime is classified as operational expenses.

Pension obligations

The Group has a defined benefit plan for seamen and administrative personnel, and a contribution plan for administrative personnel hired after 1.1.2007, which is expensed on current basis. The liability of the defined benefit pension plan is the present value of the defined benefit liability at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains and losses and administration costs. The defined benefit liability is calculated by independent actuaries using the projected unit credit method and is measured as the present value of the estimated future cash outflows using interest rates of government securities that have terms maturing at the same time as the liability.

The cost of providing pensions is charged to profit and loss to spread the regular cost over the working lives of the employees. Actuarial gains and losses are recognised in comprehensive income in the period they occur.

Posting to Income

Charter income

Revenue and expenses relating to charter contracts are apportioned according to the number of days for each contract occurring before and after the end of the accounting period. The contract begins when the vessel is “delivered” to the charterer, and ends when the vessel is “redelivered”. Freight revenue is posted net after deduction for direct, contract-related freight costs, mainly commissions. Any loss on contracts is accrued when a loss is probable.

Rental income

Revenue classified as rental income is recognized in the period of which is performed, and is accrued at the end of the accounting period.

Dividends

Dividends are calculated when the shareholder’s right to receive the payment is established (by resolution at the general meeting).

Other income

Other income, such as commissions, provisions, management fees, victualling and rental of equipment, are recognized in the period in which they are performed.

Governmental grants

Grants related to the net tax agreement and crew subsidiaries are posted as a reduction in cost.

Insurance claims

For damage and averages on the Group's vessels and equipment, resulting in payments from insurance companies, compensation is recognized at gross value. Reimbursable and expenses are recognized and classified in accordance with the type of cost, while compensation is presented separately as a reduction in costs.

Financial derivatives

The Group uses financial derivatives such as foreign currency contracts and interest rate swaps to reduce the risk associated with interest rates and foreign currency fluctuations. Such financial derivatives are stated at fair value. Gains and losses on derivatives are booked directly to profit and loss.

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Related party transactions
All transactions and agreements with related parties are on an "arm's length" basis in the same way as transactions with third parties.

Stock
Stock consists mainly of bunkers onboard the vessels. Stock is valued at the lower of cost price and fair value. First-in-first-out method is used.

Earnings per share
The calculation of basic earnings per share is based on the majority's share of the result using the weighted average number of shares outstanding during the year after deduction of the average number of treasury shares held over the period.

Statement of Cash Flow
The Group applies the indirect method. Investment in shares and other liquid assets with maturity over three months are not included under cash equivalents.

Use of estimates and key measuring items
The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Accounting estimates are employed in the financial statements to determine reported amounts. Useful lifespan and residual value of vessels, depreciation of planned maintenance, depreciations and impairment, pensions, contingent liabilities and taxes are items where the use of estimates may have significant impact on reported amounts.

Useful lives of vessels affect the ordinary depreciation. Useful life of the vessel's different components is based on the condition and experience of wear and tear of each group of components. The main change is an assumption to operate the vessels for 20 years instead of the full physical lifetime.

Residual value of vessels will affect ordinary depreciation. The vessels market values are used as basis for the residual value. Market values, less any sales related expenses, are multiplied with a percentage dependent on the age of the vessel. The factor is 50% for a newbuild, increasing to 100% for a 20 year old vessel.

Depreciation of planned maintenance is affected by the estimated interval between each dry docking. This interval is determined based on experience for the Groups' fleet combined with official requirement for classification of the vessels

Pension is an estimate impacted by several assumptions. The discounted rate and expected regulation of salary has a significantly high impact. The regulation of salaries is based on experience and anticipation related to subsequent salary regulation in the business. The discounted rate is based on the Norwegian Covered Bonds Market interest rate.

Provision for contingent liabilities and taxes is based on collating information on a case by case basis. The probability of a contingent liability occurring which would affect the provision is evaluated. The discounting rate used for liabilities is based on a risk-free interest rate, adjusted to the maturity date.

Impairment testing is based on numerous estimates. Main elements are future revenues (rates), expected prolonging of existing contracts, level of running costs, expected return on equity, general marked prospects and useful life of fixed assets. Relating to financial assets, measurements are based on observable marked prices, public accounting information and general and specific marked prospects relevant to the certain financial asset.

Leasing agreements are considered whether they should be classified as operational or finance lease. These assessments are partly based on the assessment of the realities of the underlaying agreements.

When using the purchase method for business combinations, allocation of fair value to assets and liabilities involves use of discretion.

Although these estimates are based on Management's best knowledge at the time of submitting the accounts, actual figures may differ from the estimates.

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NOTE 2 MAJOR TRANSACTIONS/EVENTS

Major transactions/ events in 2016:
In the first quarter the anchorhandling vessels Normand Skarven and Normand Drott were sold and delivered to new owners.

The Group reported in the second quarter an extensive plan for restructuring of long-term debt, and that Aker Capital AS entered as an owner. The plan included new equity of MNOK 325, convertible loan MNOK 250 and reduced debt installments of MNOK 2,600 over the next three years.

The Group acquired the minority shares in the companies Trym Titan AS and Solstad Cable UK Ltd in the second quarter. The companies owns and operates, respectively, two construction service vessels (CSV). The acqusition cost was 300,000 shares in Solstad Offshore ASA. Included in the transaction, the Group took over a loan issued by the minority shareholder in Trym Titan AS. The receivable was acquired at a discount, and resulted in a financial gain of NOK 171.3 million (see Note 7).

In the third quarter a the Group entered an agreement for a merger for Rem Offshore ASA with a subsidiary of Solstad Offshore ASA, with compensation in the form of shares in the latter.

The plan for refinancing presented in the second quarter was approved and implemented in the third quarter. A total of MNOK 535 was received through capital contribution and convertible loan.

In the fourth quarter the Group took delivery of the new build Normand Maximus (CSV). The vessel is financed through a sale-lease-back structure in which the registered owner is an associate with 25% participation from Solstad and 75% of AGC Maritime Yield Fund. The transaction is accounted for and presented as a financial lease, where the vessel, with associated debt, is included in the consolidated balance sheet. Cost price for the vessel was about MUSD 380.

The merger with Rem Offshore ASA was completed in the fourt quarter. It lead to an increase of the Group's fleet from 44 to 61 vessels. Further, it resulted in an increase for equity of MNOK 300. In addition, there was repair issue of MNOK 40 against shareholders of Solstad Offshore ASA.

Major transactions/ events in 2015:
In the second quarter the anchorhandling vessel Normand Jarl was sold and delivered to new owners.

In the fourth quarter two fleet loans, totalling to USD 114.7 million, were refinanced.

Agreements for sale of two older anchor handling vessels were entered into in the fourth quarter. The vessels were delivered to new owners in January 2016.

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NOTE 3 FINANCIAL MARKET RISK, FINANCIAL INSTRUMENTS

GENERAL. The Group is exposed to various financial market risks in their business. Financial market risk is the risk that changes in exchange rates, interest rates and freight rates will affect the value of our assets, liabilities and future cash flows

In order to reduce and control these risks, reviewing and assessing management periodically Group's most important financial market risks. Once risks are identified, action is taken to reduce this risk. The main strategy to reduce financial market risk is the use of derivatives where appropriate, both the specific exposure and net exposures. If it is considered that the use of derivatives is appropriate, only standardized, conventional derivative instruments used through recognized financial institutions.

Group uses derivatives for the purpose of managing risks associated with interest rate and currency rates. Group does not use derivative financial instruments to achieve financial income from fluctuations in interest rates or where there is no underlying exposure.

Management has continuously carried out an assessment of the financial instruments' effect on the financial statements with a view to hedge accounting. Based on this, it was decided not to use hedge accountingin the accounts.

The use of financial instruments is not significant relative to the group's level of activity, revenues and equity for the Group.

CREDIT RISK. The Group is exposed to possible losses on accounts receivable over and beyond what is provided for, and the counterparty risk is assessed to be higher than previously. Overview of outstanding receivables in the table below.

The Group is exposed to losses if a counterparty to a financial derivative contract fails to meet its payment obligations on the settlement date. The Group does not anticipate performance default by any of the parties as only standardized, conventional derivative instruments are used and these are entered into with reputable financial institutions.

The Group is also exposed through guarantees on behalf of subsidiaries, joint ventures and associated companies. Based on the values of the mortgaged assets for guaranteed loans exceeds the outstanding loan, deemed credit risk for guarantees low. Reference is also made to note 11.

The following table shows the age distribution of accounts receivable:

per 31.12.2015	Not due	0 - 1 months overdue	1- 3 months overdue	Older than 3 months	Total
Accounts receivable	319 991	67 163	56 012	191 907	635 073

80% of the asset at the end of the year is divided into 60 customers. The 10 largest customers represent 41% of total accounts receivable.

per 31.12.2016	Not due	0 - 1 months overdue	1- 3 months overdue	Older than 3 months	Total
Accounts receivable	162 026	69 362	64 486	274 802	570 676

90% of the accounts receivable at the end of the year is divided into 23 customers. The 10 largest customers represent 70% of total accounts receivable. There is a provision of NOK 42 bad debt per 31.12.2016. This corresponds to approximately 20% of the outstanding. Virtually all are overdue. As of 31.12.2015 was the provision of MNOK 34. The provisions are based on significantly delayed settlement.

The following table shows, which cover more than 10% of total revenue:

			Segment	
Customer	**Total revenue**	**PSV**	**AHTS**	**CSV**
Chevron Thailand	345 734	0	0	345 734
Ocean Installer	442 777	0	0	442 777

INTEREST RISK. The Group's exposure to changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The strategy in terms of exposure to interest rate fluctuations is to limit exposure to variability of cash flows related to interest rate fluctuations. Depending on developments in the bond market the Group enters into various forms of hedging agreements.

As of 31.12.2016, the Group has entered into five fixed rate contracts with up to 4.5 years to maturity of approximately 12% of the debt. In addition, it signed 14 fixed interest rate agreements in the form CIRR finanzing by up to 5 years maturity for about 23% of the debt. The remaining 65% of the debt is at floating rates. Per 31.12.2016 interest swaps have an overall negative value of about MNOK 2.5 (negative MNOK 3.5 in 2015). As of 31.12.2016, the Group has entered into one interest rate and currency swap with a remaining maturity of 3 years. This has a negative value of about MNOK 51 (negative MNOK 61 in 2015) and comprises less than 1% of the debt.

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The following table shows the sensitivity of the Group's result before taxes at a reasonable change in the interest rate, while all other variables are unchanged.

Increase/ decrease in basis points		Effect on result before tax
+ / - 100	2016	+ / - 118 781
+ / - 100	2015	+ / - 105 611

FOREIGN CURRENCY RISK The Group's reporting currency is NOK. Revenues are divided into NOK, USD, GBP and EUR. The Group's future freight revenues are partly hedged using foreign currency loans. Furthermore, some revenue is sold forwards. This hedging reduces the effect of any fluctuation in currency rates on the profit and loss account. The Group's long-term debt has the following allocation as at December 31, 2016; NOK 45%, USD 50% and GBP 5%. The corresponding allocation for 2015 was 43% USD, 48% NOK and 9% GBP..

The following table shows the sensitivity of the Group's profit and loss before tax due to changes in USD, GBP and EUR versus NOK. All other variables remain unchanged. These variations are mainly due to changes in the Group's freight income.

Increase/ decrease in all currencies		Effect on result before tax
+ / - 10%	2016	+ / - 212 849
+ / - 10%	2015	+ / - 311 353

Increase/ decrease in USD		Effect on result before tax
+ / - 10%	2016	+ / - 149 027
+ / - 10%	2015	+ / - 219 922

Increase/ decrease in GBP		Effect on result before tax
+ / - 10%	2016	+ / - 50 943
+ / - 10%	2015	+ / - 54 059

Except for translation adjustments relating to foreign entities in foreign currency, further effect on equity is considered immaterial.

LIQUIDITY RISK. The Group aims to maintain a balance between debt and equity financing, and uses amongst other bonds and mortgage financing to achieve this. The group also has a target that unrestricted equity shall constitute around 10% of long-term debt. This is a challenging objective in the current market, and leads to an increased risk for breach of covenants. The Group monitors the risk of lack of available capital by thorough evaluation of the maturity of the financial investments, financial assets and projected cash flows from operations. Risk includes maintaining sufficient liquid assets and the possibility of funding through credit facilities and possibly issues.

The weakened demand for offshore service vessels lead to that EBITDA contribution in 2016 was not sufficient to serve the company's original installment structure. As a result, it carried out an issue to strengthen the company's liquidity combined with the Group's long-term debt was refinanced with extended maturity and reduced annual installments.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual, not discounted cash flows.

per 31.12.2016	**Less than 3 months**	**3 to 12 months**	**2 to 3 years**	**4 to 5 years**	**over 5 years**	**Total**
Interest bearing loans and bank overdraft	83.045	247.649	870.070	10.538.218	2.612.004	14.350.986
Other debt	0	0	0	226.991	0	226.991
Accounts payable	244.643	0	0	0	0	244.643
Interests	125.300	428.832	1.060.419	938.744	572.232	3.125.527
	452.987	**676.481**	**1.930.489**	**11.703.954**	**3.184.236**	**17.948.147**

per 31.12.2015	**Less than 3 months**	**3 to 12 months**	**2 to 3 years**	**4 to 5 years**	**over 5 years**	**Total**
Interest bearing debt and bank overdraft	1 040 055	1 562 603	3 725 049	5 012 777	168 012	11 508 495
Other debt	0	0	0	367 703	0	367 703
Accounts payable	126 178	0	0	0	0	126 178
Interests	78 796	298 790	527 299	168 267	9 859	1 083 011
	1 245 028	**1 861 393**	**4 252 348**	**5 548 747**	**177 870**	**13 085 387**

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CAPITAL STRUCTURE. A primary objective for the group is to maintain a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages and adjusts its capital structure based on changes in economic structures and assumptions. Measures to maintain or adjust the capital structure, the issuance of new shares, adjust the dividend payment to shareholders or sell assets to reduce debt.The Group monitors capital based on equity to assets. As of 31.12.2016 this ratio was 16%. The reduction in equity over the last few years is a result of the weakened market for offshore service vessels with a fall in vessels' earnings coupled with impairment of vessel values.

	31.12	
	2016	**2015**
Total equity	3 455 727	3 667 575
Total assets	22 284 884	16 236 183
	16%	23%

FAIR VALUE. Estimated market values of the Group's futures and option contracts denominated in currencies other than NOK are determined using the exchange rate on the accounting date. The fair value of the Group's interest- and interest / currency hedges are set at the market value at the balance sheet date based on exchange rates and interest on accounting date. Nominal value of cash and loan obligations are a reasonable estimate of the items' market. The estimated fair value of the Group's long-term debt obligations based on the interest on the balance sheet date. The fair value of shares in unlisted companies is estimated on the basis of the entity's latest financial report, focusing on the Group's share of equity, and therefore a thorough evaluation is required as a basis for estimating market values.

INTEREST RATE RISK. The following table shows the book value and maturity of the Group's financial instruments exposed to changes in interest rates

Fixed rate contracts	Nominal value	Yearly regulation	Currency	Interest rate	Maturity	More / less (-) value 31.12.16	More / less (-) value 31.12.15
Contract 1	36 885	7 377	USD	1,98 %	05.01.2018	-1 210	-3 222
Contract 2	37 500	4 167	USD	0,93 %	20.04.2016	0	-222
Contract 3	90 406	18 156	USD	0,70 %	27.04.2016	0	-863
Contract 4	65 000	10 000	USD	0,93 %	09.04.2018	1 871	2 250
Contract 5	19 000	1 000	GBP	1,40 %	28.06.2018	-1 795	-1 443
Contract 6	49 684	7 676	USD	1,35 %	28.10.2020	-1 793	0

Interest- and currency swap contracts		Nominal value	Yearly regulation	Currency	Maturity	More / less (-) value 31.12.16	More / less (-) value 31.12.15
Interest- and currency swaps	NOK/USD	202 500	45 000	NOK	05.07.2019	-51 444	-61 043

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Financing risk

The following table shows the total mortgage loan based on existing financing and their maturity dates as per 31.12.2016:

		Mortgage loan	Drawn	Maturity	Duration months	Interest
Loan 1	Floating Interest - USD	179 477	179 477	30.06.2021	53	4,04 %
Loan 2	Floating Interest - USD	114 493	114 493	30.06.2021	53	4,04 %
Loan 3	Floating Interest - USD	115 573	115 573	30.06.2021	53	4,04 %
Loan 4	Floating Interest - USD	592 625	592 625	30.06.2021	53	4,04 %
Loan 5	Floating Interest - USD	72 731	72 731	30.06.2021	53	4,04 %
Loan 6	Floating Interest - USD	100 492	100 492	30.06.2021	53	4,04 %
Loan 7	Floating Interest - USD	56 286	56 286	30.06.2021	53	4,04 %
Loan 8	Floating Interest - USD	78 289	78 289	30.06.2021	53	4,04 %
Loan 9	Floating Interest - USD	172 669	172 669	30.06.2021	53	4,04 %
Loan 10	Floating Interest - USD	16 163	16 163	30.06.2021	53	4,05 %
Loan 11	Floating Interest - NOK	289 531	289 531	30.06.2021	53	3,96 %
Loan 12	Floating Interest - NOK	257 031	257 031	30.06.2021	53	4,15 %
Loan 13	Floating Interest - NOK	278 083	278 083	30.06.2021	53	4,26 %
Loan 14	Floating Interest - NOK	47 333	47 333	29.03.2019	26	6,04 %
Loan 15	Floating Interest - NOK	211 010	211 010	29.06.2021	53	3,87 %
Loan 16	Floating Interest - NOK	1 279 531	1 279 531	30.06.2021	53	4,23 %
Loan 17	Floating Interest - NOK	7 100	7 100	30.06.2021	53	2,31 %
Loan 18	Floating Interest - USD	50 508	50 508	30.06.2021	53	2,31 %
Loan 19	Floating Interest - GBP	117 738	117 738	30.06.2021	53	3,27 %
Loan 20	Floating Interest - GBP	348 681	348 681	30.06.2021	53	3,27 %
Loan 21	Floating Interest - NOK	236 713	236 713	30.06.2021	53	4,04 %
Loan 22	Floating Interest - NOK	294 531	294 531	30.06.2021	53	4,04 %
Loan 23	Floating Interest - NOK	133 125	133 125	30.06.2021	53	4,04 %
Loan 24	Floating Interest - NOK	68 750	68 750	30.06.2021	53	4,04 %
Loan 25	Floating Interest - USD	66 568	66 568	30.06.2021	53	3,81 %
Loan 26	Floating Interest - USD	306 899	306 899	30.06.2021	53	3,81 %
Loan 27	Floating Interest - USD	113 921	113 921	30.06.2021	53	3,81 %
Loan 28	Floating Interest - USD	306 899	306 899	30.06.2021	53	3,81 %
Loan 29	Floating Interest - USD	199 962	199 962	30.06.2021	53	3,81 %
Loan 30	Floating Interest - USD	233 322	233 322	30.06.2021	53	3,81 %
Loan 31	Floating Interest - USD	233 322	233 322	30.06.2021	53	3,81 %
Loan 32	Floating Interest - USD	218 603	218 603	30.06.2021	53	3,81 %
Loan 33	Floating Interest - USD	147 079	147 079	30.06.2021	53	3,81 %
Loan 34	Floating Interest - USD	70 440	70 440	30.06.2021	53	3,81 %
Loan 35	Floating Interest - NOK	80 000	80 000	30.06.2021	53	5,23 %
Loan 36	Floating Interest - NOK	117 083	117 083	30.06.2021	53	5,16 %
Loan 37	Floating Interest - NOK	125 625	125 625	30.06.2021	53	5,28 %
Loan 38	Floating Interest - NOK	110 167	110 167	30.06.2021	53	5,22 %
Loan 39	Floating Interest - NOK	15 000	15 000	30.06.2021	53	5,19 %
Loan 40	Floating Interest - USD	25 142	25 142	30.06.2021	53	4,98 %
Loan 41	Floating Interest - NOK	96 639	96 639	30.06.2021	53	4,13 %
Loan 42	Floating Interest - NOK	27 513	27 513	30.06.2021	53	3,99 %
Loan 43	Floating Interest - USD	57 242	57 242	30.06.2021	53	3,80 %
Loan 44	Floating Interest - GBP	145 929	145 929	30.06.2021	53	3,27 %
Loan 45	Floating Interest - GBP	145 929	145 929	30.06.2021	53	3,27 %
Loan 46	Floating Interest - NOK	91 154	91 154	30.06.2021	53	4,04 %
Loan 47	Floating Interest - NOK	130 903	130 903	30.06.2021	53	4,04 %
Loan 48	Floating Interest - NOK	315 571	315 571	30.06.2021	53	4,03 %
Loan 49	Floating Interest - USD	116 652	116 652	30.06.2021	53	3,81 %
Loan 50	Fixed Interest - NOK	40 000	40 000	25.09.2018	20	5,21 %

NOTES

Financing risk (cont'd)
The following table shows the total mortgage loan based on existing financing and their maturity dates as per 31.12.2016:

		Mortgage loan	Drawn	Maturity	Duration months	Interest
Loan 51	Fixed Interest - NOK	403 750	403 750	30.06.2021	53	4,20 %
Loan 52	Fixed Interest - NOK	135 000	135 000	05.07.2019	30	5,65 %
Loan 53	Fixed Interest - NOK	18 063	18 063	30.06.2021	53	3,75 %
Loan 54	Fixed Interest - NOK	7 500	7 500	30.06.2021	53	4,78 %
Loan 55	Fixed Interest - NOK	15 938	15 938	30.06.2021	53	4,78 %
Loan 56	Floating Interest - NOK	58 970	58 970	23.05.2022	66	5,54 %
Loan 57	Floating Interest - NOK	89 000	89 000	25.12.2022	73	3,83 %
Loan 58	Floating Interest - NOK	34 040	34 040	16.04.2023	77	6,84 %
Loan 59	Floating Interest - NOK	13 813	13 813	16.04.2023	77	3,74 %
Loan 60	Fixed Interest - NOK	50 293	50 293	30.10.2023	83	6,91 %
Loan 61	Floating Interest - NOK	16 553	16 553	30.10.2023	83	3,76 %
Loan 62	Floating Interest - NOK	62 860	62 860	30.10.2023	83	3,72 %
Loan 63	Floating Interest - NOK	349 020	349 020	25.12.2022	73	3,75 %
Loan 64	Fixed Interest - NOK	197 163	197 163	01.01.2027	122	5,93 %
Loan 65	Fixed Interest - NOK	205 220	205 220	15.11.2028	145	4,20 %
Loan 66	Fixed Interest - NOK	383 170	383 170	09.01.2029	146	4,70 %
Loan 67	Fixed Interest - NOK	173 542	173 542	30.03.2027	125	5,93 %
Loan 68	Floating Interest - NOK	164 063	164 063	28.04.2021	53	3,77 %
Loan 69	Floating Interest - NOK	175 000	175 000	02.08.2021	56	3,77 %
Loan 70	Floating Interest - NOK	175 970	175 970	03.09.2022	69	4,79 %
Loan 71	Fixed Interest - NOK	248 750	248 750	05.07.2028	140	5,69 %
Loan 72	Fixed Interest - NOK	434 000	434 000	05.09.2029	154	4,31 %
Loan 73	Fixed Interest - NOK	394 403	394 403	08.12.2029	158	4,36 %
Loan 74	Floating Interest - NOK	241 500	241 500	15.12.2025	109	3,53 %
Loan 75	Floating Interest - USD	209 652	209 652	23.09.2020	45	2,41 %
Loan 76	Floating Interest - USD	108 259	108 259	23.06.2024	91	3,88 %
Total mortgage loans in NOK		13 021 517	13 021 517			
Bank overdraft	Floating interest - USD	107 750	107 750	30.06.2021	53	4,35 %
Bond loan	Floating interest - NOK	1 014 972	1 014 972	20.09.2021	56	5,16 %
Bond loan	Floating interest NOK	276 500	276 500	08.12.2024		5,00 %

Foreign currency risk
The following table show book value of forward contracts including more- and less value.

Purchase-/ sale currency	Value based on forward contract	More-/ less (-) value 31.12.16	Value based on forward contract	More-/ less (-) value 31.12.15
Forward contract NOK/USD (current)	66 251	-6 615	475 536	-32 563
Forward contract NOK/USD (long-term)	0	0	121 778	-7 878
Total forward contracts	**66 251**	**-6 615**	**597 314**	**-40 440**

NOTES

FAIR VALUE

The following table shows the booked and fair value of financial assets and obligations.
For items that are not included in the table below fair value is considered equal to the carrying value.

Financial assets		**2016**		**2015**	
	Note	**Booked value**	**Fair value**	**Booked value**	**Fair value**
Cash at bank	11,18	1 750 450	1 750 450	1 025 066	1 025 066
Investments in shares (long-term)	9	305 080	305 080	45 294	45 294
Other long-term financial investments		85 965	85 965	4 194	4 194
Total financial assets		**2 141 495**	**2 141 495**	**1 074 554**	**1 074 554**

Financial liabilities		**2016**		**2015**	
	Note	**Booked value**	**Fair value**	**Booked value**	**Fair value**
Short-term part of long-term debt	11	330 694	330 694	2 520 002	2 520 002
Mortgage loan with floating interest	11	11 514 882	11 463 438	8 920 429	8 859 386
Mortgage loan with fixed interest	11	2 505 410	2 502 482	2 505 410	2 501 909
Leasing obligation with floating interest	11	3 241 204	3 241 204	0	0
Total financial liabilities		**17 592 191**	**17 537 819**	**13 945 841**	**13 881 298**

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FAIR VALUE (CONT'D)

Fair value hierarchy
The Group use the following hierarchy for valuation and presentation of financial instruments:

Level 1: quoted prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data

The Group's level 1 includes shares in listed companies, refer to note 9 for further details.
Level 2 includes fixed interest contracts, interest and currency swap contracts, currency contracts and mortgage debt, refer above for further details.
Level 3 includes non-registered shares, refer to note 9 for further details.

	2016			2015		
Current financial assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Shares	10 188			229		
Total per level	**10 188**	**0**	**0**	**229**	**0**	**0**
Total all levels	**10 188**			**229**		

	2016			2015		
Non current financial assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Shares			3 192			2 991
Total per level	**0**	**0**	**3 192**	**0**	**0**	**2 991**
Total all levels	**3 192**			**2 991**		

Fixed interest contracts		1 871			2 250	
Interest- and currency swaps						
Currency swap contracts						
Total per level	**0**	**1 871**	**0**	**0**	**2 250**	**0**
Total all levels	**1 871**			**2 250**		

	2016			2015		
Current financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Fixed interest contracts					1 085	
Interest- and currency swaps						
Currency swap contracts		6 615			32 563	
Total per level	**0**	**6 615**	**0**	**0**	**33 648**	**0**
Total all levels	**6 615**			**33 648**		

	2016			2015		
Non current financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Fixed interest contracts		4 798			4 665	
Interest- and currency swaps		51 444			61 043	
Currency swap contracts					7 878	
Guarantees			21 018			21 018
Debt to credit institutions		14 020 292			8 905 838	
Leasing liability		3 241 204				
Other liabilities						
Total per level	**0**	**17 317 739**	**21 018**	**0**	**8 979 423**	**21 018**
Total all levels	**17 338 757**			**9 000 440**		

NOTES

NOTE 4 REPORTING BY SEGMENTS AND GEOGRAPHICAL MARKETS

The Group's main activity is to offer ships and maritime personnel in all geographical regions. The business is divided into three segments based on the different types of vessels: Anchor-Handling Vessels (AHTS) delivering services related to rig moves and anchoring of rigs and other devices at sea, Platform Supply Vessels (PSV) delivering services relating to transportation of material to offshore installations and Construction Service Vessels (CSV) delivering services relating to development of both sub sea and floating installations.

Results from associated companies (TS) are allocated to the segments based on number of ships per segment while the allocation of investments is based on book value of each ship in its current segment.

	AHTS		PSV	
Revenues	**2016**	**2015**	**2016**	**2015**
Net reveneus	470 446	909 153	87 285	371 944
Deferred income from assets	21 690	28 082	4 024	11 489
Total operating income	**492 136**	**937 235**	**91 309**	**383 432**
Results				
Operating result	-556 770	-437 277	-220 548	-681 276
Result from associated companies	0	0	0	0
Operating result (1)	**-556 770**	**-437 277**	**-220 548**	**-681 276**
Assets and liabilities				
Fixed assets	3 206 901	3 370 434	2 451 444	1 111 010
Total assets	**3 206 901**	**3 370 434**	**2 451 444**	**1 111 010**
Segment liabilities (2)	3 042 063	2 582 066	2 595 049	1 014 254
Total liabilities	**3 042 063**	**2 582 066**	**2 595 049**	**1 014 254**
Other segment information				
Investment in tangible fixed assets	434 385	3 923	1 502 938	758
Payment of periodic maintenance	62 794	30 774	33 075	34 902
Translation adjustment	- 12 866	121 993	- 6 696	77 372
Depreciations and impairment (3)	626 982	710 916	186 883	765 383

	CSV		Andre	
Revenues	**2016**	**2015**	**2016**	**2015**
Net reveneus	1 909 844	2 265 321	0	0
Deferred income from assets	88 054	69 971	0	0
Total operating income	**1 997 897**	**2 335 292**	**0**	**0**
Results				
Operating result	-22 201	718 272	-726	-732
Result from associated companies	64 083	65 878	- 2 481	- 1 021
Operating result (1)	**41 882**	**784 150**	**-3 207**	**-1 752**
Assets and liabilities				
Fixed assets	12 976 146	9 001 695	34 921	306 485
Investments in associated companies	677 460	345 162	33 238	41 173
Total assets	**13 653 606**	**9 346 857**	**68 159**	**347 658**
Segment liabilities (2)	10 669 193	6 242 112	0	0
Total liabilities	**10 669 193**	**6 242 112**	**0**	**0**
Other segment information				
Investment in tangible fixed assets	4 336 104	9 850	6 278	113 338
Payment of periodic maintenance	141 712	105 167	0	0
Translation adjustment	74 497	351 680	- 128	606
Depreciations and impairment (3)	855 089	345 808	7 066	7 439

NOTES

	Total	
Revenues	**2016**	**2015**
Net reveneus	2 467 574	3 546 418
Deferred income from assets	113 768	109 542
Total operating income	**2 581 342**	**3 655 959**
Results		
Operating result	- 800 246	- 401 014
Result from associated companies	61 602	64 858
Operating result (1)	**- 738 644**	**- 336 156**
Assets and liabilities		
Fixed assets	18.669.411	13.789.625
Investments in associated companies	710.698	386.335
Unallocated assets	2.904.775	2.060.223
Total assets	**22.284.884**	**16.236.183**
Segment liabilities (2)	16.306.305	9.838.432
Unallocated liabilities	1.285.886	1.587.407
Total liabilities	**17.592.191**	**11.425.839**
Other segment information		
Investment in tangible fixed assets	6 279 705	127 869
Payment of periodic maintenance	237 581	170 843
Translation adjustment	54 807	551 651
Depreciations and write-downs (3)	1 676 019	1 829 545

(1) The segment result is presented exclusive interests, currency gain/ loss and other financial items.

(2) Segment liabilities includes interes bearing debt only

(3) Depreciation includes both ordinary depreciation and depreciation of periodic maintenance. For allocation of revenues and cost on different segments see Note 1

The Group's vessels operate in several geographical areas during a year. Allocation between the different areas is based on freight revenue. In 2016, PSV revenue is mainly from activity in the North Sea, while revenues for AHTS and CSV activity are divided over all geographic areas.

Net revenues are allocated to the following areas:	**2016**		**2015**	
North Sea	34 %	827 556	33 %	1 171 375
North- and Central America	17 %	419 589	16 %	561 553
Mediterranean/remaining part of Europe	1 %	26 078	5 %	188 565
West Africa	7 %	180 423	6 %	195 244
South America	17 %	425 068	21 %	742 789
Asia	24 %	588 859	19 %	686 892
Total	**100 %**	**2 467 574**	**100 %**	**3 546 418**

The Group's vessels generally operate in more than one geographic region during the year. Therefore assets cannot be allocated per segment in accordance with IFRS 8.

NOTES

NOTE 5 OTHER INCOME, OTHER EXPENSES, WAGES, EMPLOYEES AND DISTINCTIVE CONTRIBUTIONS

Other operating income	2016	2015
Gain on sale of vessels		
Management fees	8 004	8 488
Victualling	48 702	70 170
Rental of personnel and equipment	57 063	30 884
Total other operating income	**113 768**	**109 542**

Other operating expenses	2016	2015
Technical cost	196 851	287 083
Bunkers and lube oil	65 448	78 539
Insurance	53 897	74 191
IT, communications and other costs	412 617	459 861
Total other operating expense	**728 814**	**899 675**

Wages and personnel costs	2016	2015
Employees, vessels	838 695	1 207 450
Employees, administration	154 277	188 114
Total employee cost	**992 972**	**1 395 564**

Wages and employee cost	2016	2015
Wages	779 545	1 013 336
Social security	80 801	113 168
Pension costs	27 592	46 567
Other benefits	24 994	80 537
Travelling costs, courses and other personnel costs	80 040	141 955
Total employee cost	**992 972**	**1 395 564**

Average number of employees	1 048	1 638

The Group has received grants in respect of crew subsidiaries and net wage agreements totalling MNOK 65.6 (2015 MNOK 46) which have been booked as a reduction of personnel costs.

REMUNERATION TO DIRECTORS, MANAGING DIRECTOR AND AUDITORS

Charged cost during the year	Director's fee	Wages	Other benefits	Pension cost
Key personnel (*):				
2016	12	9 400	414	465
2015	12	8 083	480	415

There are no distinctive agreements regarding remuneration for the Chairman of the Board and neither are there any distinctive bonus or option programmes for any Board Member or Group Management. No loans have been given to the company management.
The Managing Director has an agreement securing 12 months salary.

(*) For further details refer to Parent company note 4.

Board of Directors:	Director's fee
Terje Vareberg	341
Toril Eidesvik	210
Anders Onarheim	158
Anette Solstad	158
Ketil Lenning	158

	2016	2015
Audit - statutory accounts	2 981	2 881
Other attestation services	19	28
Tax related services	3 937	8 325
Other services	852	0
Total	**7 789**	**11 234**

Audit fees relates to statutory audit of accounts. Fee for tax advice is mainly assistance related to tax reporting to authorities in other countries. For 2015 and 2016 these services are mainly realted to crew, and hence, they are viewed as compliance services. Auditor-related services include consultancy, reports and assistance on accounting matters.

NOTES

NOTE 6 PENSION

The Group has one defined benefit pension plan seafaring personnel on Norwegian tariffs, and for some of the administrative personnel.. The pension plan is insurance based. As at December 31, 2016, there are 904 actives and 168 pensioners that is members of the pension plan.

The Group has a contribution plan for the majority of administrative staff. Personnel employed prior to 1.1.2007 could choose membership of either scheme. Employees joining the firm after 1.1.2007 are automatically members of the contribution plan. At 31st December 2016 the plan had 61 members

The following assumptions are used:	**2016**	**2015**
Discount rate	2,60 %	2,70 %
Expected return	2,60 %	2,70 %
Regulation of salaries	2,50 %	2,50 %
Regulation of base amount	2,25 %	2,25 %
Regulation of pension	2,25 %	2,25 %

Changes in pension obligation:	**2016**	**2015**
Estimated liability at beginning of the year	253 370	298 852
Interest expense	6 666	6 776
Annual pension earnings	19 643	29 139
Curtailment / settlement	- 1 546	0
Payroll tax of employer contribution, assets	- 1 825	- 2 110
Benefits paid	- 11 803	- 10 102
Actuarial (gain)/ loss on the obligation	- 10 388	- 69 186
Addition due to merger	49 826	0
Estimated liability at year end	**303 943**	**253 370**

Changes in plan assets:	**2016**	**2015**
Opening value of plan assets	202 698	200 071
Expected return	5 130	4 352
Curtailment / settlement	- 1 117	0
Payroll tax of employer contribution, assets	- 1 825	- 2 110
Contributions by employer	14 771	17 073
Benefits paid	- 11 803	- 10 102
Actuarial gain/ (loss)	- 8 985	- 6 586
Addition due to merger	41 583	0
Estimated plan assets at year end	**240 452**	**202 698**

Expected contribution by employer in 2017 is MNOK 26.7.

Net plan assets/ liabilities:	**2016**	**2015**
Pension liabilities	303 943	263 308
Plan assets	240 452	212 636
Net plan assets/ (liabilities) incl sosial security	**- 63 490**	**- 50 672**
Hereof Social security	- 7 846	- 6 262

NOTES

NOTE 6 PENSION (CONT'D)

Pension cost:	**2016**	**2015**
Present value of pension obligation	16 852	25 194
Interest expense on obligation	6 666	6 776
Expected return on plan assets	- 5 130	- 4 352
Administration expense	324	302
Changes in assumptions charged	- 436	0
Social security	2 473	3 643
Pension cost	**20 750**	**31 563**
Payments on contribution plan	9 316	18 647
Total pension cost	**30 065**	**50 211**
Actual return on plan assets	- 3 855	- 2 234

Actuarial gain and loss (-):	**2016**	**2016**
Total actuarial gain/ loss	1 403	62 599
Tax effect	337	15 650
Actuarial gain/ loss booked in Other comprehensive income	**1 066**	**46 949**

Percentage composition of pension funds:	**2016**	**2015**
Equities	6.7 %	4.5 %
Alternative investments	0.0 %	3.8 %
Bonds	12.2 %	6.5 %
Money market	23.6 %	24.3 %
Hold to maturity bonds	31.7 %	32.7 %
Loans and receivables	18.1 %	18.0 %
Real estate	7.4 %	9.9 %
Other	0.3 %	0.3 %

Pension liability for 2015 and 2016 is based on table K2013

Plan assets are invested in a wide portfolio by an external insurance company. The insurance company is responsible for total administration of the pension plan.

For both years the "Norwegian Covered Bonds Market"-interest rate is used as basis for determination of the discounting rate.

NOTES

NOTE 7 FINANCIAL ITEMS

Financial items	**2016**	**2015**
Interest expense	- 526 627	- 480 426
Interest income	7 400	9 909
Currency loss	-1 391 109	-1 387 614
Currency gain	1 681 710	733 796
Income from investment in associated companies	- 2 481	- 1 021
Gain financial derivatives	54 240	19 270
Loss financial derivatives	- 33 756	- 130 638
Gain purchase of receivables (refer note 2)	171 330	0
Dividends	0	11
Other financial income/ -expense (-)	- 39 746	- 7 339
Net financial items	**- 79 037**	**-1 244 050**

Currency gain and -loss is mainly relating unrealized currency gain and -loss on assets and liabilities in foreign currency, change in currency rates in the period from posting of invoices and actual timing of payments and realised currency gain and -loss related to refinancing og loan.

NOTE 8 FIXED ASSETS	**Vessels**	**Vessels under construction**	**Fixtures**	**Total**
Cost price 01.01.2015	18 772 629	178 925	95 366	19 046 920
Acc. depreciation/ impairment 01.01.2015	-4 492 109	0	- 71 660	-4 563 769
Book value 01.01.2015	**14 280 520**	**178 925**	**23 706**	**14 483 150**
Additions	14 531	98 300	15 038	127 869
Disposals	- 86 958	0	0	- 86 958
Transfer to asset helt for sale	- 16 288	0	0	- 16 288
Disposal of acc. depreciations/ impaiment	81 817	0	0	81 817
Translation adjustment	551 045	0	606	551 651
Cost price 31.12.2015	**19 234 959**	**277 225**	**111 009**	**19 623 194**
Acc. depreciations/ impairment 31.12.2015	-6 046 592	0	- 81 750	-6 128 341
Book value 31.12.2015	**13 188 368**	**277 225**	**29 259**	**13 494 853**
Depreciation/ impairment current period	-1 636 299	0	- 10 089	-1 646 389
Cost price 01.01.2016	19 234 959	277 225	111 009	19 623 194
Acc. depreciation/ impairment 01.01.2016	-6 046 592	0	- 81 750	-6 128 341
Book value 01.01.2016	**13 188 368**	**277 225**	**29 259**	**13 494 853**
Additions	3 143 713	2 863 584	- 674	6 006 624
Addition due to merger	3 400 386	0	13 505	3 413 891
Disposals	- 124 211	-3 140 810	0	-3 265 021
Transfer to asset helt for sale	- 181 183	0	0	- 181 183
Disposal of acc. depreciations/ impairment	124 211	0	0	124 211
Translation adjustment	54 912	0	- 104	54 807
Cost price 31.12.2016	**25 528 576**	**0**	**123 736**	**25 652 312**
Acc. depreciations/ impairment 31.12.2016	-7 482 546	0	- 88 815	-7 571 362
Book value 31.12.2016	**18 046 030**	**0**	**34 921**	**18 080 950**
Depreciation/ impairment current period	-1 560 166	0	- 7 066	-1 567 232

NOTES

NOTE 8 FIXED ASSETS (CONT'D)

Capitalized periodic maintenance:	**2016**	**2015**
Capitalized periodic maintenance at 01.01	270 661	290 253
Additions this year	171 396	170 843
Addition due to merger	75 798	0
Disposal this year	0	- 12 205
Transfer to asset held for sale	- 12 490	- 7 823
Depreciation of planned periodic maintenance this year	- 108 787	- 183 157
Translation adjustment	- 1 790	12 749
Capitalized periodic maintenance at 31.12	**394 788**	**270 661**

The vessels are divided into the following categories; hull, anchor-handling-, loading- and unloading equipment, main- auxiliary engine, thruster, DP and cranes and other equipment. Assumed physical lifetime for all categories are 30 years, while estimated useful life is 20 years.

Estimation of residual value are based on marked values/ brokers values in the beginning of the year. The brokers values, sales related expenses deducted, are multiplied with a factor dependent on the vessels age. The factor is 50% for a new built, increasing to 100% for a 20 year old vessel. Residual values was adjusted down by 7.5% for 2016

Previously, periodic maintenance was depreciated over the period until the next planned docking, normally 24-36 months, regardless of whether the next docking was an interim or main docking. Starting in 2016 periodic maintenance is depreciated over respectively the period until the next scheduled interim and main docking takes place. Normal interval is 5 years for both interim and main docking. This change of estimate has been made to have a smoother charge of costs related to periodic maintenance. In the year of implementation this has, however, resulted in reduced amortization of deferred maintenance by approximately MNOK 50. However, over a 5 year period, pro- and retrospectively, the change has no effect on the financial statements.

The depreciation rate for other equipment is 15-25%.

Vessels with a book value of MNOK 15,374 are held as a guarantee for the Group's loans, see note 11.

Included in these additions is capitalized interest of MNOK 8.1 (MNOK 7.2). The applied interest rate is 3.97%.

Impairment valuation of fixed assets
Once a quarter the Group evaluate any issues that might indicate impairment of fixed assets. Throughout 2016 the Group's stock value has been lower than the book value of equity. Broker valuations of the offshore fleet have also in 2016 shown a downward curve during the year. In addition the market for offshore vessels have been weak. Due to the market situation the Group has laid-up several vessels during the year. All the above are indicators for impairment.

Impairment testing (value in use calculation) was performed in the second and fourth quarter. For all vessels where book value exceeds 65% av broker value, where broker value is set as an average of 3 acknowledged, independent brokers, value in use calculations has been prepared to evaluate the value of the asset. Each vessel is considered a separate cash generating unit. The value in use caclulations are, amongst others, based on the Groups approved budgets for 2017 and forecasts for the following periods. Market conditions, and that there few sales of vessels, makes valuation of vessels uncertain.

The main assumptions used in the computations are charter rates, escalation of expenses, operational area, interest rate and the market as general.

Discounting rate
The discounting rate is based on a weighted average cost of capital (WACC) for the Group. The cost of equity is derived from the 10-year interest rate for state bonds (risk-free interest rate), the Groups own market risk premium and an average beta for the industry (5-year average from S&P and Oslo Stock Exchange). The debt element of the discounting rate is based on the risk-free interest rate, plus the Group's average margin for secured debt, as well as a premium equivalent to the difference between risk-free interest rate and the bank's lending rates. The dicounting rate is 8.0%, which is an increase from 7.6% in 2015.

Revenue assumptions
For vessels having firm contracts, revenue is based on the current contracts. For vessels without firm contracts, and for vessels where the firm contract expires during the period, revenue is based on historical data. Both the vessels own hiistory and average rates for comparable vessel for the last 7-10 years have been used. For the first period day rates for the PSV- and AHTS segment are set down to operational cost. From 2019 to 2023 it is assumed a gradual increase of revenue to a level which correspond to the average rates for the past 7-10 years. it is expected that the markets are normalized within 2025.

Inflation
Escalation of revenue is expected to be marginal for the first coming years. Hence, it is used a low (<1%) or no inflation of revenue in the calculations for the first 2-3 years. Operating cost is adjusted for inflation by 2% to 2019, and 3% thereafter. Inflation of revenue correspond to cost from 2020.

Residual values
Estimated residual values used in the value in use calculations are set using the same principle as for the ordinaly dereciations. Initially the value is set to 50% of cost price, expected cost of sale deducted, and adjusted according to changes in broker valuations. The assumption is that the broker values decline by 2,5% per year, until the vessel is 20 years old. It is assumed that the vessels av sold after 20 years in operation.

NOTES

NOTE 8 FIXED ASSETS (CONT'D)

Impairment testing
Based on the impairment test in the second quarter 3 vessels, 1 PSV', 1 AHTS and 1 CSV, was written down by MNOK 100. In the fourth quarter an 33 vessels were written down by MNOK 1,099. Total impairment of the Group's vessel in 2016 was MNOK 1,199. The impairment was divided on segments as follows (remaining recoverable amount in parantheses) : PSV MNOK 171 (MNOK 2,451), AHTS MNOK 511 (MNOK 3,207) and CSV MNOK 517 (MNOK 12,976).

Sensitivity calculations
The sensitivity of the value in use calculations for the vessels are analysed by altering the key assumptions; discounting rate, cost escalation, utilisation and day rates. An increase of discounting rate by 1% point and 2% points would have resulted in an additional impairment of MNOK 270-770. If the dayrates or utilisation are adjusted down decreasing the revenue by 2-5%, the write-down would be MNOK 200-600 higher. With an inflation of cost of 1-2% points higher, the write-down would increase by MNOK 450-1,100.

NEW BUILD CONTRACTS
As at 31.12.2016 the Group han no ships under construction.

As at 31.12.2015 the following ships are under construction:

New build contracts	Delivery	Owner	Solstad share	Contract price	Paid installments	Remaining 31.12.2015	Due in 2016
NB ”830” TBN Normand Maximus	June 2016	Solstad Rederi AS	100 %	MUSD 367.2	MUSD 36.7	MUSD 330,5	MUSD 330.5

The company had the option to change some of the equipment on the vessels, hence changes may occur.

Asset held for sale
One vessel (CSV) is agreed sold by the end of 2016. Sales proceed is approx MNOK 200. The corresponding assets are presented as held for sale on the balance sheet as per 31.12.2016.

NOTE 9 SHARES IN JOINT VENTURES, ASSOCIATED COMPANIES AND OTHER INVESTMENTS

The Group has the following shares in joint ventures (JV) and associated companies (AC):

		Place of business	Owner/voting share	Financial statement
Deep Well AS (DWAS)	AC	Karmøy, Norway	28 %	31.12.2016
Solstad Offshore Crewing Services Philippines (SOCS)	AC	Manilla, Philippines	25 %	31.12.2016
Maximus Limited (MAXL)	AC	George Town, Cayman Islands	25 %	31.12.2016
Normand Installer SA (NISA)	JV	Marly, Switzerland	50 %	31.12.2016
PT Meratus Solstad Offshore (PTSO)	JV	Jakarta, Indonesia	0 %	31.12.2016
Normand Oceanic AS (NOCE)	JV	Karmøy, Norway	50 %	31.12.2016
Normand Oceanic Chartering AS (NOCH)	JV	Karmøy, Norway	50 %	31.12.2016

Normand Oceanic AS owns one construction service vessel. The vesel is hired on bare-boat to a related party.
Normand Oceanic Chartering AS hire one contruction service vessel on bareboat from a related party. The vessel is then hired to a third party.
Normand Installer SA owns one contruction service vessel hired on time charter to a company associated with the other part of the joint venture.
Solstad Offshore Crewing Services Philippines deliver crewing services to the Group.
All the above investments are strategic for the Group.

Deep Well AS performs well intervention services.
Maximus Limited is the legal owner of the vessel Normand Maximus which the Group has on a financial lease.
The 49% share of PT Meratus Offshore was sold as of 22nd december 2016.

NOTES

NOTE 9 SHARES IN JOINT VENTURES, ASSOCIATED COMPANIES AND OTHER INVESTMENTS (CONT'D)

Joint ventures			**2016**		
Book value of shares consist of:	**NISA**	**NOCE**	**NOCH**	**PTSO**	**Total**
Cost price 01.01.	1 631	173 808	23	1 364	176 826
Acc result and adjustments	118 047	48 187	2 336	- 1 364	167 206
Book value 01.01.	**119 678**	**221 995**	**2 359**	**0**	**344 032**
Share of result	26 544	36 004	1 592	- 57	64 083
Other adjustments	636	- 2	3	57	694
Book value 31.12.	**146 859**	**257 996**	**3 954**	**0**	**408 809**
Balance sheet:					
Bank deposits and cash equivalents	10 950	76 043	11 848	0	98 841
Current assets	21 874	15 822	16 574	0	54 270
Long-term assets	471 215	1 247 412	0	0	1 718 627
Financial liabilities	- 430 061	0	0	0	- 430 061
Short-term liablilities	- 15 772	- 157 000	- 18 502	0	- 191 275
Long-term financial liabilities	0	0	0	0	0
Other long-term liabilities	0	- 940 550	0	0	- 940 550
Net assets	**58 206**	**241 726**	**9 920**	**0**	**309 852**
Andel av balanseposter	**29 103**	**120 863**	**4 960**	**0**	**154 926**
Revenues and profit:					
Revenues	154 624	181 751	70 937	1	407 313
Operating expense	- 71 500	- 329	- 66 658	25	- 138 462
Depreciations	- 9 050	- 62 701	0	0	- 71 752
Interest income	0	0	9	0	9
Interest expense	- 17 725	- 42 330	- 5	0	- 60 059
Financial expense	- 3 255	- 4 384	- 21	- 142	- 7 802
Result before tax	**53 093**	**72 007**	**4 263**	**- 116**	**129 247**
Taxes	- 5	0	- 1 078	0	- 1 083
Result	**53 089**	**72 007**	**3 185**	**- 116**	**128 164**
Share of revenues and profit:	**26 544**	**36 004**	**1 592**	**- 57**	**64 083**

Joint ventures			**2015**		
Book value of shares consist of:	**NISA**	**NOCE**	**NOCH**	**PTSO**	**Total**
Cost price 01.01.	1 631	173 808	23	1 364	176 826
Acc result and adjustments	90 739	33 810	2 357	- 1 364	125 542
Book value 01.01.	**92 370**	**207 618**	**2 380**	**0**	**302 368**
Share of result	25 235	39 474	1 169	0	65 878
Other adjustments	2 074	- 25 097	- 1 191	0	- 24 214
Book value 31.12.	**119 678**	**221 995**	**2 359**	**0**	**344 032**
Balance sheet:					
Bank deposits and cash equivalents	84 045	23 039	11 610	819	119 514
Current assets	81 176	16 172	16 688	2 101	116 138
Long-term assets	803 847	1 664 322	0	1 062	2 469 232
Financial liabilities	0	0	0	0	0
Short-term liablilities	- 96 689	- 16 983	- 24 149	139	- 137 681
Long-term financial liabilities	0	0	0	0	0
Other long-term liabilities	- 482 409	-1 050 583	0	- 5 862	-1 538 855
Net assets	**389 971**	**635 967**	**4 150**	**- 1 740**	**1 028 348**
Share of balance sheet:	**194 985**	**317 984**	**2 075**	**- 853**	**514 174**

NOTES

NOTE 9 SHARES IN JOINT VENTURES, ASSOCIATED COMPANIES AND OTHER INVESTMENTS (CONT'D)

Revenues and profit:	**NISA**	**NOCE**	**NOCH**	**PTSO**	**Total**
Revenues	152 873	175 850	78 050	44	406 817
Operating expense	- 79 080	- 532	- 74 010	-1 097	- 154 720
Depreciations	- 3 674	- 46 657	0	0	- 50 330
Interest income	0	0	9	0	9
Interest expense	-19 650	- 36 767	- 7	0	- 56 423
Financial expense	0	- 12 947	- 647	1 055	- 12 538
Result before tax	**50 470**	**78 949**	**3 395**	**1**	**132 814**
Taxes	0	0	- 1 056	-1	- 1 057
Result	**50 470**	**79 949**	**2 339**	**0**	**131 757**
Share of revenues and profit:	**25 235**	**39 474**	**1 169**	**0**	**65 878**

Associated companies			**2016**	
	DWAS	**SOCS**	**MAXL**	**Total**
Cost price 01.01.	19 367	385	0	19 752
Acc result and adjustments	21 806	744	0	22 551
Book value 01.01.	**41 173**	**1 130**	**0**	**42 302**
Investment	0	0	250 853	250 853
Share of result	- 24 623	576	6 392	- 17 655
Other adjustments	15 191	- 208	11 405	26 388
Book value 31.12.	**31 741**	**1 497**	**268 650**	**301 889**
Share of balance sheet:				
Current assets	14 241	4 984	39 783	59 008
Long-term assets	69 945	359	813 789	884 093
Short-term liablilities	- 8 549	- 4 306	- 4 499	- 17 353
Long-term liabilities	- 24 911	- 3	- 580 423	- 605 336
Net assets	**50 727**	**1 034**	**268 650**	**320 412**
Share of revenues and profit:				
Revenues	44 812	2 672	26 594	74 078
Operating expense	- 68 178	- 1 873	- 7 245	- 77 296
Financial expense	- 1 257	- 5	- 12 958	- 14 219
Result before tax	**- 24 623**	**794**	**6 392**	**- 17 437**
Taxes	0	- 218	0	- 218
Result	**- 24 623**	**576**	**6 392**	**- 17 655**

Associated companies			**2015**	
	DWAS	**SOCS**		**Total**
Cost price 01.01.	19 367	0		19 367
Acc result and adjustments	23 956	0		23 956
Book value 01.01.	**43 323**	**0**		**43 323**
Share of result	- 2 150	1 064		- 1 087
Other adjustments	0	66		66
Book value 31.12.	**41 173**	**1 130**		**42 302**
Share of balance sheet:				
Current assets	20 453	7 597		28 050
Long-term assets	73 282	370		73 652
Short-term liablilities	- 18 597	- 7 201		- 25 798
Long-term liabilities	- 20 063	0		- 20 063
Net assets	**55 074**	**765**		**55 840**
Share of revenues and profit:				
Revenues	55 690	2 970		58 659
Operating expense	- 58 428	- 1 956		- 60 384
Financial expense	588	129		717
Adjustment equity share method		66		66
Result before tax	**- 2 150**	**1 208**		**- 942**
Taxes		- 79		- 79
Result	**- 2 150**	**1 130**		**- 1 021**

NOTES

NOTE 9 SHARES IN JOINT VENTURES, ASSOCIATED COMPANIES AND OTHER INVESTMENTS (CONT'D)

Investments available for sale - long term

	2016		2015	
Unlisted shares	Share	Book value	Share	Book value
Hafast AS	2.64 %	200		
Bleivik SIM Holding AS	29.54 %	2 991	29,54 %	2 991
		3 192		**2 991**

The Group does not have significant influence on the above mentioned companies.

Investments available for sale - current		2016			2015	
Listed shares	Cost price	Share	Book value	Cost price	Share	Book value
Reach Subsea ASA	10 000	5.48 %	9 500			
Team Tankers International Ltd.	5 000	0.03%	688			
Rem Offshore ASA				429	0,04 %	229
			10 188			**229**

Available for sale investments consist of shares and have no fixed maturity or return. Shares in listed companies are valued at fair value (closing rate). The fair value of shares in unlisted companies is estimated on the basis of the entity's latest financial report.

Net change in value on available for sale financial assets booked to equity through Other comprehensive income:

	2016	2015
Opening balance	-200	-47
Rem Offshore shares	200	-153
Reach Subsea shares	-500	0
Closing balance	**-500**	**-200**

Subsidiaries with significant minority interests

The Group had two subsidiaries with significant minority interests (MI) as of 31th Desember 2015, the group have purchased up to 100% in these as of 31th Desember 2016.

The Group have, after merger, four subsidiaries with significant minority interests (MI) as of 31th Desember 2016. Information regarding these is as follows (NOK 1,000):

Name	Country	Minority share	Result allocated to MS	Accum. MS	Paid dividend
2016					
Solstad Cable UK Ltd	Scotland	0 %	5 569	0	0
Trym Titan AS	Norway	0 %	-35 236	0	0
Minorities from merger:					
SOFO Falnes AS	Norway	4 %	0	-160	0
SOFO Skude AS	Norway	6.5 %	0	1 399	0
Rem Supply AS	Norway	27 %	0	27 655	0
SOFO Tonjer IS	Norway	44 %	0	34 310	0
2015					
Solstad Cable UK Ltd	Scotland	37.5 %	21 133	112 990	0
Trym Titan AS	Norway	37.5 %	-42 111	-167 670	0

NOTES

NOTE 9 SHARES IN JOINT VENTURES, ASSOCIATED COMPANIES AND OTHER INVESTMENTS (CONT'D)

Condensed financial statement	**Solstad Cable UK Ltd**		**Trym Titan AS**	
	2016	**2015**	**2016**	**2015**
Non-current assets		284 760		937 703
Current assets		74 415		103 165
Total assets		**359 175**		**1 040 868**
Long term liabilities		0		1 478 133
Short term debt		57 868		9 856
Total liabilities		**57 868**		**1 487 989**
Revenue	54 677	160 061	136 310	123 792
Result after tax	-70 892	56 355	-49 432	-112 296

	SOFO Falnes AS	**SOFO Skude AS**	**Rem Supply AS**	**SOFO Tonjer IS**
	2016	**2016**	**2016**	**2016**
Non-current assets	190 681	220 947	430 917	200 710
Current assets	51 495	49 673	65 992	54 794
Total assets	**242 176**	**270 620**	**496 909**	**255 504**
Long term liabilities	173 542	241 500	339 063	171 531
Short term debt	72 733	8 252	3 131	5 944
Total liabilities	**246 275**	**249 752**	**342 194**	**177 475**
Revenue	2 267	33 857	58 158	0
Result after tax	-131 426	-108 998	-526 351	-210 891

NOTE 10 INSURANCE SETTLEMENTS

In cases of damages to vessels and equipment, the Group pays for the repairs in advance. After payment of insurance excesses the Group has received the following compensation from its insurance companies:

	2016	**2015**
Received compensation	16 217	67 811

Advance payments are included in Other operating expenses.

During the last two years the Group has posted Loss of Hire-revenues of MNOK 13 and MNOK 67 respectively.

NOTE 11 MORTGAGE DEBT AND OTHER LONG-TERM LIABILITIES

	2016	**2015**
Mortgages	14 020 292	8 905 838
Other long-term liabilities	304 571	367 703
Leasing obligations	3 241 204	0
Total long-term debt	**17 566 068**	**9 273 541**
Short-term portion of long-term debt (1st year instalment)	330 694	2 520 002

For maturity profile, please refer to Note 3.

Book value of assets:	**2016**	**2015**
Account receivables	570 676	635 073
Vessels	14 800 819	13 465 530
Total booked value	**15 371 495**	**14 100 603**

NOTES

NOTE 11 MORTGAGE DEBT AND OTHER LONG-TERM LIABILITIES (CONT'D)

The Group's long-term debt was apportioned 45% NOK, 50% USD and 5% GBP at 31.12.2016. The long term debt in NOK and GBP is partly linked to the USD through financial instruments. Actual apportionment is 41% NOK, 52% USD and 7% GBP.

The loan agreements contain covenants that Solstad Offshore ASA excl. Solship Invest 1 AS shall at all times have a working capital at a minimum of MNOK 100, booked equity at minimum MNOK 1,500, and a minimum cash balance of MNOK 400. The first year's loan instalments are exempt from calculation of working capital.

The Group's loan agreements contain covenants regarding minimum cash balance:

Solstad Rederi AS minimum MNOK 200
Solstad Offshore Asia Pacific Ltd minimum MUSD 9.5
SOFO Skude AS (Rem Arctic) minimum MNOK 4
SOFO Falnes AS (Rem Fortress) mininimum MNOK 4

Rem Ship AS minimum MNOK 125
Rem Supply AS minimum MNOK 8
Normand Tonjer AS (Rem Vision AS) minimum MNOK 4
Solship Invest 1 AS (Rem Offshore ASA) minimum MNOK 4

The market value of the vessels shall be at least 100 % of the outstanding debt.
The company satisfies all conditions of the loan agreements at 31.12.16. In addition to the tied assets/negative security clauses the agreements include re-assignment of factoring agreements, insurance terms and accounts receivables, and pledges of shares in ship owning companies.

Borrowing cost	**2016**	**2015**
Capitalized borrowing cost	87 211	68 655

Borrowing cost is presented net with the loans and is amortizised until maturity of the loan. Relating to the refinancing of the Group's debt a total of MNOK 63.5 of capitalized borrowing cost was derecognized. Subsequently new borrowing cost of MNOK 66.5 was recognized.

Operational lease

Some of the Group's ships are rented out on long-term charter parties. Revenue from these vessels are booked as operational leases.

	31.12.2016		**31.12.2015**	
	Minimum payment	**Present value minimum payment**	**Minimum payment**	**Present value minimum payment**
Next year	1 958 400	1 910 634	2 793 200	2 725 073
Next 2 to 5 years	3 996 200	3 683 054	8 369 800	7 703 453
Over 5 years	1 357 200	1 146 835	4 732 600	3 899 451
Finance cost		571 277		1 567 622
Total minimum lease payment	**7 311 800**	**7 311 800**	**15 895 600**	**15 895 600**

Financial lease

The Group has a financial leasing agreement concerning hiring of a construction service vessel.

	31.12.2016	
	Minimum payment	**Present value minimum payment**
Next year	356 318	335 086
Next 2-5 years	1 426 250	1 152 981
Over 5 years	2 768 864	1 753 138
Total minimum lease payment	**4 551 433**	**3 241 204**

Book value of vessel on financial leasing agreement as per 31.12.16 is MNOK 3,262.
The Group has a purchase option after 5 and 8 years.

NOTES

NOTE 11 MORTGAGE DEBT AND OTHER LONG-TERM LIABILITIES (CONT'D)

Other lease agreements:
The Group has entered the following lease agreements:

	Yearly payment	Maturity	Extension	Adjustment of rent
Offices Skudeneshavn	6 336	2026	4 times 5 years	Consumer price and 5 years swap-rate
Offices Oslo	107	2016		Consumer price
Offices Fosnavåg	1 684	2020		Consumer price
Workshop Husøy, Karmøy	2 696			Consumer price
Offices Aberdeen	531	2018		Fixed for the next 2 years
Offices Singapore	2 612	2017	5 years	Fixed for next year
Offices Perth	754	2017	1 year	Consumer price
Offices Rio de Janeiro and Macae	1 176	2017		Consumer price

Future minimum payments of lease agreements:	**2016**	**2015**
During the next year	15 789	13 976
In next 2-5 years	33 623	31 797
Beyond 5 years	25 344	31 380
Total minimum lease payments	**74 756**	**77 153**

Other long-term liabilities
Other long-term loans of MNOK 227 (MNOK 367 in 2015) are mainly convertible loan and sellers credit vessel.

The convertible loan of MNOK 250, was based on the rules on compound financial instruments, initially divided into an equity component (MNOK 128) and a debt component (MNOK 122). The loan can, at any time, be converted to 20 million shares.

Solstad Offshore ASA has furnished the following guarantees (NOK mill):

Normand Installer SA	215	- for purchase of vessels
Normand Oceanic AS	470	- for purchase of vessels

Refinancing
The Group's entire long-term debt was refinanced during 2016. All debt associated with the original Solstad fleet is gathered in 3 fleet loans where Solstad Offshore ASA stands as guarantor. Final maturity is 30 June 2021. The annual installment is reduced to 25% of the original amount. See Note 3 for further details regarding the repayment profile.

The former REM fleet is financed through about 20 different loans. There is a Master Agreement in place with all involved banks that apply until the end of 2019. During this period, the repayments are reduced to about 12% of the original amount. The loans mature in the period 2020-2028, with reference to Note 3 for further details regarding the repayment profile.

Both borrow structures have a so-called "Cash Sweep Mechanism" where any excess liquidity at a given time is used for extraordinary installments.

NOTES

NOTE 12 TAXES

	2016	2015
Taxes payable	12 061	11 561
Under/over accrual of tax payable	7 483	5 118
Change in deferred taxes	- 8 234	8 317
Tax on ordinary result	**11 309**	**24 996**
Apportionment of tax on ordinary result		
Norwegian tax - ordinary	- 5 499	13 525
Foreign	16 808	10 570
Total tax	**11 309**	**24 996**
Outside Shipping Tax Regime		
Temporary differences:		
Shares/ownership (current assets)	- 108 444	- 1 693
Pension obligation	- 53 845	- 50 672
Deferred income	- 58 388	
Fixed assets/ provisions	- 77 245	- 70 179
Unrecovered loss carried forward	- 247 172	- 119 469
Total temporary differences	**- 545 094**	**- 242 014**
Tax effect of temporary differences:		
Shares/ownership (current assets)	- 26 026	- 423
Pension obligation	- 12 923	- 12 668
Deferred income	- 14 013	0
Fixed assets/provisions	- 18 539	- 17 545
Unrecovered loss carried forward	- 59 321	- 29 867
Deferred tax asset not recognised	89 668	22 517
Net deferred tax/ deferred tax asset (-)	**- 41 154**	**- 37 987**
Changes in deferred tax in the balance sheet		
Opening balance deferred tax	- 37 987	- 61 966
Booked to profit and loss	- 3 555	8 317
Business combinations	51	0
Charged to equity (change pension)	337	15 650
Translation adjustment	0	12
End balance deferred tax/ deferred tax asset (-)	**- 41 154**	**- 37 987**
Payable tax in the balance sheet consist of:		
Tonnage tax	179	171
Other payable corporation tax	48 708	58 102
Total payable tax in the balance sheet	**48 886**	**58 273**

Tonnage tax is classified as operational expense.

	2016	2015
Analysis of effective tax rate:		
25% (27% in 2015) of pre-tax result	- 203 800	- 426 380
Effect of deferred tax asset not recognised	89 668	22 517
Differential in tax rates foreign entities	2 207	2 860
Permanent differences/ Shipping Tax Regime	123 234	425 999
Estimated tax	**11 309**	**24 996**

NOTES

NOTE 12 TAX (CONT'D)

The Group's tonnage taxed companies has no firm plans to exit the tonnage tax regime.

Deferred tax on deviating values in associated companies with foreign partnerships has been included in the Group accounts. Further, deferred tax is calculated on scenarios where a future realization will lead to a tax liability.

Deferred tax assets from losses carried forward are recognized under the assumption that companies under the ordinary tax regime will have taxable income in the future. This taxable income is related to ordinary income, gain from sale of fixed assets and taxable financial income.

Deferred tax asset is based on a tax rate of 24% (25% in 2015).

The Group has an international business. The taxable treatment of transactions, operations and structures in foreign countries may be challenged by local tax authorities, and may result in future tax obligations. Contingent liabilities are recognized in the accounts if they are more likely than not to occur. At the end of the year there are no issues that may lead to taxes in foreign countries for which no specific provision has been booked.

The accounts reflect the Groups best estimate for contingent liabilities at the end of the year.

NOTE 13 SHARE CAPITAL, SHAREHOLDERS AND TREASURY SHARES

	A-shares	B-shares	Share capital	Treasury shares
31.12.2014	38,687,377	0	77 375	-979
Sale treasury shares (64,675)	0	0	0	129
31.12.2015	**38,687,377**	**0**	**77 375**	**-850**
31.12.2015	38,687,377	0	77 375	-850
Capital contributions	32,000,000	17,999,444	99 999	0
Other adjustments (*)	0	0	0	-1
Sale treasury shares (300,000)	0	0	0	600
31.12.2016	**70,687,377**	**17,999,444**	**177 374**	**-251**

At 31.12.16, the Company's share capital represents 70,687,377 A-shares at NOK 2 and 17,999,444 B-shares at NOK 2. Both share classes have equal rights, except for voting rights, where B-shares have 1/10 voting power. The number of shareholders at 31.12.16 was 3,829.

The Board have the power of attorney to implement a capital appreciation of up to 140,000 shares at NOK 2 for employees of the Group.
Furthermore, the Board has power of attorney to increase the share capital by NOK 4 million by issuing 2 million shares.
The Board also have the power of attorney to acquire treasury shares limited to 10% of share capital. This power of attorney is retained until the next General Meeting.

Total transaction cost related to increase of capital in 2016 was MNOK 14.

As at 31.12.2016 the Group had 125,506 treasury shares with cost price of MNOK 9.7.
As at 31.12.2015 the Group had 424,675 treasury shares with cost price of NOK 45 million

(*) A subsidiary owned shares in Rem Offshore ASA. In connection with the merger with Rem Offshore ASA, the subsidiary received shares in Solstad Offshore ASA (treasury shares) as consideration.

NOTE 14 EARNINGS PER SHARE

Earnings per share are calculated by dividing the Group result by the average number of shares, adjusted for the stock of treasury shares.
In 2016 the Group has a MNOK 250 loan that can be converted to 20 million share, which gives the possibility of dilution.

	2016	2015
Majority result from net profit for the year	-865 554	-1 581 108
Average number of shares	45 862 854	38 631 841
Treasury shares	125 506	424 975
Average number of shares to calculate earnings per share	45 737 348	38 206 866
Earnings per share (NOK)	-18.92	-41.38
Diluted earnings per share (NOK)	-17.06	-

NOTES

NOTE 15 TRANSACTIONS WITH RELATED PARTIES

The Group accounts consists of the financial statements of Solstad Offshore ASA and the following subsidiaries, and joint ventures and associated companies booked as equity investments:

		Solstad Offshore ASA share	
Navn:	**Land:**	**2016**	**2015**
Solstad Offshore (UK) LTD	UK	100 %	100 %
Solstad Cable (UK) LTD	UK	100 %	62.5 %
Solstad Offshore Service Vessel (UK) LTD	UK	100 %	100 %
Pioneer Offshore LP	UK	100 %	100 %
Progress Offshore LP	UK	100 %	100 %
Pioneer Offshore Ltd	UK	100 %	100 %
Progress Offshore Ltd	UK	100 %	100 %
PIOPRO (UK) Ltd	UK	100 %	100 %
Solstad Cable Cutter Ltd	UK	100 %	62.5 %
Solstad Cable Clipper Ltd	UK	100 %	62.5 %
ADSI Offshore (UK) Ltd	UK	100 %	100 %
Solstad Management AS	Norway	100 %	100 %
Normand Drift AS	Norway	100 %	100 %
Solstad Rederi AS	Norway	100 %	100 %
Trym Titan AS	Norway	100 %	62.5 %
Solstad Shipping AS	Norway	100 %	100 %
Normand Skarven AS	Norway	100 %	100 %
Normand Skarven KS	Norway	0 %	69.1 %
Solstad Brasil AS	Norway	100 %	100 %
Normand Flower AS	Norway	100 %	100 %
Solstad Operations AS	Norway	100 %	100 %
Deep Well AS	Norway	28 %	28 %
Solstad Offshore Asia Pacific Pte Ltd	Singapore	100 %	100 %
Nor Offshore Labuan Pte Ltd	Labuan	100 %	100 %
Solstad Offshore Singapore Pte Ltd	Singapore	100 %	100 %
Norce Offshore Pte Ltd	Singapore	100 %	100 %
Norce Offshore Pty Ltd	Australia	100 %	100 %
Norce Offshore Thailand Ltd	Thailand	49.5 %	49.5 %
Solstad Offshore Ltda	Brazil	100 %	100 %
Solstad Servicos Maritimos Ltda	Brazil	100 %	100 %
NISA INC (FKV)	Switzerland	50 %	50 %
Normand Oceanic AS (FKV)	Norway	50 %	50 %
Normand Oceanic Chartering AS (FKV)	Norway	50 %	50 %
Normand Vision AS *	Norway	100 %	100 %
Normand Vision Chartering AS *	Norway	100 %	100 %
Solstad Offshore Crewing Services Pte	Singapore	100 %	100 %
Solstad Offshore Crewing Services Philippines Inc	Philippines	25 %	25 %
PT Meratus Solstad Offshore	Indonesia	0 %	49 %
Solstad Offshore Pty Ltd	Australia	100 %	100 %
Solstad Mexico AS	Mexico	100 %	100 %
Solstad Offshore Asia Pacific Labuan Ltd	Labuan	100 %	100 %
Solship AS	Norway	100 %	0 %
Solship Invest 1 AS	Norway	100 %	0 %
Rem Ship AS	Norway	100 %	0 %
Solstad Maritime AS	Norway	100 %	0 %
Rem Norway AS	Norway	100 %	0 %
SOFO Tonjer AS	Norway	100 %	0 %
SOFO Tonjer IS	Norway	56 %	0 %
SOFO Falnes AS	Norway	96 %	0 %
Rem Supply AS	Norway	73 %	0 %
SOFO Skude AS	Norway	93.5 %	0 %
Rem Crewing AS	Norway	100 %	0 %
Rem Star AS	Norway	100 %	0 %
Normand Maximus Limited	UK	100 %	0 %
Normand Maximus Operations Limited	UK	100 %	0 %
Maximus Limited	UK	25 %	0 %

NOTES

NOTE 15 TRANSACTIONS WITH RELATED PARTIES (CONT'D)

Solstad Offshore UK LTD is the parent company of Solstad Cable (UK) LTD, Solstad Offshore Service Vessel (UK) LTD, ADSI Offshore (UK) Ltd, and PIOPRO (UK) Ltd. Solstad Cable (UK) Ltd is the parent company of Solstad Cable Cutter Ltd and Solstad Cable Clipper Ltd.
Solstad Offshore Service Vessel (UK) Ltd is the parent company of Pioneer Offshore LP and Progress Offshore LP, whilst PIOPRO (UK) Ltd is the parent company of Pioneer Offshore Ltd and Progress Offshore Ltd. Solstad Rederi AS is the parent company of Normand Flower AS.
Solstad Brasil AS is the parent company of Solstad Offshore Ltda. Solstad Offshore Ltda is the parent company of Solstad Servicos Maritimos Ltda.
Solstad Offshore Asia Pacific Ltd is the parent company of Solstad Offshore Singapore Pte Ltd, Solstad Offshore Pty Ltd, Nor Offshore Labuan Pte Ltd, Norce Offshore Pte Ltd. and Solstad Offshore Crewing Services Pte Ltd.
Norce Offshore Pte Ltd is the parent company of Norce Offshore Pty Ltd and Norce Offshore Thailand Ltd.
Normand Maximus Limited is the parent company of Normand Maximus Operations Limited.
Solship Invest 1 AS is the parent company of Rem Ship AS, Solstad Maritime AS, Rem Norway AS, SOFO Tonjer AS, SOFO Falnes AS, Rem Supply AS, SOFO Skude AS, Rem Crewing AS and Rem Star AS. Rem Ship AS is the parent company of SOFO Tonjer IS.

Solstad Offshore ASA is the parent company for the remaining companies, and also has ultimate control of all companies.

In addition to general management services, the Group has entered the following transactions with associated parties:

	Revenue		Expense		Receivable		Payable	
Associated company	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Deep Well AS	0	431	0	0	0	0	0	0
Solstad Offshore Crewing Services Philippines	0	0	0	0	0	925	0	0
Maximus Limited	3 138 452	0	0	0	0	0	0	0
Joint ventures								
Normand Installer SA	0	0	0	0	4 666	13 927	0	0
Normand Oceanic AS	3 728	4 139	0	0	4 154	4 948	0	0
Other related parties								
Owner of offices	0	0	9 033	8 762	0	0	0	0
Owner of workshop	0	0	24	709	0	0	0	0

The Group's affiliation with associated parties:
Deep Well AS is an associated company in which the Group has a 28% share.
Solstad Offshore Crewing Services Philippines is a company in which the Group has a 25% share. Receivable relates to a shareholders loan.
Maximus Limited is a company in which the Group has a 25% share. The transaction is related to sale and lease-back of Normand Maximus.

Normand Installer SA is a joint venture company in which the Group has a 50% share. Receivable relates to a shareholders loan.
Normand Oceanic AS is a joint venture company in which the Group has a 50% share. Revenue and recievables relates to guarantee commission.

The Group rents offices and a warehouse at market price from a company controlled 100% by one of the main shareholders.
The Group also uses a shipyard for repairs and conversions of the Group's vessels where one the main shareholders has 100% control.

Associated parties are considered to be Board Members (including associated companies) and the company management.
There are no management agreements with associated parties outside the Group that charge management fees.

Transactions with related parties are completed at normal market prices. Interest is not calculated on outstanding balances at year end that are normal accounts receivable or accounts payable. Current assets are included in the ordinary evaluation of bad debt.

NOTE 16 BANK DEPOSITS

The Group's tied deposits total NOK 18 million (NOK 24 million) on which tax is withheld.

NOTES

NOTE 17 ENVIRONMENTAL CONDITIONS

All of the company's vessels comply with current environmental requirements. In 2016, none of the company's vessels had conditions imposed on them for upgrading or improving technical equipment or any other measures necessary to satisfy current environmental standards.

The company's HSE and ISPS system complies with international regulations (IMO's International Safety Management Code). All vessels and our administration hold ISM certification from Det Norske Veritas or relevant Flag State. The company's Quality Assurance system is certified in accordance to NS-EN ISO 9001:2000.

NOTE 18 PAID OUT AND PROPOSED DIVIDEND

Approved and paid out during the year:	**2016**	**2015**	**2014**
Ordinary dividend	0	135 406	193 437
Proposed dividend at general meeting:	**2016**	**2015**	**2014**
Ordinary dividend	0	0	135 406
Per share (NOK)	0.00	0.00	3.50

NOTE 19 OTHER LONG-TERM ASSETS

	2016	**2015**
Sellers credit	21 492	79
Loan to other companies	1 574	1 840
Other receivables	61 028	25
Total other long-term assets	**84 094**	**1 945**

The loans are secured convertible loans. Interest rate during 2016 has been 2,3%.

NOTE 20 ACCOUNTS RECEIVABLE AND OTHER SHORT-TERM RECEIVABLES

	2016	**2015**
Accounts receivable	562 015	612 970
Receivable from associated and joint venture companies	8 661	22 103
Total accounts receivable	**570 676**	**635 073**
Prepaid expenses	10 137	8 119
VAT receivable	8 386	3 531
Other short-term receivables	347 066	262 746
Receivable from associated and joint venture companies	4 539	8 408
Total short-term receivables	**370 031**	**282 804**

Other short-term receivables are mainly refundable insurance claims, accrued revenue and prepaid docking expenses.

NOTE 21 STOCK

Stock consists of provisions, bunkers and lube oil on the Group's vessels:

	2016	**2015**
Bunkers	51 170	36 109
Lube oil	17 348	14 782
Provisions	4 602	6135
Total stock	**73 120**	**57 026**

NOTES

NOTE 22 OTHER CURRENT LIABILITIES

Other current liabilities consist mainly of accrued interests and provision for planned periodic maintenance at year end.

NOTE 23 BUSINESS COMBINATIONS

On 9 December 2016 the Group acquired control of assets equivalent to 100% of Rem Offshore ASA, through a merger between Solship Invest 1 AS and Rem Offshore ASA. The purchase method is used for the acquisition. The profit share for the period 9 to 31 December 2016 is considered to be immaterial to the consolidated result for Solstad Offshore ASA, and is thus not included. Total transaction cost related to the business combination was MNOK 18.

If the acquisition had taken place at the beginning of the year, the ordinary result before taxes for 2016 would have been MNOK 147 lower and net freight revenues MNOK 759 higher.

Fair value of identifiable assets and liabilities at the date of acquisition was:

	Fair value	**Book value**
Vessels	3 476 154	3 535 000
Other fixed assets	74 708	13 705
Current assets	167 852	167 852
Cash	773 011	773 011
Current liabilities	181 806	181 806
Non-current debt and liabilities	4 010 497	4 010 497
Net assets	**299 423**	**297 265**
Net acquisition cost	**299 423**	

The excess value of MNOK 2 is allocated to a long-term contract for one of the acquired vessels, and is included in Other fixed assets.

Total acquisition cost of MNOK 299 is settled by issue of consideration shares (Class A shares and Class B shares) in Solstad Offshore ASA.

NOTE 24 DEFERRED INCOME

Deferred income of MNOK 194 consists mainly of advance invoiced freight revenue for 5 of the Group's vessels.

One of the group's long-term TC contracts were renegotiated in 2016. It was agreed reduced day rates in exchange for payment of bank guarantees. The cash payment is recognized linearly over the remaining part of the contract. At the end of the year, the remaining deferred income, included in the above amount, was NOK 53.

NOTE 25 SUBSEQUENT EVENTS

On 6 February 2017, the market was informed about a planed merger of Farstad Shipping ASA and Deep Sea Supply Plc and a subsidiari of Solstad Offshore ASA as the acquiring company. The boards of the companies involved approved the conditions of the merger on March 24, 2017. The transactions will not be effective until they, among others, have been dealt with by the competition authorities and the general meetings of companies and all creditor deadlines expired.

The construction service vessel REM Etive was agreed by the end of 2016. Consideration is approximately MNOK 200. The vessel is classified as an asset held for sale as at 31.12.2016, and is expected to be delivered in Q2 2017.

CORPORATE ACCOUNTS
FOR SOLSTAD OFFSHORE ASA (PARENT COMPANY)

PROFIT AND LOSS ACCOUNT

1.1 - 31.12

PARENT COMPANY (NOK 1,000)	NOTE	2016	2015
Other operating income		2 289	2 007
Total operating income		**2 289**	**2 007**
Personnel costs	4	-7 453	-6 728
Other operating expenses	4	-25 177	-13 519
Total operating costs		**-32 630**	**-20 247**
Operating loss		**-30 341**	**-18 240**
Interest income from companies in the Group		33 499	25 958
Other interest income		696	1 294
Other financial income	5	1 119 801	358 461
Interest costs from companies in the Group		-1 120	-181
Other interest charges		-67 520	-96 221
Other financial charges	5,7	-1 675 032	-104 293
Net financial items		**-589 675**	**185 018**
Ordinary profit / loss before taxes		**-620 017**	**166 778**
Tax on ordinary result	10	0	-6 863
Net profit / loss for year		**-620 017**	**159 915**
Transfers and disposable income			
Transfer from other equity	11	-620 017	159 915
Total transfers and disposable income		-620 017	159 915

BALANCE SHEET

PARENT COMPANY (NOK 1,000)	NOTE	31.12.16	31.12.15
ASSETS			
Fixed Assets			
Intangible fixed assets			
Deferred tax asset	10	694	694
Financial fixed assets			
Investments in subsidiaries	6	3 675 674	4 026 534
Loan to companies in the Group	9	289 963	832 252
Investment in jointly-owned companies	7	198 870	198 870
Investment in associated companies	7	32 418	32 418
Other long-term receivables	8	0	13 927
Total financial fixed assets		**4 196 925**	**5 104 001**
Total fixed assets		**4 197 618**	**5 104 694**
Current assets			
Receivables			
Other short-term receivables	9	60 723	58 997
Bank deposits and cash equivalents		516 403	90 225
Total current assets		**577 125**	**149 222**
TOTAL ASSETS		**4 774 744**	**5 253 916**

BALANCE SHEET

PARENT COMPANY (NOK 1,000)	NOTE	31.12.16	31.12.15
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (88.686.821 at 2,-)		177 374	77 375
Treasury shares		-251	-850
Share premium		112 367	112 367
Other paid-in capital		622 755	111 648
Total restricted equity	**11**	**912 244**	**300 540**
Earned equity			
Other equity	11	2 528 683	3 016 798
Total earned equity		**2 528 683**	**3 016 798**
Total equity	**11,12**	**3 440 927**	**3 317 338**
Liabilities			
Provisions			
Other provisions	16	21 018	21 018
Other long-term liabilities			
Debt Group companies	9	60 624	128 613
Bond Loan	17	1 006 410	1 696 170
Other long term liabilities	17	234 381	0
Total long-term liabilities		**1 301 415**	**1 824 783**
Current liabilities			
Accounts payable	9	5 731	2 456
Bank overdraft		0	82 656
Group contribution	9	3 000	0
Other current liabilities		2 653	5 666
Total current liabilities		**11 384**	**90 778**
Total liabilities		**1 333 816**	**1 936 578**
TOTAL EQUITY AND LIABILITIES		**4 774 744**	**5 253 916**

Skudeneshavn, April 3, 2017

Terje Vareberg Chairman	Ellen Solstad Director	Anders Onarheim Director	Frank Reite Director	Toril Eidesvik Director	Lars Peder Solstad CEO

STATEMENT OF CASH FLOW

1.1 - 31.12

CASH FLOW FROM OPERATIONS (NOK 1,000)		**2016**	**2015**
Profit/loss before taxes		**-620 017**	**166 778**
Write-down of financial assets		1 571 250	88 667
Unrealised currency gain/loss		-107 776	69 500
Change in short-term receivables/payables		3 275	-7 141
Change in other accruals		-4 739	13 672
Net cash flow from operations	**(A)**	**841 994**	**331 476**
CASH FLOW FROM INVESTMENTS			
Investments in shares		-942 968	-169
Payment of long-term receivables		656 889	-249 918
Disposal of shares		25 000	0
Net cash flow from investments	**(B)**	**-261 079**	**-250 087**
CASH FLOW FROM FINANCING			
Emisjoner		311 683	0
Payment of dividends		0	-133 692
Purchase and sale of treasury shares		4 501	1 263
Bank overdraft		-75 552	-21 922
New/ repayment of (-) long-term debt		-395 368	131 593
Net cash flow from financing	**(C)**	**-154 737**	**-22 759**
Net change in cash and cash equivalents	**(A+B+C)**	426 178	58 631
Cash and cash equivalents at 01.01		90 225	31 594
Cash and cash equivalents at 31.12	**(Note 15)**	**516 403**	**90 225**

NOTES

NOTE 1 ACCOUNTING PRINCIPLES

General
The annual accounts have been prepared in accordance with the Accounting Act and best practice accounting principles in Norway. The most important accounting principles are described below.

Use of estimates
In the preparation of the accounts, estimates and assumptions are used which affect the accounts. Actual figures may differ slightly from the estimates.

Foreign currency
Monetary items in foreign currency are converted at the exchange rate at the balance sheet date.
The following exchange rates have been used in the accounts:

	GBP	USD	Euro
Per 31.12.15	13,072	8,8090	9,6190
Per 31.12.16	10,613	8,6200	9,0863

Cost of borrowing
The cost of borrowing is capitalized at the time of borrowing and the cost is charged over the maturity period of the loan.

Evaluation and presentation of current assets
Stocks are valued as the lowest of either the acquisition or the estimated sales value. Receivables are posted at face value with deduction for anticipated loss.

Financial fixed assets
Long-term investment in shares and other investments are valued at the lowest of either the acquisition cost or the estimated sales value if the reduction in the sales value is not considered temporary.

Taxes / Deferred tax
Deferred tax/ deferred tax assets are calculated, using the liability method, at 24% based on temporary differences between the accounting and tax-related values existing at the end of the financial year and any tax deficits are carried forward.
Temporary tax increases and decreases are recorded in the balance sheet as net figures.

Classification of items in the accounts
Assets determined for long-term ownership or use and receivables which are due more than one year after the expiry of the financial year are posted as fixed assets. Any remaining assets are classified as current assets.

Liability which is due more than one year after the expiry of the financial year is posted as long-term debt.

Contingencies
Contingent losses that are probable and quantifiable are posted to the accounts, whilst contingent gain/income is not.

Shares and holdings in other companies
Short-term investments related to shares are not treated as a trading portfolio and are valued at the lowest of cost price and market value.

Shares in subsidiaries, associated companies and jointly-owned companies
Shares in subsidiaries, associated and jointly-owned companies are posted in the parent company accounts at cost and written down to the extent that there is a significant deficit value which is not considered temporary.

Treasury shares
Treasury shares are posted as a nominal value under the item “share capital”. The difference between nominal and acquisition cost is entered as “other equity”.

Cash flow
The Group applies the indirect method. Investment in shares and other liquid assets with maturity over three months are not included under cash equivalents.

NOTES

NOTE 2 MAJOR TRANSACTIONS/EVENTS

The Group reported in the second quarter an extensive plan for restructuring of long-term debt, and that Aker Capital AS entered as an owner. The plan included new equity of MNOK 325, convertible loan MNOK 250 and reduced debt installments of MNOK 2.600 over the next three years.

The Group acquired the minority shares in the companies Trym Titan AS and Solstad Cable UK Ltd in the second quarter. The companies owns and operates, respectively, two construction service vessels (CSV). The acqusition cost was 300.000 shares in Solstad Offshore ASA.

In the third quarter a the Group entered an agreement for a merger for Rem Offshore ASA with a subsidiary of Solstad Offshore ASA, with compensation in the form of shares in the latter.

The plan for refinancing presented in the second quarter was approved and implemented in the third quarter. A total of MNOK 535 was received through capital contribution and convertible loan.

NOTE 3 FINANCIAL RISK

The company is exposed to various financial risks in its activities. Financial risk is the risk incurred from any changes in currency and interest rates together with counter parties ability to pay, and which impacts the value of the company's assets, liabilities and future cash flows.

NOTE 4 OTHER EXPENSES, WAGES, EMPLOYEES AND DISTINCTIVE CONTRIBUTIONS

	2016	**2015**
Wages	5 568	5 095
Employer's National Insurance	884	784
Pension costs	242	238
Other benefits	213	131
Travelling costs, courses and other personnel costs	547	480
Total employee costs	7 454	6 728
Average number of employees	2	2

NOTES

NOTE 4 OTHER EXPENSES, WAGES, EMPLOYEES AND DISTINCTIVE CONTRIBUTIONS (CONT'D)

REMUNERATION TO DIRECTORS, MANAGING DIRECTOR AND AUDITORS

Remuneration to directors:	Wages	Other benefits	Pension cost
2016			
Lars Peder Solstad (man.dir)	2 087	153	73
Sven Stakkestad (dep. man. dir)	2 407	120	169
Eivind Kvilhaug (finance dir.)	1 888	11	75
Hans Knut Skår (chartering dir.)	1 576	118	73
Tor Inge Dale (operations dir.)	1 443	11	75
2015			
Lars Peder Solstad (man.dir)	2 102	200	75
Sven Stakkestad (dep. man. dir)	1 905	125	163
Eivind Kvilhaug (finance dir.)	1 200	16	60
Hans Knut Skår (chartering dir.)	1 607	123	60
Tor Inge Dale (operations dir.)	1 270	16	58

Board of Directors:	Director's fee
Terje Vareberg	341
Toril Eidesvik	210
Anders Onarheim	158
Anette Solstad	158
Ketil Lenning	158

In 2016, NOK 833,364 is charged as auditors fees and NOK 1,379,077 relating to other non-audit related services. Both amounts are exclusive VAT. There are no distinctive agreements regarding remuneration for the Chairman of the Board and nor are there any distinctive bonus or or option programmes for any Board Member or Group Management. No loans have been given to key employees. The Managing Director has an agreement that secures 12 months salary.

The employees are included in the Group's standard pension plan. Pension fund liability is posted in Solstad Management AS.

NOTES

NOTE 5 FINANCIAL ITEMS

Other financial income, totalling MNOK 1,120 includes guarantee commission of MNOK 30 and dividends from subsidiaries MNOK 1,090.

Comparative figures for 2015 of MNOK 358 includes guarantee commission of MNOK 42, dividends from subsidiaries of MNOK 200, unrealized currency gain of MNOK 87, income from investments in subsidiaries of MNOK 7 million, and group contributions of MNOK 15.

Other financial costs of MNOK 1,675 consist of write-down of shares in subsidiary MNOK 1,571, currency loss MNOK 102 and loss from subsidiaries.

Comparative figures for 2015 of MNOK 104 consist of write-down of shares in subsidiary MNOK 89 and realized currency loss MNOK 15.

NOTE 6 SHARES IN SUBSIDIARIES

31.12.2016	Place of business	Owner-/ voting share	Number of shares	Nominal value	Share capital	Cost price/ book value
Solstad Shipping AS	Skudeneshavn	100 %	10.000	1.000	10.000	33.001
Solstad Mexico AS	Skudeneshavn	100 %	100	USD 200	USD 20	169
Solstad Rederi AS	Skudeneshavn	100 %	71.500	100	7.150	1.173.391
Solstad Operations AS	Skudeneshavn	100 %	30.000	1	30	10.030
Normand Drift AS	Skudeneshavn	100 %	150	1.000	150	150
Solship AS	Skudeneshavn	100 %	30.000	1	30	30
Solship Invest 1 AS	Skudeneshavn	100 %	30.000	1	30	299.453
Normand Maximus Ltd	Aberdeen	100 %	33.269.308	GBP 1	GBP 33.269	335.833
Solstad Offshore UK Ltd	Aberdeen	100 %	11.000.100	GBP 1	GBP 11.000	145.284
Solstad Management AS	Skudeneshavn	100 %	2.000	1.000	2.000	11.000
Normand Skarven AS	Skudeneshavn	100 %	1	950.000	950	1.250
Trym Titan AS	Skudeneshavn	100 %	625	100	100	
Solstad Brasil AS	Skudeneshavn	100 %	480	1.000	480	31.000
Normand Vision AS	Skudeneshavn	100 %	2.496.031	0,06	140	234.608
Normand Vision Chartering AS	Skudeneshavn	100 %	5.000	6	30	3.299
Solstad Offshore Asia Pacific Ltd	Singapore	100 %	20.000.000.000	(*)	USD 175.877	1.397.178
Sum						**3.675.674**

(*) Singapore shares does not have nominal value.

The shares in subsidiaries Solstad Rederi AS, Solstad Mexico AS, Solstad Offshore Asia Pacific Ltd and Trym Titan AS are written down by MNOK 1,571 in 2016.

Book values is written down to the company's share of book value of equity, adjusted for eccess values and any currency effects.

NOTES

NOTE 6 SHARES IN SUBSIDIARIES (CONT'D)

31.12.2015	Place of business	Owner-/ voting share	Number of shares	Nominal value	Share capital	Cost price/ book value
Solstad Shipping AS	Skudeneshavn	100 %	10.000	1.000	10.000	33.001
Solstad Mexico AS	Skudeneshavn	100 %	100	USD 200	USD 20	169
Solstad Rederi AS	Skudeneshavn	100 %	71.500	100	7.150	2.428.391
Solstad Operations AS	Skudeneshavn	100 %	30.000	1	30	10.030
Normand Drift AS	Skudeneshavn	100 %	150	1.000	150	150
Solstad Offshore UK Ltd	Aberdeen	100 %	11.000.100	GBP 1	GBP 11.000	145.284
Solstad Management AS	Skudeneshavn	100 %	2.000	1.000	2.000	11.000
Normand Skarven AS	Skudeneshavn	100 %	1	950.000	950	1.250
Trym Titan AS	Skudeneshavn	63 %	625	100	100	81.250
Solstad Brasil AS	Skudeneshavn	100 %	480	1.000	480	31.000
Normand Skarven KS	Skudeneshavn	69 %				25.000
Normand Vision AS	Skudeneshavn	100 %	2.496.031	0,06	140	234.608
Normand Vision Chartering AS	Skudeneshavn	100 %	5.000	6	30	299
Solstad Offshore Asia Pacific Ltd	Singapore	100 %	20.000.000.000	(*)	USD 175.877	1.025.103
Sum						**4.026.534**

(*) Singapore shares does not have nominal value.

NOTE 7 SHARES IN JOINTLY OWNED AND ASSOCIATED COMPANIES

Shares in jointly owned and associated companies

	Place of business	Owner-/ voting share	Number of shares	Cost price	Equity 31.12.16 (100%)	Result 2016 (100%)
NISA Inc. (JV)	Marly (Sveits)	50 %	501	25.038	69.444	11.434
Normand Oceanic AS (JV)	Skudeneshavn	50 %	112.134.346	173.808	696.416	72.007
Normand Oceanic Chartering AS (JV)	Skudeneshavn	50 %	15.000	23	9.921	3.342
Sum				**198.870**	**775.782**	**86.783**
Deep Well (AC)	Haugesund	28%	80.153	32.418	181.168	-87.939

NOTES

NOTE 8 OTHER LONG TERM ASSETS

Other long term assets include:

	31.12.16	31.12.15	Interest
Shareholders loan NISA SA	0	13 927	2,16%

The loan was repaid in 2016.

NOTE 9 INTER COMPANY GROUP

Solstad Offshore ASA had the following receivables/debt from companies in the Group:

	31.12.16	31.12.15	Interest
Solship AS	13 430	0	6mths NIBOR + 2,75%
Solstad Rederi AS	0	115 441	6mths NIBOR + 4%
Normand Vision AS	0	60 607	6mths LIBOR + 4%
Trym Titan AS	276 533	330 708	6mths LIBOR + 2,5%
Solstad Offshore Asia Pacific Ltd	0	173 112	5,00 %
Norce Offshore LTD	0	152 385	5,00 %
Inter company loans	**289 963**	**832 252**	
Solstad Shipping AS	48 904	43 676	
Solstad Operations AS	0	8 309	
Normand Drift AS	0	4 760	
Solstad Offshore Asia Pacific Ltd	11 818	0	
Solstad Management AS	0	2 252	
Other current assets	**60 723**	**58 997**	
Normand Drift AS	60 624	0	6mths NIBOR + 2,75%
Solstad Offshore UK Ltd	0	50 074	6mths NIBOR + 3,75%
Solstad Offshore UK Ltd	0	78 538	6mths LIBOR + 3,75%
Inter company loans	**60 624**	**128 613**	
Solstad Rederi AS	-1 099	0	
Solstad Management AS	-4 632	-2 456	
Trade account payable	**-5 731**	**-2 456**	
Normand Vision Chartering AS	-3 000		
Group contribution	**-3 000**		

Group receivables, due more than one year after expiry of the financial year, are around MNOK 290.

NOTES

NOTE 10 TAX

	2016	2015
Taxable income		
Result before tax	-620 017	166 778
Changes in temporary differences	296	219
Permanent differences	1 557 429	91 252
Share of result in limited partnerships	1 308	-5 187
Dividends/ repayments from limited partnerships	0	-6 913
Dividend received- (participation exemption method)	-1 090 044	-199 595
3% taxable dividend	0	789
Used of loss carry forward	151 325	-47 344
Taxable income	**0**	**0**
Change in deferred taxes	0	6 863
Tax on ordinary result	**0**	**6 863**
Shares/ownership (current assets)	0	296
Provisions	-21 018	-21 018
Long term receivables	-2 000	-2 000
Unrecovered loss carried forward	-221 868	-75 506
Total temporary differences	**-244 886**	**-93 265**
Calculated deferred tax asset	58 773	22 384
Unrecognized part of deferred tax asset	-58 079	-21 690
Booked deferred tax asset	**694**	**694**
Analysis of effective tax rate:		
25% of Profit before Tax	-155 004	45 030
Tax effect of dividends and gain/ loss sale of shares	-273 191	-56 944
Effect of change in tax rate (24% vs 25%)	2 449	1 544
Deferred tax asset not recognised	36 389	-7 405
Tax effect of permanent differences	389 357	24 638
Estimated tax	**0**	**6 863**

Provisions for deferred tax are posted for accounting position where a future realization will result in payable taxes.

NOTES

NOTE 11 EQUITY, SHAREHOLDERS AND TREASURY SHARES

	Share capital	Treasury shares	Share premium	Othe paid-in capital	Other equity	Total equity
Equity 31.12.2015	77 375	-850	112 367	111 648	3 016 798	3 317 338
Capital increase	99 999			511 106		611 105
Equity share convertible loan					128 000	128 000
Purchase/ sale of treasury shares		599			3 902	4 501
Annual result					-620 017	-620 017
Equity 31.12.2016	**177 374**	**-251**	**112 367**	**622 755**	**2 528 683**	**3 440 927**

At 31.12.16, the Company's share capital represents 70,687,377 A-shares at NOK 2 and 17,999,444 B-shares at NOK 2. Both share classes have equal rights, except for voting rights, where B-shares have 1/10 voting power. The number of shareholders at 31.12.16 was 3,829.

The Board have the power of attorney to implement a capital appreciation of up to 140,000 shares at NOK 2 for employees of the Group. Furthermore, the Board has power of attorney to increase the share capital by NOK 4 million by issuing 2 million shares. The Board also have the power of attorney to acquire treasury shares limited to 10% of share capital. This power of attorney is retained until the next General Meeting.

Shareholders with more than 1% holding at 31.12.2016:

	Number of shares	Ownership
Aker Capital AS	21 668 050	24,43 %
SOFF Invest AS	18 860 075	21,27 %
Forsa AS	7 837 239	8,84 %
Remy AS	4 539 410	5,12 %
Pareto Aksje Norge	3 194 599	3,60 %
Skaven Vekst	2 417 853	2,73 %
Ivan II AS	2 206 890	2,49 %
FLPS - Princ All Sec Stock Sub	1 189 882	1,34 %
Vard Group AS	1 027 752	1,16 %
	62 941 750	**70,97 %**

BOARD OF DIRECTORS AND MANAGING DIRECTORS SHARE INTEREST IN THE COMPANY

In accordance with the definition in corporation law, the Directors had the following holdings at 31.12.16:

Terje Vareberg	4 188 aksjer
Toril Eidesvik	3 488 aksjer
Anders Onarheim	27 933 aksjer
Ellen Solstad	0 aksjer
Frank Reite	0 aksjer

The Managing Director Lars Peder Solstad controlled 708,087 shares at 31.12.2016.
The Deputy Managing Director Sven Stakkestad owned 5,541 shares at 31.12.2016.
The company's auditor does not hold shares in the company.

Pr 31.12.2016 the company has acquired 125,506 treasury shares at a cost price of MNOK 9.6.

NOTES

NOTE 12 EARNINGS PER SHARE

In 2016, earnings per share was NOK -7.00. The equivalent value in 2015 was NOK 4.18.
Earnings per share is calculated by dividing the Group result by the average number of shares, adjusted for the stock of treasury shares.
In 2016 the Group has a MNOK 250 loan that can be converted to 20 million share, which gives the possibility of dilution.
Diluted earnings per share was NOK -12.

NOTE 13 TRANSACTIONS WITH RELATED PARTIES

Related parties are considered to be Board Members (including associated companies) and the company management.
There are no management agreements with related parties outside the Group that charge management fees.
Inter-company debt/receivables are interest-bearing.

NOTE 14 GUARANTEES

Solstad Offshore ASA has placed the following guarantees (NOK million):

Normand Installer SA	215	- for financial lease of vessel
Normand Oceanic AS	470	- for purchase of vessel
Solstad Rederi AS	7 833	- for financing of vessels
Solstad Offshore Asia Pacific Ltd	1 499	- for bare-boat rental and purchase of vessels
Normand Maximus	2 793	- for bare-boat rental of vessel

NOTE 15 ADDITIONAL INFORMATION RELATING TO CASH FLOW

The Group utilizes the indirect method. Investment in stocks and shares with a maturity of more than three months are not included in the cash equivalents.

NOTE 16 PROVISIONS

In relation to the increased ownership in Solstad Offshore Asia Pacific Ltd a parent company guarantee was issued for parts of the company's external debt. The guarantee was included in the calculation of the cost price for the new shares. The estimated future guarantee obligation is accounted for as a provision.

NOTE 17 BOND LOAN AND OTHER LONG TERM LIABILITIES

The company has issued the following bond loans:	**Book value 31.12.2016**	**Book value 31.12.2015**	**Maturity**
Activated financial cost	-8 647	-3 830	
SOFF03	0	700 000	02/2016
SOFF04	1 015 056	1 000 000	02/2019
	1 006 410	**1 696 170**	

There are no installments to be paid prior to maturity. Average interest rate is 5,12%.
The MNOK 700 (SOFF03) loan was repaid in February 2016.

	31.12.2016	**31.12.2015**	**Interest**
Convertible loan	126 631	0	15 %
Mortgage loan	107 750	0	Nibor + 3,4%
	234 381	**0**	

Maturity for convertible loan is 2021. The loan can, at any time, be converted to 20 million shares.
Mortgage loan has maturity in full in 2021.

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Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Solstad Offshore ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Solstad Offshore ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2016, the profit and loss account and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the balance sheet as at 31 December 2016, statement of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2016, and of its financial performance and its cash flows for the year ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

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

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

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Impairment assessment of vessels

Due to market conditions, management identified indications of impairment for the group's vessels and estimated recoverable amount of the assets, which is the highest of fair value less costs of disposal and value in use. When estimating recoverable amount, management used assumptions regarding future market and economic conditions. Important estimates included future day rates, utilization rate, operating expenses, capital expenditure and discount rate. Considering the uncertainty of estimates and the complexity of calculations, we consider impairment assessment a key audit matter.

The group recognized an impairment of vessels of NOK 1 199 million in 2016 out of a book value of NOK 18 047 million.

Our audit procedures included, among others, an evaluation of the cash flows projected by management through comparing the assumptions to data from comparative companies and analyst reports for the related market to evaluate revenue projections and utilization assumption. For operating expenditures, we compared the estimates to Board approved budgets, historical data and long-term market expectations for the sector. Furthermore, we assessed the weighted average cost of capital by comparing input with external data such as risk free interest on government bonds, beta and market risk premium for the sector and assessed adjustments for company specific factors. We considered the accuracy of management's prior year assumptions, and evaluated the level of consistency applied in the valuation methodology from previous years. We also tested the mathematical accuracy of the valuation model and compared management's value in use calculations with the third party valuation reports obtained by the Company. We also performed a sensitivity analysis of the critical assumptions.

Refer to note 1 regarding estimation uncertainties and note 8 regarding vessels, impairment charges, the valuation model and the sensitivity to key assumptions.

Acquisition of Rem Offshore ASA

In December 2016, the group acquired the offshore service vessel company Rem Offshore ASA for NOK 299 million. The net acquisition price was based on the market value of the shares issued by Solstad Offshore ASA. The fair value of acquired assets, and especially vessels, was determined based on estimates and assumptions about the future performance of the acquired businesses. The acquisition was a key audit matter due to the financial significance of the transaction and due to significant judgments and assumptions involved in the recognition and measurement of the acquired assets and assumed liabilities.

In our audit of the accounting for the acquisition, we gained an understanding of the transaction and its rationale through discussions with management and reading of the agreements. As part of our audit, we assessed the identification of the acquired assets, including valuation of intangible assets and vessels, and liabilities, including provisions and other liabilities. The evaluation was based on our understanding of the business of the acquired company and the contractual relationships and the explanations and plans of the management that supported this acquisition. Subsequently, we have evaluated the methodology and assumptions used in the valuation of acquired assets and liabilities, including whether the assumptions used for the purpose of valuing acquired assets were consistent with what a market participant would use. Furthermore, we evaluated the disclosures in the financial statements regarding the acquisition.

Refer to note 23 regarding the purchase price allocation.

Sale & leaseback Normand Maximus

As a part of the financial restructuring, the group entered into a sale & leaseback agreement for the newly built vessel Normand Maximus that required management's assessment of whether the transaction should be recognized as a financial or operational lease. This was a key audit matter due to the financial significance and complexity of the transaction and complexity in the assessment.

In our audit, we gained an understanding of the transactions through discussions with management and reading relevant agreements. Furthermore, we have evaluated management's financial lease assessment against the requirement in IAS 17.

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Refer to note 11 for further description of how the sale & leaseback is presented in the financial statement.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Director (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company 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 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 the 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 law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, 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 internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 those charged with governance, 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 and in the statements on corporate governance and corporate social responsibility

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 concerning the financial statements and in the statements on corporate governance and corporate social responsibility, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 4 April 2017
ERNST & YOUNG AS

Asbjørn Rødal
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

THE FLEET

PER APRIL 2017

		Build year	HP	DWT	Deck m^2	Winch t.	Bollard pull	A-frame Cap. t.	Constr. crane t.	DP class	Accom capasity	Dry cargo	Other equip
CSV													
1	**Nor Australis**	2009	5 500	2 500	780				70	2	120		1,4
2	**Nor Valiant**	2008	5 500	3 100	700				50	2	120		1
3	**NorCE Endeavor**	2011	N.A.	18 000	3 300				1100		280		5
4	**Normand Baltic**	2010	12 000	4 100	1 000				100	2	69		
5	**Normand Clipper**	2001	22 000	10 000	1 800		120	60	250	2	114		
6	**Normand Commander**	2006	10200	4 305	800				100	2	100		
7	**Normand Cutter**	2001	22 000	10 000	1 800		120	60	300	2	102		
8	**Rem Etive**	2007	10200	4150	800				140	2	100		
9	**Normand Flower**	2002	10 600	4 500	960				150	3	85		2
10	**Normand Fortress**	2006	10200	4 300	800				140	2	100		
11	**Normand Installer**	2006	31 500	8 600	1 300	500	308	350	250	3	102		
12	**Normand Jarl**	2013	17200	6400	1070				250	2	110		
13	**Normand Jarstein**	2014	14950	6800	1230				250	2	110		
14	**Normand Maximus**	2016	39 600	16 500	2 500				900	3	180		
15	**Normand Mermaid**	2002	11 000	4 000	780				100	3	69		2
16	**Normand Ocean**	2014	17200	6000	1170				150	2	90		
17	**Normand Oceanic**	2011	26 000	11 300	2 100				400	3	140		
18	**Normand Pacific**	2010	20 560	4 500	1 000				200	3	120		
19	**Normand Pioneer**	1999	27 800	5 000	1 000	500	286	150	140	2	75		
20	**Normand Poseidon**	2009	11250	4500	1050				100	2	74		
21	**Normand Progress**	1999	27 800	5 000	1 000	500	304	250	100	2	70		
22	**Normand Reach**	2014	20 944	4 750	1 300				250	3	100		
23	**Normand Seven**	2007	26 000	10 000	2 000				250	3	100		
24	**Normand Subsea**	2009	21 000	6 100	750				150	2	90		
25	**Normand Tonjer**	2010	7720	5260	1030				120	2	68		
26	**Normand Vision**	2014	28 200	12 000	2 100				400	3	140		
	LARGE AHTS												
27	**Normand Atlantic**	1997	19 400	4 200	560	500	220			2	50	X	1,2,3
28	**Normand Borg**	2000	16 800	2 873	570	500	202			1	35	X	2
29	**Normand Drott**	2010	20 600	5000	760	500	344	250*		2	70		
30	**Normand Ferking**	2007	20 000	5 000	700	500	250			2	32	X	1,2,3
31	**Normand Ivan**	2002	20 000	4 140	600	500	240	250*		2	52	X	1,2
32	**Normand Mariner**	2002	23 500	3 700	600	500	282	150*		2	52		2
33	**Normand Master**	2003	23 500	3 700	600	500	282	150*		2	52		2
34	**Normand Neptun**	1996	19 400	4 200	560	500	222			2	40	X	1,2,3
35	**Normand Prosper**	2010	32 000	5 000	800	500	338			2	70		
36	**Normand Ranger**	2010	28 000	4 250	750	500	280			2	60	X	1,2,3
37	**Normand Titan**	2007	16 092	2 600	510	400	187			2	28	X	

Expl ”Other equip”:
1) Fire fighting / Fi-Fi
2) Oil resque
3) Standby / Resque
4) Diving system
5) 150 tons pipe laying system for 48’’ pipes
* A-frame shared

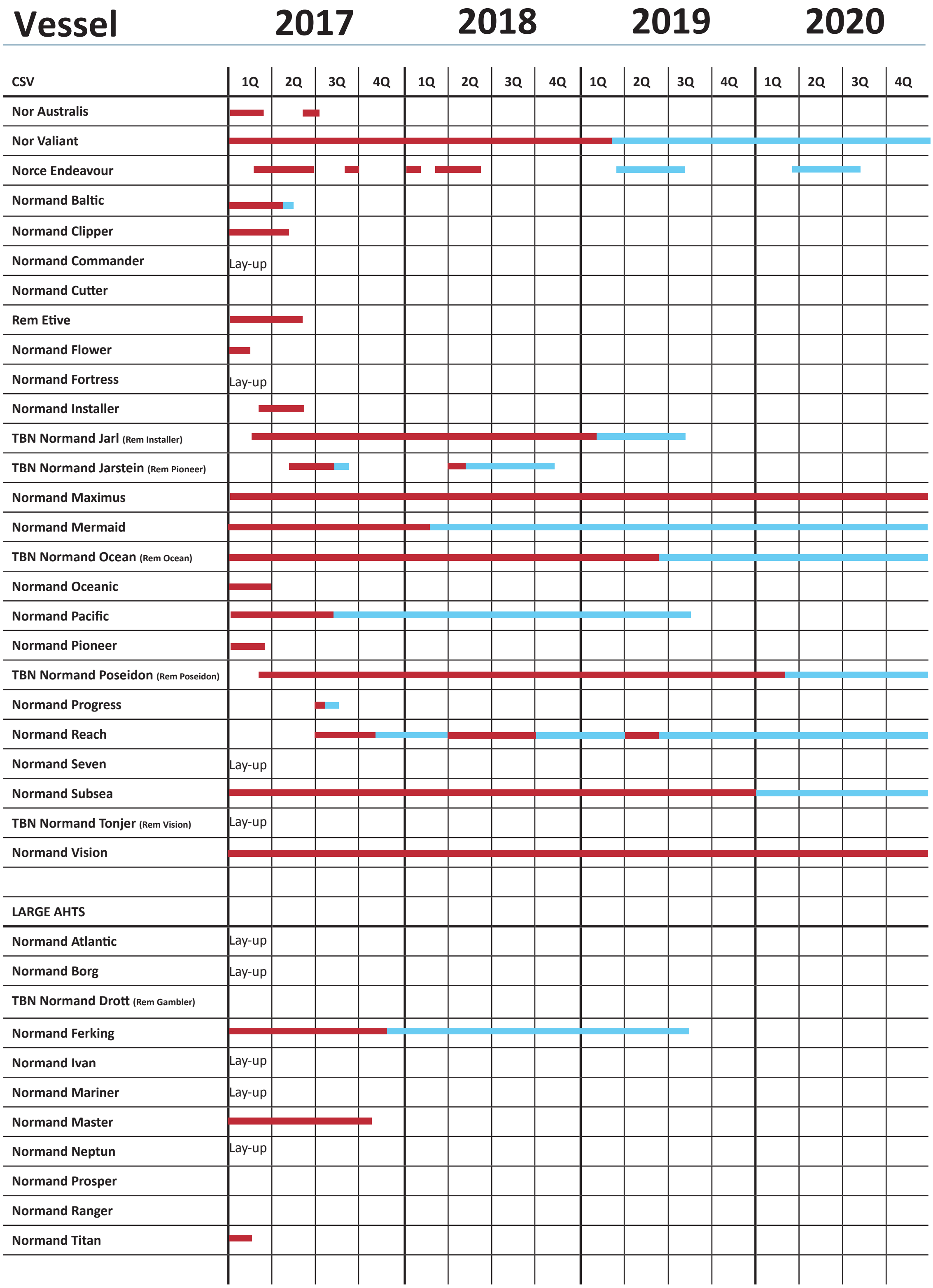
THE FLEET
PER APRIL 2017

		Build year	HP	DWT	Deck m^2	Winch t.	Bollard pull	A-frame cap. t.	Constr. crane t.	DP class	Accom capasity	Dry cargo	Other equip
	SMALL AHTS												
38	**Nor Captain**	2007	10 880	2 300	450	300	143			2	40	X	1
39	**Nor Chief**	2008	10 800	2 100	450	300	140			2	40	X	1
40	**Nor Spring**	2008	8 000	2 600	500	200	111	50	20	2	60	X	1
41	**Nor Star**	2005	5 500	1 860	475	150	71			2	42	X	1
42	**Nor Tigerfish**	2007	5 500	1 650	475	150	70	50	30	2	60	X	1
	PSV												
43	**Normand Arctic**	2011	10 500	4 900	1 000					2	28	X	2,3
44	**Normand Aurora**	2005	10 000	4 900	960					2	25	X	
45	**Normand Carrier**	1996	10 300	4 560	956					2	37	X	2,3
46	**Normand Corona**	2006	8 931	4 100	941					2	24	X	
47	**Normand Falnes**	2011	8 900	5 500	960					2	23	X	2, 3
48	**Normand Flipper**	2003	9 000	4 500	960					2	17	X	2
49	**Normand Fortune**	2013	8 900	4900	925					2	23	X	2, 3
50	**Normand Leader**	2013	9 800	6 150	1020					2	24	X	2, 3
51	**Normand Naley**	2011	8 900	5 500	925					2	23	X	2, 3
52	**Normand Provider**	2007	5 400	3 350	680					2	22	X	
53	**Normand Server**	2011	10 600	53 00	1000					2	28	X	2, 3
54	**Normand Sira**	2008	5 400	3 350	745					2	46	X	
55	**Normand Skipper**	2005	9 500	6 400	1 220					2	23	X	2,3
56	**Normand Skude**	2015	10 200	4 900	1005					2	23	X	2, 3
57	**Normand Supplier**	2010	5300	3 270	655					2	22	X	
58	**Normand Supporter**	2012	10 100	5 300	940					2	28	X	2 ,3
59	**Normand Trym**	2006	5 310	3 240	680					1	16	X	
60	**Normand Vester**	1998	10 300	4 590	956					2	37	X	2,3
61	**Normand Vibran**	2008	5 310	3 240	680					2	18	X	

Expl ”Other equip”:
1) Fire fighting / Fi-Fi
2) Oil resque
3) Standby / Resque
4) Diving system
5) 150 tons pipe laying system for 48’’ pipes
* A-frame shared

CONTRACT COVERAGE

PER APRIL 2017



Some charter parties has clauses for termination under certain conditions.

Contract
Charter's option
Under construction

CONTRACT COVERAGE

PER APRIL 2017

Vessel	2017				2018				2019				2020			
SMALL AHTS	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Nor Captain																
Nor Chief	Lay-up															
Nor Spring																
Nor Star	Lay-up															
Nor Tigerfish	Lay-up															
PSV																
Normand Arctic	Lay-up															
Normand Aurora																
Normand Carrier	Lay-up															
Normand Corona	Lay-up															
TBN Normand Falnes (Rem Fortress)	Lay-up															
Normand Flipper																
TBN Normand Fortune (Rem Fortune)	Lay-up															
TBN Normand Leader (Rem Leader)																
TBN Normand Naley (Rem Commander)																
TBN Normand Provider (Rem Provider)	Lay-up															
TBN Normand Server (Rem Server)	Lay-up															
TBN Normand Sira (Rem Mermaid)																
Normand Skipper																
TBN Normand Skude (Rem Arctic)																
TBN Normand Supplier (Rem Supplier)	Lay-up															
TBN Normand Supporter (Rem Supporter)	Lay-up															
Normand Trym	Lay-up															
Normand Vester	Lay-up															
Normand Vibran	Lay-up															

Some charter parties has clauses for termination under certain conditions

Contract
Charter's option
Under construction

SOLSTAD OFFSHORE ASA

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