# 2017 ANNUAL REPORT

Ocean Yield

# CONTENTS



# OCEAN YIELD IN BRIEF

In its close to six years of existence, Ocean Yield has built up a portfolio of 51 vessels on long-term charters to a large number of clients that operate within shipping and oil service. As of year end 2017, the company had an EBITDA backlog of USD 3.0 billion with an average remaining tenor of 11.0 years.

Ocean Yield ("Ocean Yield" or the "Company") is a ship owning company with investments in vessels on long-term charters to a diversified portfolio of customers. The company was established in 2012 with a portfolio of oil-service assets previously controlled by Aker ASA. Since then, the Company has committed significant funds to new investments within shipping and oil-service and built up a broad and diversified portfolio of assets, all with long-term charters. Ocean Yield is listed on the Oslo Stock Exchange and has a broad share-holder base, with Aker Capital AS, a subsidiary of Aker ASA as the majority shareholder.

The Company currently has investments in many shipping segments, including car carriers, chemical tankers, product tankers, container vessels, crude tankers, dry bulk, oil-service and lique-fied ethylene gas carriers. The company's fleet as of year-end 2017 consists of 40 vessels, including three new-buildings and an EBITDA charter backlog of USD 3.0 billion with average remaining contract duration of 11.0 years (weighted by EBITDA). After year-end, the Company has invested in another 11 vessels, being four VLCCs and seven dry-bulk vessels. Following these investments the total fleet counts 51 vessels. The Company's business strategy is to enter into long-term fixed rate charters which gives visibility with respect to future earnings and dividend capacity for the share-holders. The Company has mainly focused on bareboat charters with duration from ten to fifteen years, but may also do time-charter contracts. The Company intend continue to grow and diversify its portfolio of vessels on long-term charters with the aim to continue to pay attractive quarterly dividends to its shareholders.

**Consolidated key numbers:**

| Amounts in USD million | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Total revenues and other income | 78.6 | 82.2 | 88.8 | 89.5 | 339.1 | 294.4 | 256.7 |
| EBITDA | 71.2 | 74.3 | 80.6 | 80.4 | 306.5 | 265.2 | 224.2 |
| EBITDA adjusted for finance lease effects | 79.1 | 83.1 | 89.3 | 89.3 | 340.7 | 291.3 | 235.0 |
| Net profit after tax | 36.8 | 30.6 | 31.3 | 30.9 | 129.7 | 77.5 | 105.0 |
| Adjusted Net profit | 33.4 | 33.5 | 36.3 | 34.4 | 137.7 | 130.9 | 108.1 |
| Cash and cash equivalents | 96.1 | 126.8 | 116.9 | 98.7 | 98.7 | 165.5 | 117.7 |
| Total assets | 2 344.9 | 2 523.5 | 2 479.8 | 2 443.1 | 2 443.1 | 2 574.7 | 2 024.8 |
| Interest-bearing debt | 1 363.0 | 1 554.9 | 1 557.0 | 1 510.4 | 1 510.4 | 1 553.8 | 1 158.9 |
| Net Interest-bearing debt | 1 266.9 | 1 428.2 | 1 440.1 | 1 411.7 | 1 411.7 | 1 388.3 | 1 041.2 |
| Total equity | 824.8 | 823.8 | 824.9 | 831.5 | 831.5 | 815.2 | 708.8 |
| Equity ratio | 35.2 % | 32.6 % | 33.3 % | 34.0 % | 34.0 % | 31.7 % | 35.0 % |
| Dividends declared* per share (USD) | 0.1850 | 0.1875 | 0.1885 | 0.1895 | 0.75 | 0.68 | 0.62 |

**Dividends declared are paid in the following quarter.*

# MANAGEMENT

## LARS SOLBAKKEN

CEO

Mr. Solbakken (born 1957) has served as CEO of Ocean Yield since the inception in 2012. Before joining Ocean Yield, Mr. Solbakken served as CEO of Norwegian Car Carriers ASA from 2009 through March 2012. From 2006 to 2009 he served as CEO of Ship Finance Management AS and through that position, he also served as CEO of Ship Finance International Limited. In the period from 1997 through 2006, Mr. Solbakken was employed as General Manager of Fortis Bank in Norway and was also responsible for the bank's shipping and oil service activities in Scandinavia. From 1987 to 1997, Mr. Solbakken served in several positions in Christiania Bank (now Nordea Bank). He was Senior Vice President and Deputy for the shipping and offshore and aviation group, head of equity issues and merger and acquisition activities and General Manager for the Seattle Branch. Prior to joining Christiania Bank, Mr. Solbakken worked five years in Wilh. Wilhelmsen ASA as Finance Manager. Mr. Solbakken has a Master of Science degree from the Norwegian School of Economics (NHH).

## EIRIK EIDE

CFO

Mr. Eide (born 1970) has served as CFO of Ocean Yield since the inception in 2012. Before joining Ocean Yield, Mr. Eide served as CFO of Ship Finance Management AS, and through that position, he served as CFO of Ship Finance International Ltd. Mr. Eide has been working with shipping and finance for 20 years, with broad transaction and capital markets experience. His employment background includes the position as Head of Shipping and Corporate Finance at Orkla Finans AS, Director Fortis Bank (Nederland) N.V., Oslo Branch and Senior Vice President, DnB NOR (Oslo and London). Mr. Eide has a Master of Business and Economics degree from the Norwegian Business School.

## ANDREAS RØDE

HEAD OF BUSINESS DEVELOPMENT AND M&A

Before joining Ocean Yield, Mr. Røde (born 1979) worked in the Corporate Finance department of Danske Bank as Managing Director, Head of Shipping and Offshore. Mr. Røde has more than 13 years of Investment Banking experience from leading financial institutions and has worked on a wide range of M&A, equity and debt capital markets transactions. Mr Røde holds a Master of Arts (MA) in Accounting and Finance from University of Edinburgh and University of California Berkeley.

## ANDREAS REKLEV

SENIOR VICE PRESIDENT, INVESTMENTS

Before joining Ocean Yield, Mr. Reklev (born 1983) was Chief Financial Officer in Team Tankers International, a chemical tanker company listed on the Oslo Stock Exchange. Prior to joining Team Tankers in 2012, Mr. Reklev held various positions in Camillo Eitzen & Co ASA, a diversified shipping company with activities mainly in bulk, gas, and chemical shipping. Mr. Reklev has a Bachelor of Science in Finance from Norwegian Business School.

# BOARD OF DIRECTORS

### FRANK O. REITE

CHAIRMAN

Frank O. Reite (born 1970) first joined Aker in 1995, and became CFO in Aker ASA in August 2015. He holds a B.A. in business administration from the Norwegian Business School in Oslo. Before he became the CFO in Aker ASA, Mr. Reite was 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, Havfisk ASA, Norway Seafoods AS and Aker Yards ASA. Mr. Reite also has experience from banking and served as Operating Director at Paine & Partners, a New York-based private equity firm. Mr. Reite is chairman of Ocean Yield and of Akastor ASA.

### KJELL INGE RØKKE

DIRECTOR

Kjell Inge Røkke (born 1958), Aker ASA's main owner, has been a driving force in the development of Aker since the 1990s. Mr. Røkke launched his business career with the purchase of a 69-foot trawler in the United States in 1982, and gradually built a leading worldwide fisheries business. In 1996, the Røkke controlled company, RGI, purchased enough Aker shares to become Aker's largest shareholder, and later merged RGI with Aker. Mr. Røkke controls 68.2 percent of Aker ASA through The Resource Group TRG AS and subsidiaries. Mr. Røkke is currently chairman of Aker ASA, director of Aker Solutions, Kværner, Akastor and Aker BP.

### ANNE-CHRISTIN DØVIGEN

DIRECTOR

Anne-Christin Døvigen (born 1965) is currently employed with GIEK (The Norwegian Export Credit Guarantee Agency) as Senior Vice President. Mrs. Døvigen has extensive experience from the international investment banking industry and has held senior positions at JPMorgan, HSBC and Jefferies International. Mrs. Døvigen has throughout her professional career worked on a number of capital markets and other investment and corporate banking transactions within the maritime sector. She holds a Bachelor with Honours in Economics and Finance from Strathclyde University in Scotland.

## JENS ISMAR

DIRECTOR

Jens Ismar (born 1957) is the CEO of Western Bulk Chartering AS, a Norwegian dry bulk company with a commercially controlled fleet of over 150 vessels. Mr. Ismar has a long and diversified background from the shipping industry. Before joining Western Bulk in September 2008, he was with BW Gas as Director for the Chartering and Operations Division. He has also been employed by Inge Steensland AS, Stemoco Shipping AS and Lorentzen & Stemoco AS. Mr Ismar has a Bachelor of Business Administration from the Lund University in Sweden.

## ANNICKEN GANN KILDAHL

DIRECTOR

Annicken Gann Kildahl (born 1968) is the CFO at Grieg Star, a Norwegian company within ship owning and management and partner in G2 Ocean, the world's biggest shipping company within the open hatch segment. Mrs. Kildahl has held the position as CFO since 2003 after joining the Grieg Group in 2000. Mrs. Kildahl has extensive experience in corporate finance, asset management and international financing, primarily in relation to the shipping industry. She has previously held positions in the shipping department in Sparebanken NOR and the Torvald Klaveness Group. Mrs. Kildahl has a Master of Business and Economics from the Norwegian School of Management (BI) and is an authorised finance analyst (AFA) from the Norwegian School of Economics (NHH).

# BOARD OF DIRECTOR´S REPORT

2017 proved to be a year with strong financial results for Ocean Yield (the “Group” or the “Company”) as delivery of additional vessels on long-term charters was reflected in the results. The year 2017 resulted in EBITDA of USD 306.5 million and a net profit of USD 129.7 million, as the fleet had grown to 40 vessels, including newbuildings as of year-end. After year-end, investments in another 11 vessels on long-term charters were announced, which will further contribute to increase the Company’s earnings and dividend capacity going forward. Ocean Yield continued its policy of paying attractive quarterly dividends to its shareholders during 2017.

2017 marked Ocean Yield´s entry into the crude tanker segment, with an investment in four Suezmax crude tankers on long-term bareboat charters towards two separate counterparties. In addition, the Company invested in two modern Platform Supply Vessels with long term charters to Aker BP, where Aker ASA and BP Plc are majority shareholders. At the end of the year, the total fleet counted 40 vessels, including three vessels scheduled for delivery in 2018.

Ocean Yield's quarterly dividend policy continues to be well received among investors and the Company continued to increase its quarterly dividend during the year, albeit with a slower growth rate towards the end of the year. The Company expects to continue to increase and diversify its portfolio of assets, with the aim to continue to expand dividend capacity.

## THE GROUP'S OPERATIONS AND FLEET

Ocean Yield invests in vessels on long-term charters across multiple segments. The fleet as of year-end counted one FPSO, seven oil-service vessels, six car carriers, two gas carriers, 49.5% of six container vessels, ten chemical tankers, four Aframax product tankers and four suezmax tankers. As of year-end 2017, 38 out of the 40 vessels are chartered out long-term.

Ocean Yield's head office is in Bærum, Norway.

## REVIEW OF 2017

During 2017, the Company took delivery of another six vessels. This includes two container vessels, one gas vessel, one crude tanker and two platform supply vessels. All vessels are fixed one long-term charters.

In February 2017, American Shipping Company ASA ("AMSC") successfully completed a refinancing of its unsecured bonds, where Ocean Yield owned bonds with a nominal value of USD 200.6 million. A new USD 220 million, five year unsecured bond was issued, carrying a coupon of 9.25% p.a. Ocean Yield subscribed for USD 50 million in the new issue and received net cash proceeds of USD 156 million, including accrued interest.

Also in February 2017, Ocean Yield agreed with Farstad Supply AS to restructure the terms of the bareboat charters relating to two anchor handling tug supply vessels on long-term charters. At the same time a combination of Farstad Shipping ASA, Solstad Offshore ASA and Deep Sea Supply Plc was proposed. The new company was named Solstad Farstad ASA and had at the time a combined fleet of 154 vessels. Ocean Yield converted NOK 160.8 million in net present value of future payments under the leasing agreements for the two vessels with Farstad Supply AS into equity. In addition, a portion of the annual lease payments were deferred. Following the completion of the combination of Farstad Shipping ASA, Solstad Offshore ASA and Deep Sea Supply Plc later in 2017, Ocean Yield received a total of 8.8 million shares in Solstad Farstad ASA, equivalent to about 3% of the shares in the company.

Further in February 2017, the bareboat charter for the offshore construction and cable-lay vessel Lewek Connector was terminated by Ocean Yield and a new four-month charter in West Africa was agreed, at a reduced rate. Subsequently, the bareboat charterer, EMAS AMC AS filed for bankruptcy and Emas Chiyoda Subsea Ltd. and Ezra Holdings Ltd. filed for Chapter 11. The four-month contract was later extended by the charterer several times, which kept the vessel employed until the first quarter 2018 on this project. In December 2017, the vessel received a contract award for cable lay operations for Ørsted's "Hornsea Project One" offshore windfarm project in the North Sea, for a firm period of 130 days plus up to 130 days in the charterer's option. The contract is on a Time-Charter basis and technical management is handled by Solstad Farstad ASA. Following completion of the charter in West Africa in January 2018, the vessel went through a dry-docking for technical maintenance in order to prepare for the installation on the Hornsea Project. The vessel was re-named Connector during December 2017.

Also in February and March 2017, Ocean Yield took delivery of two newbuilding container vessels of 19,500 TEU with 15-year charter, where Ocean Yield owns 49.5% of the a series of six container vessels in joint venture with Quantum Pacific Shipping.

In June 2017, Ocean Yield announced the acquisition of two Platform Supply Vessels ("PSVs") from BP Shipping for a total consideration of USD 105.3 million. Both vessels are on long term charters to Aker BP ASA ("Aker BP"). The two vessels, NS Orla and NS Frayja, were built in September and December 2014, respectively, and had about 12 years remaining bareboat charters to Aker BP at the time of the acquisition.

Also in June 2017, Ocean Yield announced the investment in a 2017-built Suezmax tanker with 14-year hell-and-high-water bareboat charter to a company owned and guaranteed by Okeanis Marine Holdings SA for a net purchase price of USD 47 million.

In June 2017, the 36,000 cbm liquefied ethylene gas carrier Gaschem Orca was delivered from Sinopacific Offshore & Engineering, China ("SOE") to Ocean Yield.

Further, in June 2017, Scorpio Tankers Inc. ("Scorpio") announced an agreement to merge with Navig8 Product Tankers Inc. ("Navig8"), which is the charterer of four LR2 product tankers owned by Ocean Yield. In connection with the transaction, Navig8 was replaced by Scorpio as Charter Guarantor under the bareboat agreements. Following the merger, Scorpio became one of the largest product tanker companies globally, and the largest U.S. listed owner of product tankers, with a delivered fleet of 105 vessels. In connection with the merger, Scorpio completed a USD 200 million gross equity offering.

In December 2017, Ocean Yield entered into an agreement to acquire three Suezmax crude tankers with 10-year bareboat charter to Nordic American Tankers Limited ("NAT") for a net purchase price of USD 43.2 million per vessel after a seller's credit of USD 12.5 million. The vessels are scheduled for delivery from the yard, Samsung Heavy Industries, South Korea, in June, August and October 2018, respectively. NAT will have options to acquire the vessels after year 5 and 7 in addition to an obligation to repurchase

During 2017, the Company took delivery of another six vessels. This includes two container vessels, one gas vessel, one crude tanker and two platform supply vessels. All vessels are fixed on long-term charters.

the vessels at the end of year 10. NAT is a crude tanker company listed on the New York Stock Exchange with a fleet of 33 Suezmax tankers, including these three new-buildings.

During 2017 Ocean Yield continued its policy of paying quarterly dividends to its shareholders. For 2017, USD 110.2 million was paid out in dividends. Compared to the adjusted net profit for the year, this was a payout ratio of 80%. The Annual General meeting has authorized the Board of Directors of Ocean Yield to resolve and declare dividends for the financial quarters up until the next ordinary general meeting in April 2018. The General Meeting in April 2018 will vote on a new authorization to the Board, for payment of quarterly dividends up until the next General Meeting in 2019.

For Q4 2017, the Board of Directors declared a dividend of USD 18.95 cents per share. This was approved by the Board of Directors on 15th February 2018 and was paid on 1st March 2018. The dividend in Q4 2017 compares to adjusted net profit of USD 34.4 million, which is a pay-out ratio of 82%. With a pay-out ratio lower than the annual net profit, investment capacity is preserved for further growth of the Company.

During 2017, Ocean Yield established an office in Malta, which will be responsible for handling the operations of the bareboat chartered fleet in addition to marketing efforts towards Greece and Southern Europe. An independent Board of Directors was recruited and a permanent CEO employed in the first quarter 2018. The Company sees Malta as an attractive location, given its position as a shipping hub in Europe and relatively low cost base.

## EVENTS AFTER YEAR END

In February 2018, Ocean Yield agreed to acquire four VLCC crude tankers with 15-year bareboat charters to companies owned and guaranteed by Okeanis Marine Holdings SA ("Okeanis Marine Holdings"). All four vessels are sub-chartered to the shipping arm of a large industrial conglomerate for a period of 5 years. The net purchase price was USD 74.25 million per vessel. The vessels are scheduled for delivery by the yard, Hyundai Heavy Industries, South Korea, in Q2-Q3 2019. Okeanis Marine Holdings will have certain options to acquire the vessels during the charter period, with the first purchase option exercisable after seven years

Also in February 2018, Ocean Yield agreed to acquire two 2018 built handysize dry bulk vessels with 12-year bareboat charters to companies owned and guaranteed by Louis Dreyfus Armateurs Group ("LDA"). LDA is a French family group engaged in maritime transportation and services and founded more than 160 years ago. The net cash purchase price was USD 18 million per vessel after seller's credits. Both vessels are expected to be delivered to the Company late in the first quarter or beginning of the second quarter of 2018. LDA has options to acquire the vessels during the charter period, with the first purchase option exercisable after five years, in addition to an obligation to repurchase the vessels at the end of year 12.

Further in February 2018, Ocean Yield agreed to acquire five modern handysize dry bulk vessels with 10-year bareboat charters to companies owned and guaranteed by Interlink Maritime Corp ("Interlink Maritime"). The purchase price was approximately USD 75 million net of pre-paid charter hire. One vessel will be delivered from the shipyard in April 2018, while three of the vessels are built in 2015 and one in 2014. Interlink Maritime will have certain options to acquire the vessels during the charter period, with the first purchase option exercisable after five years in addition to an obligation to repurchase the vessels at the end of year 10.

At the end of February 2018 Ocean Yield completed a private placement of 11 million shares at a subscription price of NOK 69 per share. Gross proceeds of NOK 759 million was raised, which will be used for new investments and general corporate purposes.

Following the transactions announced after year-end, the total fleet counts 51 vessels, including vessels scheduled for delivery.

## FINANCING

During 2017, the Company entered into several new debt agreements or amendments to existing credit facilities.

Following the termination of the bareboat charter for the vessel Connector, Ocean Yield agreed with the lenders financing this vessel, to remove any requirements in the loan agreement related to the bareboat charter of the vessel, against a partial prepayment of five future instalments. In total USD 15.2 million was prepaid. It was further agreed with the lenders that this prepayment would be applied towards the reduction of five future semi-annual installments, so that these would be reduced by approximately 31% each. This significantly improved the cash break-even level for the vessel and improved its competitiveness for new projects. In addition, it was agreed to extend the commercial bank guarantee under the financing agreement with another three years.

In March 2017, an amendment agreement to the loan facility related to the FPSO Dhirubhai-1 was agreed. A total of USD 67.8 million of debt was outstanding against the vessel prior to the amendment. As part of the Company's cash management after receipt of the AMSC bond proceeds, USD 37.8 million was prepaid on this facility and USD 30.0 million was rolled over into an amended loan facility. The amended loan facility has maturity on 30th September 2018 and will be repaid in three quarterly instalments, starting in Q1 2018. As a consequence of the amendment, USD 20.0 million of restricted cash was released to the Company.

In June 2017, a new long-term, senior secured debt facility was entered into with one of Ocean Yield's banks for the financing of the suezmax tanker on long-term charter to Okeanis Marine Holdings SA. A total of USD 37.8 million was raised, with the loan having a 5-year tenor and a 15-year repayment profile to zero.

Also in June 2017, Ocean Yield secured a long-term credit facility for the two platform supply vessels on long-term charter to Aker BP. A loan of USD 65 million was raised, with semi-annual instalments based on an annuity profile of 12 years to zero and a tenor of 7 years.

Ocean Yield is in the process of obtaining bank financing for the three Suezmax crude tankers with 10-year bareboat charter to NAT. Out of the net purchase price of USD 129.6 million, the Company expects to raise USD 117 million in long-term financing. Three banks have obtained credit approval for the financing, which is expected to close during the second quarter of 2018.

For the VLCCs and the dry-bulk transactions announced after year-end, Ocean Yield is in the process of raising bank financing for these investments.

## BUSINESS SEGMENTS

Ocean Yield defines operating segments based on the Group's internal management- and reporting structure. Ocean Yield's operating segments as of year-end 2017, are as follows:

- FPSO
- Other Oil Service
- Car carriers
- Container vessels
- Tankers
- Other Shipping
- Other

From 2017, the Company has created a new reporting segment called "Tankers". This segment includes the Group's investments in chemical tankers and product tankers, which previously were reported in the segment "Other Shipping".

The old segment "Gas carriers" is no longer reported as a separate segment, but is instead included in "Other Shipping". Comparative figures have been adjusted to reflect the segment changes.

### *FPSO*

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Total revenues and other income | 140.7 | 137.9 |
| EBITDA | 115.9 | 114.5 |
| Net profit after tax | 36.0 | 30.9 |

The segment FPSO consists of the FPSO Dhirubhai-1. The operational utilization for the Dhirubhai-1 was 99.9% in 2017, compared to 99.2% in 2016. The figure for 2016 includes a planned shutdown of 2.1 days in September 2016 for maintenance.

### *OTHER OIL SERVICE*

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Total revenues and other income | 79.9 | 90.7 |
| EBITDA | 79.1 | 90.6 |
| Net profit after tax | 30.2 | 10.5 |

The segment Other Oil Service consists of Ocean Yield's investments in the subsea construction vessel Aker Wayfarer, the subsea construction and cable-lay vessel Connector, the anchor-handling-tug-supply vessels Far Senator and Far Statesman, the offshore construction and diving support vessel SBM Installer and the two platform supply vessels NS Fraya and NS Orla.

The reduction in revenues in 2017 compared to 2016 is due to reduced revenues for the Connector, where the previous bareboat charter was terminated in February 2017 and replaced with a new short-term charter with reduced rate. In 2016 an impairment charge of USD 35.6 million was recognized related to the vessel Connector and hence negatively affected the Net profit before tax.

### *CAR CARRIERS*

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Total revenues and other income | 39.9 | 35.4 |
| EBITDA | 39.8 | 35.3 |
| Net profit after tax | 18.5 | 16.9 |

Ocean Yield's investments in car carriers are related to six PCTCs on long-term charters to Höegh Autoliners AS.

### *CONTAINER VESSELS*

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Total revenues and other income | 24.1 | 6.7 |
| EBITDA | 24.0 | 6.7 |
| Net profit after tax | 21.1 | 6.7 |

This segment was created in 2016, following Ocean Yield's equity investment in 49.5% of six, newbuilding mega container vessels with 15 year charters to a major European container line. The investment was done in collaboration with Quantum Pacific Shipping in Singapore, who is the majority shareholder. During the second half of 2016, four vessels were delivered, while the final two were delivered during the first quarter of 2017. The investment is accounted for using the equity method.

### *TANKERS*

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Total revenues and other income | 38.4 | 22.2 |
| EBITDA | 38.1 | 22.0 |
| Net profit after tax | 23.9 | 15.8 |

This segment includes Ocean Yield's investments in chemical tankers, product tankers and crude tankers. During 2017, the Company took delivery of one additional vessel, being a suezmax crude tanker, which upon delivery commenced a 14-year charter to Okeanis Marine SA.

### *OTHER SHIPPING*

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Total revenues and other income | 16.2 | 1.4 |
| EBITDA | 16.1 | 1.4 |
| Net profit after tax | 8.5 | 0.1 |

Included in this segment from 2017 are Ocean Yield's investment in gas carriers, more specifically related to two Liquefied Ethylene Gas Carriers, with 15-year bareboat charters to the Hartmann Group ("Hartmann"), Germany, with 10-year sub-charters to SABIC Petrochemicals B.V. The vessels were delivered in November 2016 and in June 2017.

*OTHER*

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Total revenues and other income | 0.0 | -0.0 |
| EBITDA | -6.3 | -5.1 |
| Net profit after tax | -8.6 | -3.4 |

This segment includes any other investments in the Group, with the most significant being the bonds issued by American Shipping Company ASA ("AMSC"), where Ocean Yield owns unsecured bonds with a par value of USD 50.0 million as of year-end 2017. As this segment consists mainly of the investment in AMSC bonds, which is a financial investment, there are no Operating Revenues. Financial income related to the AMSC bonds was USD 13.0 million in 2017, compared to USD 18.7 million in 2016.

## FINANCIAL REVIEW

*CONSOLIDATED FIGURES - INCOME STATEMENT*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as approved by the European Union and the additional requirements of the Norwegian Accounting Act as of 31st December 2017.

Total revenues and other income for 2017 were USD 339.1 million as compared with USD 294.4 million for 2016. Of this, USD 248.4 million was Operating revenue, USD 66.6 million was recorded as Finance lease revenue and USD 24.1 million was Income from investment in associates. This compares to USD 241.7 million of Operating revenue, USD 45.9 million of Finance lease revenue and USD 6.7 million in Income from investments in associates in 2016. The increase from 2016 to 2017 reflects delivery of further vessels to the fleet.

EBITDA was USD 306.5 million for 2017, compared with USD 265.2 million for 2016. Adjusted for finance lease effects, the adjusted EBITDA was USD 340.7 million in 2017, compared with USD 291.3 million in 2016.

Depreciation was USD 102.6 million, compared with USD 99.7 million in 2016. Certain of the vessels delivered during 2017 are accounted for as finance leases and hence have no impact on depreciation.

Operating profit for the year 2017 was USD 203.8 million as compared with USD 129.2 million in 2016. The Operating Profit for 2016 includes an impairment charge of USD 36.2 million, which is mainly related to an impairment on the vessel Connector.

Financial income was USD 55.2 million in 2017 compared with USD 25.7 million in 2016. The increase in 2017 compared with 2016 is mainly related to Ocean Yield's sale of unsecured bonds issued by AMSC that were refinanced in February 2017.

Financial expenses were USD 72.0 million in 2017 compared with USD 55.0 million in 2016. The increase is related to delivery of further vessels to the fleet and increased long-term debt as a result, as vessels are financed with a combination of long-term debt and equity. Net profit before tax was USD 149.7 million for 2017 compared with USD 94.0 million for 2016. As described above, Net profit for 2016 was impacted by an impairment charge in Q4 2016 related to the vessel Connector.

Tax payable was USD 2.0 million in 2017 compared with USD 0.2 million in 2016. The tax payable is mainly related to currency fluctuations on an inter-company loan to one of the tonnage tax companies in the group, As the tonnage taxed companies are not part of the Norwegian tax group the tax payable cannot be offset through group contribution. However, the Group's deferred tax losses carried forward have increased with an equal amount, which can be utilized against future taxable income.

Change in deferred tax was negative USD 18.0 million in 2017 compared with negative USD 16.3 million in 2016. The change in deferred tax is mainly related to the FPSO, Dhirubhai-1.

Net profit after tax was USD 129.7 million in 2017 compared with USD 77.5 million for 2016.

Adjusted net profit was USD 137.7 million for the year 2017 compared with USD 130.9 million in 2016.

## FINANCIAL POSITION AS OF DECEMBER 31ST 2017

The Ocean Yield Group had total assets as of 31st December 2017 of USD 2,443.1 million, compared to USD 2,574.1 million for 2016. Book Equity was USD 831.5 million compared with USD 815.2 million in 2016, resulting in an equity ratio of 34.0% (31.7% in 2016). Cash and cash equivalents at year-end 2017 were USD 98.7 million, in addition to undrawn credit facilities of USD 49.5 million, giving a total liquidity position of USD 148.2 million. At year-end 2016 cash and cash equivalents were USD 165.5 million. Total interest bearing debt was USD 1,510.4 million year-end 2017, compared to USD 1,553.8 million year-end 2016. Net interest bearing debt was USD 1,411.7 million, compared to USD 1,388.3 million in 2016.

## CASH FLOW

Net Cash flow from operating activities was USD 170.3 million in 2017, compared to USD 194.6 million for 2016. The difference between the Operating profit before depreciation and amortisation of USD 306.5 million and Net cash flow from operating activities of USD 170.3 is as follows:

| Amounts in USD million | 2017 |
|---|---|
| **EBITDA** | **306.5** |
| Mobilization fee, advances and deferred revenue | -20.4 |
| Income from investment in associates | -24.1 |
| Dividend received from investments in associates | 20.5 |
| Realized foreign exchange loss | -25.7 |
| Other financial expenses | -2.7 |
| Net interest paid | -57.3 |
| Taxes paid | -0.1 |
| Net change in working capital | -26.5 |
| **Cash flow from operating activities** | **170.3** |

Gross cash flow used for investments in vessels, including vessels accounted for as finance leases and investments in associates were USD 268.2 million in 2017. Net cash flow used for investing activities was USD 59.3 million for the year, compared to USD 539.4 million for 2016. The amounts in 2017 are related to the delivery of a total of six vessels during the year, being two container vessels owned 49.5%, one gas vessel, two platform supply vessels and one Suezmax tanker. Net cash flow from investing activities also includes the cash proceeds received from the refinancing of the AMSC bonds, where Ocean Yield received cash proceeds of USD 156 million, including accrued interest.

Net cash flow from financing was negative USD 178.1 million, compared to a positive cash flow from financing of USD 392.7 million for 2016. This includes repayment of debt of USD 290.8 million, payment of dividends of USD 110.2 million, new debt of USD 224.9 million in the year and dividends paid to non-controlling interests of USD 2.1 million. This compares to issuance of new long-term debt of USD 630.7 million, dividends of USD 94.0 million, repayment of debt of USD 247.0 million, issuance of new equity of USD 105.1 million and dividends paid to non-controlling interests of USD 2.0 million in 2016.

Net cash flow for the year 2017 was USD negative 67.1 million, resulting in cash and cash equivalents of USD 98.7 million at the end of the year. This compares to net cash flow of USD 47.8 million for 2016. The Company's operating cash flow is sufficient to cover ordinary instalments under the Company's debt facilities. The Company normally finances new investments with a combination of debt and equity, where the operating cash flow from each new investment is sufficient to cover the debt assumed for the relevant project. In addition, the Company had USD 1.5 million of restricted cash deposits. The Group held USD 6.5 million of marketable securities at the end of the year. The Group had capital expenditure commitments related to three newbuildings of USD 129.5 million at the end of the year, of which a total of USD 117.0 million of bank financing is expected to be raised.

## PARENT COMPANY – OCEAN YIELD ASA

The net profit after tax for the parent company Ocean Yield ASA was USD 79.4 million for the year 2017 compared to negative USD 12.8 million for the year 2016. Total assets were USD 2,109.4 million and total equity was USD 631.3 million, resulting in an equity ratio of 30% in the parent company. Total long-term debt was USD 1,418.8 million, of which USD 15.3 million is long-term debt to Group companies.

## PRESENTATION OF ANNUAL ACCOUNTS

Ocean Yield's consolidated Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as approved by the European Union and the additional requirements of the Norwegian Accounting Act as of 31st December 2017. The financial statements of the parent company Ocean Yield ASA have been prepared and presented in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

## GOING CONCERN ASSUMPTION

Pursuant to section 3-3a of the Norwegian accounting act, it is confirmed that the annual accounts have been prepared based on the assumption that Ocean Yield is a going concern and the Board of Directors confirms that this assumption continues to apply.

## RISK AND RISK MANAGEMENT

### *MARKET RISK*

As of year-end 2017, 38 out of 40 vessels are on long-term contracts and are hence not directly exposed to short- or medium-term market risk, as these contracts typically have a fixed charter rate throughout the entire period. The Company is, however exposed to market risk and residual value risk related to these vessels upon expiry of a charter contract and in the event of a counterparty default. For the FPSO, the Company may be subject to demobilisation and redeployment risk if the purchase option upon contract expiry is not exercised. The current contract expires on 21st September 2018. If the Company is not able to secure a new long-term contract for vessel or the purchase option is not exercised, the Company may be facing the risk of an impairment on the book value and reduced revenues relating to the FPSO. The vessel Connector, which is on a short-term contract of 130 days+130 days in the charterer's option in 2018 is being marketed for future employment both as a subsea construction and cable lay vessel. Given the current market conditions, there is a risk of reduced utilisation for this vessel during the second half of 2018, if the options for extensions are not exercised.

### *OPERATING RISK*

As most of Ocean Yield's vessels are on bareboat charter contracts, the Company is not exposed to operating risk for these vessels, as this is the responsibility of the charterer. However, for the FPSO "Dhirubhai-1", and for the vessel Connector, the Company is responsible for the operations and maintenance of the vessel and hence has full operating risk.

### *FINANCIAL RISK*

Ocean Yield's strategy is to mitigate financial risk, where appropriate, using derivative instruments. This is mainly related to interest rate risk and currency risk. The Company will enter into fixed interest rate agreements for portions of its debt facilities from time to time, in order to hedge interest rate exposure. The ratio of fixed interest rate contracts to its total debt portfolio may vary from time to time, depending on the Company's view of the market. A number of the Company's lease agreements have floating interest rate clauses, where the counterparty is responsible for any increase in underlying interest rates. This significantly improves the overall effective hedging position of the Group.

Most of the Group's revenues are denominated in USD and hence there is limited currency exchange risk in the Group. However, the Company has some exposure to NOK through its bareboat charters for the vessels Far Senator and Far Statesman and Ocean Yield's net bond debt which is issued in NOK. As of year end, the Company had NOK 2,402 million

net outstanding in bond loans. As such, Ocean Yield may from time to time, enter into derivative contracts in order to hedge currency risk related to its fixed revenues, and has entered into interest and currency swaps for the bond debt, where NOK 2,000 million has been swapped from NOK to USD.

*FINANCING RISK*

Ocean Yield is exposed to financing risk since the Company raises external debt on a regular basis for a portion of its investments in vessels, either in the bank market or the bond market. These loans are subject to refinancing typically at maturities ranging between five to ten years. The loans are subject to certain financial covenants that are reported on a quarterly or semi-annual basis by the Company. Should the appetite or capacity in these markets deteriorate rapidly, the Company may face the risk of increased margins when entering into a new project, or obtaining lower leverage than anticipated in a refinancing. This may negatively impact overall returns. The Company works to reduce these risks by securing financing at the same time or shortly after committing to a new investment and maintaining access to broad range of capital market products.

*CONSTRUCTION RISK*

Ocean Yield has inherent risk related to vessel construction, where the Company is exposed to risks for late delivery or even cancellations of newbuilding contracts. In a case of late delivery, Ocean Yield faces the risk of deferral or loss of future revenue.

*COUNTERPARTY RISK*

Ocean Yield has inherent credit risk through the fact that a counterparty may not be able to meet its obligations under a long term charter contract. In order to mitigate this, the Company charters out the vessels to internationally recognized companies within the shipping and offshore industry. However, as shipping and oil service markets are volatile, there is no complete protection against potential counterparty default. In 2017 the contracts with Farstad Supply AS has been restructured and the Group terminated the contract with EMAS AMC AS, which subsequently filed for bankruptcy. However, both processes were resolved with a satisfactory outcome for Ocean Yield.

Ocean Yield also has credit risk related to its trade receivables. In addition, the Company has credit risk exposure related to the bonds in AMSC. The Company's cash and cash equivalents are placed with major international banks with strong credit ratings.

*LIQUIDITY RISK*

Ocean Yield has inherent liquidity risk in a situation where the Company may be unable to fulfil its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its obligations when due. Management monitors monthly forecasts of the Group's liquidity reserve on the basis of expected cash flows.

## SUSTAINABILITY

The section 3-3c in the Norwegian Accounting Act requires that large companies account for their efforts to integrate corporate social responsibility in their business strategies and day-to–day operations. Ocean Yield ASA has chosen to report on its efforts to integrate human rights, labour standards, the environment and anti-corruption measures in a separate document in this Annual Report for 2017 approved by the Board of Directors. Please refer to the Corporate Social Responsibility Statement later in this Annual Report. The assessment encompasses Ocean Yield ASA and subsidiaries consolidated into the Group accounts.

## CORPORATE GOVERNANCE

The Company has adopted and implemented a corporate governance regime which, in all material respects, complies with the Norwegian code of practice for Corporate Governance and the Section 3-3b in the Norwegian Accounting Act. A Copy of the Corporate Governance Statement can be found on the Company's web site, www.oceanyield.no

## RESEARCH AND DEVELOPMENT

Ocean Yield has not been engaged in research and development during 2017.

## ALLOCATION OF PROFIT AND DIVIDEND FOR THE PARENT COMPANY OCEAN YIELD ASA

In 2017, Ocean Yield has paid USD 110.2 million in dividends. A dividend of USD 0.1895 per share, or approximately USD 28.1 million in total, was approved by the Board of Directors on 15th February 2018 for Q4 2017. This was paid on 1st March 2018 and is reflected in the accounts of the parent company Ocean Yield ASA.

Ocean Yield ASA had a net profit after tax of USD 79.4 million for the year 2017. The Board of Directors proposes the following allocation of the profit of USD 79.4 million: USD 111.3 million in dividends, USD 44.8 million from other paid-in capital, USD 0.1 million from retained earnings and USD 12.8 million to cover previous year's losses.The Company intends to continue to expand and diversify its fleet of vessels on long-term charter in order to further increase the Company's earnings and dividend capacity.

## OUTLOOK

Key focus areas for 2018 will be continued fleet growth and to secure a positive outcome for the FPSO Dhirubhai-1. The Company is currently experiencing increased deal flow in the market with overall improved quality of transactions towards acceptable counterparties. The Board of Directors expects that 2018 will be an attractive entry point in several shipping segments, as orderbooks have been reduced, newbuilding prices appear to have bottomed out and banks continue to have reduced appetite for shipping exposure. Ocean Yield has strong access to competitive funding from banks and capital markets, so the Company is well positioned to continue to grow its portfolio.

The Company intends to continue to expand and diversify its fleet of vessels on long-term charter in order to further increase the Company's earnings and dividend capacity.


**BÆRUM 20TH MARCH 2018**
OCEAN YIELD ASA

**FRANK O. REITE**
CHAIRMAN

**KJELL INGE RØKKE**
DIRECTOR

**ANNICKEN GANN KILDAHL**
DIRECTOR

**ANNE-CHRISTIN DØVIGEN**
DIRECTOR

**JENS ISMAR**
DIRECTOR

**LARS SOLBAKKEN**
CEO

# DIRECTOR'S RESPONSIBILITY STATEMENT

Today, the Board of Directors and the Company's Chief Executive Officer reviewed and approved the Board of Directors' report and the consolidated and separate annual financial statements of Ocean Yield ASA for the year ending and as of 31st December 2017.

Ocean Yield's consolidated financial statements have been prepared in accordance with IFRS and IFRIC adopted by the EU as well as additional disclosure requirements in the Norwegian Accounting Act and as such are to be applied as per 31st December 2017. The separate financial statements of the parent company Ocean Yield ASA have been prepared in accordance with the Norwegian Accounting Act and Norwegian accounting standards as of 31st December 2017. The Board of Directors' report for the Group and the parent company meets with the requirements of the Norwegian Accounting Act and Norwegian accounting standard no. 16, as of 31st December 2017.

*TO THE BEST OF OUR KNOWLEDGE:*

- *The consolidated and separate annual financial statements for 2017 the Group and the parent company have been prepared in accordance with applicable accounting standards.*
- *The consolidated and separate annual financial statements give a true and fair view of the assets, liabilities, financial position and profit/loss as a whole per 31st December 2017 for the Group and for the parent company.*
- *The board of directors' report includes a true and fair review of the*
  - *development and performance of the business and the position of the Group and the parent company,*
  - *the principal risks and uncertainties the Group and the parent company may face.*


**BÆRUM 20TH MARCH 2018**
OCEAN YIELD ASA

**FRANK O. REITE**
CHAIRMAN

**KJELL INGE RØKKE**
DIRECTOR

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**JENS ISMAR**
DIRECTOR

**LARS SOLBAKKEN**
CEO

# CORPORATE SOCIAL RESPONSIBILITY STATEMENT

## SUSTAINABILITY


Compliance with national, regional and international rules, laws and conventions is selfevident in Ocean Yield, but business ethics and sustainability extend beyond compliance. We regard these efforts as important in order to build trust among our stakeholders. We work towards conducting our business in a way that makes people proud to work with, and for, Ocean Yield. Ocean Yield's responsibilities and sustainability challenges are defined within four key areas:

- *ASSETS Modern, efficient assets produced and disposed of responsibly*
- *CHARTERERS Partnering with solid and responsible counterparts*
- *CULTURE & CONDUCT Ethical business conduct*
- *OPERATIONS Responsible operations and maintenance*

### OUR ASSETS

#### *PRINCIPLES*

We shall aim to ensure that our assets are:

- *Modern and efficient. This implies that we make use of modern technology, and that our assets are developed to meet ever growing challenges related to environmental impacts and resource efficiency.*
- *Produced responsibly. Our vessels shall be built by reputable shipyards that have high standards for environmental management, as well as workers' safety.*
- *Disposed responsibly. Our vessels shall be disposed or scrapped in such a way that sustainability and environmental impacts are understood and taken due care of.*

#### *EFFORTS AND RESULTS*

*OUR FLEET*

Our fleet as of 2017 consists of modern and efficient vessels carrying the world recognized DNV GL classification. As of year-end 2017, 38 out of 40 vessels in the fleet are on long term bareboat charters to various counterparties within shipping and oil-service where the counterparty is responsible for the operations. For the FPSO Dhirubhai-1, Ocean Yield has the operating responsibility through its subsidiary Aker Floating Production AS and the vessel Connector is on a short-term time charter where Solstad Farstad ASA is the technical manager.

*SHIPBUILDING*

We work with reputable shipyards from around the world. As of 31st December 2017 we had 3 vessels scheduled for delivery in 2018. These are three Suezmax crude tankers under construction at Samsung Heavy Industries, Korea, which is considered to be a high quality shipyard. Ocean Yield's payment obligation for the vessel only relates to succesful delivery from the shipyard. The charterer carries the responsibility for the shipbuilding contract, the risks related to construction and the building supervision with the yard. Our bareboat charter contracts include requirements regarding the standard of the vessels, which must be delivered in accordance with the agreed specifications such as dead weight, fuel efficiency and speed.

#### *AMBITIONS*

We aim to continue to invest in modern, fuel efficient vessels with eco-design where possible, in partnership with charterers that focus on their environmental responsibility, in order to minimize any negative impact on the environment.

## OUR CHARTERERS

### *PRINCIPLES*

We shall aim to build partnerships with our charterers:

- *That are long term*
- *With acceptable counterparts. This also implies that our counterparts are responsible and conduct their business with integrity. We will conduct thorough due diligence of potential charterers.*
- *With clear expectations with regards to responsible conduct. These expectations shall include maintenance of the vessels, management of environmental impacts and compliance with any oil pollution laws and environmental laws and regulations and relations and interaction with sanctioned countries including war zones.*

### *EFFORTS AND RESULTS*

We make efforts to ensure that our counterparts are solid and responsible. Part of these efforts is a thorough due diligence of the solidity, trustworthiness and reliability of the potential counterparts. All of our counterparts are well reputed and manage sizeable fleets.

As of year end 2017 average remaining contract tenor (weighted by EBITDA) was 11.0 years.

Our bareboat contracts places clear expectations on appropriate use and maintenance of our vessels. This not only ensures to maximize the useful lives of the vessels through good upkeep, but it also rules out illegal or dangerous activities such as use in areas of violent conflict. Vessels must be kept in safe working order in compliance with international conventions, codes and regulations, including the International Convention for Safety of Life at Sea 1974 (SOLAS), the STCW 95, the ISM Code and the ISPS Code. Vessels must also be insured against damage and at all times be in compliance with laws and regulations including environmental laws and regulations.

### *AMBITIONS*

We aim to continue to develop our portfolio of investments in vessels with long-term charters to internationally well recognized companies within the shipping and offshore industry. Our ambition is to continue to do business with companies that are of solid credit quality with a strong reputation.

## OUR CULTURE AND CONDUCT

### *PRINCIPLES*

*WORKPLACE*

We will strive for a workplace where:

- *The interests of our employees and the people that are enganged by the Company are protected, including their health and safety.*
- *The Company prohibits discrimination against any employee on the basis of age, gender, sexual orientation, disability, race, nationality, political opinions, religion or ethnic background, or any other basis prohibited by law. The Company does not tolerate harassment or degrading treatments in any form by or towards employees.*
- *Every employee has the opportunity to develop their individual skills and talents.*

*ENGAGING WITH STAKEHOLDERS*

- *Ocean Yield will communicate relevant business information in full and on a timely basis to its employees and external stakeholders.*

- *Ocean Yield is committed to providing the financial markets with quality information on the financial and operational status, enabling investors and analysts to maintain a correct picture of the financial situation as well as risks and opportunities facing it in the future.*

- *Ocean Yield will provide accurate disclosurwe information to the financial markets in line with all relevant laws and regulations for listed companies on the Oslo Stock Exchange.*

*ANTICORRUPTION AND BRIBERY*

Ocean Yield is opposed to all forms of corruption and will make active efforts to ensure that it does not occur in the Company's business activities. Please refer to the anticorruption policy for further details, which can be found at www.oceanyield.no.

In 2017 our subsidiary Aker Floating Production has obtained ISO 37001 anti-corruption certification, as the first Norwegian company with such certification.

*ENVIRONMENT*

Ocean Yield will act responsibly with an ambition to reduce direct and indirect negative influences on the external environment. Ocean Yield will adhere to relevant international and local laws and standards, seeking to minimize the environment impact.

### *EFFORTS AND RESULTS*

We acknowledge the benefits of setting down our policies and principles to ensure a common understanding and approach, and to maintain consistency for the future. We have therefore introduced an independent whistleblower function to ensure that any breach with our policies or laws can be reported without repercussion.

We achieved a sick leave rate of 3.3% in 2017, compared to 2.49% in 2016.

*EQUALITY*

We believe in the value of diversity, and equal opportunity for men and woman is a clear policy in Ocean Yield. Women accounted for 32% of the total number of employees as of year-end 2017 (33% in 2016). The Board of Directors consists of three men and two women.

### *AMBITIONS*

Going forward we will work to ensure that our code of conduct and polices are understood and implemented. This includes a continued zero tolerance policy towards corruption and an equal opportunities employee policy with the aim of fostering an inclusive and diverse working environment. We will also work to ensure that all employees are familiar with our independent whistleblower function.

## OUR OPERATIONS

Ocean Yield currently has operating responsibility for two vessels, being the FPSO Dhirubhai-1 and the offshore construction and cable lay vessel Connector. For the FPSO, Ocean Yield has in-house technical management thorugh its subsidiary, AFP Operations AS, while for the Connector, technical management is outsourced to Solstad Farstad ASA.

### *PRINCIPLES*

For the FPSO, AFP Operations AS has committed to several sustainability related polices including a code of conduct, an anticorruption policy and an environmental and an occupational health and safety policy. We operate according to the ISM code, ISO 9001 and ISO 14001 and all international, local and contractual requirements. In addition, during 2017, the subsidiary Aker Floating Production AS obtained ISO 37001, anti-corruption certification.

Key policies we have adopted includes:

- *Abide by the International Safety Management (ISM) code.*
- *Provide a safe and secure working environment that ensures the wellbeing and good health of employees, clients' representatives, contractor personnel and others affected by our operations.*
- *An aim negative effect on the environment through no oil spillage and minimal oil in produced water.*

### *EFFORTS AND RESULTS*

Lost Time Incidents (LTIs) have once again been avoided during 2017, and we are now proud to be able to say that the total time without an LTI is now over 9 years.

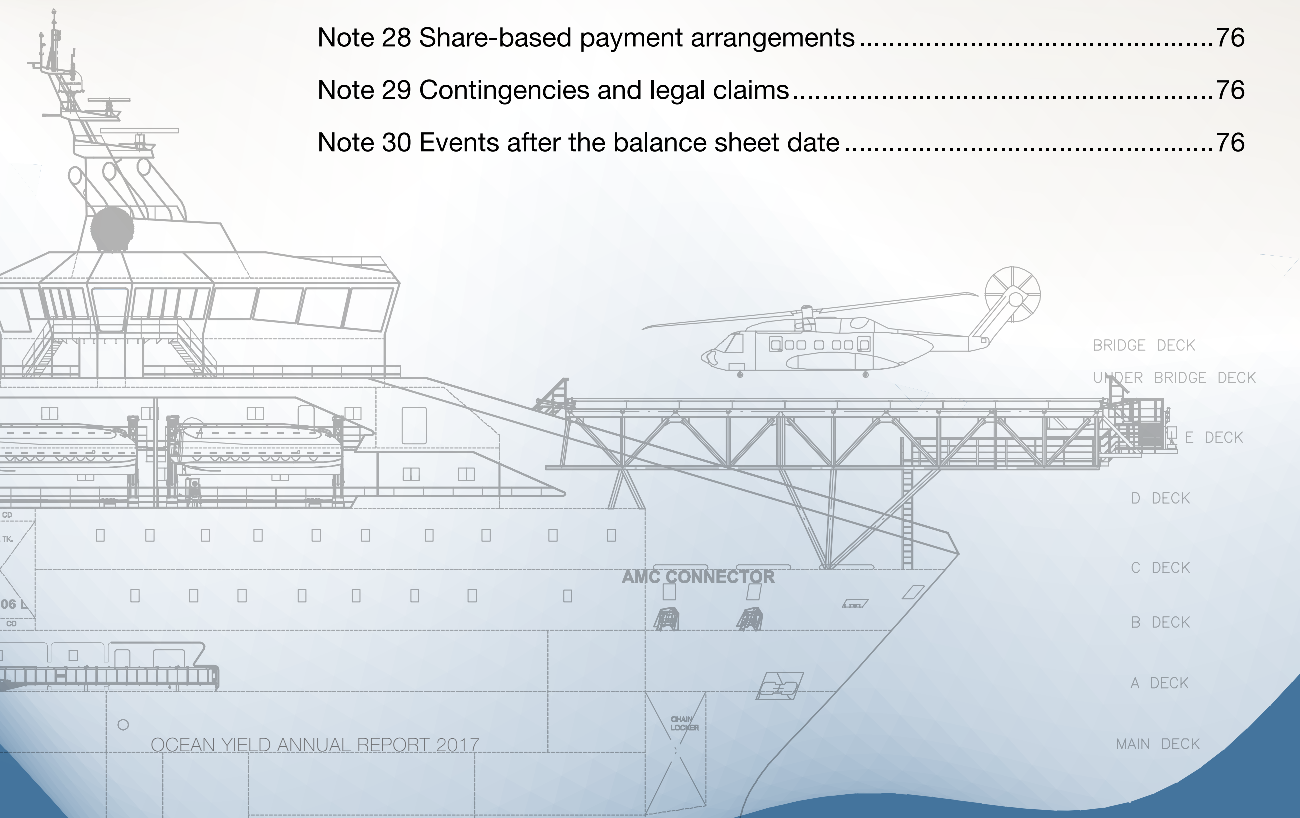
We provide training, information and procedures to our employees to minimize our environmental footprint. Through our continued ISO 14001 compliance with robust KPIs, targets and monitoring we strive to have the least negative impact we can on the environment.

### *AMBITIONS*

Going into 2018 we will continue to improve our environmental performance. Continuing on from previous years we aim for minimal negative impact on the environment through zero spillage and minimal oil in produced water.

# CONSOLIDATED FINANCIAL STATEMENTS AND NOTES




BRIDGE DECK
UNDER BRIDGE DECK
D DECK
C DECK
B DECK
A DECK
MAIN DECK
AMC CONNECTOR

# Consolidated Income statement and total comprehensive income

## Income statement

| Amounts in USD million | Note | 2017 | 2016 |
|---|---|---|---|
| Operating revenue | 7 | 248.4 | 241.7 |
| Finance lease revenue | 8 | 66.6 | 45.9 |
| Income from investments in associates | 15 | 24.1 | 6.7 |
| **Total revenues and other income** | | **339.1** | **294.4** |
| Vessel operating expenses | | -18.2 | -17.8 |
| Wages and other personnel expenses | 9 | -7.4 | -6.1 |
| Other operating expenses | 9 | -7.1 | -5.3 |
| **EBITDA** | | **306.5** | **265.2** |
| Depreciation and amortization | 13,14 | -102.6 | -99.7 |
| Impairment charges | 10 | - | -36.2 |
| **Operating profit (EBIT)** | | **203.8** | **129.2** |
| Financial income | 11 | 55.2 | 25.7 |
| Financial expenses | 11 | -109.4 | -60.9 |
| **Net financial items** | 11 | **-54.2** | **-35.2** |
| **Net profit before tax** | | **149.7** | **94.0** |
| Income tax expense (-) / benefit (+) | 12 | -20.0 | -16.5 |
| **Net profit after tax** | | **129.7** | **77.5** |
| | | | |
| Attributable to: | | | |
| Equity holders of the parent | | 128.2 | 76.1 |
| Non-controlling interests | | 1.5 | 1.4 |
| **Net profit after tax** | | **129.7** | **77.5** |
| | | | |
| **Basic and diluted earnings per share (USD)** | 17 | **0.86** | **0.55** |

## Total comprehensive income

| Amounts in USD million | Note | 2017 | 2016 |
|---|---|---|---|
| Net profit after tax for the period | | 129.7 | 77.5 |
| **Other Comprehensive income, net of income tax** | | | |
| **Items that will not be reclassified to the income statement** | | | |
| Remeasurements of defined benefit liability (asset) | | -0.2 | -0.2 |
| **Total for items that will not be reclassified to the income statement** | | **-0.2** | **-0.2** |
| **Items that are or may be reclassified to the income statement** | | | |
| Share of other comprehensive income from investment in associates | | -2.3 | 18.9 |
| Change in fair value of available for sale financial assets | | -0.8 | - |
| Currency translation differences | | 2.2 | 0.8 |
| **Total for items that are or may be reclassified to the income statement** | | **-0.9** | **19.7** |
| **Total change in other comprehensive income, net of income tax** | | **-1.1** | **19.4** |
| **Total comprehensive income** | | **128.6** | **96.9** |
| | | | |
| Attributable to: | | | |
| Equity holders of the parent | | 127.1 | 95.5 |
| Non-controlling interests | | 1.5 | 1.4 |
| **Total comprehensive income for the period** | | **128.6** | **96.9** |

# Consolidated Balance sheet at 31st December

| Amounts in USD million | Note | 2017 | 2016 |
|---|---|---|---|
| ASSETS | | | |
| Vessels and other fixed assets | 13 | 1 310.8 | 1 243.8 |
| Goodwill | 14 | 9.8 | 9.8 |
| Deferred tax assets | 12 | 2.8 | 20.5 |
| Investments in associates | 15 | 188.7 | 187.4 |
| Interest-bearing long term receivables | 16 | 770.7 | 925.4 |
| Other shares and other non-current assets | 16 | 8.1 | 0.6 |
| **Total non-current assets** | | **2 290.8** | **2 387.5** |
| Trade receivables and other interest-free receivables | 5 | 53.5 | 21.7 |
| Cash and cash equivalents | 5 | 98.7 | 165.5 |
| **Total current assets** | | **152.2** | **187.2** |
| **Total assets** | | **2 443.1** | **2 574.7** |
| | | | |
| EQUITY AND LIABILITIES | | | |
| Share capital | | 239.6 | 239.6 |
| Treasury shares | | -0.0 | -0.1 |
| Other paid-in capital | | 351.4 | 461.6 |
| **Total paid-in capital** | 17 | **591.0** | **701.1** |
| Retained earnings and other reserves | | 230.2 | 103.1 |
| **Total equity attributable to equity holders of the parent** | | **821.1** | **804.2** |
| Non controlling interests | | 10.4 | 11.0 |
| **Total equity** | | **831.5** | **815.2** |
| | | | |
| Interest-bearing long term debt | 20 | 1 401.4 | 1 380.4 |
| Pension liabilities | | 0.4 | 0.4 |
| Non-current provisions | 23 | 30.1 | 28.5 |
| Fair value of derivatives | | 11.8 | 26.1 |
| Other interest-free long term liabilities | 21 | 30.6 | 37.4 |
| **Total non-current liabilities** | | **1 474.2** | **1 472.7** |
| Interest-bearing short term debt | 20 | 109.0 | 173.4 |
| Liability related to investment in associates | 15 | - | 57.7 |
| Trade and other payables | | 28.3 | 55.7 |
| **Total current liabilities** | | **137.3** | **286.8** |
| **Total liabilities** | | **1 611.5** | **1 759.5** |
| **Total equity and liabilities** | | **2 443.1** | **2 574.7** |

**BÆRUM, 20TH MARCH 2018**
OCEAN YIELD ASA

**FRANK O. REITE**
CHAIRMAN

**KJELL INGE RØKKE**
DIRECTOR

**JENS ISMAR**
DIRECTOR

**ANNE-CHRISTIN DØVIGEN**
DIRECTOR

**ANNICKEN GANN KILDAHL**
DIRECTOR

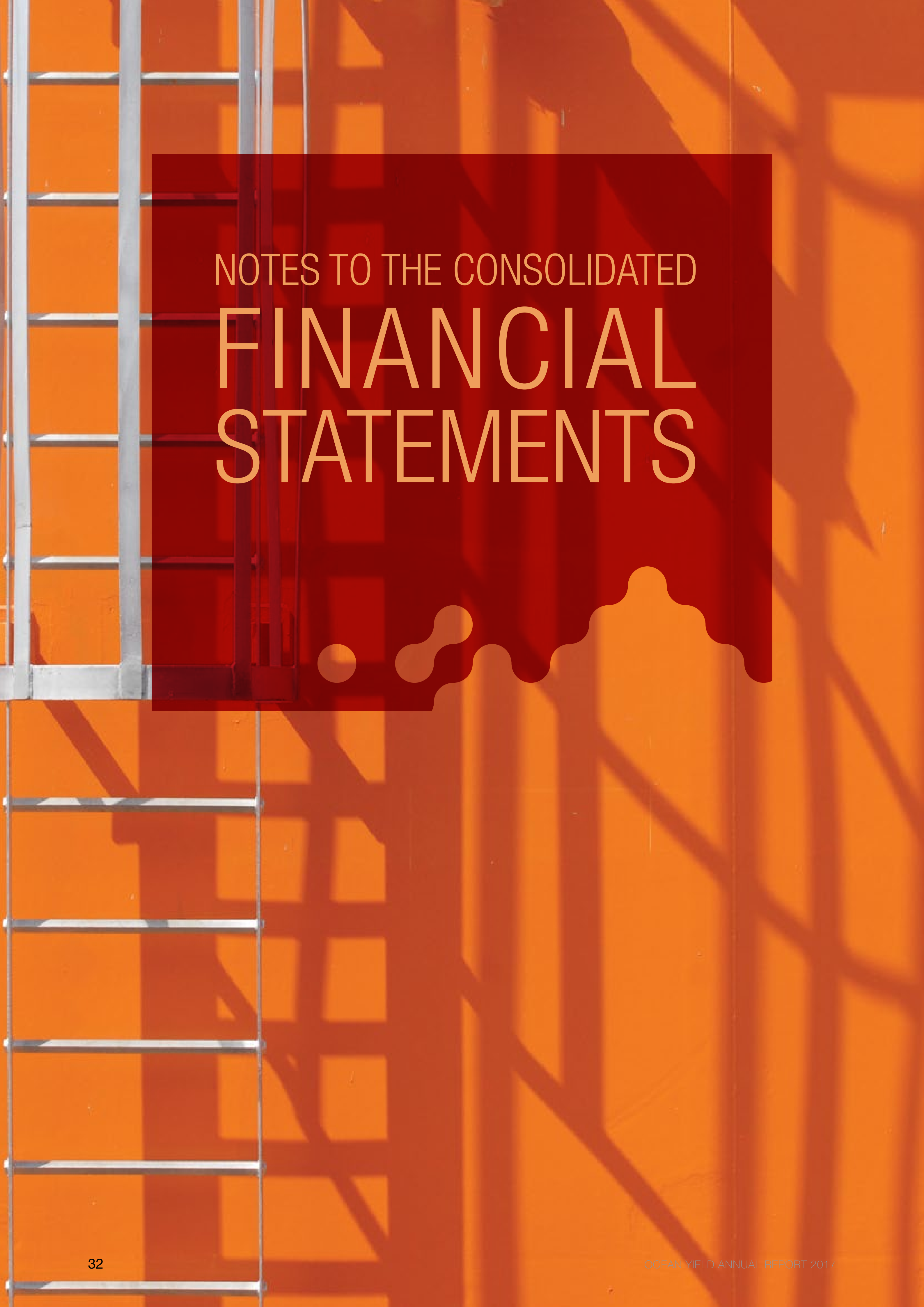
**LARS SOLBAKKEN**
CEO

## Changes in Equity

| Amounts in USD million | Share capital | Share premium | Treasury shares reserve | Fair value reserve | Trans-lation reserve | Retained earnings | Share-holders equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance 31st December 2015** | **222.8** | **455.2** | **-0.3** | **-** | **-41.7** | **61.2** | **697.3** | **11.6** | **708.8** |
| Net profit after tax for the period | - | - | - | - | - | 76.1 | 76.1 | 1.4 | 77.5 |
| Other comprehensive income | - | - | - | - | 0.8 | 18.6 | 19.4 | - | 19.4 |
| Total comprehensive income | - | - | - | - | 0.8 | 94.7 | 95.5 | 1.4 | 96.9 |
| Issuance of ordinary shares | 16.8 | 90.0 | - | - | - | - | 106.8 | - | 106.8 |
| Expenses related to raising new equity, net of tax | - | -1.3 | - | - | - | - | -1.3 | - | -1.3 |
| Dividend | - | -82.1 | - | - | - | -11.9 | -94.0 | -2.0 | -96.0 |
| **Balance 31st December 2016** | **239.6** | **461.8** | **-0.3** | **-** | **-40.9** | **144.0** | **804.2** | **11.0** | **815.2** |
| Net profit after tax for the period | - | - | - | - | - | 128.2 | 128.2 | 1.5 | 129.7 |
| Other comprehensive income | - | - | - | -0.8 | 2.2 | -2.5 | -1.1 | - | -1.1 |
| Total comprehensive income | - | - | - | -0.8 | 2.2 | 125.7 | 127.1 | 1.5 | 128.6 |
| Dividend | - | -110.2 | - | - | - | - | -110.2 | -2.1 | -112.3 |
| Treasury shares sold | - | - | 0.1 | - | - | -0.0 | 0.1 | - | 0.1 |
| **Balance 31st December 2017** | **239.6** | **351.6** | **-0.2** | **-0.8** | **-38.6** | **269.6** | **821.1** | **10.4** | **831.5** |

# Consolidated Cash Flow Statement

| Amounts in USD million | Note | 2017 | 2016 |
|---|---|---|---|
| Profit before tax | | 149.7 | 94.0 |
| Taxes paid | | -0.1 | -0.5 |
| Net interest expenses (+) | | 61.6 | 34.1 |
| Interest paid | | -63.9 | -43.2 |
| Interest received | | 6.6 | 13.6 |
| Impairment charges | 10 | - | 36.2 |
| Depreciation and amortization | 13,14 | 102.6 | 99.7 |
| Income from investments in associates | 15 | -24.1 | -6.7 |
| Dividend received from investments in associates | | 20.5 | - |
| Unrealized foreign exchange gain/loss | | 11.7 | 2.9 |
| Change in fair value of financial instruments | | -41.8 | -6.8 |
| Changes in other operating assets and liabilties | | -52.5 | -28.8 |
| **Net cash flow from operating activities** | | **170.3** | **194.6** |
| | | | |
| Acquisition of vessels and equipment | 13 | -163.5 | -139.3 |
| Refundable yard instalments | 13 | - | 17.6 |
| Acquisition of vessels accounted for as finance lease receivables | 8 | -47.0 | -248.6 |
| Repayment on finance lease receivables | 8 | 34.3 | 26.1 |
| Net cash flow from other non-current assets | 8 | -0.5 | -92.1 |
| Investments in associated companies | 15 | -57.7 | -104.2 |
| Net cash flow from interest-bearing long term receivables | | 175.2 | 1.1 |
| **Net cash flow from investing activities** | | **-59.3** | **-539.4** |
| | | | |
| Proceeds from issuance of long term interest-bearing debt | 20 | 224.9 | 630.7 |
| Repayment of long term interest-bearing debt | 20 | -290.8 | -247.0 |
| Dividend paid | 17 | -110.2 | -94.0 |
| Dividend paid to non-controlling interests | | -2.1 | -2.0 |
| Net proceeds from issuance of ordinary shares | | - | 105.1 |
| Treasury shares sold | | 0.1 | - |
| **Net cash flow from financing activities** | | **-178.1** | **392.7** |
| | | | |
| **Net change in cash and cash equivalents** | | **-67.1** | **47.8** |
| Exchange rate differences | | 0.3 | -0.1 |
| Cash and cash equivalents 1st January | | 165.5 | 117.7 |
| **Cash and cash equivalents 31st December** | **5** | **98.7** | **165.5** |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1 CORPORATE INFORMATION

Ocean Yield ASA is a Norwegian company, domiciled in Bærum, Norway, with business address Oksenøyveien 10, Lysaker. The Ocean Yield Group was established at the end of March 2012, with Ocean Yield ASA as the parent company. In July 2013 the company was listed on Oslo Stock Exchange.

The 2017 consolidated financial statements of Ocean Yield ASA incorporate the financial statements of the Company and its subsidiaries owned as of 31st December 2017 (referred to collectively as the "Group" and separately as group companies).

The Group has investments in vessels within oil-service and industrial shipping.

## NOTE 2 BASIS FOR PREPARATION AND NEW AND AMENDED STANDARDS

### STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as approved by the European Union, their interpretations adopted by the International Accounting Standards Board (IASB) and the additional requirements of the Norwegian Accounting Act as of 31st December 2017.

The consolidated financial statements for 2017 were approved and authorized for issue by the Board of directors on 20th March 2018. The consolidated financial statements will be presented to the Annual General Meeting on 17th April 2018 for approval.

### BASIS OF PREPARATION

The accounting principles presented herein have been applied consistently for the reporting period and for the companies presented in the consolidated financial statements. Comparative figures are reclassified if necessary to conform to current year presentation.

### BASIS OF MEASUREMENT

Preparation of the financial statements is based on historical cost, with the following exceptions:

- *Derivative financial instruments are measured at fair value*
- *Financial assets available for for sale are measured at fair value*
- *Principles used to determine fair value are described in greater detail in note 4.*

### FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

These consolidated financial statements are presented in United States Dollars (USD), which is the functional currency of Ocean Yield ASA and most of the group companies. Some group companies have NOK as functional currency.

All financial information presented in USD has been rounded to the nearest million with one decimal, except when otherwise stated. Due to rounding differences there may be some minor inconsistency between total figures.

### USE OF ESTIMATES AND JUDGMENT

Preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of guidelines and principles, as well as the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are considered relevant under the circumstances. The resulting accounting estimates will, by definition, seldom match actual results, but are based on the best estimate at the time.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimates are revised if the change affects that period, or prospectively for changes in estimates such as the useful lives of vessels or in estimated salvage values. Estimates and assumptions that could have a significant impact on the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *CLASSIFICATION OF LEASE AGREEMENTS*

As of year-end 2017 most of the Group's vessels were chartered on long term contracts. At the inception of the lease agreements an assessment is carried out evaluating whether the agreements should be classified as either operating leases or finance leases. Reference is made to note 3 Accounting principles, section Lease Agreements, note 7 Operating lease revenue and note 8 Finance lease revenue.

#### *IMPAIRMENT OF VESSELS*

Ocean Yield has significant investments in vessels. Evaluating whether a vessel is impaired or if an impairment should be reversed, requires a high degree of judgment and may to a large extent depend upon the selection of key future assumptions. Reference is made to note 13 Vessels and other fixed assets.

#### *IMPAIRMENT OF FINANCE LEASE RECEIVABLES*

The Group had as of year-end 2017 16 lease agreements that are classified as finance leases. At the end of each reporting period the Group assesses whether there is objective evidence that a finance lease receivable is impaired based upon an assessment of the customer's ability to pay. In addition, the Group regularly assesses whether there have been reductions in the estimated unguaranteed residual values of the leased assets. The assessment on a customer's ability to pay is based upon the Group's historical experience with the customer and an assessment of other information, which is available in the market place, including any alternative use for the vessels. The assessment of changes in unguaranteed residual values involves the use of estimates and assumptions about expected future values. Reference is made to note 8 Finance lease revenue and note 24 Financial instruments.

### NEW AND AMENDED STANDARDS NOT YET ADOPTED BY THE GROUP

A number of standards, amendments to standards and interpretations are not effective for the period ending 31st December 2017 and have therefore not been applied in preparing these consolidated financial statements;

- *The implementation of IFRS 9 Financial Instruments is mandatory from 1st January 2018. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities, and will replace the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 introduce a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. The new standard will not have significant impact on the financial statements of Ocean Yield.*

  *Estimated impact of the adoption of IFRS 9:*

  *IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. At 31st December 2017, the Group had equity investments classified as available-for-sale with a fair value of USD 6.5 million. Under IFRS 9, the Group has designated USD 6.5 million of this as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses will be recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal.*

  *IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" model. As most of the Group's lease income is prepaid the Group has limited amount recognized as trade receivables and hence limited risk of loss on trade receivables. For the finance lease receivables the loans are in substance collateralised by the leased vessels. Most of the Group's finance lease receivables are net of seller credits and the amount recognized in the balance sheet are thus less than the fair value of the vessels. Hence, the execpected credit loss on these receivables are close to zero.*

- *Implementation of IFRS 15 Revenue from Contracts with Customers is mandatory from 1st January 2018. The new standard will not have significant impact on the financial statements of Ocean Yield.*

- *Implementation of IFRS 16 Leases is mandatory from 1st January 2019. The new standard requires lessees to bring most of its leases on-balance sheet, recognizing new assets and liabilities. The new standard is not expected to have significant impact on the financial statements of Ocean Yield. Ocean Yield is primarily a lessor and lessor accounting under IFRS 16 remains similar to current practice.*

# NOTE 3 ACCOUNTING PRINCIPLES

## GROUP ACCOUNTING AND CONSOLIDATION PRINCIPLES

### *SUBSIDIARIES*

Subsidiaries are entities over which the Group has control. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated accounts from the day control is obtained and until control ceases to exist.

### *INVESTMENTS IN ASSOCIATES*

An associate is defined as a company over which the group has significant influence but which is not a subsidiary or a joint arrangement. Significant influence is where the company has the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. The Group's investment in an associate is accounted for using the equity method. The investment is initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements includes the Group's share of the profit and loss and OCI of the associate, until the date on which significant influence ceases to exist.

Dividends received from associates are presented as part of net cash flow from operating activities in the cash flow statement. Received dividends are recognised as a reduction of the book value of the investment.

### *TRANSACTIONS ELIMINATED ON CONSOLIDATION*

Intra-Group balances and transactions, and any unrealized income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

## FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS

### *TRANSACTIONS AND BALANCES*

Foreign currency transactions are translated into the entities functional currency using the exchange rates prevailing at the date of each transaction. Monetary assets and liabilities in foreign currencies are translated into the entities functional currency using the exchange rates on the balance sheet date. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in other currencies than USD are recognized in the income statement as foreign exchange gains/losses.

### *GROUP COMPANIES*

Financial statements of group companies whose functional currencies are different from the presentation currency (USD) are translated to USD in the following way:

- *Balance sheet items are translated using the exchange rates on the balance sheet date*
- *Profit or loss items are translated using the average exchange rates for the reporting period.*
- *All translation differences are recognized in Other Comprehensive Income.*

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are accounted for at acquisition cost less accumulated depreciation and impairment losses. Acquisition cost includes expenditures directly attributable to the asset's acquisition. Estimated costs of dismantling and removing the asset is included in the acquisition cost if an obligation arises from installation of the asset. Borrowing costs attributable to the acquisition, construction or production of a qualifying asset is recognized as part of the acquisition cost of that asset. Other borrowing costs are expensed.

When significant parts of an item of Property, Plant and Equipment have different useful lives, major components are accounted for as separate items of Property, Plant and Equipment.

*SUBSEQUENT COST*

Ordinary repairs and maintenance costs are charged to the profit and loss in the financial period when they are incurred. The cost of major upgrades or modification of an asset is included in the asset's carrying amount. Major upgrades and modification of an asset is depreciated over the useful lives of the related asset.

*DEPRECIATION*

Depreciation is recognized in profit and loss on a straight-line basis over the estimated useful lives of each major component of an item of property, plant and equipment, taking its residual value into consideration.

Estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| Vessels | 10-30 years |
| Machinery, vechilcles | 3-15 years |
| Other fixed assets | 3-10 years |

Depreciation methods, useful lives, and residual values are reviewed at each reporting period.

*DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT*

Gains and losses on the disposal of assets are determined by comparing the disposal proceeds with the carrying amount.

## LEASE AGREEMENTS (AS LESSOR)

As of year-end 2017 most of the vessels owned by the Group were chartered out on long term contracts. When assessing whether an agreement is an operating lease or a finance lease, estimates of the fair value of the vessels at the end of the lease periods and calculations of the present value of the minimum lease payments are the most important factors. Many of the lease contracts include one or more purchase options, and/or options to extend the lease period beyond the firm period. At the inception of the lease, such options are taken into consideration when assessing whether the lease is an operating lease or a finance lease. It is also considered whether the lease agreements contain other elements where risk is transferred to the charterers, such as LIBOR related charter hire adjustments, where some of the interest rate risk is transferred to the charterers.

*OPERATING LEASE*

Leases in which a significant portion of the risks and rewards of ownership are retained by Ocean Yield are classified as operating leases. Lease assets held pursuant to an operating lease are included in the balance sheet based on the nature of the asset. Direct costs incurred when establishing an operating lease are included in the leased asset's carrying amount and are expensed over the term of the lease on the same basis as the rental income.

*FINANCE LEASE*

Leases in which substantially all of the risks and rewards of ownership are transferred to the charterer are classified as finance leases. At the inception of the lease the net present value of the minimum lease payments and any discounted unguaranteed residual value are recognized as a non-current receivable.

## FINANCIAL ASSETS

Financial assets are presented as current if they contractually will expire or otherwise are expected to be recovered within 12 months after the balance sheet date, or if they are held for the purpose of being traded. Otherwise they are classified as non-current.

*LOANS AND RECEIVABLES*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. At year-end 2017 Loans and receivables comprise unsecured bonds as well as trade and other receivables.

*CASH AND CASH-EQUIVALENTS*

Cash and cash equivalents consist of cash deposits on call with financial institutions and other short-term, highly liquid investments with original maturity of less than three months.

## FINANCIAL DERIVATIVES

The Group uses financial derivative instruments to hedge its exposure to foreign currency and interest-rate risks. No hedge accounting has been applied in 2017 or 2016 in the Group companies. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in the income statement as they incur. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit and loss. As further explained in note 15, hedge accounting is applied to mitigate interest rate risk for borrowings in an associated company.

## FINANCIAL LIABILITIES

The Group classifies its non-derivative financial liabilities into the Financial liabilities measured at amortized cost category. Such financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial

recognition these financial liabilities are measured at amortized cost using the effective interest rate method. At year-end 2017 and 2016, non-derivative financial liabilities comprise loans and borrowings and trade and other payables.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In such a case, the fee is deferred until the draw-down occurs. To the extent there is low probability that the facility will be drawn down, the fee is capitalized as a pre-payment and amortized over the period of the facility to which it relates.

## CURRENT AND DEFERRED INCOME TAX

Income tax in the profit and loss statement for the year comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in Other comprehensive income or directly in equity.

Current tax is the anticipated tax payable on the taxable income for the year, using current tax rates at the balance sheet date, and any adjustment to tax payable related to previous years.

Deferred income tax is stated, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognized for all deductible temporary differences and all carry-forwards of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which such deductible temporary differences and carry-forwards can be used.

Deferred tax is not recognized for the following temporary differences:

- *Initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.*
- *Differences relating to investments in subsidiaries and jointly controlled entities, to the extent that it is probable that they will not reverse in the foreseeable future.*

Deferred tax is measured on an undiscounted basis.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on current tax rates (and tax laws) at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and if the deferred tax relates to the same taxable entity or the same tax authority.

Most of the Group's vessels qualify under the Norwegian tonnage tax regime, where operating results are subject to a tax of approximately 0%. Financial income within the Norwegian Tonnage Tax regime is taxable at a rate of 24% (changed to 23% from 1st January 2018). The European Surveillance Authority announced in December 2017 that it had approved the Norwegian tonnage tax regime for a new 10-year period from 1 January 2018. The main principles of the tonnage tax regime remain unchanged, however restrictions on long-term bareboat charters have been implemented. The Group's vessels on bareboat charters will as a consequence no longer qualify under the Norwegian tonnage tax regime. Due to a transitional rule, the changes will have effect from 1st November 2018.

## REVENUE RECOGNITION

### *OPERATING LEASE REVENUE*

Revenue related to vessel charter agreements that are classified as operating leases are recognized on a straight line basis over the lease term, and classified as operating revenues in the income statement. Contingent rental income, such as bonuses earned based on utilisation, is recognized in profit and loss as it is earned. Payments received from mobilization fees and other up-front fees that do not relate to a separate earnings process are recognized on a straight-line basis over the lease term. The remaining part is recognized in the balance sheet as deferred income.

Income related to the Dhirubhai-1 FPSO is recognized net of local withholding tax, as this represents the gross inflows of economic benefits received by the Group.

### *FINANCE LEASE REVENUE*

Over the lease term interest on the net investment is recognized in the profit and loss as finance lease revenue in a way that produces a constant rate of return on the investment. Contingent rental income, such as LIBOR related charter hire adjustments, is recognized in profit and loss as earned.

## IMPAIRMENT

### *NON-FINANCIAL ASSETS*

The carrying amounts of the Group's assets, other than deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If an indication of impairment exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated annually.

The recoverable amount of an asset or cash generating unit is defined as the greater of its value in use and its fair value, less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a relevant post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For assets that do not generate mainly independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement. Recognition of impairment losses of cash-generating units is allocated first to reduce the carrying amount of any goodwill and then to reduce the carrying amount of the other assets in the unit.

An impairment loss on goodwill is not reversed. For assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's balance sheet carrying amount does not exceed the carrying amount, net of depreciation or amortization, calculated as if no impairment loss had been recognized.

*FINANCIAL ASSETS*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of the asset that can be estimated reliably.

The recoverable amount of the Group's financial assets carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short term to maturity are not discounted.

An impairment loss on financial assets carried at amortized cost, is reversed if a subsequent increase in the recoverable amount can be objectively connected to an event occurring after the impairment loss was recognized in the profit and loss.

### DIVIDENDS

Dividends are recorded in the Group's financial statements in the period in which they are approved. Currently the General Meeting has authorized the Board of Directors to resolve and declare dividends based on the Company's annual financial statements for 2016. The authorization is valid until the Annual General Meeting in 2018.

## NOTE 4 DETERMINATION OF FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Accounting principles and note disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods described below. When applicable, further information on the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- *In the principal market for the asset or liability, or*
- *In the absence of a principal market, in the most advantageous market for the asset or liability*

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- *Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities.*
- *Level 2 Valuation techniques for which input that is significant to the fair value measurement is directly or indirectly observable.*
- *Level 3 Valuation techniques for which input that is significant to the fair value measurement is unobservable.*

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### FAIR VALUES HAVE BEEN ESTIMATED USING THE FOLLOWING METHODS:

### LOANS AND OTHER LONG TERM RECEIVABLES

Fair value is determined for disclosure purposes. The fair value of Loans and other long term receivables is estimated as the present value of future cash flows, discounted with an applicable discount rate. The Group's most significant long term receivable is the bonds in American Shipping Company ASA. The fair value calculation of the bonds is explained in greater detail in note 24.

### FINANCE LEASE RECEIVABLES

Fair value is determined for disclosure purposes. The fair value of finance lease receivables is estimated as the present value of future cash flows, discounted with an applicable discount rate. As of year-end 2017 the Group has 16 lease agreements that are classified as finance leases. The fair value calculation of the finance lease receivables is explained in greater detail in note 24.

### TRADE AND OTHER RECEIVABLES

The fair value of trade receivables and other receivables is estimated at the present value of future cash flows of principal and interests, discounted at the market rate of interest at the balance sheet date.

### DERIVATIVES

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds), and taking changes in Ocean Yield's credit risk into account. The fair value of interest rate swaps is based on the present value of future cash flows, calculated based on observable market rates and exchange rates on the reporting date, including accrued interest and also taking changes in Ocean Yield's credit risk into account.

### NON-DERIVATIVE FINANCIAL LIABILITIES

Fair value is determined for disclosure purposes. The fair value of listed bond debt is based on quoted market prices, while the fair value of other liabilities is calculated based on the present value of future cash flows of principal and interests, discounted at the market rate of interest at the balance sheet date.

## NOTE 5 FINANCIAL RISK AND EXPOSURE

### FINANCIAL RISK

The Ocean Yield Group is exposed to different types of financial risk including credit-, liquidity- and market risk (e.g. interest- and currency risk). The Group is using different financial instruments to actively manage its financial exposure. The purpose of risk management is to measure and manage financial risk in a reliable manner, thereby increasing predictability and reducing negative effects on Ocean Yield's financial results.

Ocean Yield ASA has developed a policy on how the financial risk is monitored. The risk is monitored continuously and reported on a regular basis. The main companies in the Group have developed similar policies and guidelines based on the individual company's exposure to the different kinds of financial risks.

### MARKET RISK

As of year-end 2017, 38 out of 40 vessels are on long-term contracts and are hence not directly exposed to short- or medium-term market risk, as these contracts typically have a fixed charter rate throughout the entire period. The Company is, however exposed to market risk and residual value risk related to these vessels upon expiry of a charter contract and in the event of a counterparty default. For the FPSO, the Company may be subject to demobilisation and redeployment risk if the purchase option upon contract expiry is not exercised. The current contract expires on 21st September 2018. If the Company is not able to secure a new long-term contract for vessel or the purchase option is not exercised, the Company may be facing the risk of an impairment on the book value and reduced revenues relating to the FPSO. The vessel Connector, which is on a short-term contract of 130 days+130 days in the charterer's option in 2018 is being marketed for future employment both as a subsea construction and cable lay vessel. Given the current market conditions, there is a risk of reduced utilisation for this vessel during the second half of 2018, if the options for extensions are not exercised.

### CAPITAL MANAGEMENT

One important objective of Ocean Yield's finance policy is to secure financial headroom both on a short- and long term basis to be able to achieve strategic goals. Ocean Yield wants to maintain a strong capital base and has a conservative investment strategy with the aim to reduce as many risks as possible. Key investment criteria have historically been:

- *Firm contracts with a duration of 10-15 years.*
- *Targeted segments are shipping and oil-service.*
- *Limited direct market exposure.*

Ocean Yield has an intention to pay regular and attractive dividends to its shareholders reflecting the expected long-term earnings and cash flows. As a consequence, Ocean Yield started paying quarterly dividends from Q3 2013. USD 0.7435 per share has been paid in dividends during 2017 (USD 0.68 in 2016). In February 2018, in connection with the announcement of the Q4 2017 results, Ocean Yield declared a dividend of USD 0.1895 per share.

#### *DIVIDEND RESTRICTIONS IN SUBSIDIARIES*

The Aker Floating Production AS Group ('AFP') has a secured bank loan, where the agreement previously contained restrictions on dividend payments. The loan agreement was however amended in 2017 and the dividend restriction no longer applies.

### CREDIT RISK

The exposure to credit risk is monitored on an ongoing basis within the Group.

The Group's principal financial assets are bank deposits and cash, bonds, finance lease receivables, trade and other receivables and derivatives. The Group's exposure to credit risk is mainly related to the bonds in American Shipping Company ASA ("AMSC"), finance lease receivables and trade receivables.

The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. Credit assessments are performed on all customers.

*FINANCIAL INTEREST-BEARING LONG TERM RECEIVABLES*

Financial interest-bearing long term receivables mainly consist of the bonds in AMSC and finance lease receivables. The finance lease receivables are related to the vessel Aker Wayfarer where AKOFS Offshore AS (part of Akastor ASA) is the counterparty, eight chemical tankers chartered to Navig8 Chemical Tankers Inc, two chemical tankers chartered to Navig8 Ltd., four product tankers chartered to Scorpio Tankers Inc. and one suezmax tanker chartered to Kyklades. Management does not expect any counterparty to fail to meet its obligations.

*TRADE RECEIVABLES*

Trade receivables included in the Balance Sheet as of year end 2017 are towards customers with a credit rating of BBB or lower.

*CASH AND CASH EQUIVALENTS*

Cash and cash equivalents are held with banks and financial institutions with strong credit-ratings. Based on their credit ratings, management does not expect any of these financial institutions to fail to meet their obligations.

*DERIVATIVE FINANCIAL INSTRUMENTS*

Transactions involving derivative financial instruments are with counterparties with sound credit-ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligation.

*EXPOSURE TO CREDIT RISK*

The Group has inherent credit risk through the fact that a counterpart may not be able to meet its obligations under a long-term charter contract. In order to mitigate this, the Company charters out the vessels to internationally well-recognized companies within the shipping and offshore industry. However, as shipping and oil service markets are volatile, there is no complete protection against potential counterparty default. In 2017 the contracts with Farstad Supply AS has been restructured and the Group terminated the contract with EMAS AMC AS, which subsequently filed for bankruptcy. However, both processes were resolved with a satisfactory outcome for Ocean Yield.

The Group's exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Groups exposure to credit risk at the reporting date was:

**Exposure to credit risk:**

| | | 2017 | | | |
|---|---|---|---|---|---|
| **Amounts in USD million** | **Note** | **Available for sale financial assets** | **Receivables at amortized cost** | **Cash and cash equivalents** | **Total** |
| Financial interest-bearing long term receivables | 16 | 49.0 | 720.2 | 1.5 | 770.7 |
| Other non-current assets | | - | 1.6 | - | 1.6 |
| Trade receivables, other interest-free short term receivables | 17 | - | 53.5 | - | 53.5 |
| Cash and cash equivalents | | - | - | 98.7 | 98.7 |
| **Total** | | **49.0** | **775.4** | **100.2** | **924.6** |

Of the total cash balance year-end 2017, USD 0.4 million was restricted cash. In addition the Group has USD 1.5 million in restricted cash classified as long term assets (see note 16).

| | | 2016 | | |
|---|---|---|---|---|
| **Amounts in USD million** | **Note** | **Receivables at amortized cost** | **Cash and cash equivalents** | **Total** |
| Financial interest-bearing long term receivables | 16 | 901.6 | 23.8 | 925.4 |
| Other non-current assets | | 0.6 | - | 0.6 |
| Trade receivables, other interest-free short term receivables | 17 | 21.7 | - | 21.7 |
| Cash and cash equivalents | | - | 165.5 | 165.5 |
| **Total** | | **923.9** | **189.3** | **1 113.2** |

**The maturity of trade receivables and provisions for impairment loss are as follows:**

| Amounts in USD million | Gross trade receivables 2017 | Provision for impairment loss 2017 | Gross trade receivables 2016 | Provision for impairment loss 2016 |
|---|---|---|---|---|
| Not past due | 24.4 | - | 12.2 | - |
| Past due 0-30 days | 10.5 | - | 0.5 | -0.1 |
| Past due 31-120 days | 1.7 | - | 6.4 | -4.3 |
| Past due 121 - 365 days | 13.5 | -9.5 | 4.1 | - |
| Past due more than one year | 11.4 | -2.8 | 3.9 | -1.7 |
| **Total trade receivables** | **61.4** | **-12.2** | **27.1** | **-6.0** |

**The movement in allowance for impairment loss during the year was:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Balance 1st January | 6.0 | 1.7 |
| Impairment loss recognized in profit and loss | 6.2 | 4.3 |
| Reversal or use of previously recognized impairment loss | - | - |
| **Balance 31st December** | **12.2** | **6.0** |

Of the net trade receivables of USD 49.2 million, USD 47.6 million is related to dayrate, bonuses, studies and other payments under the charter contract for the FPSO Dhirubhai-1. USD 14.8 million of the USD 47.6 million is related to delayed charter hire and bonus payments. USD 31.6 million has been paid and received after year-end.

USD 9.5 million of the gross trade receivables is related to the vessel Connector and the contract with EMAS AMC AS, which Ocean Yield terminated in February 2017. Subsequent to the termination, the bareboat charterer, EMAS AMC AS filed for bankruptcy and Emas Chiyoda Subsea Ltd. and Ezra Holdings Ltd. filed for Chapter 11. The charter hire up until the termination has not been recognized as revenue, but is included in the gross trade receivables as Ocean Yield still has a claim against EMAS AMC AS, which is guaranteed by Ezra Holdings Ltd. for the loss related to the termination.

## LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to fulfil its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its obligations when due. Management monitors monthly forecasts of the Group's liquidity reserve on the basis of expected cash flows.

The figures in the table below represents the contractual undiscounted cash flows related to the Groups liabilities. Interest has been calculated using the interest rates as of year-end.

**Overview of contractual maturities of financial liabilities, including estimated interest payments specified per category of interest-bearing liabilities:**

| | 2017 Contractual cash flows incl. estimated interest payments | | | | | | |
|---|---|---|---|---|---|---|---|
| Amounts in USD million | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years | Over 5 years |
| Secured loans | 1 219.2 | -1 398.8 | -75.7 | -75.5 | -231.1 | -730.0 | -286.5 |
| Unsecured bond issues | 291.2 | -330.1 | -7.3 | -7.4 | -103.3 | -212.1 | - |
| Non-current provisions | 30.1 | -30.9 | - | - | -30.9 | - | - |
| Interest rate swaps | 8.3 | -11.2 | -1.4 | -1.1 | -2.3 | -6.3 | - |
| Forward exchange contracts | 11.0 | -16.4 | -2.4 | -2.8 | -2.2 | -9.1 | - |
| Trade and other payables | 20.8 | -20.8 | -20.8 | - | - | - | - |
| **Total contractual cash flows for liabilities** | **1 580.6** | **-1 808.2** | **-107.5** | **-86.8** | **-369.8** | **-957.5** | **-286.5** |

| | 2016 Contractual cash flows incl. estimated interest payments | | | | | | |
|---|---|---|---|---|---|---|---|
| Amounts in USD million | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years | Over 5 years |
| Secured loans | 1 276.3 | -1 440.5 | -112.9 | -95.7 | -137.8 | -767.6 | -326.5 |
| Unsecured bond issues | 277.7 | -332.7 | -7.4 | -7.6 | -14.9 | -302.8 | - |
| Non-current provisions | 28.5 | -31.3 | - | - | -31.3 | - | - |
| Interest rate swaps | 12.8 | -22.8 | -2.0 | -2.6 | -5.7 | -12.5 | - |
| Forward exchange contracts | 54.7 | -54.8 | -1.7 | -35.0 | -0.9 | -17.1 | - |
| Liability related to to investments in associates | 57.7 | -57.7 | -57.7 | - | - | - | - |
| Trade and other payables | 14.4 | -14.4 | -14.4 | - | - | - | - |
| **Total contractual cash flows for liabilities** | **1 722.0** | **-1 954.2** | **-196.1** | **-140.8** | **-190.7** | **-1 100.0** | **-326.5** |

## CURRENCY RISK

Ocean Yield operates in the international market which leads to various types of currency exposure for the Group. Currency risks arise through ordinary, future business transactions, capitalized assets and liabilities and when such transactions have been made against payment in a currency other than the functional currency of the respective group company. In addition, currency risk may arise from investments in subsidiaries with a different currency than USD.

Ocean Yield defines levels for the hedging of expected future cash flows. The Company may from time to time utilize currency forward contracts and currency option contracts to reduce currency exposure.

*EXPOSURE TO CURRENCY EXCHANGE RISK*

The functional currencies of Ocean Yield ASA and its subsidiaries reflect the primary economic environment in which the entities operates. Ocean Yield ASA and most of its subsidiaries have USD as functional currency. Some group companies have NOK as functional currency. For the subsidiaries with functional currency in USD the revenues and interest bearing debt is mainly denominated in USD. For the subsidiaries with functional currency in NOK the revenues and interest bearing debt is mainly denominated in NOK. Hence there is limited currency risk related to the subsidiaries of Ocean Yield ASA.

As of year-end 2017 the Group's exposure to currency risk is mainly related to the bond debt in Ocean Yield ASA, which is denominated in NOK. To reduce some of the currency effects related to the bond debt Ocean Yield ASA has entered into several cross currency interest rate swaps where cash flows in NOK have been swapped to USD. As of year-end 2017 the Group has five cross currency swaps, where one is related to the bond issue OCY02, where NOK 600 million (total bond loan is NOK 1 000 million) has been swapped from NIBOR + 3.90% p.a. to LIBOR + 4.21% p.a., three are related to the bond issue OCY03, where NOK 1,000 million has been swapped from NIBOR + 4.00% p.a. to LIBOR +4.45% p.a. and one is related to OCY04 where NOK 400 million has been swapped from NIBOR + 4.50% p.a. to LIBOR +4.94% p.a.

**If the USD had appreciated with 10% versus NOK at year-end the effects on the above mentioned items would have been as follows:**

| | 2017 | | 2016 | |
|---|---|---|---|---|
| **Amounts in USD million** | **Profit before tax** | **Equity** | **Profit before tax** | **Equity** |
| Foreign exchange gains on Bond loans | 26.6 | 19.7 | 25.4 | 19.0 |
| Foreign exchange losses on Finance lease receivables | - | - | -1.9 | -1.4 |
| Change in fair value of cross currency interest rate swaps | -24.3 | -18.0 | -23.6 | -17.7 |
| **Total** | **2.3** | **1.7** | **-0.1** | **-0.1** |

*INTEREST RATE RISK*

The Group's interest rate risk arises from long term borrowings and receivables. Borrowings and receivables issued at variable rates expose the Group to cash flow interest rate risk.

The Group has prepared guidelines for management of interest rate risks. The interest rate policy of Ocean Yield defines levels for the hedging of expected future cash flows. To manage some of the interest rate risk the Group has entered into interest rate swaps related to vessel financings, where floating rate payments have been swapped to fixed rate payments. No hedge accounting has been applied in 2017 and 2016 in the Group companies. As further explained in note 15, hedge accounting is applied to mitigate interest rate risk for borrowings in an associated company.

In addition, in several of the Group's lease agreements the charter rates are subject to a LIBOR adjustment.

*EXPOSURE TO INTEREST RATE RISK*

**As at 31st December the interest rate profile of the Group's interest-bearing financial instruments were as follows:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| **Fixed rate instruments:** | | |
| Financial assets | 318.9 | 201.6 |
| Financial liabilities | -389.9 | -505.6 |
| Net fixed rate instruments | -70.9 | -304.0 |
| **Variable rate instruments:** | | |
| Financial assets | 550.5 | 889.3 |
| Operating leases with LIBOR adjustment | 298.3 | 312.0 |
| Financial liabilities | -1 120.5 | -1 048.3 |
| Net variable rate instruments | -271.8 | 152.9 |
| **Net interest-bearing debt (-) / asset (+)** | **-342.7** | **-151.1** |

**The terms of the Groups interest rate swaps as of year-end was as follows:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Swap amount | 320.1 | 430.3 |
| Weighted average fixed interest rate (swapped from LIBOR) | 3.06 % | 2.46 % |
| Weighted average remaining years | 2.8 | 3.1 |

*SENSITIVITY ANALYSIS RELATED TO INTEREST RATES*

Borrowings and receivables issued at variable rates expose the Group to cash flow interest rate risk. At year-end 2017 the Group has USD 271.8 million (159.1 million year-end 2016) in net variable rate instruments. An increase in the LIBOR rate of 100 basis points would increase the Group's annual net interest expenses of USD 0.2 million (USD 1.3 million based on year-end 2016) and an increase in the NIBOR rate of 100 basis points would increase the Group's annual net interest expenses of USD 2.9 million (USD 2.1 million based on year-end 2016). The figures do not include changes in MTM of interest rate swaps.

## NOTE 6 OPERATING SEGMENTS

Ocean Yield defines operating segments based on the Group's internal management- and reporting structure. The Group's chief operating decision makers, responsible for the allocation of resources and assessment of performance in the different operating segments, is defined as the Board of Directors, CEO and CFO.

Recognition and measurement applied to segment reporting are consistent with the accounting principles applied when preparing the consolidated financial statements. Transactions between segments are conducted at market terms and conditions.

From 2017 the Company have created a new segment Tankers. This segment includes the Group's investments in chemical tankers, product tankers and crude tankers, which previously were reported in the segment Other Shipping. The old segment Gas carriers is no longer reported as a separate segment, but is instead included in Other Shipping. Comparative figures have been adjusted to reflect the segment changes.

Ocean Yield's operating segments are as follows:

- ***FPSO***
  *This segment relates to the Group's investment in floating production, storage and offloading vessels (FPSO). As of 31st December 2017 this segment consists of the FPSO Dhirubhai-1.*
- ***Other Oil Service***
  *Vessels operating within the oil sector, except for FPSOs are included in this segment. As of 31st December 2017 this segment includes the two anchor handling tug supply vessels (AHTS) Far Senator and Far Statesman, the construction vessel Aker Wayfarer, the offshore construction and cable lay vessel Connector, the diving support and offshore construction vessel SBM Installer and the two Platfrom Supply vessels NS Orla and NS Frayja.*
- ***Car Carriers***
  *This segment includes the Group's investments in car carriers. As of 31st December 2017 the Group has six pure car truck carriers (PCTC); Höegh Beijing, Höegh Xiamen, Höegh Jacksonville, Höegh Jeddah, Höegh Tracer and Höegh Trapper.*
- ***Container vessels***
  *This segment includes the Group's 49.5% equity investment in six mega container vessels.*
- ***Tankers***
  *This segment includes the Group's investments in tankers. As of 31st December 2017 the Group has ten chemical tankers; Navig8 Aronaldo, Navig8 Aquamarine, Navig8 Amessi, Navig8 Azotic, Navig8 Topaz, Navig8 Tourmaline, Navig8 Tanzanite, Navig8 Turquoise, Navig8 Universe and Navig8 Constellation, four product tankers; STI Supreme, STI Sanctity, STI Symphony and STI Steadfast, one Suezmax tanker; Poliegos and three Suezmax newbuildings, with delivery in 2018.*
- ***Other Shipping***
  *This segment includes the Group's investments in gas carriers. As of 31st December 2017 the Group has two gas carriers; GasChem Beluga and GasChem Orca.*
- ***Other***
  *This segment includes all other investments, with the most significant being the bonds issued by American Shipping Company ASA.*

## 2017 - Operating segments

### Income statement

| Amounts in USD million | FPSO | Other Oil Service | Car Carriers | Container vessels | Tankers | Other Shipping | Other and elimi-nations | Total |
|---|---|---|---|---|---|---|---|---|
| Operating revenue | 140.7 | 51.7 | 39.9 | - | - | 16.2 | 0.0 | 248.4 |
| Finance lease revenue | - | 28.1 | - | - | 38.4 | - | - | 66.6 |
| Income from investments in associates | - | - | - | 24.1 | - | - | - | 24.1 |
| **Total revenues and other income** | **140.7** | **79.9** | **39.9** | **24.1** | **38.4** | **16.2** | **0.0** | **339.1** |
| Operating expenses | -24.8 | -0.8 | -0.1 | -0.1 | -0.4 | -0.1 | -6.3 | -32.6 |
| **EBITDA** | **115.9** | **79.1** | **39.8** | **24.0** | **38.1** | **16.1** | **-6.3** | **306.5** |
| Depreciation and amortization | -57.3 | -26.8 | -13.6 | - | - | -4.2 | -0.7 | -102.6 |
| Impairment charges | - | - | - | - | - | - | - | - |
| **Operating profit (loss)** | **58.6** | **52.3** | **26.1** | **24.0** | **38.1** | **11.9** | **-7.0** | **203.8** |
| Interest income | 0.3 | 0.1 | 0.0 | - | 0.0 | 0.0 | 7.3 | 7.7 |
| Other financial income | 0.0 | 2.5 | 2.3 | - | - | 1.1 | 41.5 | 47.5 |
| Interest expense | -1.9 | -19.5 | -9.9 | - | -14.2 | -3.7 | -18.4 | -67.5 |
| Other financial expenses | -2.2 | -5.1 | -0.0 | - | -0.0 | -0.8 | -33.7 | -41.8 |
| **Net profit (loss) before tax** | **54.7** | **30.3** | **18.5** | **24.0** | **23.9** | **8.5** | **-10.3** | **149.7** |
| Income tax expense (-)/benefit (+) | -18.7 | -0.1 | - | -2.8 | - | -0.0 | 1.6 | -20.0 |
| **Net profit (loss) after tax** | **36.0** | **30.2** | **18.5** | **21.1** | **23.9** | **8.5** | **-8.6** | **129.7** |

### Balance Sheet

| Amounts in USD million | FPSO | Other Oil Service | Car Carriers | Container vessels | Tankers | Other Shipping | Other and elimi-nations | Total |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| Vessels and other fixed assets | 288.1 | 555.6 | 298.3 | - | - | 159.0 | 9.7 | 1 310.8 |
| Goodwill | 9.8 | - | - | - | - | - | - | 9.8 |
| Deferred tax assets | - | 0.0 | - | - | - | - | 2.8 | 2.8 |
| Investments in associates | - | - | - | 188.7 | - | - | - | 188.7 |
| Interest-bearing long term receivables and other non-current assets | 0.0 | 200.5 | - | - | 525.9 | 1.6 | 50.9 | 778.8 |
| **Total non-current assets** | **297.9** | **756.1** | **298.3** | **188.7** | **525.9** | **160.6** | **63.4** | **2 290.8** |
| Trade receivables and other interest-free receivables | 48.9 | 2.0 | 0.0 | - | 0.9 | - | 1.7 | 53.5 |
| Cash and cash equivalents | 57.3 | 12.0 | 3.1 | 0.0 | 5.2 | 1.8 | 19.3 | 98.7 |
| **Total current assets** | **106.2** | **14.0** | **3.1** | **0.0** | **6.1** | **1.8** | **21.0** | **152.2** |
| **Total assets** | **404.1** | **770.1** | **301.4** | **188.7** | **532.0** | **162.4** | **84.3** | **2 443.1** |
| **EQUITY AND LIABILITIES** | | | | | | | | |
| **Total equity** | **326.1** | **279.6** | **80.8** | **186.7** | **136.7** | **31.3** | **-209.6** | **831.5** |
| Interest-bearing long term debt | - | 442.0 | 183.8 | - | 365.2 | 119.2 | 291.2 | 1 401.4 |
| Non-current provisions | 30.1 | - | - | - | - | - | - | 30.1 |
| Fair value of derivatives | - | 0.1 | 3.0 | - | - | 2.7 | 6.0 | 11.8 |
| Other interest-free long term liabilities | 10.8 | 9.4 | 14.4 | - | - | - | -3.7 | 31.0 |
| **Total non-current liabilities** | **40.9** | **451.5** | **201.3** | **-** | **365.2** | **121.8** | **293.5** | **1 474.2** |
| Interest-bearing short term debt | 20.0 | 34.3 | 17.0 | - | 29.8 | 7.9 | -0.0 | 109.0 |
| Trade and other payables | 17.1 | 4.7 | 2.4 | 2.0 | 0.3 | 1.3 | 0.4 | 28.3 |
| **Total current liabilities** | **37.1** | **39.0** | **19.4** | **2.0** | **30.1** | **9.3** | **0.4** | **137.3** |
| **Total liabilities** | **78.0** | **490.5** | **220.6** | **2.0** | **395.3** | **131.1** | **294.0** | **1 611.5** |
| **Total equity and liabilities** | **404.1** | **770.1** | **301.4** | **188.7** | **532.0** | **162.4** | **84.3** | **2 443.1** |

# 2016 - Operating segments

## Income statement

| Amounts in USD million | FPSO | Other Oil Service | Car Carriers | Container vessels | Tankers | Other Shipping | Other and elimi-nations | Total |
|---|---|---|---|---|---|---|---|---|
| Operating revenue | 137.9 | 66.9 | 35.4 | - | - | 1.4 | -0.0 | 241.7 |
| Finance lease revenue | - | 23.8 | - | - | 22.2 | - | - | 45.9 |
| Income from investments in associates | - | - | - | 6.7 | - | - | - | 6.7 |
| **Total revenues and other income** | **137.9** | **90.7** | **35.4** | **6.7** | **22.2** | **1.4** | **-0.0** | **294.4** |
| Operating expenses | -23.5 | -0.1 | -0.2 | - | -0.2 | -0.1 | -5.1 | -29.2 |
| **EBITDA** | **114.5** | **90.6** | **35.3** | **6.7** | **22.0** | **1.4** | **-5.1** | **265.2** |
| Depreciation and amortization | -57.4 | -28.9 | -12.6 | - | - | -0.4 | -0.5 | -99.7 |
| Impairment charges | - | -35.6 | - | - | - | -0.7 | -0.0 | -36.2 |
| **Operating profit (loss)** | **57.1** | **26.1** | **22.7** | **6.7** | **22.0** | **0.3** | **-5.6** | **129.2** |
| Interest income | 0.1 | 0.0 | 0.0 | - | 0.0 | 0.0 | 18.7 | 18.8 |
| Other financial income | 0.1 | 0.7 | 0.4 | - | 0.0 | 0.0 | 5.5 | 6.8 |
| Interest expense | -4.9 | -18.8 | -7.9 | - | -8.1 | -0.3 | -10.3 | -50.3 |
| Other financial expenses | -2.4 | -0.1 | -0.0 | - | -0.0 | -0.0 | -8.1 | -10.6 |
| **Net profit (loss) before tax** | **50.0** | **8.0** | **15.2** | **6.7** | **13.9** | **0.1** | **0.2** | **94.0** |
| Income tax expense (-)/benefit (+) | -19.1 | 2.5 | 1.7 | - | 1.9 | 0.0 | -3.6 | -16.5 |
| **Net profit (loss) after tax** | **30.9** | **10.5** | **16.9** | **6.7** | **15.8** | **0.1** | **-3.4** | **77.5** |

## Balance Sheet

| Amounts in USD million | FPSO | Other Oil Service | Car Carriers | Container vessels | Tankers | Other Shipping | Other and elimi-nations | Total |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| Vessels and other fixed assets | 345.4 | 470.5 | 312.0 | - | - | 106.5 | 9.5 | 1 243.8 |
| Goodwill | 9.8 | - | - | - | - | - | - | 9.8 |
| Deferred tax assets | 2.4 | - | - | - | - | - | 18.0 | 20.5 |
| Investments in associates | - | - | - | 187.4 | - | - | - | 187.4 |
| Interest-bearing long term receivables and other non-current assets | 20.1 | 201.6 | - | - | 501.9 | 0.5 | 201.7 | 926.0 |
| **Total non-current assets** | **377.8** | **672.1** | **312.0** | **187.4** | **501.9** | **107.0** | **229.3** | **2 387.5** |
| Trade receivables and other interest-free receivables | 21.7 | 0.0 | - | - | - | - | 0.0 | 21.7 |
| Cash and cash equivalents | 45.6 | 21.5 | 1.2 | 0.0 | 5.6 | 1.0 | 90.6 | 165.5 |
| **Total current assets** | **67.3** | **21.5** | **1.2** | **0.0** | **5.6** | **1.0** | **90.6** | **187.2** |
| **Total assets** | **445.1** | **693.6** | **313.1** | **187.4** | **507.5** | **108.1** | **319.9** | **2 574.7** |
| **EQUITY AND LIABILITIES** | | | | | | | | |
| **Total equity** | **296.6** | **179.2** | **70.5** | **129.8** | **122.4** | **41.7** | **-24.9** | **815.2** |
| Interest-bearing long term debt | 13.1 | 469.7 | 200.1 | - | 357.7 | 62.1 | 277.5 | 1 380.4 |
| Non-current provisions | 28.5 | - | - | - | - | - | - | 28.5 |
| Fair value of derivatives | - | 0.8 | 4.8 | - | - | - | 20.5 | 26.1 |
| Other interest-free long term liabilities | 16.0 | 2.8 | 18.8 | - | - | 0.1 | -0.0 | 37.7 |
| **Total non-current liabilities** | **57.6** | **473.3** | **223.8** | **-** | **357.7** | **62.3** | **298.0** | **1 472.7** |
| Interest-bearing short term debt | 86.8 | 38.5 | 17.0 | - | 27.3 | 3.9 | 0.0 | 173.4 |
| Liability related to investments in associates | - | - | - | 57.7 | - | - | - | 57.7 |
| Trade and other payables | 4.1 | 2.6 | 1.9 | - | 0.1 | 0.2 | 46.8 | 55.7 |
| **Total current liabilities** | **91.0** | **41.1** | **18.9** | **57.7** | **27.4** | **4.1** | **46.8** | **286.8** |
| **Total liabilities** | **148.5** | **514.4** | **242.7** | **57.7** | **385.1** | **66.4** | **344.8** | **1 759.5** |
| **Total equity and liabilities** | **445.1** | **693.6** | **313.1** | **187.4** | **507.5** | **108.1** | **319.9** | **2 574.7** |

## Geographical areas

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| **Total revenue based on location of customer (registered business address):** | | |
| Germany | 16.2 | 1.4 |
| India | 140.7 | 137.9 |
| Marshall Islands | 36.7 | 22.2 |
| Norway | 90.7 | 110.5 |
| Switzerland | 39.7 | 15.6 |
| Other | 15.2 | - |
| **Total** | **339.1** | **287.7** |
| | | |
| **Total vessels, equipment and intangibles by company location:** | | |
| Norway | 1 320.6 | 1 253.6 |
| **Total** | **1 320.6** | **1 253.6** |

### SIGNIFICANT CUSTOMERS

The Group has two customers that each accounted for more than 10% of the Group revenue in 2017. Recognized revenue related to these customers in 2017 was USD 140.7 million and USD 39.9 million respectively. In 2016 the Group had three customers that accounted for more than 10% of the Group revenue. Recognized revenue related to these customers was USD 137.9 million, USD 35.2 million and USD 354 million, respectively.

## NOTE 7 OPERATING LEASE REVENUE

Leases in which a significant portion of the risks and rewards of ownership are retained by Ocean Yield are classified as operating leases.

### Total operating lease revenue per segment:

| Amounts in USD million | FPSO | Other Oil Service | Car Carriers | 2017 | 2016 |
|---|---|---|---|---|---|
| Ordinary lease revenue | 103.0 | 73.2 | 35.7 | 211.9 | 202.6 |
| Contingent rent | 5.1 | - | -0.2 | 4.9 | 4.7 |
| **Total operating lease revenue** | **108.1** | **73.2** | **35.4** | **216.8** | **207.3** |
| Other operating revenue | 23.5 | - | - | 23.5 | 22.1 |
| Mobilization fee, advances and deferred revenue | 9.0 | -5.3 | 4.4 | 8.0 | 12.3 |
| **Total operating revenue** | **140.7** | **67.9** | **39.8** | **248.4** | **241.7** |

### Future minimum lease payments under non-cancellable operating lease agreements per 31st December

| Amounts in USD million | FPSO | Other Oil Service | Car Carriers | 2017 | 2016 |
|---|---|---|---|---|---|
| Duration less than one year | 74.2 | 65.8 | 35.7 | 175.7 | 223.9 |
| Duration between one and five years | - | 242.9 | 144.2 | 387.2 | 581.9 |
| Duration over five years | - | 291.4 | 135.7 | 427.0 | 435.8 |
| **Total future minimum lease payments** | **74.2** | **600.1** | **315.6** | **990.0** | **1 241.5** |
| Other order backlog | 16.7 | - | - | 16.7 | 39.0 |
| **Total** | **91.0** | **600.1** | **315.6** | **1 006.7** | **1 280.5** |

*FPSO*

The Ocean Yield Group has a charter contract and an operation and maintenance contract with Reliance Industries Ltd for the lease and operations of the FPSO Dhirubhai-1 for a 10 year period that started in September 2008. Reliance has an option to purchase the FPSO, exercisable at any point over the time of the duration of the contracts.

The charter contract is treated as an operating lease and included in the revenue from operating leases in the table. The operation and maintenance contract is not classified as an operating lease agreement under IAS 17, and the revenue from this contract is reported under other operating revenue in the table.

The agreements contain mechanisms for lease rental adjustment for downtime and shutdowns. The lease rental and the operating dayrate is payable in full at 95% uptime (or 5% downtime) of Dhirubhai-1. Budgeted downtime is included in the calculation of the non-cancellable future lease payments reported in the table. This has been estimated based on the experience from the nine years of operations. In 2017 the achieved uptime was 99.9%. Potential bonus is not included in the non-cancellable lease rental income reported in the table.

The current contract expires on 21st September 2018. If the Company is not able to secure a new long-term contract for vessel or the purchase option is not exercised, the Company may be facing the risk of an impairment on the book value and reduced revenues relating to the FPSO.

*OTHER OIL SERVICE*

The lease agreements for the vessels Connector, Far Senator, Far Statesman, SBM Installer, NS Orla and NS Frayja have been classified as operating leases.

The offshore construction and cable lay vessel Connector was previosly on a 10-year bareboat charter with EMAS AMC AS, a wholly-owned subsidiary of Ezra Holdings Ltd. However, in February 2017, in order to protect Ocean Yield's legal interest, the bareboat charter was terminated. Subsequently, Emas Chiyoda Subsea Ltd. and Ezra Holdings Ltd. filed for Chapter 11 and the subsidiary EMAS AMC AS filed for bankruptcy. After the termination, the vessel has been chartered on a short term bareboat charter to a related company of Ezra Holdings Ltd., which ended in the first quarter of 2018. In December 2017 the Group entered into a short term time charter contract for the vessel, which will commence around 20th February 2018. The contract has a firm period of 130 days, plus up to 130 days extention in the charterer's option. Only the firm 130 days period has been included in the non-cancellable lease rental income.

The AHTS vessels Far Senator and Far Statesman, delivered in 2013, are chartered on 12-year bareboat charter contracts to Farstad Supply AS. Farstad has options to acquire the vessels during the charter period, with the first options being exercisable after five years. The agreements do not contain any contingent rent components. In February 2017 Ocean Yield agreed with Farstad to restructure the terms of the bareboat charters. Ocean Yield has converted NOK 160.8 million in net present value of future payments under the leasing agreements into shares in Solstad Farstad ASA. In addition, a portion of the annual lease payments have been deferred. The new charter rates were applicable from 1st January 2017.

The diving support and offshore construction vessel SBM Installer, built 2010 and delivered to Ocean Yield in 2014, is chartered on a 12-year bareboat charter contract guaranteed by SBM Holding Inc. SA. SBM has options to acquire the vessel during the charter period, with the first option being exercisable after five years. The agreement does not contain any contingent rent components.

In June 2017 Ocean Yield acquired the two platform supply vessels NS Orla and NS Frayja, built in 2014. Both vessels are on long term charters to Aker BP ASA, with approximatly 12 years remaining from delivery to Ocean Yield. The agreements do not contain any contingent rent components.

*CAR CARRIERS*

All of Ocean Yield's car carriers are on lease contracts classified as operating leases. The car carriers are all chartered to Höegh Autoliners. The vessels Höegh Jacksonville and Höegh Jeddah, with 6,500 car capacity were delivered in 2014, and are chartered on 12-year bareboat charter contracts. The vessels Höegh Xiamen and Höegh Beijing with 4,900 car capacity were built in 2010, and acquired by Ocean Yield in 2014. The vessels are chartered on 8-year bareboat charter contracts. The vessels Höegh Tracer and Höegh Trapper, with 8,500 car capacity were delivered in 2016, and are chartered on 12-year bareboat charter contracts. Höegh Autoliners has options to acquire the vessels during the charter periods, with the first options being exercisable after five years. The charter hire for the vessels is subject to a LIBOR related adjustment. The LIBOR adjustment has not been included in the non-cancellable lease rental income reported in the table.

*OTHER SHIPPING*

The lease agreements for the LEG carriers GasChem Beluga and GasChem Orca has been classified as operating leases. GasChem Beluga was delivered in November 2016 and GasChem Orca was delivered in June 2017. The vessels are, from delivery, chartered on 15-year bareboat charters to the Hartmann Group , where the first ten years have a fixed charter rate and the last five years a floating charter rate. The lease agreements do not contain any purchase options. However, a purchase option and profit share agreement has been entered into between the parties, where Hartmann has the option to buy a fixed number of shares in the entities owning the vessels after ten years. As the charter hire in the last five years is floating, only the first ten years have been included in the non-cancellable lease rental income reported in the table.

## NOTE 8 FINANCE LEASE REVENUE

Leases in which substantially all of the risks and rewards of ownership are transferred to the charterer are classified as finance leases.

**Total finance lease revenue per segment:**

| Amounts in USD million | Other Oil Service | Tankers | 2017 | 2016 |
|---|---|---|---|---|
| Ordinary finance lease revenue | 28.1 | 33.9 | 62.1 | 44.7 |
| Contingent rent | - | 4.5 | 4.5 | 1.3 |
| **Total finance lease revenue** | **28.1** | **38.4** | **66.6** | **45.9** |

*OTHER OIL SERVICE*

The vessel Aker Wayfarer is accounted for as a finance lease. The vessel is chartered to AKOFS Offshore AS (AKOFS), a wholly owned subsidiary of Akastor ASA until 2027. AKOFS has options to purchase the vessel in 2021, 2026 and 2027.

*TANKERS*

Ocean Yield has ten chemical tankers, four product tankers, one suezmax and three suezmax newbuildings accounted for as finance leases.

In 2015 Ocean Yield agreed to acquire eight newbuilding chemical tankers in combination with 15-year bareboat charters to Navig8 Chemical Tankers Inc. The first four vessels; Navig8 Aronaldo, Navig8 Aquamarine, Navig8 Amessi and Navig8 Azotic being 37,000 dwt IMO II chemical carriers were delivered in 2015. The last four vessels; Navig8 Turquoise, Navig8 Topaz, Navig8 Tourmaline and Navig8 Tanzanite, being 49,000 dwt IMO II chemical carriers were delivered in 2016. Navig8 Chemical Tankers has certain options to acquire the vessels during the charter period, with the first option exercisable after five years. The charter hire is subject to a LIBOR related adjustment. The LIBOR adjustment has not been included in the calculation of the finance lease receivables.

In 2015 Ocean Yield agreed to acquire four newbuilding 115,000 dwt LR2 product tankers in combination with 13-years bareboat charters to Navig8 Product Tankers Inc. In 2017 Scorpio Tankers Inc. has merged with Navig8 Product Tankers Inc, and  the bareboat charters have been amended acordingly. The four vessels; STI Symphony, STI Sanctity, STI Steadfast and STI Supreme were delivered in 2016. Scorpio Tankers has certain options to acquire the vessels during the charter period, with the first option exercisable after seven years. The charter hire is subject to a LIBOR related adjustment. The LIBOR adjustment has not been included in the calculation of the finance lease receivables.

In 2016 Ocean Yield agreed to acquire two 45,000 dwt IMO II chemical tankers in combination with 12-year bareboat charters to Navig8 Ltd. The two vessels; Navig8 Universe and Navig8 Constellation, built in 2013, were delivered in 2016. Navig8 Ltd. have certain options to acquire the vessels during the charter period, with the first option exercisable after five years. The charter hire is subject to a LIBOR related adjustment. The LIBOR adjustment has not been included in the calculation of the finance lease receivables.

In June 2017 Ocean Yield announced the investment in a 2017-built Suezmax tanker, Poliegos with 14-year bareboat charter to a company owned and guaranteed by Okeanis Marine Holdings SA. The vessel was delivered in June 2017, and the purchase price included a seller's credit of USD 7.0 million, giving a net purchase price of USD 47 million. Okeanis Marine Holdings has certain options to acquire the vessel during the charter period, with the first option exercisable after seven years. The charter hire is subject to a LIBOR related adjustment. The LIBOR adjustment has not been included in the calculation of the finance lease receivable.

In December 2017 Ocean Yield agreed to aquire three newbuidling suezmax tankers in comination with 10-year bareboat charters to Nordic American Tankers Limited ("NAT"). The vessels are scheduled for delivery in June, August and October 2018. The net purchase price is USD 43.2 million per vessel after seller's credit. NAT will have options to acquire the vessels after year 5 and 7, in addition to an obligation to repurchase the vessels at the end of year 10. The charter hire will be subject to a LIBOR related adjustment.

**The net finance lease receivables as of 31st December 2017 were as follows:**

| | Other Oil Service | | | Tankers | | | Total |
|---|---|---|---|---|---|---|---|
| Amounts in USD million | Gross Investment in finance lease receivables | Effect of Discounting | Present value of minimum lease payments | Gross Investment in finance lease receivables | Effect of Discounting | Present value of minimum lease payments | Present value of minimum lease payments |
| Less than one year | 39.5 | | 36.6 | 57.9 | | 55.9 | 92.5 |
| Between one and five years | 136.0 | | 92.3 | 225.0 | | 185.2 | 277.5 |
| More than five years | 195.7 | | 65.1 | 539.8 | | 284.8 | 349.9 |
| **Total** | **371.2** | **-177.3** | **194.0** | **822.7** | **-296.8** | **525.9** | **719.8** |
| Unguaranteed residual values included above | 57.7 | | 14.9 | 148.7 | | 63.7 | 78.6 |

**The net finance lease receivables as of 31st December 2016 were as follows:**

| | Other Oil Service | | | Tankers | | | Total |
|---|---|---|---|---|---|---|---|
| Amounts in USD million | Gross Investment in finance lease receivables | Effect of Discounting | Present value of minimum lease payments | Gross Investment in finance lease receivables | Effect of Discounting | Present value of minimum lease payments | Present value of minimum lease payments |
| Less than one year | 39.1 | | 36.2 | 54.3 | | 52.4 | 88.7 |
| Between one and five years | 145.8 | | 97.2 | 211.0 | | 173.3 | 270.5 |
| More than five years | 225.5 | | 68.2 | 543.8 | | 276.2 | 344.4 |
| **Total** | **410.4** | **-208.8** | **201.6** | **809.1** | **-307.2** | **501.9** | **703.5** |
| Unguaranteed residual values included above | 57.8 | | 12.5 | 137.6 | | 54.4 | 66.8 |

## NOTE 9 WAGES, PERSONNEL EXPENSES AND OTHER OPERATING EXPENSES

**Wages and personnel expenses consist of the following:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Wages | 6.2 | 5.0 |
| Social security contributions | 0.9 | 0.7 |
| Pension costs | 0.3 | 0.2 |
| Other expenses | 0.0 | 0.2 |
| **Total** | **7.4** | **6.1** |
| | | |
| Average number of employees | 21 | 20 |
| **Number of employees at year-end** | **22** | **21** |
| | | |
| **Geographical split of number of employees per region** | | |
| Norway | 22 | 21 |
| **Total** | **22** | **21** |

### Pension costs

The Norwegian companies in the Group are subject to the Norwegian law of mandatory occupational pension and the Group meets the requirements of this legislation.

The Ocean Yield Group have closed the defined benefit plans as of 31st December 2017. Employees that are 58 years or older at year-end 2017 will still be members of the defined benefit plan. All other employees will, going forward, participate in a defined contribution plan, where the employer makes contributions on a regular basis to the employees individual pension account. The contributions to the defined contribution pension plans will be recognized as an expense in the income statement as incurred.

**Other operating expenses consist of the following:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| External consultants and services other than audit | 4.1 | 2.7 |
| Office rent, related parties | 0.4 | 0.5 |
| Services from related parties | 0.1 | 0.1 |
| Other operating expenses | 2.5 | 2.1 |
| **Total** | **7.0** | **5.3** |

**Payments/fees to auditors of the Ocean Yield Group included in other operating expenses above, are distributed as follows:**

| Amounts in USD thousand | Ordinary audit | Other assurance services | Tax advisory services | Other non-audit services | 2017 | 2016 |
|---|---|---|---|---|---|---|
| Ocean Yield ASA | 65.9 | 36.5 | 26.6 | 12.2 | 141.2 | 125.2 |
| Other consolidated companies | 122.8 | 2.7 | - | - | 125.5 | 145.3 |
| **Total** | **188.7** | **39.3** | **26.6** | **12.2** | **266.7** | **270.5** |

*The figures are exclusive of VAT.*

## NOTE 10 IMPAIRMENT CHARGES

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Impairment charges | - | -36.2 |
| **Total** | **-** | **-36.2** |

USD 35.6 million of the impairment charges in 2016 was related to the segment Other Oil Service and the vessel Connector. In addition, impairment charges included USD 0.7 million related to the segment Gas Carriers and the cancellation of a newbuilding contract for a LEG carrier.

## NOTE 11 FINANCIAL INCOME AND FINANCIAL EXPENSES

**Net financial income/expense recognized in profit and loss:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Interest income on bank deposits and receivables at amortized cost | 3.8 | 18.8 |
| Interest income on financial assets available for sale | 4.0 | - |
| Gain from sale of financial assets measured at amortized cost | 5.7 | - |
| Change in fair value of financial instruments | 41.8 | 6.8 |
| **Total financial income** | **55.2** | **25.7** |
| | | |
| Interest expense on financial obligations measured at amortized cost | -67.7 | -50.3 |
| Accretion of interest decommissioning liability | -1.6 | -1.9 |
| Loss from derecognition of financial obligations measured at amortized cost | - | -1.7 |
| Net foreign exchange loss | -37.4 | -5.9 |
| Net other financial expenses | -2.7 | -1.0 |
| **Total financial expenses** | **-109.4** | **-60.9** |
| **Net financial items** | **-54.2** | **-35.2** |

## NOTE 12
### Income tax expense

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Current tax expense: | | |
| Tax expense current year | -2.0 | -0.2 |
| **Total current tax expense** | **-2.0** | **-0.2** |
| Deferred tax expense: | | |
| Origination and reversal of temporary differences | -17.9 | -15.5 |
| Change in tax rate | -0.1 | -0.9 |
| **Total deferred tax expense (-)/benefit (+)** | **-18.0** | **-16.3** |
| **Total income tax expense (-)/benefit (+)** | **-20.0** | **-16.5** |

| **Temporary differences consist of** | | |
|---|---|---|
| Vessels and other fixed assets | 61.9 | 75.1 |
| Provisions | -30.1 | -28.5 |
| Withholding tax | -112.8 | -96.9 |
| Other differences | -15.8 | -52.3 |
| **Total** | **-96.7** | **-102.6** |
| Tax losses | -49.7 | -90.1 |
| **Deferred tax base assets** | **-146.5** | **-192.7** |
| Deferred tax assets | 33.7 | 46.3 |
| Deferred tax assets and liabilities not recognized | -30.9 | -25.8 |
| **Net deferred tax assets and liabilities** | **2.8** | **20.5** |

| **Net deferred tax assets and liabilities are recorded as follows:** | | |
|---|---|---|
| Deferred tax assets | 2.8 | 20.5 |
| Deferred tax liabilities | - | - |
| **Net deferred tax assets and liabilities** | **2.8** | **20.5** |

Estimates of future taxable profits show that the Group is able to utilize the tax losses carried forwards in 2018 and that the Company will pay taxes on revenue from the FPSO Dhirubhai-1 the same year. A deferred tax asset of USD 2.8 million has thus been recognized. The Group is however not likely to utilize tax losses carried forward within the Norwegian tonnage tax regime, and a deferred tax asset of USD 5.0 million related to the vessels within this tax regime has thus not been recognized. Because substantially all of the income used to determine taxable income in Norway is received in US dollars and taxable income is determined in Norwegian Kroner, foreign currency exchange fluctuations could have a significant impact on the measurement of income tax expense, deferred taxes and taxes payable.

The tax losses carried forward reported above is mainly related to Norwegian entities, and has no expiration date. Withholding tax paid in India on revenue related to Dhirubhai-1 is reported in the temporary differences in the table above in the line "Withholding tax". This can be deducted from tax payables in Norway for the next five years. However, if any credit is allowed an equal amount should be paid to the customer, in accordance with the bareboat contract. As a consequence, no deferred tax asset has been recognized related to the potential tax benefit from withholding tax paid in India.

The tax rate in Norway changed from 24% to 23% from 1st January 2018.

The European Surveillance Authority announced in December 2017 that it had approved the Norwegian tonnage tax regime for a new 10-year period from 1 January 2018. The main principles of the tonnage tax regime remain unchanged, however restrictions on long-term bareboat charters have been implemented. The Group's vessels on bareboat charters will as a consequence no longer qualify under the Norwegian tonnage tax regime. Due to a transitional rule, the changes will have effect from 1st November 2018. However, the operations of the Group's bareboat fleet will from 2018 be handled from Malta and be subject to corporate taxation in Malta.

**The tax (charge)/credit relating to components of other comprehensive income is as follows:**

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| Amounts in USD million | Before tax | Tax | After tax | Before tax | Tax | After tax |
| Remeasurements of defined benefit liability | -0.2 | 0.1 | -0.2 | -0.3 | 0.1 | -0.2 |
| Other comprehensive income from investment in associates | -2.3 | - | -2.3 | 18.9 | - | 18.9 |
| Change in fair value of available for sale financial assets | -1.0 | 0.2 | -0.8 | - | - | - |
| Currency translation differences | 2.2 | - | 2.2 | 0.8 | - | 0.8 |
| **Other comprehensive income** | **-1.3** | **0.3** | **-1.1** | **19.4** | **0.1** | **19.4** |

**The income tax (charged)/credited directly to equity during the year is as follows:**

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| Amounts in USD million | Before tax | Tax | After tax | Before tax | Tax | After tax |
| Expenses related to raising new equity | - | - | - | -1.7 | 0.4 | -1.3 |
| **Total** | **-** | **-** | **-** | **-1.7** | **0.4** | **1.3** |

**Reconciliation of effective tax rate**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| **Profit before tax** | **149.7** | **94.0** |
| Nominal tax rate in Norway (24% in 2017, 25% in 2016) | -35.9 | -23.5 |
| Effect of change in tax rate | -0.1 | -0.9 |
| Revenue not subject to tax | 5.8 | 2.4 |
| Expenses not deductible for tax purposes | -2.1 | -0.7 |
| Utilization of previously unrecognized tax losses | 0.1 | 0.0 |
| Tax losses for which no deferred income tax asset was recognized | -2.8 | -1.5 |
| Companies within tonnage tax legislation | 28.7 | 13.0 |
| Other differences | -13.7 | -5.5 |
| **Total income tax expense (-)/benefit (+)** | **-20.0** | **-16.5** |

The tax figures are based on preliminary estimates of non-taxable income, non-tax deductible items and temporary differences between the financial accounts and the tax accounts. The final result will be calculated in relation to the tax return and may differ from the estimates above.

### Movement in net deferred tax assets and liabilities is as follows:

**2017**

| Amounts in USD million | Net balance 1st January | Recognized in profit and loss | Recognized in other comprehensive income | Recognized directly in equity | Net balance 31st December |
|---|---|---|---|---|---|
| Vessels and other fixed assets | -18.0 | 3.8 | - | - | -14.2 |
| Provisions | 6.8 | 0.1 | - | - | 6.9 |
| Withholding tax | 23.3 | 2.7 | - | - | 25.9 |
| Other differences | 12.5 | -9.2 | 0.3 | - | 3.6 |
| Tax losses | 21.6 | -10.2 | - | - | 11.4 |
| Deferred tax assets and liabilities not recognized | -25.8 | -5.1 | - | - | -30.9 |
| **Net deferred tax assets (+) and liabilities (-)** | **20.5** | **-18.0** | **0.3** | **-** | **2.8** |

**2016**

| Amounts in USD million | Net balance 1st January | Recognized in profit and loss | Recognized in other comprehensive income | Recognized directly in equity | Net balance 31st December |
|---|---|---|---|---|---|
| Vessels and other fixed assets | -21.5 | 3.5 | - | - | -18.0 |
| Provisions | 6.7 | 0.2 | - | - | 6.8 |
| Deferred income | 4.2 | -1.6 | - | - | 2.6 |
| Withholding tax | 19.9 | 3.4 | - | - | 23.3 |
| Other differences | 13.2 | -3.3 | 0.1 | - | 10.0 |
| Tax losses | 33.8 | -13.6 | - | 1.5 | 21.6 |
| Deferred tax assets and liabilities not recognized | -19.9 | -4.8 | - | -1.1 | -25.8 |
| **Net deferred tax assets (+) and liabilities (-)** | **36.4** | **-16.3** | **0.1** | **0.4** | **20.5** |

## NOTE 13 VESSELS AND OTHER FIXED ASSETS

| | Vessels | | | | Advances on vessels under construction | | Other fixed assets | | |
|---|---|---|---|---|---|---|---|---|---|
| **Amounts in USD million** | **FPSO** | **Other Oil Service** | **Car Carriers** | **Other Shipping** | **Car Carriers** | **Other Shipping** | **FPSO** | **Other** | **Total** |
| ***Cost balance:*** | | | | | | | | | |
| **1st January 2016** | **877.2** | **604.0** | **215.0** | **-** | **31.1** | **66.2** | **3.7** | **8.0** | **1 805.1** |
| Capital expenditure | - | - | 124.7 | 48.7 | 6.2 | 8.8 | - | 3.9 | 192.3 |
| Disposals | - | - | - | - | -37.3 | -16.9 | - | -1.4 | -55.6 |
| Effect of movements in foreign exchange | - | 3.0 | - | - | - | - | - | | 3.0 |
| Reclassification | - | - | - | 33.1 | - | -33.1 | - | - | - |
| **31st December 2016** | **877.2** | **607.0** | **339.7** | **81.8** | **-** | **25.0** | **3.7** | **10.4** | **1 944.9** |
| Capital expenditure | - | 105.9 | - | 48.6 | - | 8.1 | - | 0.8 | 163.5 |
| Disposals | - | - | - | - | - | - | - | - | - |
| Effect of movements in foreign exchange | - | 7.2 | - | - | - | - | - | - | 7.2 |
| Reclassification | - | - | - | 33.1 | - | -33.1 | - | - | - |
| **31st December 2017** | **877.2** | **720.1** | **339.7** | **163.5** | **-** | **-** | **3.7** | **11.3** | **2 115.6** |
| ***Accumulated depreciation and impairment losses:*** | | | | | | | | | |
| **1st January 2016** | **-476.0** | **-71.9** | **-15.2** | **-** | **-** | **-** | **-2.1** | **-0.4** | **-565.6** |
| Depreciation | -56.8 | -28.9 | -12.6 | -0.4 | - | - | -0.6 | -0.5 | -99.7 |
| Impairment | - | -35.6 | - | - | - | - | - | - | -35.6 |
| Disposals | - | - | - | - | - | - | - | - | - |
| Effect of movements in foreign exchange | - | -0.2 | - | - | - | - | - | - | -0.2 |
| **31st December 2016** | **-532.8** | **-136.5** | **-27.8** | **-0.4** | **-** | **-** | **-2.7** | **-0.9** | **-701.1** |
| Depreciation | -56.8 | -26.8 | -13.6 | -4.2 | - | - | -0.5 | -0.7 | -102.6 |
| Impairment | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | - |
| Effect of movements in foreign exchange | - | -1.1 | - | - | - | - | - | - | -1.1 |
| **31st December 2017** | **-589.6** | **-164.5** | **-41.4** | **-4.6** | **-** | **-** | **-3.2** | **-1.6** | **-804.8** |
| ***Carrying amount:*** | | | | | | | | | |
| **31st December 2016** | **344.4** | **470.5** | **312.0** | **81.4** | **-** | **25.0** | **1.0** | **9.5** | **1 243.8** |
| **31st December 2017** | **287.6** | **555.6** | **298.3** | **159.0** | **-** | **-** | **0.5** | **9.7** | **1 310.8** |

### CAPITAL EXPENDITURE

*OTHER OIL SERVICE*

In June 2017 Ocean Yield acquired two platform supply vessels, NS Orla and NS Frayja, built in 2014, for a totalt consideration of USD 105.4 million. Both vessels are on long term charters to Aker BP ASA, with approximately 12 years remaining from delivery to Ocean Yield.

*OTHER SHIPPING*

In June 2017 the Group took delivery of the newbuilding LEG (Liquefied Ethylene Gas) carrier GasChem Orca, of 36,000 cbm capacity. Upon delivery the vessel commenced a 15-year bareboat charter to the Hartmann Group. In 2017 USD 8.1 million has been paid in advances and USD 48.0 million at vessel delivery. (The accumulated pre-delivery advances are moved from “advances” to “vessels” in the line “reclassification”). In addition USD 0.6 million in acquisition related expenses and USD 0.8 million in borrowing costs has been capitalized in 2017 as part of the acquisition cost of the vessel. The borrowing costs have been calculated using an average interest rate of LIBOR +4.59%.

### DEPRECIATION

Depreciation is recognized in profit and loss on a straight-line basis over the estimated useful lives of each major component of an item of property, plant and equipment.

Estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| Vessels | 10-30 years |
| Machinery, vehicles | 3-15 years |
| Other fixed assets | 3-10 years |

Depreciation methods, useful lives, and residual values are reviewed at each reporting period.

## Contractual obligations

| Amounts in USD million | FPSO | Other Oil Service | Car Carriers | Container vessels | Tankers | Other Shipping | Total |
|---|---|---|---|---|---|---|---|
| Already paid | - | - | - | - | - | - | - |
| Due in 2018 | - | - | - | - | 129.5 | - | 129.5 |
| **Total contractual obligations** | **-** | **-** | **-** | **-** | **129.5** | **-** | **129.5** |

The obligations above related to the segment Tankers are related to three Suezmax Tankers under construction. In December 2017 Ocean Yield entered into an agreement to acquire three Suezmax crude tankers with 10-year bareboat charters to Nordic American Tankers Limited with a net purchase price of USD 43.2 million per vessel, after seller's credit. The vessels are scheduled for delivery from the yard, Samsung Heavy Industries, South Korea, in June, August and October 2018, respectively.

## NOTE 14 GOODWILL

**Movements in goodwill are shown below:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Cost balance at 1st January | 125.8 | 125.8 |
| **Cost balance at 31st December** | **125.8** | **125.8** |
| Accumulated amortization and impairment losses at 1st January | -116.1 | -116.1 |
| **Accumulated amortization and impairment losses at 31st December** | **-116.1** | **-116.1** |
| **Carrying amount at 31st December** | **9.8** | **9.8** |

### IMPAIRMENT TESTING FOR CASH GENERATING UNITS CONTAINING GOODWILL

Ocean Yield is reviewing goodwill for impairment on a yearly basis, or more frequently, if circumstances indicate any impairment. The test is performed at year-end. An impairment loss is recognized if the estimated recoverable amount is lower than the carrying amount of the cash generating unit.

The main objective for the Ocean Yield Group in making impairment calculations is to ensure consistency in the assumptions being used. Any changes in the assumptions from prior periods are explained.

*FPSO SEGMENT*

The goodwill originates from the acquisition of Aker Contracting FP ASA in 2006, which had developed the AKER S.M.A.R.T concept for constructing a generic, cost effective FPSO. No impairments of goodwill have been made in 2017 or 2016.

The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. For the FPSO Dhirubhai-1 this is found by estimating its fair value less cost to sell. This has been determined by estimating the contractual discounted cash flows any potential buyer would obtain when acquiring the FPSO including the current contracts and assessing potential scenarios at the end of the current charter period. The estimated fair value has been placed within level 3 in the fair value hierarchy.

Currently the FPSO is on a contract with Reliance Industries Ltd. that expires in September 2018. The projected cash flows used in the calculations cover the period until this contract expires, and are based on the Group's budget. The cash flows represent management's best estimate and reflect the organization's experience with the current operations.

The projected cash flows are estimated using dayrates as defined by the charter and the operation and maintenance contracts, where the dayrates from the operation and maintenance contract annually increases with five percent. Estimated downtime for the FPSO has been included in the cashflows. The achieved uptime in 2017 was 99.9%.

Operating expenses have been included with an annual increase of five percent. Other indirect expenses are estimated with an annual increase of two to three percent.

The Group has considered the impact of the current economic climate and several possible scenarios at the end of the current contract term for the FPSO with regard to the terminal value in September 2018. Possible scenarios include the exercise of the existing purchase option, the potential for negotiation of a lease extension, the possibility for finding a new customer and that the vessel would be idle at the end of its existing contract. Using these scenarios, the Group determined the fair value based upon a probability weighting of the expected cash flows.

The cash flows used in the calculations are after tax. A post-tax discount rate of 7.27% p.a. has been used, which implies a pre-tax discount rate of 9.59% p.a. The discount rate is estimated as a weighted average of the required return on equity and expected borrowing costs, at an expected long-term equity ratio of 35 percent. The capital asset pricing model for a peer group of companies within the same sector has been applied when calculating the WACC. As debt cost, a USD swap rate has been used, with a margin that reflects long term financing in current market.

Calculating the fair value, less cost to sell, requires subjective judgments. The calculation is also subject to estimates that may fluctuate. A sensitivity analysis is performed based on two key scenarios that management considers to be the most likely and relevant to show how changes in the base assumptions influence the fair value less cost to sell:

A) An increase in the discount rate of 50 percent

B) A decrease in the terminal value of 5 percent

Neither scenario A nor B caused any impairment.

The calculation of fair value, less cost to sell, is highly sensitive to the relative weighting of the possible scenarios for the terminal value in September 2018. Other scenarios or different weighting may lead to a higher or a lower value.


SBM INSTALLER
SBM

## NOTE 15 INVESTMENTS IN ASSOCIATES

### BOX HOLDINGS INC.

Ocean Yield owns a 49.5% indirect equity interest in six newbuilding container vessels through its investment in BOX Holdings Inc, where Quantum Pacific Shipping is the largest shareholder. The vessels, with capacity of about 19,500 TEU are chartered to a major European container line on 15-year bareboat charters. Four of the vessels were delivered in 2016, and the last two vessels were delivered in February and March 2017.

The vessels have been financed with secured loans from international banks. This debt is guaranteed by Quantum Pacific Shipping, and is non-recourse to Ocean Yield. To manage some of the interest rate risk, BOX Holdings Inc has entered into interest rate swaps related to vessel financings, where floating rate payments have been swapped to fixed rate payments. The debt has been swapped into fixed interest rates for the full tenor of each loan (total USD 663 million). The facilities that run for 5-10 years have been hedged at an average rate of 2.28% % p.a. and the facility that runs for 12 years has been hedged at an average rate of 2.42% % p.a. BOX Holdings Inc has applied hedge accounting to these interest rate swaps.

| **Amounts in USD million** | | |
|---|---|---|
| Country | Marshall Islands | |
| Ownership and voting rights | 49.5 % | |
| | | |
| *Carrying amount of investment in associates:* | **31.12.2017** | **31.12.2016** |
| Non-currents assets | 845.1 | 575.9 |
| Current assets | 57.9 | 47.8 |
| Non-current liabilities | -584.2 | -404.7 |
| Current liabilities | -44.3 | -41.8 |
| **Net assets (100%)** | **274.5** | **177.3** |
| **Share of net assets (49.5%)** | **135.9** | **87.8** |
| Deferred consideration | - | 57.7 |
| Consideration paid related to vessels not yet delivered | - | 0.6 |
| **Carrying amount of investments in associates before adjustments** | **135.9** | **146.0** |
| *Adjustment to carrying value of investment:* | | |
| Finance lease receivables | 56.9 | 48.6 |
| Adjustment to interest-bearing long-term debt | -4.1 | -7.2 |
| **Carrying amount of investments in associates** | **188.7** | **187.4** |

| *Income from investment in associates:* | **2017** | **Jul - Dec 2016** |
|---|---|---|
| Operating revenues | 79.3 | 19.7 |
| Operating expenses | -1.0 | -0.2 |
| Financial items | -35.7 | -6.9 |
| **Net profit (100%)** | **42.7** | **12.6** |
| **Share of net profit (49.5%)** | **21.1** | **6.2** |
| Adjustment to finance lease revenue | -3.8 | -1.0 |
| Interest adjustment to long-term debt | 6.8 | 1.5 |
| **Income from investment in associates** | **24.1** | **6.7** |

| *Total comprehensive income from investment in associates:* | **2017** | **Jul - Dec 2016** |
|---|---|---|
| Net profit (100%) | 42.7 | 12.6 |
| Other comprehensive income | 6.7 | 40.2 |
| **Total comprehensive income** | **49.4** | **52.8** |
| **Share of comprehensive income (49.5%)** | **24.5** | **26.1** |
| Adjustment to finance lease revenue | -3.8 | -1.0 |
| Amortization of upfront fees | 1.1 | 0.4 |
| **Total comprehensive income from investment in associates** | **21.8** | **25.6** |

## NOTE 16 INTEREST-BEARING LONG TERM RECEIVABLES, OTHER SHARES AND OTHER NON-CURRENT ASSETS

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Restricted deposits | 1.5 | 23.8 |
| American Shipping Company ASA bonds | 49.0 | 197.5 |
| Finance lease receivables | 719.8 | 703.5 |
| Shares in Solstad Farstad ASA | 6.5 | - |
| Other interest-bearing long term receivables | 0.4 | 0.6 |
| Other non-current assets | 1.6 | 0.6 |
| **Total interest-bearing long term receivables, other shares and other non-current assets** | **778.8** | **926.0** |

### RESTRICTED DEPOSITS

The restricted funds as of year-end 2017 are related to one of the Group's cross currency interest rate swaps, where a security deposit is needed when the USD/NOK exchange rate is above 8.1.

The facility agreement related to the FPSO Dhirubhai-1 was amended in 2017, refer to note 20. As a consequence of the amendments, USD 20.0 million of restricted cash was released to the Company.

### AMERICAN SHIPPING COMPANY ASA BONDS

Ocean Yield owned as of year-end 2016 93.05% of the unsecured bonds American Shipping Company ASA 07/18, with maturity in 2018. In February 2017, American Shipping Company ASA successfully completed a refinancing of its unsecured bonds. A new USD 220 million, five year unsecured bond was issued, carrying a coupon of 9.25% p.a. Ocean Yield subscribed for a 50% participation of the new issue and was allocated a total of USD 50 million. The net cash proceeds to Ocean Yield was USD 156 million, including accrued interest. USD 5.7 million was recorded as gain in 2017 related to the refinancing of the bonds.

The new bonds have been classified into the category "available-for-sale" financial assets and are considered by the Group to be level 3 financial instruments under the fair value hierarchy. For more information about the fair value calculation see note 24.

### FINANCE LEASE RECEIVABLES

Finance lease receivables of USD 719.8 million at 31st December 2017 are related to the vessel Aker Wayfarer, ten chemical tankers, four product tankers and one suezmax tanker. For more information regarding the lease agreements and calcu-lations of the net finance lease receivables, see note 8.

### SHARES IN SOLSTAD FARSTAD ASA

Following completion of the Farstad restructuring, as described in note 7, Ocean Yield owned 315,595,760 shares in Farstad Shipping ASA, equivalent to 6.5% of the shares in the company. The combination with Solstad Offshore ASA and Deep Sea Supply Plc, was completed in June 2017 and Ocean Yield now owns 8,836,681 shares in Solstad Farstad ASA, equivalent to 3% of the shares in the company.

The shares have been classified into the category "available-for-sale" financial assets and are considered by the Group to be level 1 financial instruments under the fair value hierarchy.

In 2017, USD 6.4 million has been recognized as impairment related to the shares in Solstad Farstad ASA, as there has been a prolonged decline in value.

## NOTE 17 EARNINGS PER SHARE, DIVIDEND PER SHARE AND PAID-IN EQUITY

### Earnings per share

Calculation of profit to equity holders of the Group:

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Net profit after tax | 129.7 | 77.5 |
| Non-controlling interests | 1.5 | 1.4 |
| **Profit attributable to equity holders of the Group** | **128.2** | **76.1** |
| | | |
| Ordinary shares issued at 31st December | 148 351 432 | 148 351 432 |
| Treasury shares at 31st December | -31 133 | -42 813 |
| Ordinary shares outstanding at 31st December | 148 320 299 | 148 308 619 |
| Weighted average number of shares (basic) | 148 311 892 | 138 929 201 |
| Basic earnings per share (USD) | 0.86 | 0.55 |
| | | |
| Weighted average number of shares | 148 311 892 | 138 929 201 |
| Effect of shares from incentive scheme on issue | - | - |
| Weighted average number of shares (diluted) | 148 311 892 | 138 929 201 |
| Diluted earnings per share (USD) | 0.86 | 0.55 |

### Dividends

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Total dividend paid | 110.2 | 94.0 |
| Declared dividend for the 4th quarter subsequent to 31st December | 28.1 | 27.1 |

### Paid in capital

At 31st December 2017 Ocean Yield ASA's share capital consists of the following:

| | in NOK | in USD |
|---|---|---|
| Number of ordinary shares | 148 351 432 | 148 351 432 |
| Par value | 10.0 | 1.6 |
| **Total par value (million)** | **1 483.5** | **239.6** |

All shares have equal voting rights and are entitled to dividends.

### Change in number of shares

| | 2017 | 2016 |
|---|---|---|
| **Number of shares outstanding 1st January** | **148 308 619** | **134 585 762** |
| Share capital increase | - | 13 462 857 |
| Issue of shares related to management incentive scheme | - | 260 000 |
| Treasury shares sold | 11 680 | - |
| **Number of shares outstanding 31st December** | **148 320 299** | **148 308 619** |

### Current board authorizations

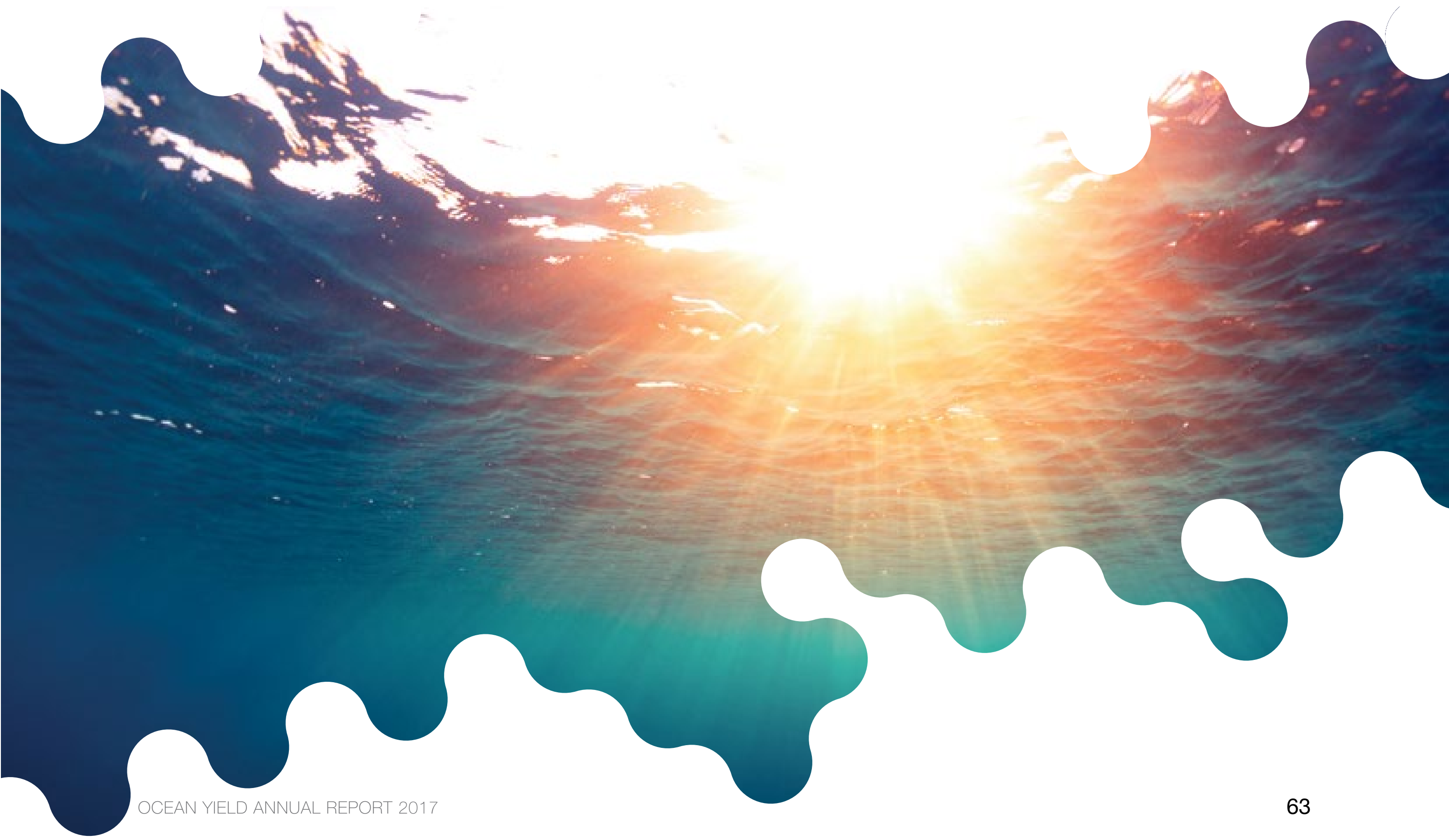
At the Annual General Meeting, held on 20 April 2017, Ocean Yield ASA's shareholders gave the board an authorization to increase the share capital with maximum NOK 148.3 million in connections with acquisitions, mergers, de-mergers or other transfers of business, in addition to a private placement of shares of up to 10% of the share capital and an authorization to increase the share capital with maximum NOK 8.0 million in connection with the employee share programme. The Board was also given the authorization to acquire treasury shares up to an aggregate nominal value of NOK 8.0 million in connection with the employee share programme. The athorizations are valid until the 2018 Annual General Meeting.

### The largest shareholders as of 31st December 2017

| Shareholders | Number of shares | Percent |
|---|---|---|
| Aker Capital AS 1) | 98 242 575 | 66.2 % |
| JP Morgan Chase Bank N.A. London | 3 699 902 | 2.5 % |
| Citibank N.A. | 2 854 058 | 1.9 % |
| Norron sicav - target | 2 046 000 | 1.4 % |
| JP Morgan Chase Bank N.A. London | 1 843 267 | 1.2 % |
| Invesco Perp Euran smler comps fd | 1 466 603 | 1.0 % |
| Other | 38 199 027 | 25.7 % |
| **Total** | **148 351 432** | **100.0 %** |

1) Kjell Inge Røkke controls 68.2% of the shares in Aker ASA, which owns 100% of the shares in Aker Capital AS, through his ownership of the TRG companies. In addition he holds 280,000 shares directly in Ocean Yield.

Ocean Yield ASA is a subsidiary of Aker Capital AS, a wholly-owned subsidiary of Aker ASA. Ocean Yield is thus part of Aker ASA's consolidated financial statements. Aker ASA has offices at Oksenøyveien 10 and the consolidated 2017 financial statement for Aker ASA are when available, to be found at www.akerasa.com.



## NOTE 18 GROUP COMPANIES

Ocean Yield ASA is a holding company with financial investments and the parent company in the Ocean Yield Group. Single purpose companies have been established for the ownership of the Group's vessels.

As of year-end 2017 the Group consists of the subsidiaries presented in the table below. Companies owned directly by Ocean Yield ASA are highlighted.

| | | | Business address | |
|---|---|---|---|---|
| | Group's ownership in % | Group's share of votes in % | City location | Country |
| **Aker Floating Production AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| AFP Operations AS | 100.0 | 100.0 | Lysaker | Norway |
| Aker Contracting FP ASA | 100.0 | 100.0 | Lysaker | Norway |
| Aker Floating Operations Publ Ltd | 100.0 | 100.0 | Limassol | Cyprus |
| **Connector 1 AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **F-Shiplease Holding AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| F-Shiplease AS | 100.0 | 100.0 | Lysaker | Norway |
| **LH Shiplease 1 AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **Ocean Holding AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **Ocean Yield Malta Limited** | **100.0** | **100.0** | **Qormi** | **Malta** |
| OCY Aquarius Limited | 100.0 | 100.0 | Qormi | Malta |
| OCY Cygnus Limited | 100.0 | 100.0 | Qormi | Malta |
| OCY Tellus Limited | 100.0 | 100.0 | Qormi | Malta |
| **OCY Albany AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Alexandra AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Containerinvest AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Knight AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Nelson AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Nelson 2 AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Nelson 3 AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Nelson 4 AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Nelson 5 AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Nelson 6 AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Nelson 7 AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Nelson 8 AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Nelson 9 AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Nelson 10 AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Nelson 11 AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Nelson 12 AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Nelson 13 AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Nelson 14 AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Severn AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Severn 2 AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Severn 3 AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Thelon AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OCY Wayfarer AS** | **100.0** | **100.0** | **Lysaker** | **Norway** |
| **OS Installer AS** | **75.0** | **75.0** | **Lysaker** | **Norway** |

## NOTE 19 FOREIGN CURRENCY EXCHANGE RATES

In the consolidated accounts of Ocean Yield, the following exchange rates have been applied in translating the accounts of subsidiaries with functional currency other than USD.

| Country/Region | Currency | Average rate 2017 | Rate at 31 Dec. 2017 | Average rate 2016 | Rate at 31 Dec. 2016 |
|---|---|---|---|---|---|
| Norway | USD/NOK | 8.27 | 8.21 | 8.40 | 8.62 |

## NOTE 20 INTEREST-BEARING DEBT

**Change in the Group's interest-bearing debt:**

| Amounts in USD Million | Secured debt | Unsecured bond debt | 2017 | 2016 |
|---|---|---|---|---|
| **Interest-bearing debt 1st January** | **1 276.3** | **277.5** | **1 553.8** | **1 158.9** |
| New debt | 224.9 | - | **224.9** | 630.7 |
| Instalments | -289.5 | - | **-289.5** | -205.4 |
| Repurchase | - | -1.3 | **-1.3** | -41.6 |
| Loss from repurchase | - | 0.0 | **0.0** | 0.2 |
| Amortization of fees | 3.4 | 0.7 | **4.1** | 3.8 |
| Effect of movement in foreign exchange | 4.2 | 14.2 | **18.4** | 7.2 |
| **Interest-bearing debt 31st December** | **1 219.3** | **291.2** | **1 510.4** | **1 553.8** |

### NEW AND AMENDED AGREEMENTS IN 2017

*FPSO*

In March 2017, an amendment agreement to the current debt facility related to the FPSO Dhirubhai-1 was signed. A total of USD 67.8 million of debt was outstanding against the vessel prior to the amendment. As part of the Company's cash management after receipt of the AMSC bond proceeds, USD 37.8 million was prepaid on this facility and USD 30 million was rolled over into an amended facility. The amended facility has maturity on 30th September 2018.

*OTHER OIL SERVICE*

The acquisition of the two PSVs NS Orla and NS Frayja in June 2017 was financed with a combination of debt and equity, and a bank facility of USD 65 million was established. The facility has semi-annual instalments based on an annuity profile and a tenor of 7 years. Interest is paid quarterly and the facility carries an interest rate of LIBOR plus 2.65% per annum.

Ocean Yield has in 2017 agreed with the lenders to remove any requirements in the loan agreement related to the previous long-term charter of the vessel Connector, against a partial prepayment of five future instalments, in total USD 15.2 million. Following this prepayment, the next five semi-annual instalments were reduced by approximately 31% each. In addition, it was agreed to extend the commercial bank guarantee under the financing agreement with another three years.

*TANKERS*

The acquisition of the Suezmax tanker Poliegos was financed by a combination of debt and equity, where a senior secured bank facility of USD 37.8 million was obtained. The facility has a 5-year tenor and a repayment profile of 15-years to zero. Interest is paid quarterly and the facility carries an interest rate of LIBOR plus 2.00% per annum.

*OTHER*

In January 2017 Ocean Yield cancelled the drawing facility with Aker ASA, where NOK 250 million were available for draw-down at year-end 2016.

**The contractual terms of interest-bearing debt as of 31st December 2017 are as follows:**

| | Amounts in million | Currency | Maturity | Pledged assets* | Book value of asset used as collateral | Base interest | Interest margin | Undrawn facilities in million nominal currency | Nominal value in million nominal currency | Carrying amount USD million 2017 | Carrying amount USD million 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FPSO | Secured debt | USD | 2018 | Dhirubhai-1 | 287.6 | 3 month LIBOR | 2.50 % | - | 20.0 | **20.0** | 100.0 |
| Other Oil Service | Secured debt | USD | 2019 - 2024 | Aker Wayfarer<br>Connector<br>NS Orla<br>NS Frayja<br>SBM Installer | 628.8 | 3 month LIBOR | 0.66%-2.65% | 49.5 | 401.7 | **398.2** | 426.9 |
| Other Oil Service | Secured debt | NOK | 2025 | Far Senator<br>Far Statesman | 120.8 | 3 month NIBOR<br>FIXED | 3.50 %<br>3.69 % | - | 611.1 | **78.2** | 81.2 |
| Car carriers | Secured debt | USD | 2021 | Höegh Beijing<br>Höegh Xiamen<br>Höegh Jacksonville<br>Höegh Jeddah<br>Höegh Tracer<br>Höegh Trapper | 298.3 | 3 month LIBOR | 2.25 % | - | 203.1 | **200.8** | 217.1 |
| Tankers | Secured debt | USD | 2021 - 2023 | Navig8 Aronaldo<br>Navig8 Aquamarine<br>Navig8 Amessi<br>Navig8 Azotic<br>Navig8 Turquoise<br>Navig8 Topaz<br>Navig8 Tourmaline<br>Navig8 Tanzanite<br>STI Symphony<br>STI Sanctity<br>STI Steadfast<br>STI Supreme<br>Navig8 Universe<br>Navig8 Constellation<br>Poliegos | 525.9 | 3 month LIBOR | 2.00 % | - | 401.3 | **395.0** | 385.0 |
| Other Shipping | Secured debt | USD | 2026 - 2027 | GasChem Beluga<br>GasChem Orca | 159.0 | 3 month LIBOR | 2.00 % | - | 129.2 | **127.1** | 66.0 |
| Ocean Yield ASA | Unsecured bond debt | NOK | 2019 - 2021 | | | 3 month NIBOR | + 3.9%- 4.5% | - | 2 738.8 | **291.2** | 277.7 |
| Ocean Yield ASA | Loan from Aker ASA | NOK | | | | 3 month NIBOR | 4.50 % | - | - | **-** | -0.1 |

| | | |
|---|---|---|
| **Total interest-bearing debt** | **1 510.5** | **1 553.8** |
| Whereof the following is classified as current | **109.0** | 173.4 |
| **Total interest-bearing long-term debt** | **1 401.4** | **1 380.4** |

### Covenants

Most of the Groups loans are subject to the following covenants

| | Covenants | Year-end 2017 | Year-end 2016 |
|---|---|---|---|
| Group equity | 25 % | 34.0 % | 31.7 % |
| Interest cover ratio | 2.00:1 | 4.7:1 | 6.0:1 |
| Minimum liquidity | USD 25 million | USD 98.7 million | USD 165.5 million |

The Group was in compliance with these covenants at year-end 2017 and 2016

*MINIMUM MARKET VALUE*

Certain of the Group's loan facility agreements contain requirements for minimum market value of the secured vessels against the outstanding under the debt facility. The minimum value requirements are based on the average of broker estimates and vary between 115% - 130% compared to the outstanding debt. As of year-end 2017 the Group was in compliance with the minimum market value clauses for all loan agreements, except for the loan related to the vessel OS Installer, where the market value of the vessel was slightly below the required value in the loan agreement. If the minimum market value requirement is not met, the borrower is required to either make a prepayment of the loan or provide the lenders with additional security.

As of year-end 2017 an amount of USD 0.8 million would be required as prepayment/additional security. However, the lenders have waived the minimum market value requirement of 120% and approved a threshold of 115% until 31st December 2018.

*OTHER CLAUSES*

Certain of the Group's debt facilities contain cross default to other loan agreements in the Group. Certain of the facilities also contain change of control clauses and restrictions on ownership related to Aker ASA, where Aker ASA's direct or indirect shareholding in Ocean Yield shall remain above 50.1%.

## NOTE 21 OTHER INTEREST FREE LONG-TERM LIABILITIES

**Other interest-free long-term liabilities comprise the following items:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Other interest-free long-term liabilities | 30.6 | 37.4 |
| **Other interest-free long-term liabilities** | **30.6** | **37.4** |

Other interest-free long-term liabilities mainly consists of deferred income in Aker Floating Production and prepaid charter hire related to four PCTC vessels and two AHTS vessels. At year-end 2017 USD 6.7 million was related to Aker Floating Production, USD 14.4 million was related to the PCTC vessels, and USD 9.4 million was related to the AHTS vessels.

## NOTE 22 OPERATING LEASES (AS LESSEE)

**At 31st December the future minimum lease payments under non-cancellable leases was payable as follows:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Less than one year | 0.4 | 0.5 |
| Between one and five years | 1.2 | 1.8 |
| More than five years | - | 0.3 |
| **Total** | **1.5** | **2.6** |

**Amounts recognized in profit and loss**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Lease expenses | 0.4 | 0.5 |
| Contingent rent | - | - |
| **Total** | **0.4** | **0.5** |

The figures reported above are mainly related to an office lease agreement that Ocean Yield entered into with Fornebuporten AS (an associated company of The Resource Group TRG AS) in 2014. The offices, located at Fornebu, near Oslo, were completed in the third quarter 2015. The lease period is seven years. Ocean Yield has the option to extend the lease period with 5 + 5 years.

## NOTE 23 PROVISIONS

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| **Decommissioning obligation 1st January** | **-28.5** | **-26.6** |
| Accretion expense | -1.6 | -1.9 |
| **Decommissioning obligation 31st December** | **-30.1** | **-28.5** |
| Non-current portion 31st December | -30.1 | -28.5 |

The non-current decommissioning obligation reported above is related to the FPSO Dhirubhai-1. The unit is currently on a contract with Reliance Industries Ltd. (RIL) that expires in September 2018. RIL has in accordance with the contract an option to purchase Dhirubhai-1. If RIL exercises the purchase option, any decommissioning cost will be for their account. However, if the purchase option is not exercised or the contract is not extended, the Dhirubhai-1 must be demobilized from the field at the end of the current contract in September 2018.

The amount and timing of settlement in respect of the potential decommissioning cost are uncertain and dependent on a number of factors. A total decommissioning cost of USD 30.9 million in September 2018 has been estimated, where USD 30.1 million has been recognised in the balance sheet as of year-end 2017, representing the present value of the obligation.

## NOTE 24 FINANCIAL INSTRUMENTS

See also note 5 financial risk and exposure.

**Fair value and carrying amounts**

Fair value information for financial assets and financial liabilities not measured at fair value is not included if the carrying amount is a reasonable approximation of fair value.

**The estimates of fair value together with the carrying amounts shown in the balance sheet are as follows:**

| 31st December 2017 | Carrying Amount | | | | | Fair Value | | |
|---|---|---|---|---|---|---|---|---|
| Amounts in USD million | Designated at fair value | Available for sale | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 |
| *Financial assets carried at amortized cost* | | | | | | | | |
| Finance lease receivables | - | - | 719.8 | - | 719.8 | - | - | 848.9 |
| Bonds | - | 49.0 | - | - | 49.0 | - | - | 49.0 |
| Other interest-bearing long term receivables | - | - | 0.4 | - | 0.4 | - | | - |
| Other non-current assets | - | - | 1.6 | | 1.6 | - | - | - |
| Other shares | - | 6.5 | - | - | 6.5 | 6.5 | - | - |
| Trade and other short term receivables | - | - | 53.3 | - | 53.3 | - | - | - |
| Cash and cash equivalents (including long term restricted deposits, see note 16) | - | - | 100.2 | - | 100.2 | - | - | - |
| **Financial assets carried at amortized cost** | **-** | **55.5** | **875.3** | **-** | **930.8** | **6.5** | **-** | **897.8** |
| *Financial liabilities carried at fair value* | | | | | | | | |
| Interest rate swaps | 8.3 | - | - | - | 8.3 | - | 8.3 | - |
| Foreign exchange contracts | 11.0 | - | - | - | 11.0 | - | 11.0 | - |
| **Financial liabilities carried at fair value** | **19.3** | **-** | **-** | **-** | **19.3** | **-** | **19.3** | **-** |
| *Financial liabilities carried at amortized cost* | | | | | | | | |
| Bond debt | - | - | - | 291.2 | 291.2 | - | - | 296.1 |
| Other interest-bearing debt | - | - | - | 1 219.2 | 1 219.2 | - | 1 233.5 | - |
| liabilities | - | - | - | 15.2 | 15.2 | - | - | - |
| **Financial liabilities carried at amortized cost** | **-** | **-** | **-** | **1 525.6** | **1 525.6** | **-** | **1 233.5** | **296.1** |

| 31st December 2016 | Carrying Amount | | | | Fair Value | | |
|---|---|---|---|---|---|---|---|
| Amounts in USD million | Designated at fair value | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 |
| *Financial assets carried at amortized cost* | | | | | | | |
| Finance lease receivables | - | 703.5 | - | 703.5 | - | - | 867.5 |
| Bonds | - | 197.5 | - | 197.5 | - | - | 202.0 |
| Other interest-bearing long term receivables | - | 0.6 | - | 0.6 | - | - | - |
| Other non-current assets | - | 0.6 | - | 0.6 | - | - | - |
| Trade and other short term receivables | - | 21.7 | - | 21.7 | - | - | - |
| Cash and cash equivalents (including long term restricted deposits, see note 16) | - | 189.3 | - | 189.3 | - | - | - |
| **Financial assets carried at amortized cost** | **-** | **1 113.2** | **-** | **1 113.2** | **-** | **-** | **1 069.5** |
| *Financial liabilities carried at fair value* | | | | | | | |
| Interest rate swaps | 12.8 | - | - | 12.8 | - | 12.8 | - |
| Foreign exchange contracts | 54.7 | - | - | 54.7 | - | 54.7 | - |
| **Financial liabilities carried at fair value** | **67.4** | **-** | **-** | **67.4** | **-** | **67.4** | **-** |
| *Financial liabilities carried at amortized cost* | | | | | | | |
| Bond debt | - | - | 277.7 | 277.7 | - | - | 279.6 |
| Other interest-bearing debt | - | - | 1 276.2 | 1 276.2 | - | 1 292.1 | - |
| Deferred consideration related to investments in associates | - | - | 57.7 | 57.7 | - | - | - |
| liabilities | - | - | 11.2 | 11.2 | - | - | - |
| **Financial liabilities carried at amortized cost** | **-** | **-** | **1 622.7** | **1 622.7** | **-** | **1 292.1** | **279.6** |

There were no transfers between levels 1 and 2, or 2 and 3 during 2017 or 2016 for assets and liabilities that are measured at fair value.

**The change in fair value of assets categorized within level 3 is as follows:**

| Amounts in USD million | Available for sale financial assets | Total |
|---|---|---|
| **Total 31st December 2016** | - | - |
| Initial recognition | 50.0 | 50.0 |
| Change in fair value recognized in other comprehensive income | -1.0 | -1.0 |
| **Total 31st December 2017** | **49.0** | **49.0** |

The Ocean Yield Group had as of year-end 2017 and 2016 two types of financial assets and one type of liability that were placed within level 3 of the fair value hierarchy where the fair value calculation is based on few observable inputs. The fair values are determined for disclosure purposes for the finance lease receivables and the bond debt. The valuation methodology are as follows:

| ASSET/LIABILITY | VALUATION METHODOLOGY |
|---|---|
| *AMSC BONDS* | **Weighted average of observed trades:** The fair value has been calculated as the weighted average price from observed trades in Q4 2017. As there have been limited transactions related to the bonds, there are limited observable inputs, and the fair value calculation has thus been placed within level 3 in the fair value hierarchy. As the quoted prices relates to transactions between market participants they are considered to reflect fair values. As of year-end 2017 the total fair value of the bonds is considered to be USD 49.0 million, which equals 98% of par value as of 31st December 2017. |
| *FINANCE LEASE RECEIVABLES – OTHER OIL SERVICE* | **Discounted cash flows:** The estimated cash flows used in the calculations reflects the bareboat contract for the vessel Aker Wayfarer. The cash flow includes an unguaranteed residual value of USD 57.7 million. The estimated cash flows are discounted using an annual discount rate of 6.1% (6.2% in 2016). This gives a fair value of USD 265.7 million (USD 296.4 million year-end 2016). |
| *FINANCE LEASE RECEIVABLES – TANKERS* | **Discounted cash flows:** The estimated cash flows used in the calculations reflects the bareboat contracts for the twelve chemical tankers, the four product tankers and the one suezmax tanker accounted for as finance leases. As the charter rates are subject to a LIBOR adjustment, the three months forward LIBOR curve has been applied in the calculations. The cash flows also include unguaranteed residual values of USD 148.7 million. The estimated cash flows are discounted using an annual discount rate of 6.1% (6.2% in 2016). This gives a fair value of USD 583.2 million (USD 571.1 million year-end 2016). |
| *BOND DEBT OCY02/OCY03/OCY04* | **Quoted price close to year-end:** The fair value has been calculated by using the last quoted price in 2017. As there have been limited transactions related to the bond debt, there are limited observable inputs, and the fair value calculation have thus been placed within level 3 in the fair value hierarchy. As the quoted prices relates to transactions between market participants they are considered to reflect fair values. As of year-end 2017 the total fair value of the bond debt is considered to be USD 296.1 million (USD 279.6 million year-end 2016), which equals 101.1% of the amount outstanding as of 31st December 2017. |

## NOTE 25 TRANSACTIONS AND AGREEMENTS WITH RELATED PARTIES

Ocean Yield's largest shareholder, with 66.2% of the shares as of year-end 2017, is Aker Capital AS, a wholly owned subsidiary of Aker ASA. Aker ASA's main shareholder is TRG Holding AS, controlled by Kjell Inge Røkke and his family through The Resource Group AS (TRG AS). All companies controlled by Kjell Inge Røkke are considered as related parties for the Aker group, and thus related parties for Ocean Yield. In addition all subsidiaries and associated companies of Aker ASA are considered to be related parties for the Ocean Yield Group.

### TRANSACTIONS WITH KJELL INGE RØKKE

Ocean Yield does not have any material outstanding accounts, neither has there been any transactions during 2017 with Kjell Inge Røkke except remuneration as a board member in Ocean Yield ASA (see note 26).

### TRANSACTION WITH AKER ASA

The Group has a service agreement with Aker ASA which provides certain financial and administration services to Ocean Yield ASA and its subsidiaries. In 2017 the Group has paid USD 55,000 to Aker ASA for such services. In June 2016 Ocean Yield entered into a drawing facility agreement with Aker ASA, with maturity in 2018. This was however cancelled in January 2017. No guarantees have been given or received between the parties.

### TRANSACTIONS WITH AKASTOR ASA

The subsea, construction vessel Aker Wayfarer is chartered to AKOFS Offshore AS (AKOFS), a wholly owned subsidiary of Akastor ASA until 2027.  AKOFS has options to purchase the vessel in 2021, 2026 and 2027. In 2017 the Group has received USD 39.2 million in charter hire on the vessel.

### TRANSACTIONS WITH FORNEBUPORTEN AS

Ocean Yield entered in 2014 into an office lease agreement with Fornebuporten AS, (an associated company of TRG AS ), for offices located at Fornebu, near Oslo. The offices were completed in the third quarter 2015. The lease period is seven years. Ocean Yield has the option to extend the lease period with 5 + 5 years. For more information regarding the lease agreement see note 22.

### TRANSACTIONS WITH AKER BP ASA

In June 2017 Ocean Yield acquired the two platform supply vessels NS Orla and NS Frayja, built in 2014. Both vessels are on long term charters to Aker BP ASA, with approximately 12 years remaining from delivery to Ocean Yield. In 2017 the Group has received USD 6.9 million in charter hire on these vessels.

### TRANSACTIONS WITH AMERICAN SHIPPING COMPANY ASA

Ocean Yield ownes USD 50 million of the outstanding, unsecured bonds issued by American Shipping Company, for more information see note 16.

### TRANSACTIONS WITH EMPLOYEES OF OCEAN YIELD ASA

The Executive team of Ocean Yield ASA and certain other key employees have acquired shares in Ocean Yield ASA during 2017 as part of the Company's incentive scheme. For more information regarding the incentive scheme and shares owned by the executive team see note 26, 27 and 28.

At the Annual General Meeting held 28 April 2014 the General Meeting granted loans to the Executive team and certain other key employees for the purpose of acquiring shares in Ocean Yield ASA. For more information regarding the loans to the Executive team see note 26.

From the left:
Eirik Eide, Andreas
Røde and Lars Solbakken.

## NOTE 26 SALARY AND OTHER REMUNERATION TO THE BOARD OF DIRECTORS, CEO AND CFO

**Remuneration to the Board of Directors**

| Amounts in USD | 2017 | 2016 |
|---|---|---|
| Frank O. Reite (Chairman from 12 April 2016) | 56 219 | 40 172 |
| Kjell Inge Røkke | 37 479 | 35 708 |
| Jens Ismar | 37 479 | 35 708 |
| Anne-Christin Døvigen | 41 711 | 38 386 |
| Annicken Gann Kildahl | 45 338 | 42 850 |
| Trond Brandsrud (Chairman until 12 April 2016) | - | 14 283 |
| **Total** | **218 227** | **207 108** |

According to policy in Aker, fees to directors employed in Aker companies will be paid to the Aker company where the director is employed, and not to the director in person. Therefore Frank O. Reite has received no remuneration for directorship in Ocean Yield. The board fee for Kjell Inge Røkke was paid to The Resource Group TRG AS in 2017 and 2016.

## DIRECTIVE OF REMUNERATION OF THE CEO AND CFO

The accumulated remuneration to the CEO and CFO consists of a fixed salary, standard pension- and insurance terms for employees and a variable salary (see section Incentive scheme). The main purpose of the system for management remuneration is to stimulate a strong and lasting profit oriented culture leading to an increasing value of the Company. The CEO and CFO are members of a collective pension and insurance scheme applicable to all employees. The collective pension and insurance scheme is for salaries up to 12G. The Company offers standard employment contracts and standard employment conditions with respect to notice period and severance pay for the CEO and CFO.

The remuneration to the CEO and CFO in 2017 was according to the guidelines of Ocean Yield.

### *INCENTIVE SCHEME*

In 2013, Ocean Yield ASA implemented an incentive scheme pursuant to which the CEO and CFO and certain other key employees are entitled to bonuses calculated on the basis of the development of the market price of the shares and dividends paid on the shares.

Under the incentive scheme, a specified number of synthetic shares are allocated to the scheme participants. Each scheme participant annually receives a cash bonus equal to the difference of a base price and the closing price of the shares on the Oslo Stock Exchange on the last trading day during a relevant year, multiplied by the number of synthetic shares allocated to that scheme participant (a "share price increase bonus"). Each scheme participant further receives an amount equal to the dividend paid per share multiplied by the number of synthetic shares allocated to that scheme participant, as of the date of payment of any such dividend on the shares (a "dividend bonus"). A part of the share price increase bonus may be settled in shares. In addition the scheme participant can require that the share price increase bonus are settled in shares rather than cash and the parties can agree to settle any dividend bonus in shares rather than cash. In cases of settlement of bonus in shares, the settlement shares shall be subscribed or purchased by the scheme participant at a price equal to the closing price less 20%. The shares must be owned by the scheme participant for three years.

## REMUNERATION TO THE CEO AND CFO

Lars Solbakken is the CEO of Ocean Yield ASA. His appointment can be terminated by both parties with 3 months' notice. If the contract is terminated by the company, Lars Solbakken has the right to 3 months' notice and 3 months' salary from the date of termination. This salary will not be paid if he continues in another company within the Aker group.

The remuneration plan for Lars Solbakken includes a fixed salary, standard pension- and insurance plan for employees and he is part of the incentive scheme that was implemented in 2013. Lars Solbakken has been allocated 1,100,000 synthetic shares under the incentive scheme. In 2017 Lars Solbakken had a fixed salary of USD 474,891 (USD 446,068 in 2016), and earned a bonus of USD 1,073,108 (USD 832,789 in 2016). The value of additional remuneration was USD 5,657 in 2017 (USD 5,119 in 2016) and net pension expense in 2017 for Lars Solbakken was USD 35,195 (USD 36,089 in 2016). At the Annual General Meeting held 28 April 2014 a loan facility of up to USD 883,607 was granted to Lars Solbakken for the purpose of acquiring shares in Ocean Yield ASA. Interest is calculated at a rate equal to the prevailing "normrente" for loans to employees as published by the Norwegian Tax Authorities. The loan facility has a tenor of five years, and any amount oustanding shall be repaid at the latest six months after termination of Lars Solbakken's employment contract. Any drawn amount shall be secured by a first priority share pledge, where a number of Ocean Yield ASA shares with a market value equal to twice the loan amount shall be used as security. As of year-end 2017 no amounts have been drawn under this loan facility.

Eirik Eide is the CFO of Ocean Yield ASA. His appointment can be terminated by both parties with 3 months' notice. The remuneration plan for Eirik Eide includes a fixed salary, standard pension and insurance plan for employees and he is part of the incentive scheme that was implemented in 2013. Eirik Eide has been allocated 350,000 synthetic shares under the incentive scheme. In 2017 Eirik Eide had a fixed salary of USD 279,402 (USD 256,567 in 2016), and earned a bonus of USD 341,444 (USD 264,978 in 2016). The value of additional remuneration was USD 1,994 in 2017 (USD 1,972 in 2016) and the net pension expense for Eirik Eide was USD 30,894 in 2017 (USD 33,463 in 2016). At the Annual General Meeting held 28 April 2014 a loan of USD 487,508 was granted to Eirik Eide for the purpose of acquiring shares in Ocean Yield ASA. Interest is calculated at a rate equal to the prevailing "normrente" for loans to employees as published by the Norwegian Tax Authorities. The loan facility has a tenor of five years, and any amount oustanding shall be repaid at the latest six months after termination of Eirik Eide's employment contract. Any drawn amount shall be secured by a first priority share pledge, where a number of Ocean Yield ASA shares with a market value equal to twice the loan amount are used as security. As of year-end 2017 Eirik Eide has borrowed USD 243,754 under this loan facility.

The CEO and CFO have no other remuneration than what is described above.

## NOTE 27 SHARES OWNED BY THE BOARD OF DIRECTORS, CEO AND CFO

As of 31st December 2017 the Board of Directors, CEO and CFO owned the following number of shares in Ocean Yield ASA:

| | |
|---|---|
| Lars Solbakken, CEO[1)] | 1 350 880 |
| Eirik Eide, CFO[2)] | 300 051 |
| Kjell Inge Røkke, board member[3)] | 280 800 |
| Frank O. Reite, chairman[4)] | 11 111 |
| Jens Ismar, board member | 10 000 |
| Anne-Christin Døvigen, board member | 10 000 |

1) *Shares owned by the company Finmarine AS, which is 100% owned by Lars Solbakken*
2) *Shares owned by Eirik Eide and the company Kleiver Invest AS, which is 100% owned by Eirik Eide*
3) *Shares held directly by Kjell Inge Røkke. In addition Kjell Inge Røkke owns 100% of The Resource Group TRG AS (TRG AS) which in turn owns 99.71% of TRG Holding AS, which again owns 66.99% of Aker ASA. Aker ASA owns 100% of Aker Capital AS, which is the largest shareholder of Ocean Yield ASA, with 66.2% ownership. In addition The Resource Group TRG AS owns 1.19% in Aker ASA directly.*
4) *Shares owned by the company Fausken Invest AS, which is 100% owned by Frank O. Reite*

## NOTE 28 SHARE-BASED PAYMENT ARRANGEMENTS

The Group had at year-end 2017 and 2016 the following share-based payment arrangements:

### SHARE PRICE INCREASE BONUS (CASH SETTLED)

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Cash-settled share-based payment liability | 0.3 | - |
| **Total expenses related to share-based payments** | **0.3** | **-** |

In 2013, Ocean Yield ASA implemented an incentive scheme pursuant to which the CEO and CFO and certain other key employees are entitled to bonuses calculated on the basis of the development of the market price of the shares and dividends paid on the shares. For more information about the incentive scheme see note 26.

As this bonus is based on the development of the market price of the shares in Ocean Yield, it is accounted for in accordance with IFRS 2. A part of the bonus may be settled in shares, and the scheme participant can require that the entire share price increase bonus is settled in shares rather than cash. However, as the Group has an obligation to settle most of the bonus in cash, the bonus is treated as a cash settled arrangement.

The fair value of the liability year-end is calculated as the difference between the share price as of 1st January (NOK 68.50 in 2017 and 2016) and the closing price of the shares as of 31st December (NOK 69.50 in 2017 and NOK 65.00 in 2016), multiplied by the number of synthetic shares allocated to the scheme participant. Any bonus payment is subject to a high watermark on the shareprice. A total of 2.2 million synthetic shares has been allocated to the scheme participants.

## NOTE 29 CONTINGENCIES AND LEGAL CLAIMS

No material contingencies or legal claims have been recorded at year-end 2017.

## NOTE 30 EVENTS AFTER THE BALANCE SHEET DATE

In February 2018, Ocean Yield agreed to acquire four VLCC crude tankers with 15-year bareboat charters to companies owned and guaranteed by Okeanis Marine Holdings SA ("Okeanis Marine Holdings"). All four vessels are sub-chartered to the shipping arm of a large industrial conglomerate for a period of 5 years. The gross purchase price is USD 83.75 million per vessel, which includes a sellers credit of USD 9.5 million, giving a net cash purchase price of USD 74.25 million. The vessels are scheduled for delivery by the yard, Hyundai Heavy Industries, South Korea, in Q2-Q3 2019. Okeanis Marine Holdings will have certain options to acquire the vessels during the charter period, with the first purchase option exercisable after seven years.

Also in February 2018, Ocean Yield agreed to acquire two 2018 built handysize dry bulk vessels with 12-year bareboat charters to companies owned and guaranteed by Louis Dreyfus Armateurs Group ("LDA"). The net cash purchase price was USD 18 million per vessel after a seller's credit. Both vessels are expected to be delivered to the Company during March 2018. LDA has options to acquire the vessels during the charter period, with the first purchase option exercisable after five years in addition to an obligation to repurchase the vessels at the end of year 12. LDA is a French family group engaged in maritime transportation and services and founded more than 160 years ago.

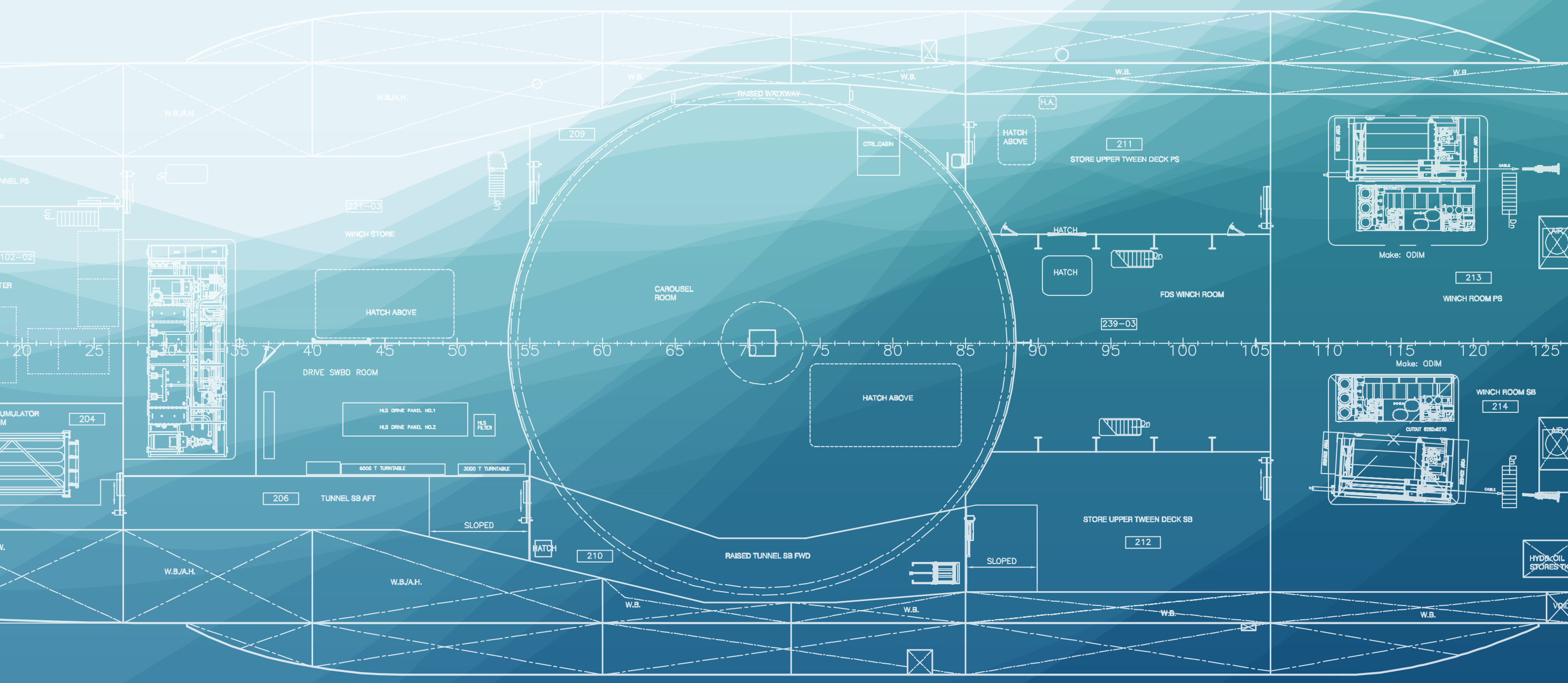
Further in February 2018, Ocean Yield agreed to acquire five modern handysize dry bulk vessels with 10-year bareboat charters to companies owned and guaranteed by Interlink Maritime Corp ("Interlink Maritime"). The purchase price was approximately USD 75 million net of pre-paid charter hire. One vessel will be delivered from the shipyard in April 2018, while three of the vessels are built in 2015 and one in 2014. Interlink Maritime will have certain options to acquire the vessels during the charter period, with the first purchase option exercisable after five years in addition to an obligation to repurchase the vessels at the end of year 10.

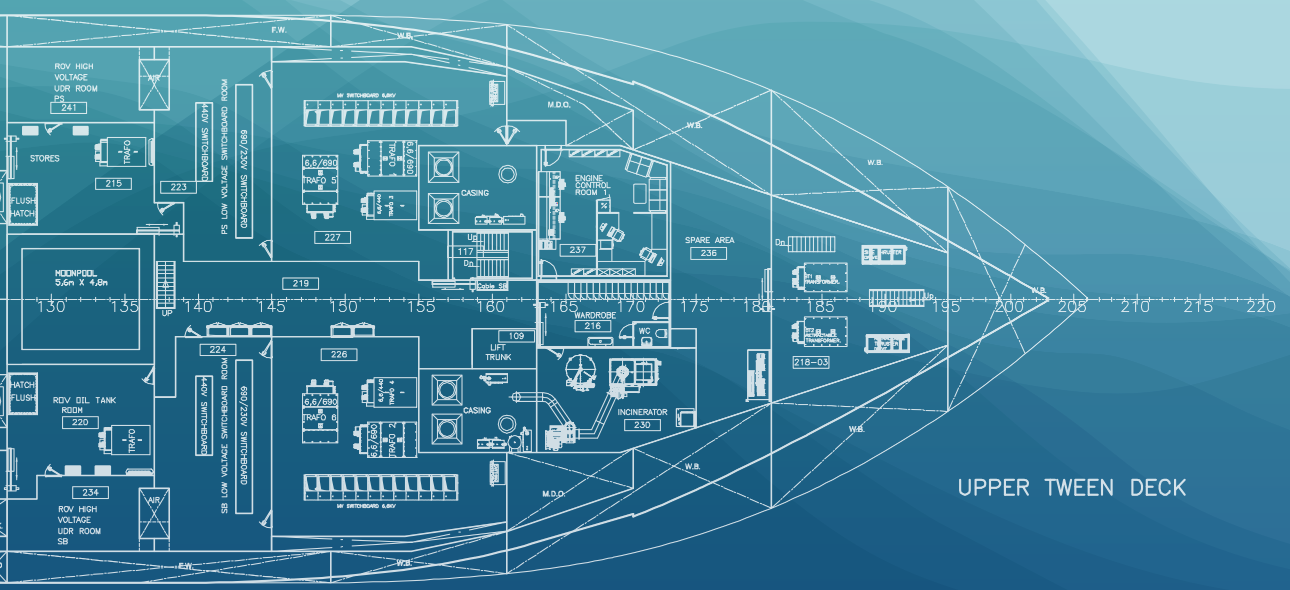
At the end of February 2018 Ocean Yield completed a private placement of 11 million shares at a subscription price of NOK 69 per share. Gross proceeds of NOK 759 million was raised, which will be used for new investments and general corporate purposes.


In February 2018, Ocean Yield agreed to acquire four VLCC crude tankers with 15-year bareboat charters to companies owned and guaranteed by Okeanis Marine Holdings SA.

# OCEAN YIELD ASA FINANCIAL STATEMENTS AND NOTES

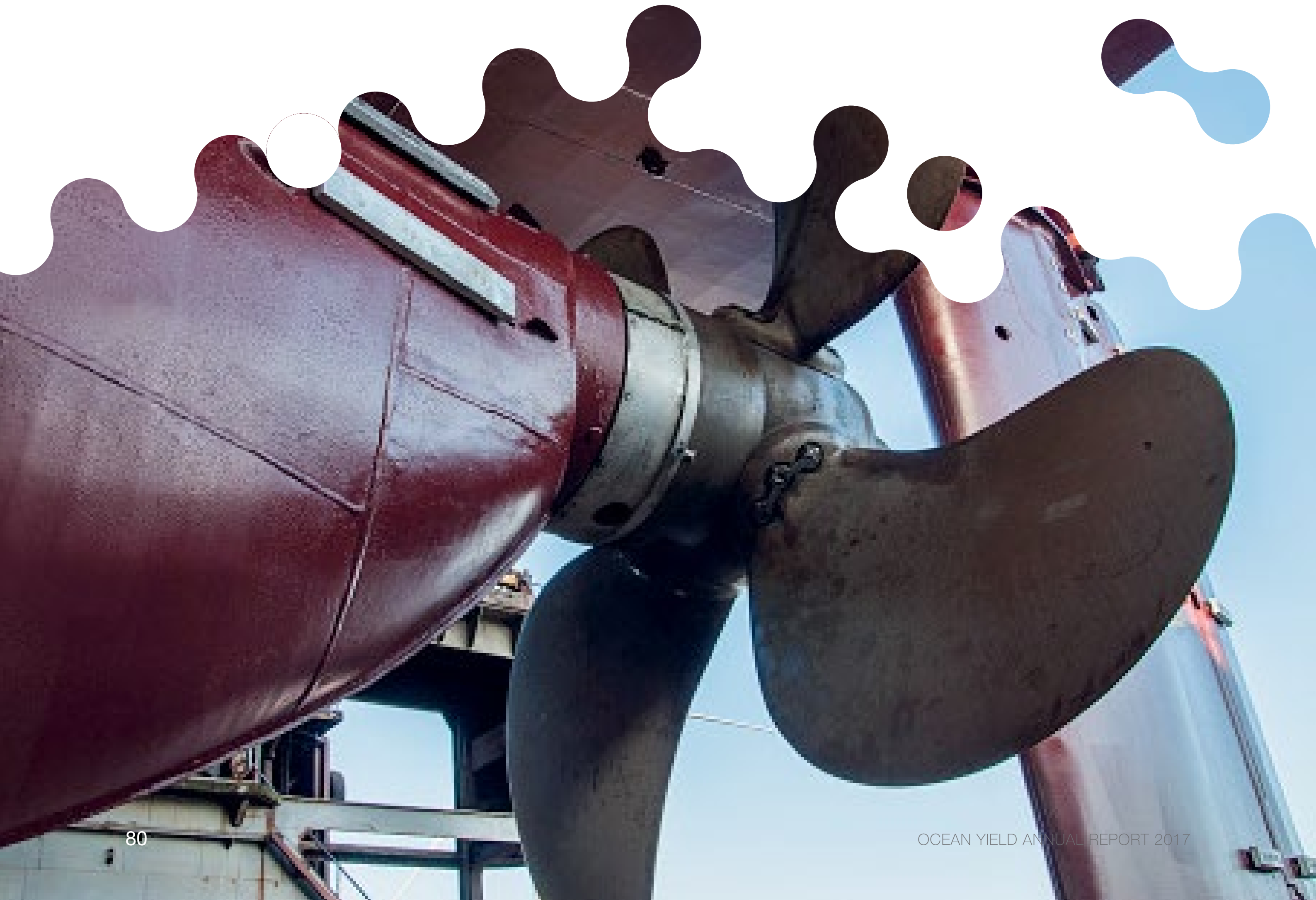





UPPER TWEEN DECK

# Ocean Yield ASA Income statement

| Amounts in USD million | Note | 2017 | 2016 |
|---|---|---|---|
| **Total revenues** | | **0.6** | **0.1** |
| Salaries and other personnel related expenses | 3 | -4.5 | -3.6 |
| Other operating expenses | 4 | -2.2 | -1.8 |
| Depreciations | 7 | -0.1 | -0.1 |
| **Operating profit (+)/loss (-)** | | **-6.2** | **-5.2** |
| Income from investment in subsidiaries | 5,8 | 120.9 | 13.3 |
| Financial Income | 5 | 83.9 | 29.9 |
| Financial Expenses | 5 | -111.9 | -51.8 |
| **Net profit before tax** | | **86.7** | **-13.8** |
| Income tax expense (-) / benefit (+) | 6 | -7.3 | 1.0 |
| **Net profit after tax** | | **79.4** | **-12.8** |
| | | | |
| **Allocation of profit/loss for the year:** | | | |
| Profit (+) / loss (-) | | 79.4 | -12.8 |
| Dividend | | -111.3 | -99.2 |
| Transferred from other paid-in capital | | 44.8 | 99.2 |
| Transferred from (+) / allocated to (-) retained earnings | | -0.1 | - |
| Transferred to cover previous years losses | | -12.8 | - |
| Transferred to accumulated deficit | | - | 12.8 |
| **Total** | | **-** | **-** |



## Ocean Yield ASA Balance sheet at 31st December

| Amounts in USD million | Note | 2017 | 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| Fixed assets | | 0.3 | 0.3 |
| Deferred tax asset | 6 | 6.6 | 19.2 |
| Shares in subsidiaries | 7 | 1 051.8 | 1 107.2 |
| Long-term interest bearing receivables from Group companies | 8 | 848.3 | 845.2 |
| Long-term interest bearing receivables and other shares | 9 | 57.4 | 4.2 |
| **Total non-current assets** | | **1 964.3** | **1 976.0** |
| Short-term interest free receivables from Group companies | 8 | 124.2 | 65.2 |
| Other short-term receivables | | 1.7 | 0.0 |
| Cash and cash equivalents | 10 | 19.2 | 90.5 |
| **Total current assets** | | **145.2** | **155.7** |
| **Total assets** | | **2 109.4** | **2 131.7** |
| **EQUITY AND LIABILITIES** | | | |
| Share capital | | 239.6 | 239.6 |
| Treasury shares | | -0.0 | -0.1 |
| Other paid-in capital | | 389.7 | 434.5 |
| **Total paid-in equity** | | **629.3** | **674.1** |
| Retained earnings | | 0.0 | -12.8 |
| **Total retained earnings** | | **0.0** | **-12.8** |
| **Total equity** | 11 | **629.3** | **661.2** |
| Long-term interest-bearing liabilities to Group companies | 8 | 15.3 | 15.3 |
| Long-term interest-bearing debt | 12 | 1 112.3 | 1 082.4 |
| Bond debt | 12 | 291.2 | 277.7 |
| Pension liabilities | | 0.1 | 0.1 |
| Other long-term liabilities | 14 | 8.7 | 20.5 |
| **Total non-current liabilities** | | **1 427.6** | **1 396.0** |
| Short-term interest free liabilities to Group companies | 8 | 11.5 | 0.1 |
| Dividend | | 28.1 | 27.1 |
| Other short-term liabilities | 15 | 13.0 | 47.3 |
| **Total current liabilities** | | **52.5** | **74.5** |
| **Total liabilities** | | **1 480.1** | **1 470.5** |
| **Total equity and liabilities** | | **2 109.4** | **2 131.7** |

**BÆRUM, 20TH MARCH 2018**
OCEAN YIELD ASA

**FRANK O. REITE**
CHAIRMAN

**KJELL INGE RØKKE**
DIRECTOR

**JENS ISMAR**
DIRECTOR

**ANNE-CHRISTIN DØVIGEN**
DIRECTOR

**ANNICKEN GANN KILDAHL**
DIRECTOR

**LARS SOLBAKKEN**
CEO

## Ocean Yield ASA Cash Flow Statement

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Net profit before tax | 86.7 | -13.8 |
| Dividends and group contributions from subsidiaries | -92.0 | -61.5 |
| Gain/loss/write-downs from investment in subsidiaries | 2.0 | 65.5 |
| Net interest income | 24.0 | 20.8 |
| Interest paid | -57.6 | -37.7 |
| Interest received | 36.4 | 20.4 |
| Foreign exchange gain/losses | 14.1 | 2.4 |
| Unrealized loss on derivatives and impairment charges on financial assets | -38.0 | -6.5 |
| Change in other short term items | -0.8 | -4.2 |
| **Cash flow from operating activities** | **-25.3** | **-14.7** |
| | | |
| Acquisition of fixed assets | -0.0 | -0.0 |
| Acquisition of shares and capital increase in subsidiaries | -0.1 | -0.0 |
| Dividends and group contributions received from subsidiaries | 8.5 | 13.4 |
| Net change in long-term interest-bearing receivables from Group Companies | -99.5 | -403.9 |
| Net change in long-term interest-bearing receivables | 2.4 | 0.9 |
| Net change in short-term interest-bearing receivables | - | -51.2 |
| **Cash flow from investing activities** | **-88.8** | **-440.8** |
| | | |
| Proceeds from issuance of interest-bearing long-term external debt | 224.9 | 562.2 |
| Repayment of interest bearing long-term external debt | -203.3 | -92.8 |
| Proceeds from issuance of interest-bearing long-term debt to Group companies | 156.1 | 64.7 |
| Repayment of interest bearing long-term debt to Group companies | -24.8 | -51.7 |
| Dividends paid | -110.2 | -94.0 |
| New equity | - | 105.1 |
| Net change in treasury shares | 0.1 | - |
| **Cash flow from financing activities** | **42.8** | **493.4** |
| | | |
| Cash flow for the year | -71.3 | 37.9 |
| Cash and cash equivalents at January 1st | 90.5 | 52.5 |
| **Cash and cash equivalents at December 31st** | **19.2** | **90.5** |

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1 ACCOUNTING PRINCIPLES

Ocean Yield ASA is a company domiciled in Norway. The financial statements are prepared in accordance with Norwegian legislations and Norwegian generally accepted accounting principles.

### FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The functional currency and presentation currency of Ocean Yield ASA is USD, as this is the primary economic environment in which Ocean Yield ASA and its subsidiaries operate.

### REVENUE RECOGNITION

Revenue is recognized when the service is provided. The company is providing certain management services and other services to its subsidiaries. These services comprise of advisory services in areas of business strategy, financing and accounting.

### INVESTMENTS IN SUBSIDIARIES

Subsidiaries are entities over which Ocean Yield ASA has control. Investments in subsidiaries are accounted for using the cost method in the parent company accounts. The investments are valued at cost less impairment losses. Write-down to fair value are according to good accounting practice recognized when the impairment is not considered to be temporary and reversed if the basis for the write-down is no longer present.

### DIVIDENDS FROM SUBSIDIARIES

Dividends, group contributions and other distributions from subsidiaries are recognized in the same year as they are recognized in the financial statement of the provider. Dividends, group contributions and other distributions are usually recognized in the profit and loss as financial income. Whenever dividends exceeds the share of retained profit after the acquisition, the excess represents a refund of invested capital, and the dividend is subtracted from the value of the investment in the balance sheet.

### CLASSIFICATION AND VALUATION OF BALANCE SHEET ITEMS

Current assets and current liabilities comprise of items that are due within one year from the time of acquisition. Other items are classified as non-current asset / non-current liability. Short-term portion of long-term debt is however classified as non-current liability.

Current assets are valued at the lower of acquisition cost and fair value. Short-term debt is recognized at its nominal value at the time of recognition.

Non-current assets are valued at acquisition cost but written-down to fair value if impairment is not expected to be temporary. Long-term debt is initially recognized at its nominal value. Subsequent to initial recognition, interest-bearing long-term debt is stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowing on an effective interest basis.

### RECEIVABLES

Trade receivable and other receivables are carried at par value after subtraction of provision for expected loss. Provision for loss is made based on individual assessments of each receivable.

### FOREIGN CURRENCY

Transactions in foreign currency are translated into USD using the exchange rate at the time of transaction. Monetary items in foreign currency are valued at the rate of foreign exchange on the balance sheet date. Non-monetary items that are measured at historic cost in foreign currency are translated into USD using the exchange rate at the time of transaction. Non-monetary items that are measured at fair value in a foreign currency are translated into USD using the exchange rate at the date of measurement. Valuation changes due to exchange rate fluctuations are recorded on a continuous basis under other financial items.

### DERIVATIVES

Foreign exchange contracts that do not qualify for hedge accounting are recognized at fair value. Other derivatives that do not qualify for hedge accounting are recognized at the lowest of fair value and cost. Changes in fair value are reported as financial income/expense.

### TAX

The tax cost in the profit and loss statement includes both tax payable for the period and changes in deferred tax.

Deferred tax is calculated based on the temporary differences that exist between accounting and tax values, and tax losses carried forward at the end of the accounting year. Tax increasing and tax decreasing temporary differences which reverse or can be reversed in the same period are offset. Net deferred tax assets are recognized to the extent that it is probable that they can be utilized.

### CASH FLOW STATEMENT

The cash flow statement is prepared according to the indirect method. Cash and cash equivalents consist of cash, bank deposits and other current, liquid investments.

### THE USE OF ESTIMATES

The preparation of the financial statements, under the generally accepted accounting principles, requires that management uses the best estimates and assumptions that affect the profit and loss statement, the valuation of assets and liabilities as well as information regarding disclosure of contingent assets and liabilities on balance sheet date.

Contingent losses that are probable and quantifiable are expensed on an ongoing basis.

## NOTE 2 FINANCIAL MARKET RISK

The company is exposed to several types of financial risk, the most significant of which are credit, liquidity, foreign exchange and interest rate risk. The purpose of risk management is to measure and manage financial risks in a reliable manner, in order to increase predictability and simultaneously minimise any negative impacts on Ocean Yield's financial results.

*CREDIT RISK*

Credit risk relates to loans to subsidiaries, guarantees to subsidiaries and deposits with external banks.

Cash and cash equivalents are held with banks and financial institutions with sound credit-ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

*LIQUIDITY RISK*

Liquidity risk is the risk that Ocean Yield ASA will be unable to fulfill its financial obligations as they fall due. The company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due. Management monitors monthly forecasts of the liquidity reserve on the basis of expected cash flows.

*CURRENCY RISK*

Ocean Yield ASA and its subsidiaries operate in the international market which leads to various types of currency exposure. Ocean Yield ASAs functional currency is USD. The currency exposure in Ocean Yield ASA is primarily related to NOK. Operating expenses and the bond debt are denominated in NOK. To reduce the currency effect Ocean Yield ASA has entered into interest and currency swaps for the NOK bond loans. NOK 600 million of the NOK 1,000 million OCY02 bond loan has been swapped from NIBOR + 3.90% p.a. to LIBOR + 4.21% p.a., NOK 1,000 million of the NOK 1,000 million OCY03 bond loan has been swapped from NIBOR + 4.00% p.a. to an average rate of LIBOR +4.45% p.a. and NOK 400 million of the NOK 750 million OCY04 bond loan has been swapped from NIBOR + 4.50% p.a. to LIBOR +4.94% p.a.

*INTEREST RATE RISK*

Ocean Yield's interest rate risk arises from external borrowings, internal borrowings and internal receivables. Borrowings and receivables issued at variable rates expose Ocean Yield ASA to cash flow interest rate risk. Ocean Yield ASA has prepared guidelines for management of interest rate risks. The interest rate policy of Ocean Yield defines levels for the hedging of expected future cash flows. As of year-end 2017 Ocean Yield has three interest rate swaps, where floating rate payments have been swapped to fixed.

Also see Note 5 in the consolidated financial statements for Ocean Yield ASA Group.

## NOTE 3 SALARIES AND OTHER PERSONNEL EXPENSES

**Salaries and other personnel expenses consist of the following:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Salaries | 3.8 | 2.9 |
| Social security contribution | 0.6 | 0.4 |
| Pension cost | 0.1 | 0.1 |
| Other benefits | -0.0 | 0.2 |
| **Total salaries and other personnel expenses** | **4.5** | **3.6** |
| Average number of employees | 8 | 7 |
| Full time employee equivalents | 8 | 7 |

## NOTE 4 OTHER OPERATING EXPENSES

**Auditor's fee is included in other expenses and consists of the following:**

| Amounts in USD thousand | 2017 | 2016 |
|---|---|---|
| Ordinary audit | 102.4 | 102.0 |
| Tax advisory services | 26.6 | 14.2 |
| Other non-audit services | 12.2 | 8.9 |
| **Total** | **141.2** | **125.2** |

## NOTE 5 FINANCIAL ITEMS

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Dividends and group contributions from subsidiaries | 122.9 | 78.8 |
| Gain from liquidation of subsidiaries | - | 2.7 |
| Loss from liquidation of subsidiaries | - | -78.3 |
| Write down of shares in subsidiaries | -2.0 | - |
| Net reversed write down of shares in subsidiaries | - | 10.1 |
| **Income from investment in subsidiaries** | **120.9** | **13.3** |
| Interest income from companies within the Group | 34.1 | 19.1 |
| Other interest income | 4.5 | 4.3 |
| Unrealized gain on interest and currency exchange swaps | 45.4 | 6.5 |
| **Financial income** | **83.9** | **29.9** |
| Interest expenses to Group companies | -1.7 | -1.8 |
| Other interest expenses | -60.9 | -42.4 |
| Net foreign exchange loss | -39.7 | -5.6 |
| Impairment of interest-bearing receivables and other shares | -7.4 | - |
| Other financial expenses | -2.3 | -2.1 |
| **Financial expenses** | **-111.9** | **-51.8** |

Write down of shares in subsidiaries of USD 2.0 million in 2017 is related to the investment in Aker Floating Production AS. Impairments of interest-bearing receivables and other shares in 2017 includes USD 1.0 million related to American Shipping Company ASA bonds and USD 6.4 million related to shares in Solstad Farstad ASA. For more information see note 9.

## NOTE 6 INCOME TAX

The table below shows the difference between accounting and tax values at the end of 2017 and 2016 respectively, as well as changes in the differences, deferred tax assets at the end of each year and the change in deferred tax assets.

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Differences in interest and currency swaps | -13.6 | -59.0 |
| Loan fees amortised | 14.2 | 14.7 |
| Other | -0.9 | 0.2 |
| **Total differences** | **-0.3** | **-44.1** |
| Tax losses carried forward | -28.5 | -35.7 |
| **Total deferred tax basis** | **-28.8** | **-79.8** |
| Net deferred tax asset (23% in 2017, 24% in 2016) | -6.6 | -19.2 |
| **Recognized deferred tax asset** | **-6.6** | **-19.2** |

Deferred tax asset is incorporated in the balance sheet if budgets indicate that the asset will be used in the future.The tax loss carried forward has no expiration date. The tax rate in Norway changed from 24% to 23% from 1st January 2018.

### Estimated taxable profit

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Net profit before tax | 86.7 | -13.8 |
| Permanent differences in net non-taxable income (-) / expenses (+) | -58.4 | 6.6 |
| Change in temporary differences | -43.8 | -9.7 |
| Expenses recorded against equity | -0.1 | -1.8 |
| Group contribution recognized directly against shares in subsidiaries | 22.9 | 0.8 |
| Correction from previous years | - | -0.3 |
| Utilization of accumulated tax losses | -7.3 | - |
| **Estimated taxable income** | **-0.0** | **-18.2** |
| Tax payable (24%) in the profit and loss account | - | - |

### Income tax expense/income:

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Tax payable | - | - |
| Change in deferred tax | -7.3 | 1.0 |
| **Total income tax expense (-) / benefit(+)** | **-7.3** | **1.0** |

The figures above are based on estimates of different non-deductible taxable income, non-deductible items and differences between accounting and tax items. The final calculations will be made in the income-tax return and may differ from estimates above.

### Explanation as to why income tax expense/benefit differs from 24% of net profit before tax:

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| 24 % tax on net profit before tax (25% in 2016) | -20.8 | 3.4 |
| 24% tax on permanent differences (25% in 2016) | 14.0 | -1.7 |
| Change in tax rate (23% from 1 January 2018) | -0.5 | -0.8 |
| **Estimated income tax expense (-) / benefit(+)** | **-7.3** | **1.0** |
| Effective tax rate | -8.4 % | -7.2 % |

# NOTE 7 SHARES IN SUBSIDIARIES

**Shares in subsidiaries include the following companies at 31st December 2017**

| Amounts in USD million | Ownership in % | Voting share in% | Location, city | Equity as of Dec. 31st 2017 | Profit before tax 2017 | Book value |
|---|---|---|---|---|---|---|
| Aker Floating Production AS* | 100 | 100 | Lysaker, Norway | 276.3 | 54.6 | 290.4 |
| Connector 1 AS | 100 | 100 | Lysaker, Norway | 91.8 | -2.7 | 80.2 |
| F-Shiplease Holding AS* | 100 | 100 | Lysaker, Norway | 51.3 | 6.2 | 50.0 |
| LH Shiplease 1 AS | 100 | 100 | Lysaker, Norway | 89.4 | 9.2 | 58.4 |
| Ocean Holding AS | 100 | 100 | Lysaker, Norway | 0.0 | 9.8 | - |
| Ocean Yield Malta Limited* | 100 | 100 | Qormi, Malta | -0.1 | -0.2 | 0.1 |
| OCY Albany AS | 100 | 100 | Lysaker, Norway | 56.0 | 10.0 | 49.9 |
| OCY Alexandra AS | 100 | 100 | Lysaker, Norway | 1.4 | 1.4 | 0.0 |
| OCY Containerinvest AS | 100 | 100 | Lysaker, Norway | 158.7 | 16.0 | 146.0 |
| OCY Knight AS | 100 | 100 | Lysaker, Norway | 0.8 | 0.8 | 0.0 |
| OCY Nelson AS | 100 | 100 | Lysaker, Norway | 12.0 | 1.7 | 7.6 |
| OCY Nelson 2 AS | 100 | 100 | Lysaker, Norway | 11.8 | 1.7 | 7.6 |
| OCY Nelson 3 AS | 100 | 100 | Lysaker, Norway | 11.7 | 1.7 | 7.6 |
| OCY Nelson 4 AS | 100 | 100 | Lysaker, Norway | 11.5 | 1.7 | 7.6 |
| OCY Nelson 5 AS | 100 | 100 | Lysaker, Norway | 13.5 | 2.1 | 10.0 |
| OCY Nelson 6 AS | 100 | 100 | Lysaker, Norway | 13.0 | 2.1 | 10.0 |
| OCY Nelson 7 AS | 100 | 100 | Lysaker, Norway | 12.6 | 2.1 | 10.0 |
| OCY Nelson 8 AS | 100 | 100 | Lysaker, Norway | 12.3 | 2.1 | 10.0 |
| OCY Nelson 9 AS | 100 | 100 | Lysaker, Norway | 15.5 | 2.0 | 12.0 |
| OCY Nelson 10 AS | 100 | 100 | Lysaker, Norway | 15.3 | 2.0 | 12.0 |
| OCY Nelson 11 AS | 100 | 100 | Lysaker, Norway | 15.1 | 2.0 | 12.0 |
| OCY Nelson 12 AS | 100 | 100 | Lysaker, Norway | 14.7 | 2.0 | 12.0 |
| OCY Nelson 13 AS | 100 | 100 | Lysaker, Norway | 10.6 | 1.3 | 9.0 |
| OCY Nelson 14 AS | 100 | 100 | Lysaker, Norway | 10.4 | 1.3 | 9.0 |
| OCY Severn AS | 100 | 100 | Lysaker, Norway | 17.2 | 2.8 | 15.0 |
| OCY Severn 2 AS | 100 | 100 | Lysaker, Norway | 20.8 | 5.7 | 15.0 |
| OCY Severn 3 AS | 100 | 100 | Lysaker, Norway | 0.1 | 0.1 | 0.1 |
| OCY Thelon AS | 100 | 100 | Lysaker, Norway | 62.2 | 3.9 | 50.1 |
| OCY Wayfarer AS | 100 | 100 | Lysaker, Norway | 141.7 | 30.0 | 131.4 |
| OS Installer AS | 75 | 75 | Lysaker, Norway | 31.2 | 6.0 | 28.8 |
| **Total** | | | | | | **1 051.8** |

• *100% of the Group's equity as of December 31st, and the Group's profit before tax 2017.*

## NOTE 8 RECEIVABLES, BORROWINGS AND TRANSACTIONS WITH GROUP COMPANIES

**Long-term interest-bearing receivables from Group companies consist of the following items:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Long-term interest-bearing receivables from Group companies | 848.3 | 845.2 |
| **Long-term interest-bearing receivables from Group companies** | **848.3** | **845.2** |

The receivables have a maturity of more than one year. Interest terms on the receivables are according to market.

**Short-term interest free receivables from Group companies consist of the following items:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Group contribution receivables | 117.2 | 58.7 |
| Incurred interest, not received, from Group companies | 6.3 | 5.8 |
| Other short-term receivables from Group companies | 0.7 | 0.7 |
| **Short-term interest free receivables from Group companies** | **124.2** | **65.2** |

**Long-term interest-bearing liabilities to Group companies consist of the following items:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Long-term interest bearing liabilities to Group companies | 15.3 | 15.3 |
| **Long-term interest bearing liabilities to Group companies** | **15.3** | **15.3** |

Long-term liabilities to Group companies have a maturity of more than five years and interest is set at market terms.

**Short-term interest free liabilities to Group companies consist of the following items:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Group contribution payables | 9.9 | - |
| Incurred unpaid interest, to Group companies | 1.5 | 0.0 |
| Other short-term liabilities to Group companies | - | 0.1 |
| **Short-term interest free liabilities to Group companies** | **11.5** | **0.1** |

**Dividends and Group contributions received from Group companies:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Dividends from Group companies | 47.9 | 20.9 |
| Group contributions received from Group companies | 75.0 | 57.9 |
| **Dividends and group contributions received from Group companies** | **122.9** | **78.8** |

## NOTE 9 LONG-TERM INTEREST-BEARING RECEIVABLES AND OTHER SHARES

**Long-term interest-bearing receivables and other shares consist of the following:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Restricted deposits | 1.5 | 3.6 |
| American Shipping Company ASA bonds | 49.0 | - |
| Shares in Solstad Farstad ASA | 6.5 | - |
| Other long-term interest-bearing receivables | 0.4 | 0.6 |
| **Long-term interest-bearing receivables and other shares** | **57.4** | **4.2** |

### RESTRICTED DEPOSITS

Restricted deposits is related to one of Ocean Yield ASA's cross currency interest rate swaps, where a security deposit is needed when the USD/NOK exchange rate is above 8.1.

### AMERICAN SHIPPING COMPANY ASA BONDS

In February 2017, American Shipping Company ASA successfully completed a refinancing of its unsecured bonds. A new USD 220 million, five year unsecured bond was issued, carrying a coupon of 9.25% p.a. Ocean Yield ASA subscribed for a 50% participation of the new issue and was allocated a total of USD 50 million.In 2017, USD 1.0 million has been recognized as impairment related to the bonds.

### SHARES IN SOLSTAD FARSTAD ASA

Following completion of the Farstad restructuring, as described in note 7 in the consolidated financial statements for Ocean Yield ASA Group, Ocean Yield owned 315,595,760 shares in Farstad Shipping ASA, equivalent to 6.5% of the shares in the company. The proposed combination with Solstad Offshore ASA and Deep Sea Supply Plc, was completed in June 2017 and Ocean Yield ASA now owns 8,836,681 shares in Solstad Farstad ASA, equivalent to 3% of the shares in the company.

In 2017, USD 6.4 million has been recognized as impairment related to the shares in Solstad Farstad ASA, as there has been a prolonged decline in the value.

## NOTE 10 CASH AND CASH EQUIVALENTS

**Cash and cash equivalents are distributed as follows:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Cash restricted | 0.3 | 0.2 |
| Cash unrestricted | 18.9 | 90.2 |
| **Cash and cash equivalents** | **19.2** | **90.4** |

In addition Ocean Yield ASA has USD 1.5 million in restricted cash classified as long-term assets (see note 9).

## NOTE 11 SHAREHOLDERS EQUITY

**Changes in shareholder's equity is as follows:**

| Amounts in USD million | Share capital | Treasury shares | Other paid in capital | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **Shareholders equity 31st December 2015** | **222.8** | **-0.3** | **445.3** | **-** | **667.9** |
| Share issue | 16.8 | - | 88.7 | - | 105.5 |
| Dividend | - | - | -99.2 | - | -99.2 |
| Profit for the year | - | - | - | -12.8 | -12.8 |
| Other changes | - | - | -0.1 | -0.1 | -0.1 |
| **Shareholders equity 31st December 2016** | **239.6** | **-0.3** | **434.8** | **-12.8** | **661.2** |
| Dividend | - | - | -44.8 | -66.4 | -111.3 |
| Profit for the year | - | - | - | 79.4 | 79.4 |
| Treasury shares sold | - | 0.1 | - | -0.0 | 0.1 |
| Other changes | - | - | 0.0 | -0.1 | -0.1 |
| **Shareholders equity 31st December 2017** | **239.6** | **-0.2** | **389.9** | **-** | **629.3** |

See note 17 in the consolidated financial statements for Ocean Yield ASA Group for information about paid in capital, largest shareholders and current board authorizations.

## NOTE 12 INTEREST-BEARING DEBT

**Change in Interest-bearing debt:**

| Amounts in USD Million | Debt to Group companies | Secured debt | Unsecured bond debt | 2017 | 2016 |
|---|---|---|---|---|---|
| **Interest-bearing debt 1st January** | **15.3** | **1 082.6** | **277.5** | **1 375.4** | **808.8** |
| New debt | 156.1 | 224.9 | - | **381.0** | 626.9 |
| Instalments | -24.8 | -202.0 | - | **-226.7** | -102.9 |
| Other non-cash changes (netted against receivables etc) | -131.3 | - | - | **-131.3** | 76.6 |
| Repurchase | - | - | -1.3 | **-1.3** | -41.6 |
| Loss from repurchase | - | - | 0.0 | **0.0** | 0.2 |
| Amortization of loan fees | - | 2.6 | 0.7 | **3.3** | 3.7 |
| Effect of movement in foreign exchange | - | 4.2 | 14.2 | **18.4** | 3.7 |
| **Interest-bearing debt 31st December** | **15.3** | **1 112.3** | **291.2** | **1 418.8** | **1 375.4** |

### SECURED BANK DEBT

The acquisition of the two PSVs NS Orla and NS Frayja in June 2017 was financed with a combination of debt and equity, and a bank facility of USD 65 million was established. The facility has semi-annual instalments based on an annuity profile and a tenor of 7 years. Interest is paid quarterly and the facility carries an interest rate of LIBOR plus 2.65% per annum.

Ocean Yield has in 2017 agreed with the lenders to remove any requirements in the loan agreement related to the previous long-term charter of the vessel Connector, against a partial prepayment of five future instalments, in total USD 15.2 million. Following this prepayment, the next five semi-annual instalments will be reduced by approximately 31% each. In addition, it has been agreed to extend the commercial bank guarantee under the financing agreement with another three years.

The acquisition of the Suezmax tanker Poliegos was financed by a combination of debt and equity, where a senior secured bank facility of USD 37.8 million was obtained. The facility has a 5-year tenor and a repayment profile of 15-years to zero. Interest is paid quarterly and the facility carries an interest rate of LIBOR plus 2.00% per annum.

### LOAN FROM RELATED PARTIES

In January 2017 Ocean Yield cancelled the drawing facility with Aker ASA, where NOK 250 million were available for draw-down at year-end 2016.

### COVENANTS

Ocean Yield ASA has loans and guarantee commitments that contain certain financial covenants. Ocean Yield ASA was in compliance with all covenants at year-end 2017.

## NOTE 13 MORTGAGES AND GUARANTEE OBLIGATIONS

**Guarantee obligations are as follows:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Loan guarantees Aker Contracting FP ASA | 20.0 | 67.8 |
| **Total guarantee obligations** | **20.0** | **67.8** |

## NOTE 14 OTHER LONG- TERM LIABILITIES

**Other long-term liabilities consist of the following:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Unrealized loss on interest and currency exchange swaps | 8.7 | 20.5 |
| **Other long-term liabilities** | **8.7** | **20.5** |

## NOTE 15 OTHER SHORT-TERM LIABILITIES

**Other short-term liabilities consist of the following:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| Accrued interest external | 5.9 | 5.9 |
| Unrealized loss on interest and currency exhange swaps | 4.9 | 38.5 |
| Accrued bonus to employees | 0.7 | 0.4 |
| Other | 1.4 | 2.5 |
| **Other short-term liabilities** | **13.0** | **47.3** |

## NOTE 16 FINANCIAL INSTRUMENTS

**At year-end Ocean Yield ASA had the following financial instruments recognized at fair value:**

| 31st December 2017 | | | |
|---|---|---|---|
| **Amounts in USD million** | **Carrying amount** | **Fair value** | **Unrealized gain recognized in profit and loss** |
| Cross Currency Interest Rate Swaps | -11.3 | -11.3 | 43.4 |
| Forward exchange contracts | 0.3 | 0.3 | 0.3 |
| Interest rate swaps | -2.6 | -2.6 | 1.7 |
| Shares in Solstad Farstad ASA | 6.5 | 6.5 | -6.4 |
| **Total** | **-7.1** | **-7.1** | **39.0** |

| 31st December 2016 | | | |
|---|---|---|---|
| **Amounts in USD million** | **Carrying amount** | **Fair value** | **Unrealized gain recognized in profit and loss** |
| Cross Currency Interest Rate Swaps | -54.7 | -54.7 | 6.8 |
| Interest rate swaps | -4.3 | -4.3 | -0.3 |
| **Total** | **-59.0** | **-59.0** | **6.5** |

*For more information regarding the cross currency interest rate swaps and the interest rate swaps see note 5 in the consolidated financial statements for Ocean Yield ASA Group.*

## NOTE 17 OPERATING LEASES

In 2014 Ocean Yield entered into an office lease agreement with Fornebuporten AS (previously a subsidiary of Aker ASA). The offices, located at Fornebu, near Oslo, were completed in the third quarter 2015. The lease period is seven years. Ocean Yield has the option to extend the lease period with 5 + 5 years.

Annual rent is approximately USD 0.4 million. Ocean Yield sublets around 50% of the office space to its subsidiary Aker Floating Production AS.

## NOTE 18 TRANSACTIONS AND AGREEMENTS WITH RELATED PARTIES

Ocean Yield's largest shareholder is Aker Capital AS, with 66.2% of the shares. Aker Capital AS is a wholly-owned subisidary of Aker ASA, and Aker ASA's main shareholder is TRG Holding AS, controlled by Kjell Inge Røkke through The Resource Group AS (TRG AS). All companies controlled by Kjell Inge Røkke are considered as related parties for the Aker group, and thus related parties for Ocean Yield. In addition all subsidiaries and associated companies of Aker ASA are considered to be related parties for Ocean Yield ASA.

### TRANSACTIONS WITH KJELL INGE RØKKE

See note 25 in the consolidated financial statements for Ocean Yield ASA Group.

### TRANSACTION WITH AKER ASA

See note 25 in the consolidated financial statements for Ocean Yield ASA Group.

### TRANSACTIONS WITH FORNEBUPORTEN AS

See note 26 in the consolidated financial statements for Ocean Yield ASA Group.

### TRANSACTIONS WITH EMPLOYEES OF OCEAN YIELD ASA

See note 25 in the consolidated financial statements for Ocean Yield ASA Group.

### TRANSACTIONS WITH SUBSIDIARIES OF OCEAN YIELD ASA

Ocean Yield has loans to and from several of its subsidiaries. For more details regarding the amounts see note 8.

All transactions with related parties are done at market rates and in accordance with the arm's lengths principle.

## NOTE 19 SALARY AND OTHER REMUNERATION TO THE BOARD OF DIRECTORS, CEO AND CFO

See note 26 in the consolidated financial statements for Ocean Yield ASA Group.

## NOTE 20 SHARES OWNED BY THE BOARD OF DIRECTORS, CEO AND CFO

See note 27 in the consolidated financial statements for Ocean Yield ASA Group.

## NOTE 21 SHARE-BASED PAYMENTS

See note 28 in the consolidated financial statements for Ocean Yield ASA Group.

## NOTE 22 CONTINGENCES AND LEGAL CLAIMS

No material contingencies or legal claims have been identified at the end of the year.

## NOTE 23 EVENTS AFTER THE BALANCE SHEET DATE

See note 30 in the consolidated financial statements for Ocean Yield ASA Group.

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To the General Meeting of Ocean Yield ASA

# Independent Auditor's Report

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Ocean Yield ASA. The financial statements comprise:

- The financial statements of the parent company Ocean Yield ASA (the Company), which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Ocean Yield ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2017, and statements of income and total comprehensive income, changes in equity, and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

### Basis for Opinion

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

### Key Audit Matters

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

### 1. Impairment

Reference is made to pages 10 (Board of Directors report) page 34 (accounting principles), page 52 (impairment charges), and page 56 (vessels and other fixed assets).

| *The Key Audit Matter* | *How the matter was addressed in our audit* |
|---|---|
| Vessels and other fixed assets include vessels on operating lease contracts with customers totaling USD 1 310.8 million as at 31 December 2017. Interest-bearing long-term receivables includes vessels on finance lease contracts with customers totaling USD 770.7 million as at 31 December 2017.<br><br>The Group is exposed to market risk where a downturn in the markets could lead to counterparty default, as well as a residual value risk related to vessels upon expiry of a charter contract. This is particularly relevant to the Group's customers within oil & gas business segments who have faced challenging conditions in recent years due to lower oil and gas prices.<br><br>The Group's customer contracts are long-term operating and financial leasing arrangements. These long-term leasing arrangements reduce the Group's exposure to negative fluctuations in day-rates and somewhat mitigate the risk of impairment of both vessels and long-term receivables in times of poor market conditions, if customers continue to have the ability to pay.<br><br>Counterparty credit risk affects the assessment of impairment because the assessment is based on expected future cash flows in the underlying contracts. If the counterparty fails to pay and the contract ends, the change in cash flow may lead to an impairment. One of the Group's long-term charters was cancelled due to non-payment in February 2017 resulting in an impairment charge of USD 35.6 million in 2016.<br>Another of the Group's long-term charters is ending in September 2018, which increases the uncertainty in future cash flows.<br><br>The identification of indicators of impairment and the preparation of the estimate of the recoverable amount of an asset involves subjective judgments and uncertainties, which requires special audit consideration because of the likelihood and potential magnitude of misstatements to the valuation of Vessels and other fixed assets and Interest-bearing long term receivables. | *Our response:*<br>For each vessel, we applied professional skepticism and critically assessed Management's judgement for impairment indicators. Where impairment indicators were identified our work included, but was not limited to, the following procedures:<br>▪ Assessment of Management's cash flow forecasts covered by, and subsequent to, lease contracts;<br>▪ Challenging Management's assessment related to residual values with reference to expected utilization after contract termination/completion, purchase and renewal options.<br>▪ Assessing the discount rate applied to the impairment tests for each vessel, including assessment of Management's methodology by use of KPMG Valuations specialists, testing the mathematical accuracy of Management's WACC rates, and challenging key assumptions in the calculations;<br>▪ Corroborating Management's assertions with external sources when possible;<br>▪ Verifying the mathematical and methodological integrity of Management's impairment models;<br>▪ Evaluation of the appropriateness of the related disclosures and in particular the completeness of the disclosures where a reasonably possible change in certain variables could lead to impairment charges; and<br>▪ Assessing Management's sensitivity analysis and considering whether the disclosures adequately reflect the sensitivity in the underlying impairment assessment.<br><br>From the audit evidence obtained, we consider Management's assessment of the carrying value of Vessels and other fixed assets and Interest-bearing long-term receivables to be in accordance with the requirements under the relevant accounting standards. |

## Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, with the exception of the financial statements and the Independent auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, with the exception of our report on Other Legal and Regulatory requirements below.

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

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

## Responsibilities of the Board of Directors and the Chief Executive Officer for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on Other Legal and Regulatory Requirements

### Opinion on the Board of Directors' report

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

### Opinion on Registration and Documentation

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

Oslo, 22 March 2018
KPMG AS

Vegard Tangerud
*State Authorised Public Accountant*

# USE AND RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures are defined as numerical measures that either exclude or include amounts that are not excluded or included in the comparable measures calculated and presented in accordance with GAAP (i.e. IFRS).

The following financial measure may be considered an alternative performance measure:

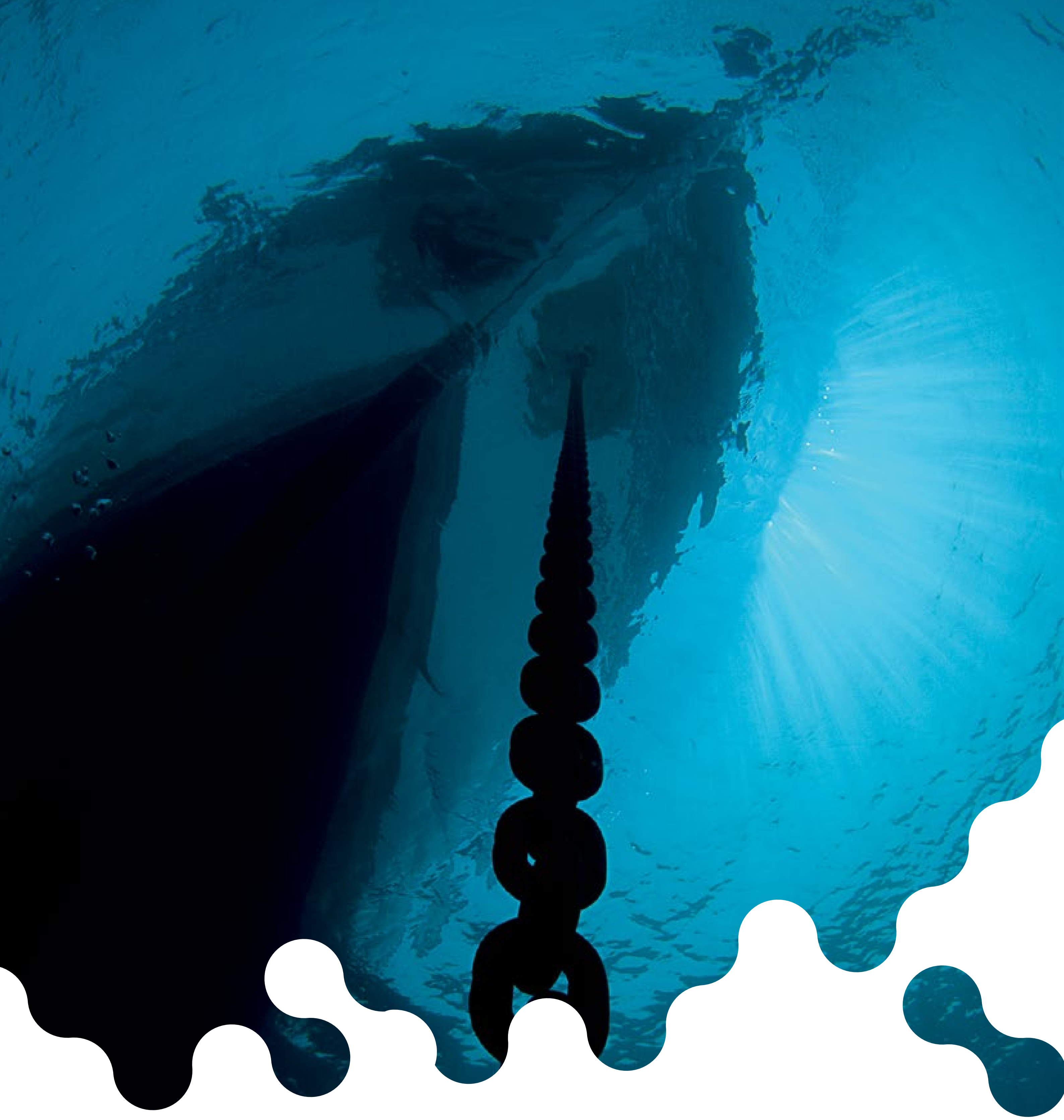
- EBITDA: Earnings before financial items, income taxes, depreciation, amortization and impairment charges
- EBITDA adjusted for finance lease effects: EBITDA adjusted for Repayment of finance lease receivables.
- EBIT: Earnings before financial items and income taxes
- Adjusted net profit: Net profit adjusted for impairment charges, foreign exchange gains/losses, fair value adjustments of derivatives, changes in deferred tax and non-recurring items.

The Company believes presenting EBITDA, EBITDA adjusted for finance lease effects, EBIT and Adjusted net profit as useful to investors as they provide other useful measures of Ocean Yield's profitability from its operations. Regarding EBITDA adjusted for finance lease effects, the Company believes it is useful for investors to present information showing all vessels accounted for on a consistent basis, as it will more closely reflect the Group's cash flows from operations. Regarding, Adjusted net profit, the Company considers Adjusted net profit to be a relevant performance criteria. The net profit is adjusted for significant non-cash and non-recurring items, and the Adjusted net profit is thus a useful measure when it comes to the Company's dividend capacity.

EBITDA and EBIT are disclosed in the condensed consolidated income statement as separate line items. Reconciliation of other alternative performance measures to the financial statements are as follows:

**Reconciliations of other alternative performance measures to the financial statements are as follows:**

| Amounts in USD million | 2017 | 2016 |
|---|---|---|
| EBITDA | 306.5 | 265.2 |
| Repayment on finance lease receivables | 34.3 | 26.1 |
| **EBITDA adjusted for finance lease effects** | **340.7** | **291.3** |
| | | |
| Net profit after tax | 129.7 | 77.5 |
| Impairment charges | - | 35.6 |
| Gain AMSC | -5.7 | - |
| Foreign exchange gains/losses | 37.4 | 5.9 |
| Change in fair value of financial instruments | -41.8 | -6.8 |
| Change in deferred tax | 18.0 | 16.3 |
| Other non-recurring items | 0.1 | 2.4 |
| **Adjusted Net profit** | **137.7** | **130.9** |



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