2016 ANNUAL REPORT

OCEAN YIELD

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OCEAN YIELD IN BRIEF

Ocean Yield is a ship-owning company with investments in vessels on long-term charters. The company has a significant contract backlog that offers visibility with respect to future earnings and dividend capacity. Ocean Yield was established with the ambition to pay attractive and dividends to its shareholders and has delivered on this every quarter since the stocklisting of the Company in 2013.

The Ocean Yield Group was established on March 31st 2012 with a portfolio of oil-service assets previously controlled by Aker ASA. Since then, the Company has committed a total of USD 2.3 billion in new investments within shipping and oil-service, all in assets with long-term charters. In July 2013, the Company completed an Initial Public Offering ("IPO") with a listing on the Oslo Stock Exchange. The IPO raised approximately USD 150 million in new equity. A mix of institutional international investors and Norwegian retail investors joined Aker ASA as shareholders. Ocean Yield has continued to raise capital in the bond and equity market, which has been used to fund further investments in oil-service, car carriers, chemical tankers, product tankers, container vessels and liquefied ethylene gas carriers. The Company's business strategy to enter into long-term charters gives clear visibility with respect to earnings and dividend capacity for the shareholders. The Company has mainly focused on bareboat charters with duration from ten to fifteen years. The Company will continue to grow and diversify its portfolio of long-term charters going forward with the aim to continue to pay attractive and increasing quarterly dividends.

Consolidated key numbers - USD million	Q4 2016	Q3 2016	Q2 2016	Q1 2016	2016	2015	2014
Revenues	82.0	76.2	70.1	66.1	294.4	256.7	249.3
EBITDA	74.4	68.7	63.4	58.7	265.2	224.2	216.7
Net profit before tax	3.1	39.7	29.5	21.7	94.0	80.4	103.6
Net profit after tax	0.7	32.7	25.5	18.6	77.5	105.0	100.8
Basic and diluted earnings per share – USD	0.00	0.23	0.19	0.14	0.55	0.77	0.75
Average no. of shares (million)	148.3	138.1	134.6	134.6	138.9	134.5	134.1
Cash	165.5	157.4	110.8	96.6	165.5	117.7	76.4
Total assets	2,574.7	2,555.8	2,281.9	2,153.6	2,574.7	2,024.8	1,810.9
Interest bearing debt	1,553.8	1,485.5	1,381.0	1,280.8	1,553.8	1,158.9	994.6
Net interest bearing debt	1,388.3	1,328.1	1,270.2	1,184.2	1,388.3	1,041.2	918.2
Total equity	815.2	826.5	709.1	708.2	815.2	708.8	718.7
Equity Ratio	31.7%	32.3%	31.1%	32.9%	31.7%	35.0%	39.7%
Dividends declared/paid* per share (USD)	0.1825	0.1775	0.1725	0.1675	0.68*	0.62*	0.54*

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

HISTORICAL TIMELINE 2012/16

2012

MARCH
Establishment of Ocean Yield based on oil-service assets with long term-charters previously owned by Aker ASA. Management and Board of Directors were recruited.

JULY
Successful placement of NOK 600 million in senior unsecured bonds with maturity in 2017. Coupon of NIBOR + 6.50% p.a.

SEPTEMBER
Announcement of investment in two newbuilding PCTC vessels of 6,500 CEU capacity with 12-year bareboat charters to Höegh Autoliners, with delivery in April and September 2014.

OCTOBER
Announcement of the acquisition of the offshore construction and cable lay vessel Lewek Connector with 10-year bareboat charter to the Ezra Group.

2013

MARCH
Announcement of investment in two new Anchor handling tug supply vessels (AHTS) with 12 year charters to Farstad Supply AS, with delivery in March and June 2013.

JULY
Successful closing of Initial Public Offering and listing of the Company on the Oslo Stock Exchange, with net proceeds of USD 145 million. New Board of Directors in place from the time of listing.

SEPTEMBER
Announcement of investment in two newbuilding PCTC vessels of 8,500 CEU capacity with 12-year bareboat charters to Höegh Autoliners.

NOVEMBER
Initiating quarterly dividends to its shareholders.

DECEMBER
Announced recapitalisation of American Shipping Company including amendments to the bond agreement, where Ocean Yield owned bonds with a par value of USD 188 million.

2014

MARCH
Successful placement of NOK 600 million in senior unsecured bonds with maturity in 2019. Coupon of NIBOR + 3.90% p.a. NOK 432 million of outstanding bonds maturing in 2017 were bought back and cancelled.

MAY
Announced investment in three newbuilding gas carriers of 36,000 cbm with long term charters and investment in two 2010 built car carriers with long-term charters to Höegh Autoliners.

JULY
Successful placement of NOK 400 million in senior unsecured bonds with maturity in 2019. The bonds were placed with an implicit pricing of NIBOR + 3.65% p.a. The remaining bonds with maturity in 2017 were called and cancelled.

SEPTEMBER
Announced extension of the bare-boat charter for the vessel Aker Wayfarer until 2027 in combination with a USD 90 million modification investment in the vessel.

DECEMBER
Announced investment in Diving Support and Offshore Contruction vessel with long term charter to SBM Offshore.

DECEMBER
Announced the sale of the seismic vessel Geco Triton to Western Geco.

DECEMBER
Successful closing of a new bank facility of up to USD 50.5 million related to the FPSO Dhirubhai-1.

2015

MARCH 2015
Acquisition of eight newbuilding chemical tankers for a total consideration of USD 306 million in combination with 15-year "hell and high" bareboat charters to Navig8 Chemical Tankers Inc.

APRIL 2015
Signed a new revolving credit facility of USD 220 million for the long-term financing of the vessel Aker Wayfarer.

Successful placement of new unsecured bond issue of NOK 1,000 million with maturity date in April 2020, carrying a coupon of 3 months NIBOR + 4.00% p.a. with quarterly interest payments.

JULY 2015
Acquisition of four newbuilding 115,000 dwt LR2 product tankers for a total consideration of USD 198.1 million, in combination with 13 years "hell and high water" bareboat charters to Navig8 Product Tankers Inc.

DECEMBER 2015
Amendments to charter agreements with Höegh Autoliners where Ocean Yield agreed to sell its two vessels to Höegh and acquire two newbuilding sister vessels with earlier delivery.

2016

MARCH 2016

Announced a USD 202.5 million loan facility for the long-term financing for three Liquefied Ethylene Gas carriers on long term charter to the Hartmann Group, with SABIC Petrochemicals BV being the sub-charterer of the vessels for 10 years.

JUNE 2016
Announced an investment in 49.5% equity interest in six newbuilding mega container vessels on long-term charter to a major European container line.

AUGUST 2016
Completed a private placement of 13.5 million new shares with gross proceeds of NOK 862 million.

SEPTEMBER 2016
Successful placement of new unsecured bond issue of NOK 750 million with maturity date in September 2021, carrying a coupon of 3 months NIBOR + 4.50% p.a. with quarterly interest payments.

Acquisition of two 2013 built chemical tankers for total consider-ation of USD 70 million, with 12 year charters to Navig8 Group Ltd.

2017

FEBRUARY 2017

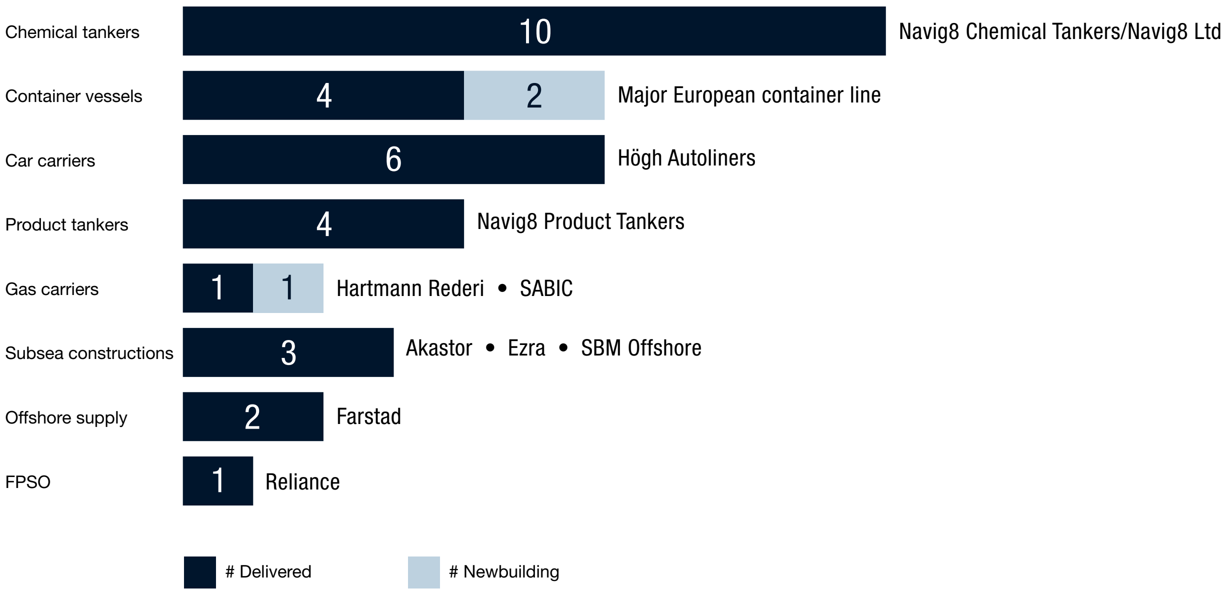
Completed restructuring of charter agreements to Farstad Supply AS.

Cancellation of charter on Lewek Connector - replaced with short-term charter.

Refinanced bonds in American Shipping Company ASA - cash proceeds of USD 156 million for Ocean Yield and USD 50 million invested in a new bond.

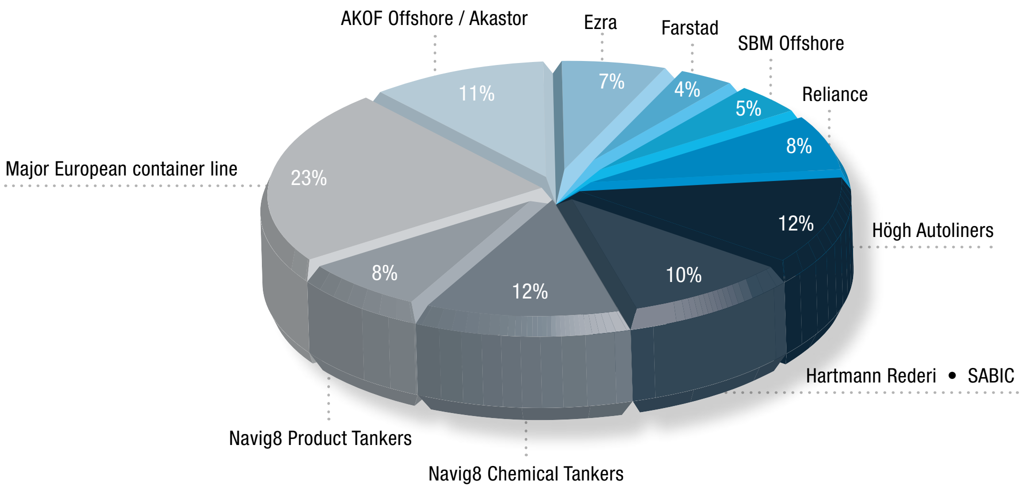
FLEET & CHARTER BACKLOG

At year-end 2016, the Company owned a fleet of 34 vessels, including 3 newbuildings due for delivery in 2017. During the year 2016, the Company took delivery of 17 vessels. As of year-end 2016 all vessels are chartered out on long-term contracts, providing a high degree of earnings stability. As per the end of 2016, the Company's charter backlog was USD 3.1 billion on an adjusted EBITDA basis. Average remaining contract tenor (weighted by EBITDA) was 11.1 years. Adjusting for the termination of the charter contract for the vessel Lewek Connector and the changes to the charter contracts for the vessels Far Senator and Far Statesman the charter backlog is USD 2.9 million year-end 2016.



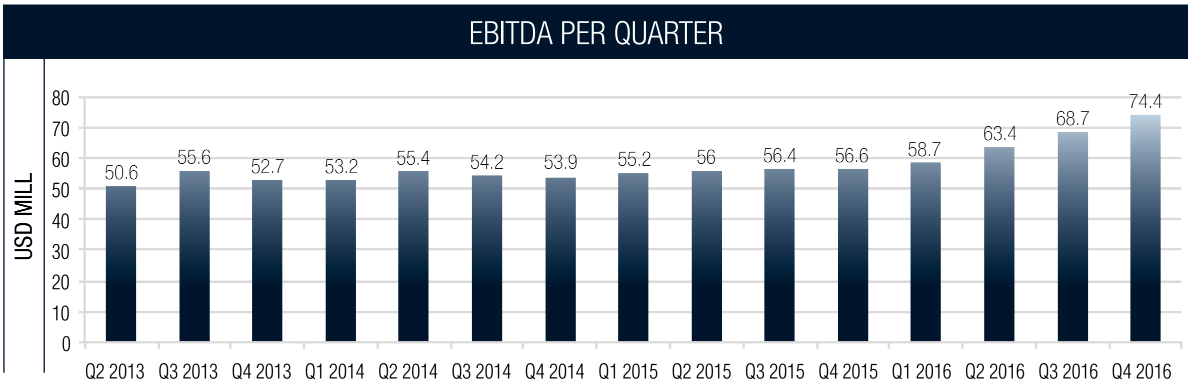
Ocean Yield's strategy is to build a charter backlog with visibility towards earnings and dividend capacity towards counterparties of solid credit quality. The company aims to have a high degree of diversification across multiple segments and counterparties. Given the inherent volatility of the shipping and offshore markets, a multiple segment approach will make the company more resilient towards segment volatility, while at the same time focusing on bareboat charters which reduces the overall operational risk.

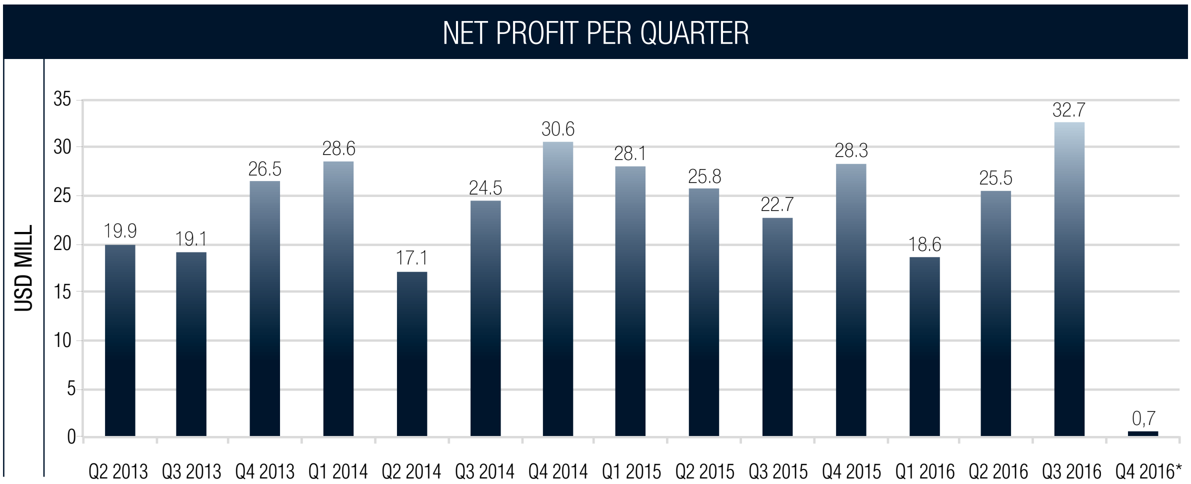
The charter backlog distribution and counterparties as of 31 December 2016 are shown below. Ezra Holdings Ltd. has filed for Chapter 11 but was included in the charter backlog as of year end.



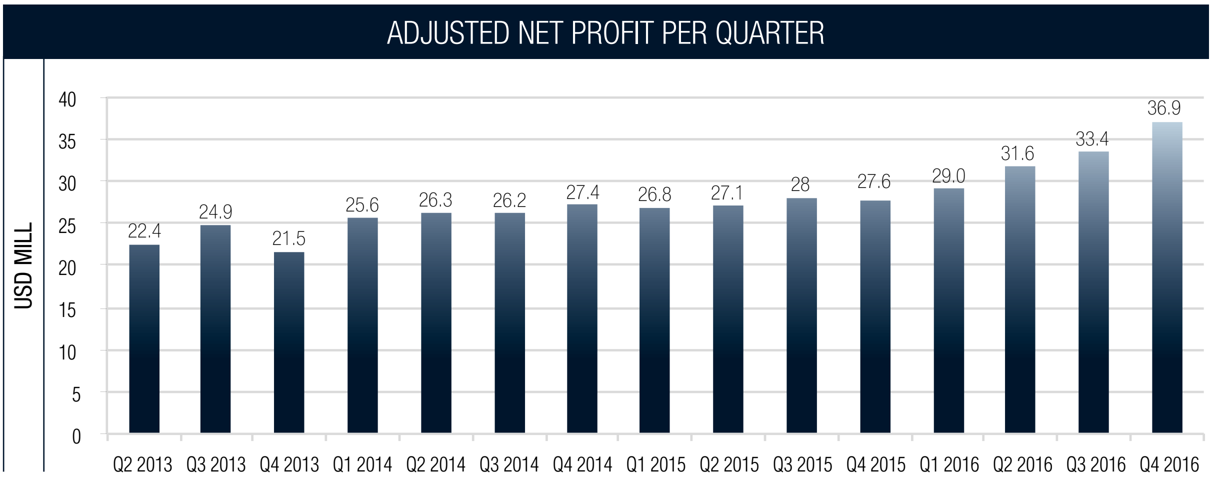
All the Company's vessels are chartered out on bareboat charter contracts, where the operating risk lies on the charterer. However for the FPSO, the Company has a separate operating and maintenance contract, and has thus full operational risk of this vessel, through its subsidiary, Aker Floating Production AS.

Since the inception in 2012, the Company has grown its quarterly EBITDA by 92%, reflecting additional vessel investments. Since the IPO in 2013 the quarterly EBITDA has increased with 47%, and Adjusted Net Profit has increased from USD 22.4 million to USD 36.9 million in Q4 2016.





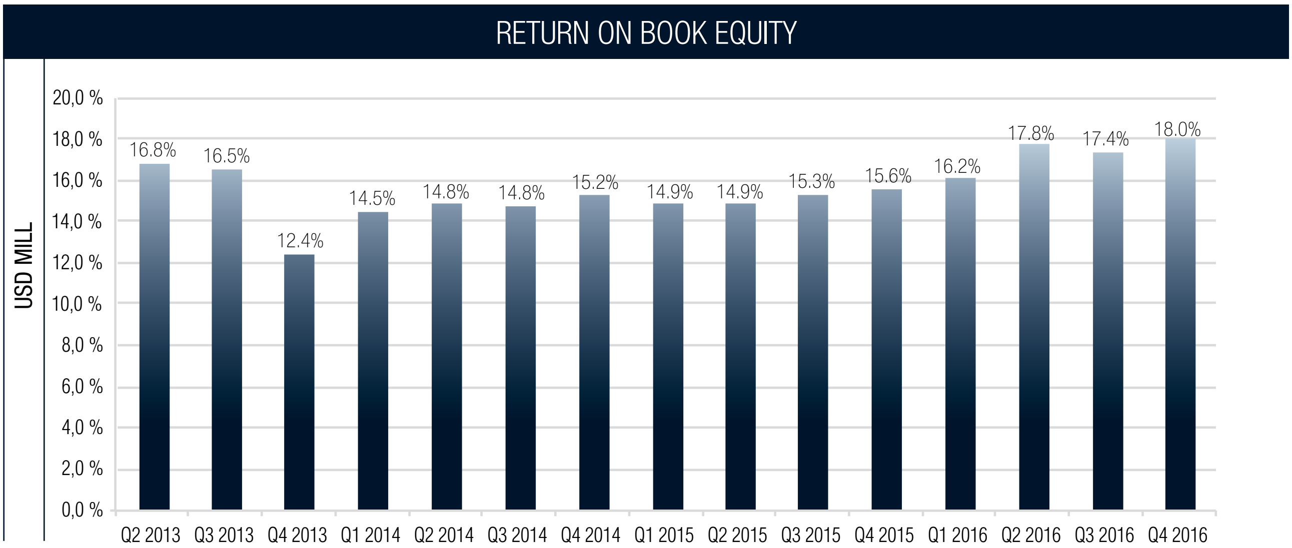
**Net Profit in Q4 2016 impacted by vessel impairment charges of USD 36.2 million.*



Adjusted Net Profit is defined as Net Profit adjusted for impairment charges, foreign exchange gains/losses, fair value adjustments of derivatives, changes in deferred tax and non-recurring items.

Adjusted net profit has been calculated as follows:

Amounts in USD million	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Net profit after tax	**19.9**	**19.1**	**26.5**	**28.6**	**17.1**	**24.5**	**30.5**	**28.1**	**25.8**	**22.7**	**28.3**	**18.6**	**25.5**	**32.7**	**0.7**
Impairment charges	-	-	-	-	-	-	-	-	-	-	28.6	-	-	-	35.6
Foreign exchange gains/losses	0.2	3.3	-3.3	0.7	-2.0	-5.8	-22.4	-14.8	0.2	-19.5	-7.4	13.2	-2.8	8.8	-13.3
Mark to market of derivatives	3.4	2.7	0.6	-1.3	5.3	3.0	15.5	12.9	1.0	24.8	1.7	-6.0	4.8	-15.9	10.2
Change in deferred tax	-	0.6	-4.1	3.1	-	-	-0.1	0.0	-	-	-25.0	3.1	4.1	7.0	2.2
Other non-recurring items	-1.1	-0.8	1.8	-5.5	5.9	4.5	3.8	0.5	-	-	1.3	-	-	0.8	1.6
Adjusted Net profit	**22.4**	**24.9**	**21.5**	**25.6**	**26.3**	**26.2**	**27.4**	**26.8**	**27.1**	**28.0**	**27.6**	**29.0**	**31.6**	**33.4**	**36.9**



Return on average Book Equity for the quarter based on Adjusted Net Profit.

Company Facts as of 31.12.2016	
Ticker	OCY.OL
No of shares outstanding	148 211 432
No of shareholders approx	4,900
Market capitalization USD	1.1 billion
Market capitalization NOK	9.633 million
Free float	33.8%
Largest shareholder (Aker Capital AS)	66.2%

ANOTHER EVENTFUL YEAR FOR OCEAN YIELD

2016 was another busy year for Ocean Yield, marking our entry into the container segment with the largest investment so far in the history of the company. In addition, the year was dominated by a large number of vessel deliveries, where we successfully took delivery of 17 vessels, all on long-term charter. The continued low activity in the oil-service segment following the reduction in oil price in 2015 increased the counterparty risk related to some of our investments in this segment.

Since the start up in 2012 we have now committed more than USD 2.3 billion of new investments and we had as of year-end 2016 a charter backlog on an adjusted EBITDA basis of about USD 3.1 billion. The substantial contract backlog gives visibility with respect to future earnings and together with a solid balance sheet, make the Company well positioned to continue to pay attractive dividends going forward.

During the year, we committed to approximately USD 560 million in new investments, which included two chemical tankers and 49.5% equity interest in six 19,500 TEU container vessels. These vessels will contribute to further diversification of our earnings and charter portfolio.

During 2016, we have taken delivery of a total of 17 vessels. This includes two car carriers, four container vessels, four product tankers, one gas vessel and six chemical tankers. All vessels are fixed on long-term charters.

A landmark event in 2016 was the delivery of our first newbuilding gas vessel, which is on long-term charter to SABIC Petrochemicals B.V. The transaction originally consisted of three vessels, but a challenging financial situation at the yard, led to the cancellation of the third vessel.

We have also completed several capital market transactions during the year. In August, we completed a new equity issue, raising proceeds of NOK 864 million. This was an important milestone in our efforts to build Ocean Yield into a much larger company. The share issue was heavily oversubscribed and Aker's shareholding was as a result reduced to 66.3%. This increased the free float of the share, which is important to many investors.

In addition to the equity issue, we raised another NOK 750 million of unsecured bonds in the Nordic bond market. The bonds carry a coupon of NIBOR + 4.50% p.a. and have maturity in September 2021.

We have also raised capital in the bank market for the long-term financing of the chemical tankers announced in September. Ocean Yield has continued to develop our banking relationships during 2016 and we are pleased with the continued strong support from our banks.

In February 2017, American Shipping Company ASA successfully refinanced its unsecured bonds, issuing a new USD 220 million five year unsecured bond. Ocean Yield was allocated USD 50 million in the new bond issue, and received net cash proceeds of USD 156 million.

During the year we have yet again seen stable performance from our FPSO, the Dhirubhai-1, which is on long-term charter to Reliance Industries in India. Average utilization was 99.2 % for the year, which is among the highest in the industry. We believe there has been positive developments in India during 2016, where the government announced a new gas pricing formula for undeveloped deepwater oil & gas discoveries. As a result, there are projects in the planning phase for development, which we expect include the use of an FPSO.

In addition, we believe that the prospects for continued production on the current field beyond 2018 are positive. So even though the current contract expires in September 2018, we are optimistic with respect to the future of the FPSO.

As in 2015, our Investor Relations department has been acknowledged in the IR Nordic Markets 2016 study performed by Regi, where Ocean Yield was ranked the no.1 IR Company amongst the large-cap companies listed on the Oslo Stock Exchange and overall best company. This is a great achievement.

The substantial reduction in the oil price in 2015 has been followed by reduced activity within the oil-service sector during 2016. This specifically affected two of our counterparties in a negative way, being Farstad and Ezra Group.

As a dividend yield company, Ocean Yield has a strong commitment to deliver on its dividend policy.

Farstad has now successfully been restructured, and is in the process of creating a world leading OSV company together with Solstad Offshore and Deep Sea Supply.

With respect to the Ezra Group, we are working to find a more long-term solution for this vessel, following the termination of the charter contract.

As a dividend yield company Ocean Yield has a strong commitment to deliver on its dividend policy. With a substantial contract backlog and a strong balance sheet, the Company should be well positioned to continue to pay attractive quarterly dividends going forward.

LARS SOLBAKKEN
CHIEF EXECUTIVE OFFICER

AKER FLOATING PRODUCTION
HIGH QUALITY - HIGH PERFORMANCE

Aker Floating Production converted the Suezmax tanker Polar Alaska into the Floating Production Storage and Offloading (FPSO) unit Dhirubhai-1 in 2007-2008. The FPSO is chartered out to the Indian company Reliance Industries Ltd. for a firm period of 10 years. The contract is split between a Bareboat-charter contract and an Operations and Maintenance contract. Aker Contracting FP ASA is the formal owner of Dhirubhai-1, while AFP Operations AS is operating the vessel. Both companies are 100% owned by the holding company Aker Floating Production AS. Until March 2012, Aker Floating Production AS was a public company listed on the Oslo Stock Exchange. As from March 2012, the company delisted and is today 100% owned by Ocean Yield ASA. The objective of Aker Floating Production AS is to manage the ownership of Dhirubhai-1 and the related contracts and agreements.

Dhirubhai-1 is located off the east coast of India, 52 km from the city of Kakinada in the Indian state Andhra Pradesh. Reliance Industries Ltd. is the operator of the gas/condensate /oil field called the MA-field, located within the KG-D6 block. Reliance has a 60 % share in the license while the partners BP and Niko Resources have a 30% and 10% share, respectively. Dhirubhai-1 started production on 21st September 2008.

DHIRUBHAI-1 OPERATIONS

Dhirubhai-1 has been operating through 2016 without any lost time incidents or spill to the environment. At year end it was 2807 days since the last registered lost time incident. The technical average uptime in 2016 was 99.2%. In 11 of 12 months the uptime has been higher than 99%. In September 2016 a planned production shutdown took place in order to execute maintenance activities. All activities were completed successfully within schedule and budget. Due to the 50 hours shutdown the technical uptime in September was 91.7%. Two additional work over wells has been put in production, one i December 2016 and one in January 2017, which is believed to increase the likelyhood of continued production beyond the expiry of the contract.

Annual Class and Flag State renewals were completed and certificates are revalidated without any conditions. DNV Annual ISM and ISO verification audits were executed and the operating company is fully certified accordingly.

ORGANISATION

Dhirubhai-1 is operated and managed by an integrated organization. Aker Floating Production has through continuous focus on health, safety, security, environment and quality (HSEQ) developed a robust operation with an excellent track record.

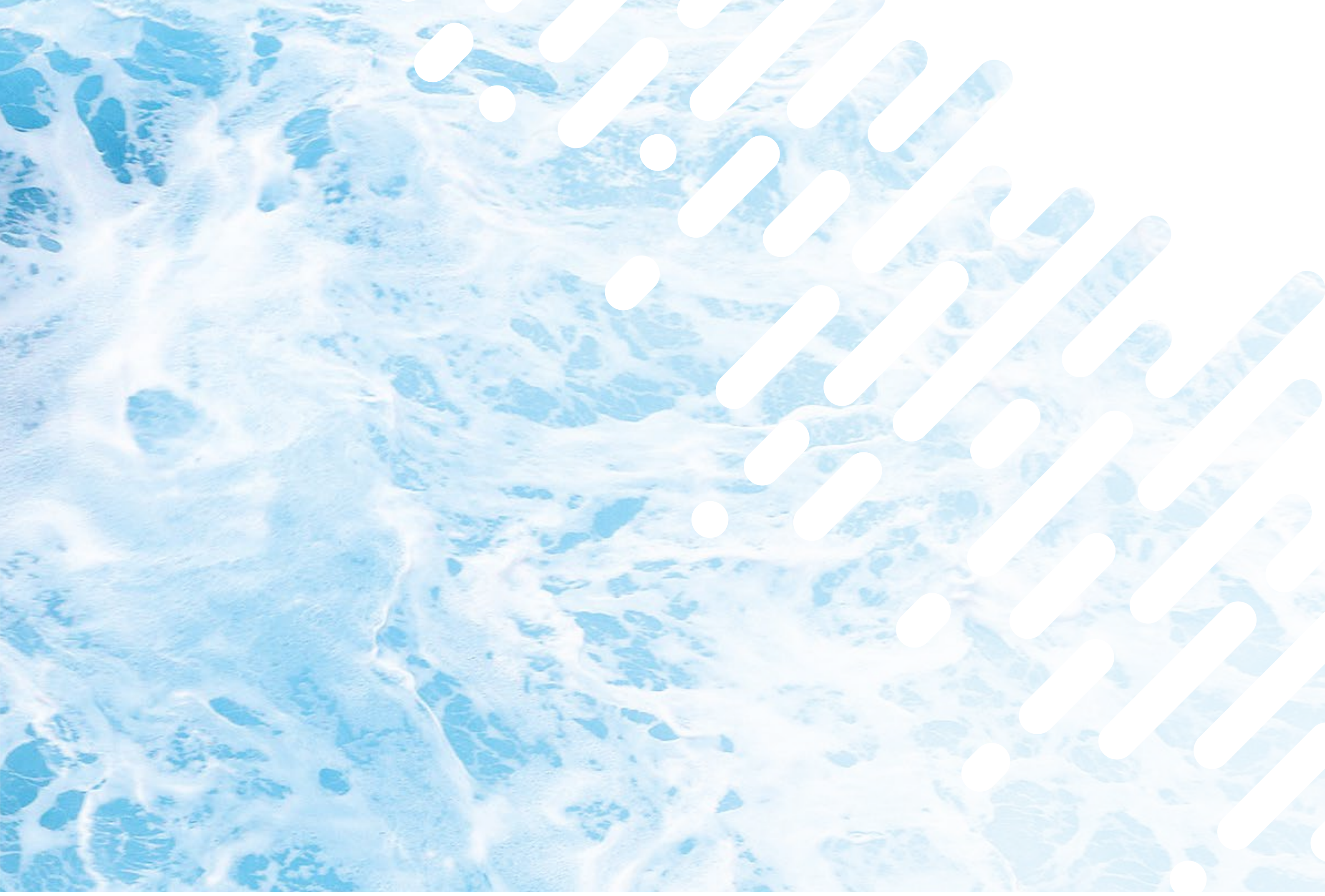
Dhirubhai-1 is managed from Aker Floating Production's offices in Bærum, Norway. The onshore organization includes 13 people at the Norwegian office and 12 people employed by a third party management company in the Kakinada base facility. The base has successfully supported Dhirubhai-1 with all logistical needs and handles all materials and personnel movements to and from the FPSO.

Through real time transfer of data and by use of an integrated management system, efficient and timely support is offered to Dhirubhai-1 from the onshore organizations. A total of 101 people employed through a crewing agent are working on-board the Dhirubhai-1 on a rotational basis. Operational personnel on board at any one time are 60-65 persons, including catering and service personnel. The offshore personnel are mainly Indian and Polish nationals. To maintain the HSEQ and utilisation track record, the organisation is focusing on proactive identification of potential future operational and maintenance challenges, in combination with relevant training.

COMMERCIAL OPERATIONS

The contract with Reliance runs for 10 years and expires on 20th September 2018. Reliance has the option to purchase the Dhirubhai-1 at any time during the contract period, with the final option being USD 255 million in September 2018. There is no option for extension of the present contract beyond September 2018, other than the cumulative shutdown days experienced in the contract period. Any extension will be subject to an agreement between the parties.

The total operating revenue in 2016 was USD 137.9 million. The EBITDA was USD 114.5 million. A total of USD 86.1 million was made in loan repayments during the year. Hence, interest bearing debt as of 31st December was USD 100.0 million and the book value of the Dhirubhai-1 was USD 354.8 million, including goodwill of USD 9.8 million.



Dhirubhai-1 is operated and managed by an integrated organization. Aker Floating Production has through continuous focus on health, safety, security, environment and quality (HSEQ) developed a robust operation with an excellent track record.

SUCCESSFUL DELIVERY OF

SEVENTEEN VESSELS

During 2016, Ocean Yield took delivery of a total of seventeen vessels from various shipyards, including fifteen newbuildings.

The Company took delivery of four LR2 product tankers from Sungdong Shipyard in South Korea. These vessels are named Navig8 Symphony, Navig8 Sanctity, Navig8 Steadfast and Navig8 Supreme.

Further, two 8,500 PCTC vessels were delivered from Xiamen Shipbuilding Industry Co. Ltd. in China. The vessels are named Höegh Tracer and Höegh Trapper.

A total of six chemical tankers were delivered during the year, where four were newbuildings constructed at STX. These vessels are the Navig8 Turquoise, Navig8 Topaz, Navig8 Tourmaline and the Navig8 Tanzanite. In addition, two second-hand chemical tankers were delivered to the Company, being the Navig8 Universe and the Navig8 Constellation.

A total of four container vessels of 19,500 TEU were delivered from Samsung Heavy Industries, Korea. Mrs. Torunn Solbakken, wife of CEO Lars Solbakken had the honour of being the Godmother of the third vessel at the naming ceremony.

Also, Ocean Yield's first gas carrier was delivered from Sinopacific Offshore & Engineering, China. The vessel, which will carry ethane gas under a long-term charter to the Hartmann Group with a sub-charter to SABIC Petrochemicals B.V. was named Gaschem Beluga.

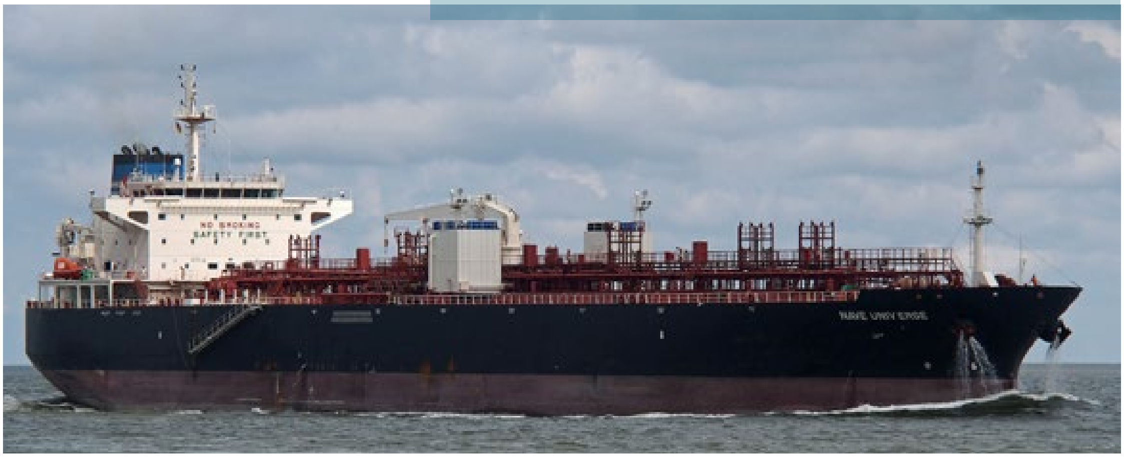
In addition, the offshore construction vessel Aker Wayfarer was delivered from a major modification at Kleven Shipyard, Norway. The vessel has been modified to a Subsea Orientation and Equipment Vessel.

For 2017, Ocean Yield has three more newbuildings for delivery. These are two container vessels and one gas vessel.

MRS. TORUNN SOLBAKKEN
GODMOTHER OF MSC ELOANE
SEPTEMBER 20TH 2016

The gas vessel GasChem Beluga, a Liquefied Ethylene Gas carrier of 36,000 cbm.

The Navig8 Universe, a 45,000 dwt. IMO II chemical tanker.



One of the LR2 product tankers chartered to Navig8 Product Tankers Inc.

VESSEL OVERVIEW

HÖEGH JACKSONVILLE / HÖEGH JEDDAH

Vessel type: *Pure Car and Truck Carrier (PCTC)*
Built: *2014*
Key features: *6,500 car capacity*
Yard: *Daewoo Mangalia Heavy Industries S.A.*

HÖEGH TRACER / HÖEGH TRAPPER

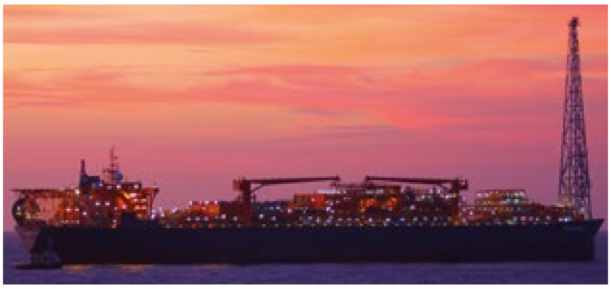
Vessel type: *Pure Car and Truck Carrier (PCTC)*
Built: *2016*
Key features: *8,500 car capacity*
Yard: *Xiamen Shipbuilding Industry Co. Ltd*

HÖEGH BEIJING / HÖEGH XIAMEN

Vessel type: *Pure Car and Truck Carrier (PCTC)*
Built: *2010*
Key features: *4,900 car capacity*
Yard: *Xiamen Shipbuilding Industry Co. Ltd*

GASCHEM BELUGA / LEG CARRIER S1034

Vessel type: *Liquefied Ethylene gas carriers*
Built: *2016/2017*
Key features: *36,000 cbm*
Yard: *Sinopacific Offshore & Engineering, China*



DHIRUBHAI-1

Vessel type: *FPSO*
Converted: *2008*
Yard: *Jurong Shipyard*

NAVIG8 CHEMICAL TANKERS

Navig8 Aronaldo, Navig8 Aquamarine, Navig8 Amessi, Navig8 Azotic, Navig8 Turquoise, Navig8 Topaz, Navig8 Tourmaline, Navig8 Tanzanite.

Vessel type: *IMO II Chemical Tankers*
Built: *2015 / 2016*
Yard: *Hyundai Mipo Dockyard / STX*

NAVIG8 PRODUCT TANKERS

Navig8 Symphony, Navig8 Sanctity, Navig8 Steadfast, Navig8 Supreme.

Vessel type: *LR2 Product Tankers*
Built: *2016*
Yard: *Sungdong Shipbuilding & Marine Engineering, Korea*

NAVIG8 LTD.

Navig8 Universe, Navig8 Constellation.

Vessel type: *IMO II Chemical Tankers*
Built: *2013*
Yard: *Shina SB, Korea*

CONTAINER VESSELS

MSC Diana, MSC Ingy, MSC Eloane, MSC Mijam, MSC Rifaya, MSC Leanne.

Vessel type: *Container Vessels*
Built: *2016 / 2017*
Key features: *19,500 TEU Capacity*
Yard: *Samsung Heavy Industries*

LEWEK CONNECTOR

Vessel type: *Ultra deepwater multi-purpose, flex-lay subsea construction vessel / DP3.*
Built: *2011*
Yard: *Vard Søviknes*

FAR SENATOR / FAR STATESMAN

Vessel type: *Anchor Handling Tug Supply (AHTS)*
Built: *2013*
Yard: *Vard Langsten*

SBM INSTALLER

Vessel type: *Offshore construction and diving support vessel*
Built: *2013*
Yard: *Keppel Singmarine, Singapore*

AKER WAYFARER

Vessel type: *Subsea Orientation Equipment Vessel*
Built/converted: *2010 / 2016*
Yard: *Vard Søviknes*

The Aker Wayfarer undergoing modification works at Kleven Myklebust in order to become a Subsea Orientation and Equipment Vessel.

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 19 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 Science degree from the Norwegian School of Management (BI).

OTHER KEY PERSONNEL

ANDREAS REKLEV

SENIOR VICE PRESIDENT INVESTMENTS

Mr. Reklev (born 1983) serves as Senior Vice President Investments. Before joining Ocean Yield, Mr. Reklev 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

MARIUS MAGELIE

SENIOR VICE PRESIDENT

Mr. Magelie (born 1982) serves as Senior Vice President, with main focus on Investor Relations. Before joining Ocean Yield, Mr. Magelie worked in the Nordic investment bank ABG Sundal Collier since 2008 as an equity analyst and later as partner, focusing on companies and sub-sectors within the shipping and cruise industry. Prior to ABGSC, Mr. Magelie worked with equity research in Kaupthing, a Nordic investment bank. Mr. Magelie has a Master of Science in Financial Economics from Norwegian School of Management (BI).

KRISTINE KOSI

CHIEF ACCOUNTING OFFICER

Before joining Ocean Yield, Ms. Kosi (born 1983) was Group Accounting Manager in Umoe AS, an investment company involved in industrial investments, shipping, food production and catering. Before that she worked as Senior Associate with PwC AS, working as an auditor. Ms. Kosi has a Master of Science degree from the Norwegian School of Management (BI) and is a Chartered Accountant.

HÅVARD GARSETH

MANAGING DIRECTOR – AKER FLOATING PRODUCTION AS

Mr. Håvard Garseth (born 1956) is Managing Director of Aker Floating Production. Previously he was the company's Senior Vice President and Operation Manager and Project Manager for the FPSO Dhirubhai-1. Prior to this he has held various positions in Vetco Aibel (2000–2006) most recently as Manager Projects and Services, in Technology and Products department. He has also worked in Shell International (Holland, Oman and Djibouti) and Saga Petroleum in Norway. He is a graduate of the Norwegian institute of Technology (NTNU) in Trondheim and holds a Master Degree (Msc) in Petroleum Engineering.

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 Handelshøyskolen BI 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 owns 67.8 percent of Aker ASA through The Resource Group TRG AS and subsidiaries which he co-owns with his wife. 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) 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 shipping company with one of the world's largest open hatch fleets. 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 DIRECTORS' REPORT

2016 was another positive year in the development of Ocean Yield (the "Group or the "Company") as the Company continued to expand and diversify its portfolio of long-term charters, reaching a total of USD 2.3 billion of committed investments since the start up in 2012. The Company also experienced increased counterparty risk in its portfolio, as reduced activity in the oil-service segment forced two of its counterparties into financial restructuring. During 2016, Ocean Yield completed investments in both the container- and chemical tanker sectors, all with long term charters to strong counterparties. A total of 17 vessels have successfully been delivered during the year, which contributed positively towards strengthening the Company's earnings and dividend capacity.

2016 marked Ocean Yield´s entry into the containership segment, with an investment into six mega container vessels on long term bareboat charters. In addition, an investment in two chemical tankers were made with immediate delivery, which increased the overall fleet to 34 vessels, including newbuildings. The Company successfully completed both an equity issue of NOK 862 million and a bond issue of NOK 750 million, at an attractive cost of capital. These funds have and will be utilized to fund further growth.

Ocean Yield's quarterly dividend model has been well received among investors and the Company continued to increase its quarterly dividend during the year. The Company expects to continue to develop and diversify its portfolio of assets going forward, with the aim to continue to expand dividend capacity.

THE GROUP'S OPERATIONS AND FLEET

Ocean Yield's existing business portfolio consists of investments in vessels on long-term charter in addition to one financial investment in unsecured bonds. The fleet, at year-end 2016 consisted of a total of 34 vessels, including 3 newbuildings. The fleet now counts one FPSO, two offshore-construction vessels, one offshore construction and diving support vessel, two anchor handling vessels, six car carriers, two gas carriers (including one newbuilding), 49.5% of six container vessels (including two newbuildings), ten chemical tankers and four Aframax product tankers. As of year-end 2016 all vessels are chartered out long-term.

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

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 2016, are as follows:

- FPSO
- Other Oil Service
- Gas Carriers
- Car carriers
- Container vessels
- Other Shipping

FPSO

Aker Floating Production, which owns and operate the FPSO Dhirubhai-1, reported Operating Revenues of USD 137.9 million in 2016, compared to USD 138.3 million for the year 2015. Operating profit before depreciation and amortisation was USD 114.5 million, compared to USD 117.1 million in 2015. Operating profit was USD 57.1 million, compared to USD 31.3 million in 2015. The figure for 2015 includes an impairment of goodwill of USD 28.6 million. Net profit after tax for the year was USD 30.9 million, compared to USD 44.6 million in 2015. The figure for 2015 includes recognition of a tax benefit of USD 20.0 million for the year, related to deferred tax losses previously not recognized in the balance sheet. The operational utilization for the Dhirubhai-1 was 99.2% in 2016, compared to 99.8% in 2015. The figure for 2016 includes a planned shutdown of 2.1 days in September 2016 for maintenance.

OTHER OIL SERVICE

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 Lewek Connector, the anchor-handling-tug-supply vessels Far Senator and Far Statesman and the offshore construction and diving support vessel SBM Installer. Other Oil Service had total revenues of USD 90.7 million in 2016, compared to USD 90.1 million in 2015. For the vessel Lewek Connector, no charter rate for the month of December was recognized. This had a negative impact of USD 3.3 million on revenues in 2016. Operating Profit before depreciation and amortisation was USD 90.6 million, compared to USD 89.8 million in 2015. Net profit after tax was USD 10.5 million in 2016, compared to USD 41.2 million in 2015. In 2016 an impairment charge of USD 35.6 million has been recognized related to the vessel Lewek Connector.

GAS CARRIERS

Ocean Yield's investment in gas carriers is related to newbuilding contracts for three Liquefied Ethylene Gas Carriers, scheduled for 15-year bareboat charters to the Hartmann Group ("Hartmann"), Germany, with 10-year sub-charters to SABIC Petrochemicals B.V. The newbuilding contracts were entered into in May 2014 and the vessels were scheduled for delivery towards the end of 2016 and in the first quarter of 2017. In October 2016, Ocean Yield announced an agreement with the yard, being Sinopacific Offshore & Engineering, China ("SOE") and certain other contractual parties involved in the construction, where the third vessel was cancelled in collaboration with Hartmann / SABIC and the delivery date for the second vessel was delayed until July 2017. The bareboat charter with Hartmann and the sub-charter to SABIC was amended accordingly. The agreement came as a result of SOE filing for receivership in August 2016. Ocean Yield had paid USD 16.2 million in pre-delivery instalments to the shipyard, which was secured by bank guarantees. These funds were repaid to Ocean Yield shortly after, including 5% interest. The first vessel was then successfully delivered in November 2016. Operating Revenues were USD 1.4 million in 2016 compared with 0.0 in 2015. Operating profit before depreciation and amortization was USD 0.3 million in 2016 and Net Profit after tax was USD 0.1 million.

CAR CARRIERS

Ocean Yield's investments in car carriers are related to six vessels on long-term charters, where all vessels are delivered. The two final newbuildings of 8,500 CEU capacity, were delivered in March and June 2016. All vessels are chartered out to Höegh Autoliners AS on long term contracts. Operating Revenues were USD 35.4 million in 2016 compared to USD 24.2 million in 2015. Operating profit before depreciation and amortization was USD 22.7 million compared to USD 14.0 million in 2015. Net profit after tax was USD 16.9 million in 2016 compared to USD 10.0 million in 2015.

CONTAINER VESSELS

This is a new segment 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 are scheduled for delivery during the first quarter of 2017. The investment is accounted for using the equity method. Income from investments in associates was USD 6.7 million in 2016 as compared with USD 0.0 million in 2015.

OTHER SHIPPING

This segment includes Ocean Yield's investments in chemical tankers and product tankers. During 2016, the Company took delivery of four newbuilding chemical tankers of 37,000 dwt, which upon delivery commenced 15 year charters to Navig8 Chemical Tankers Inc. In addition, four LR2 product tankers, with 13-year charters to Navig8 Product Tankers Inc., were also delivered during 2016. Finally, in September Ocean Yield acquired two 45,000 dwt. chemical tankers with 12-year charters to Navig8 Ltd. Both vessels were delivered during the fourth quarter. Operating Revenues were USD 22.2 million in 2016 as compared with USD 4.2 million in 2015. Operating profit was USD 22.0 million as compared with USD 4.2 million in 2015. Net Profit after tax was USD 15.8 million as compared with USD 3.3 million in 2015.

OTHER

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 owned 93.05% of the bonds. AMSC bareboat charters ten vessels to Overseas Shipholding Group, Inc. ("OSG"). 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 18.3 million in 2016, compared to USD 18.1 million in 2015.

A total of 17 vessels have successfully been delivered during the year, which contributed positively towards strengthening the Company's earnings and dividend capacity.

REVIEW OF 2016 AND EVENTS AFTER THE BALANCE SHEET DATE

During 2016, the Company took delivery of a total of seventeen vessels, while one newbuilding contract was cancelled. This includes two car carriers, four container vessels, four product tankers, one gas vessel and six chemical tankers. All vessels are fixed one long-term charters.

In June, Ocean Yield announced an 49.5% equity investment in six newbuilding mega container vessels, owned by Quantum Pacific Shipping. The vessels are built by Samsung Heavy Industries, South Korea with delivery between July 2016 and March 2017.

Ocean Yield's equity investment in the transaction was approximately USD 162 million in total. Bank financing had already been arranged with international banks at competitive terms. Financing levels are in line with previous transactions and the debt is non-recourse to Ocean Yield. Ocean Yield's equity portion of the investment was funded by own cash and a drawing facility from Aker ASA of NOK 1,000 million with maturity in February 2018. The loan had an interest rate of NIBOR + 4.5% p.a.

In August, Ocean Yield completed a private placement of 13.5 million new shares, with gross proceeds of NOK 861.6 million, or equivalent to about USD 104.5 million. The share issue attracted strong interest and was heavily oversubscribed. As a result, Aker's shareholding in Ocean Yield was reduced to 66.3%. The proceeds of the share issue has and will be used for further growth and general corporate purposes.

In September, Ocean Yield successfully completed a new unsecured bond issue of NOK 750 million with maturity date in September 2021. The bond is carrying a coupon of 3 months NIBOR + 4.50% p.a. with quarterly interest payments. The proceeds will finance future growth and general corporate purposes. Concurrently with the new bond issue, Ocean Yield repurchased NOK 245.5 million of OCY02 with maturity in 2019 and NOK 92.5 million of OCY03 with maturity in 2020 and thereby extending the average maturity of its outstanding bond loans. Following the new bond issue, Ocean Yield repaid and cancelled the majority of the credit facility from Aker ASA. As of year-end 2016 NOK 250 million was available for drawdown. The facility was cancelled in January 2017.

In September, Ocean Yield agreed to acquire two 45,000 dwt IMO II chemical carriers, built in 2013 for a consideration of USD 35 million per vessel in combination with 12-year "hell and high water" bareboat charters to Navig8 Ltd. ("Navig8 Group"). The purchase price included a seller's credit of USD 6.0 million per vessel, which will amortise to zero over the charter period and carries no interest. Navig8 Group has certain options to acquire the vessels during the charter period, with the first option exercisable after five years. A loan facility of USD 49 million was signed with a group of banks for the long-term financing of the vessels.

In December, Ocean Yield was informed by the charterer of the vessel Lewek Connector, that they had introduced a short-term standstill agreement relating to the bareboat hire for the vessel for the months of December 2016 and January 2017. Given the challenging offshore market, the parent company of EMAS AMC AS, EMAS Chiyoda Subsea, had initiated discussions with its creditors in order to restructure and recapitalise the company. EMAS Chiyoda Subsea is owned 40% by Ezra Holdings Ltd. ("Ezra"), 35% by Chiyoda Corporation and 25% by Nippon Yusen Kabushiki Kaisha. EMAS AMC AS' obligations under the charterparty for the Lewek Connector are guaranteed by Ezra. In light of the potential financial restructuring an impairment of USD 35.6 million related to the vessel was recognized as of year-end 2016. In February 2017 the bareboat charter was terminated by Ocean Yield and a new four-month charter at a reduced rate was agreed. Subsequently, EMAS AMC AS filed for bankruptcy and Emas Chiyoda Subsea and Ezra filed for Chapter 11. Ocean Yield has a claim against EMAS AMC AS, which is guaranteed by Ezra for the loss related to the termination.

In February 2017, AMSC 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. The bonds allocated will be held as a financial investment and are freely available for sale in the market.

In February 2017, Ocean Yield agreed with Farstad Supply AS to restructure the terms of the bareboat charters, while at the same time a combination of Farstad Shipping ASA, Solstad Offshore ASA and Deep Sea Supply Plc was proposed. Ocean Yield converted NOK 160.8 million in net present value of future payments under the leasing agreements with Farstad Supply AS into equity. In addition, a portion of the annual lease payments have been deferred. The new charter rates were applicable from 1st January 2017.

Following completion of the Farstad restructuring, Ocean Yield owns 315,595,760 shares in Farstad Shipping ASA, which is equivalent to 6.5% of the shares in the company. Following a completion of the proposed combination with Solstad Offshore and Deep Sea Supply, it is expected that Ocean Yield's shareholding will be approximately 3% of the combined entity. A successful completion of the combination will create one of the largest companies in the high-end global offshore supply vessel industry, with a fleet of 154 vessels. The company will operate a fleet of 33 CSV, 66 PSV and 55 AHTS vessels deployed globally. No impairment related to the book value of the vessels was required as a result of the restructuring.

During 2016 Ocean Yield continued its shareholder-friendly model of paying attractive and increasing quarterly dividends to its shareholders. For 2016, USD 94.0 million was paid out in dividends. Compared to the Adjusted net profit for the year, this is a payout ratio of 72%. 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 2017. The General Meeting in April 2017 will vote on a new authorization to the Board, for payment of quarterly dividends up until the General Meeting in 2018.

For Q4 2016, the Board of Directors declared a dividend of USD 18.25 cents per share. This was approved by the Board of Directors on February 16th 2017 and was paid on March 2nd 2017. The dividend in Q4 2016 compares to adjusted net profit of USD 36.9 million, which is a pay-out ratio of 73%. With a pay-out ratio lower than the annual net profit, investment capacity is preserved for further growth of the Company.

FINANCING

During 2016, the Company entered into several new debt agreements.

In July, Ocean Yield entered into a loan facility with Aker ASA, of NOK 1,000 million with maturity in February 2018. The loan had an interest rate of NIBOR + 4.5% p.a. The proceeds of the loan facility was used to partially fund the investment in 49.5% of six container vessels.

During 2016 Ocean Yield drew and then repaid and cancelled NOK 420 million of this credit facility. As of year-end 2016 NOK 250 million was available for drawdown. This amount was however cancelled in January 2017.

Also in July Ocean Yield signed a loan agreement with a group of banks for a USD 202.5 million credit facility for the financing of the three Liquefied Ethylene Gas carriers on long - term charter to the Hartmann Group. However, following Ocean Yield's announcement to cancel the third vessel in October 2016 the tranche relating to this vessel was cancelled. The credit facility will finance USD 67.5 million out of the contract price of USD 81 million per vessel, with a tenor of 10 years from delivery, and will be repaid on an annuity basis down to a balloon of USD 22.5 million per vessel at maturity.

In September, Ocean Yield successfully completed a new unsecured bond issue of NOK 750 million with maturity date in September 2021. The bond is carrying a coupon of 3 months NIBOR + 4.50% p.a. with quarterly interest payments.

In October, a loan facility of USD 49 million was signed with a group of banks for the long-term financing of the two chemical tankers acquired in September. The loan has maturity of five years and carries interest of LIBOR +2.00% p.a..

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 2016.

Total revenues and other income for the year 2016 were USD 294.4 million as compared with USD 256.7 million for the year 2015. The increase reflects delivery of additional vessels to the fleet, where seventeen vessels have been delivered during 2016.

EBITDA was USD 265.2 million for the year 2016, compared with USD 224.2 million for the year 2015.

Depreciation was USD 99.7 million in 2016, compared with USD 96.7 million in 2015. The increase year-on-year is related to delivery of vessels accounted for as operating leases.

Impairment charges were USD 36.2 million in 2016 compared to USD 28.6 million in 2015. USD 35.6 million of the impairment charge in 2016 relates to the segment Other Oil Service and the vessel Lewek Connector. In 2015 USD 28.6 million was impairment of goodwill related to the segment FPSO.

Operating Profit was USD 129.2 million for the year 2016 as compared with USD 98.9 million for the year 2015.

Financial income was USD 25.7 million for the year 2016, compared with USD 59.7 million for the year 2015. This is mainly related to Ocean Yield's investment in unsecured bonds issued by AMSC, change in mark to market of derivatives and foreign exchange gains.

Financial expenses were USD 60.9 million in 2016, compared to USD 78.1 million in the year 2015. In 2015 financial expenses included a negative change in mark to market of derivatives of USD 40.5 million. In 2016 the change has been positive with USD 6.8 million. Interest expenses has increased from USD 34.8 million in 2015 to USD 50.3 million in 2016. The majority of the increase is related to deliveries of additional vessels to the fleet and drawings on long-term debt facilities, in addition to up-front fees on certain debt facilities, repurchase of bonds in the market and issuance of a new NOK 750 million bond in September 2016.

Net Profit before tax was USD 94.0 million for the year 2016 compared with USD 80.4 million for the year 2015.

Net Profit after tax was USD 77.5 million in 2016, compared to USD 105.0 million for the year 2015. The net profit for the year 2016 includes a change in deferred tax of negative USD 16.3 million compared to positive USD 25.0 million in 2015. The amount in 2015 relates to tax losses carried forward where the related deferred tax asset was previously not recognised in the balance sheet. Adjusted for non-recurring items, currency fluctuations, mark-to-market of derivatives and changes to deferred tax (as detailed in Note 13) the adjusted Net Profit was USD 130.9 million for the year 2016 compared with USD 108.1 million for the year 2015.

FINANCIAL POSITION AS OF DECEMBER 31 2016

The Ocean Yield Group had total assets as of December 31 2016 of USD 2,574.7 million, compared to USD 2,024.8 million for 2015. Book Equity was USD 815.2 million, resulting in an equity ratio of 31.7%. Cash and cash equivalents at year end were USD 165.5 million and Total interest bearing debt was USD 1,553.8 million. Net interest bearing debt was USD 1,388.3 million, compared to USD 1,041.2 million in 2015.

CASH FLOW

Net Cash flow from operating activities was USD 194.6 million in 2016, compared to USD 189.2 million for 2015. The difference between the Operating profit before depreciation and amortisation of USD 265.2 million and Net cash flow from operating activities is due to mobilisation fees,

advances and deferred revenue of USD 12.3 million recognized for the year, income from investment in associates of USD 6.7 million, realized foreign exchange losses of USD 3.0 million, other financial expenses of USD 2.0 million, net interest paid of USD 29.6 million, taxes paid of USD 0.5 million and net change in working capital of USD 16.5 million. Cash flow used for investing activities was USD 539.4 million for the year, compared to USD 290.1 million for 2015. The amounts in 2016 are related to the delivery of a total of seventeen vessels in addition to newbuilding instalments and equity payments for vessels delivering in 2017. Net cash flow from financing was USD 392.7 million, compared to USD 142.6 million for 2015. This includes repayment of debt of USD 247.0 million, payment of dividends of USD 94.0 million, new debt of USD 630.7 million in the year and new equity of USD 105.1 million. This compares to issuance of new long-term debt of USD 513.1 million, dividends of USD 80.7 million and repayment of debt of USD 291.5 million in 2015. Net cash flow for the year 2016 was USD 47.8 million, resulting in cash and cash equivalents of USD 165.5 million at the end of the year. 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 23.8 million of restricted cash deposits. The Group held no marketable securities at the end of the year. The Group has remaining capital expenditure commitments related to its newbuildings of USD 114.4 million, of which a total of USD 114.9 million of bank financing have been secured.

PARENT COMPANY – OCEAN YIELD ASA

The net profit after tax for the parent company Ocean Yield ASA was negative USD 12.8 million for the year 2016 compared to a profit of USD 66.2 million for the year 2015. The loss mainly comes as a result of net interest expenses of USD 20.8 million, as most of the Group's financings are placed in the parent company. Total assets were USD 2,131.7 million and total equity was USD 661.2 million, resulting in an equity ratio of 31.0% in the parent company. Total long-term debt was USD 1,375.4 million, of which USD 15.3 million is long-term debt to Group companies.

PRESENTATION OF ANNUAL ACCOUNTS

Ocean Yield's annual accounts comprise the following main parts: income statement, total comprehensive income, balance sheet, cash flow statement, change in equity and a summary of significant accounting policies and other explanatory information for the Ocean Yield Group and the financial statements of its parent company Ocean Yield ASA. 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 2016. 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 2016 all of Ocean Yield's 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 its vessels upon expiry of a charter contract and in the event of a counterparty default.

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", 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.

Ocean Yield's financial accounts are presented in USD and most of its revenues are denominated in USD, hence there is limited currency exchange risk in the Company. However, the Company has some exposure to NOK through its bareboat charters for the vessels Far Senator, Far Statesman and Aker Wayfarer, and Ocean Yield's bond loans of NOK 2,750 million, which are issued in NOK. 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 loans, where NOK 1,990 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 as 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. All payments to shipyards are secured by refund guarantees from international reputable banks. 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 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 light of the reduction in oil price seen during 2015 and reduced activity in the oil-service segment as a result, the Board of Directors is of the opinion that the overall counterparty risk increased during 2016. More specifically this is related to Farstad Supply AS and EMAS AMC AS, where Farstad has completed a financial restructuring and EMAS AMC AS has filed for bankruptcy.

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.

SUSTAINABILITY

Ocean Yield's activities are exposed to sustainability challenges and opportunities in the areas where we operate and through our supply chain. Compliance with national, regional and international rules, laws and conventions is self-evident in Ocean Yield, but business ethics and sustainability extend beyond compliance. These efforts build trust among our stakeholders, which is vital to our business. We shall strive to conduct our business in a way that makes people proud to work with, and for, Ocean Yield.

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 anticorruption measures in a separate document in this Annual Report for 2016 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 Govern ance 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 2016.

ALLOCATION OF PROFIT AND DIVIDEND FOR OCEAN YIELD ASA

In 2016, Ocean Yield has paid USD 94.0 million in dividends. A dividend of USD 0.1825 per share, or approximately USD 27.1 million in total, was approved by the Board of Directors on February 16th 2017 for Q4 2016. This was paid on March 2nd 2017 and is reflected in the accounts of the parent company Ocean Yield ASA.

Ocean Yield ASA had a net loss after tax of USD 12.8 million for the year 2016. The Board of Directors proposes the following allocation of net loss of USD 12.8 million: USD 99.2 million in dividends, USD 99.2 million from other paid-in capital and USD 12.8 million transferred to accumulated deficit.

FUTURE PROSPECTS

Ocean Yield has taken delivery of a total of 17 vessels during 2016. The Company still has another three vessels with planned delivery during 2017. These three vessels, together with full earnings effect from those vessels delivered during 2016, are expected to contribute positively to revenues in 2017. On the other hand the Company expects reduced revenues from the vessel Lewek Connector going forward.

Several shipping segments show indications of bottoming out and orders for new vessels remain low. This, in combination with historically low vessel values, may provide opportunities for attractive investments during 2017.

Following the refinancing of the bonds in AMSC, Ocean Yield has a solid cash position. Hence, the Company is well positioned to consider new investments in vessels with long-term charter.

The Company's dividend policy of paying attractive and increasing dividends to its shareholders remains unchanged.

LYSAKER 24TH MARCH 2017
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 31 December 2016.

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 31 December 2016. 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 2016. 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 31 December 2016.

TO THE BEST OF OUR KNOWLEDGE:

- *The consolidated and separate annual financial statements for 2016 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 31 December 2016 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.*

LYSAKER 24TH MARCH 2017
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

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Compliance with national, regional and international rules, laws and conventions is selfevident in Ocean Yield, but business ethics and sustainability extend beyond compliance. These efforts build trust among our stakeholders, which is vital to our business. We shall strive to conduct 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 of Dhirubhai1*

OUR ASSETS

PRINCIPLES

We shall aim to ensure that our assets are:

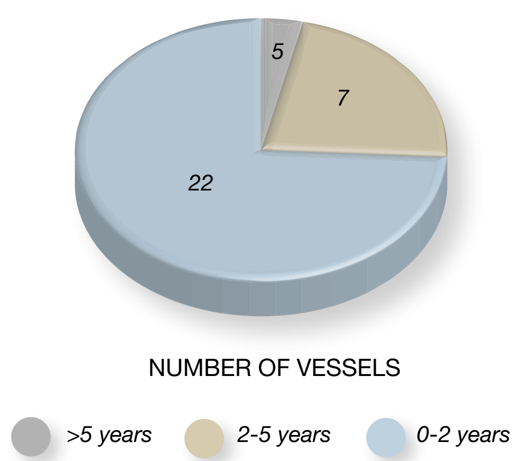
- *Modern and efficient. This implies that we make use of modern technology, and that our assets are developed to meet ever growing challenges related to environmental impacts and resource efficiency.*
- *Produced responsibly. Our vessels shall be built by reputable shipyards that have high standards 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 2016 consists of modern and efficient vessels carrying the world recognized DNV GL classification. As illustrated in the figure below our fleet (including new buildings) consists of young vessels where the majority is built within the last two years. The fleet, including newbuildings consists of a diverse range of vessel types including: Pure Car/Truck Carriers (PCTCs), Offshore Construction Vessels (OCVs), Anchor Handling Tug Supply (AHTS) vessels, a Floating Production Storage and Offloading (FPSO) vessel, Chemical tankers, Aframax Product tankers, Liquid Ethylene Gas (LEG) vessels and Container vessels. As of year-end 2016 all of our vessels are on long term bareboat charters to various counterparties wit in shipping and oil-service. For the FPSO Dhirubhai1, Ocean Yield has the operating responsibility through its subsidiary Aker Floating Production AS.

THE AGE OF OUR FLEET



SHIPBUILDING

We work with reputable shipyards from around the world. During the year 2016 we have taken delivery of 17 vessels, of which 15 were newbuildings. As of 31 December 2016 we have 3 newbuilding vessels under construction. These include one innovative liquid ethylene carriers (LEGs) being built by Sinopacific Offshore & Engineering for Hartmann/SABIC and two newbuilding mega container vessels under construction at Samsung Heavy Industries, Korea. We aim to only work with reputable shipyards. The contracts themselves include requirements regarding the high quality of the vessels, which must be delivered in accordance with the agreed specifications such as dead weight, fuel efficiency and speed. During construction we carry out audits in cooperation with our chartering partners, to ensure that our requirements are met.

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 to the environment.

OUR CHARTERERS

PRINCIPLES

We shall aim to build partnerships with our charterers:

- *That are long term*
- *With solid 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.

We are committed to ensure that our contracts are long term. As of year end 2016 average remaining contract tenor (weighted by EBITDA) was 11.1 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 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 that 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 disclosure 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.

During 2016 we have started the process of obtaining ISO 37001 anti-corruption certification for Aker Floating Production. The aim is to have this certification by the end of April 2017. Aker Floating Production will then be 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 0.37% in 2016, compared to 0.48% in 2015.

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 33% of the total number of employees as of year-end 2016 (35% in 2015). 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 and will use our independent whistleblower function.

OUR OPERATIONS

As the FPSO Dhirubhai1 is the only vessel where Ocean Yield has the responsibility of operating the vessel, this section of "our operations" relates only to the operations of Dhirubuhai-1.

PRINCIPLES

Our FPSO has committed to several sustainability related polices including a code of conduct, anticorruption, 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, work has commenced in order to obtain ISO 37001, anti-corruption certification.

HEALTH AND SAFETY

The health and safety of our staff comes first and foremost in all our operations. 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.*
- *Have a safety standard based on the Incident and Injury Free principle, since we believe that most injuries to personnel can be prevented.*
- *Safeguard the assets of the Company by employing adequate procedures and systems in order to prevent unauthorized intrusion in offices, ships and computers and safeguard employees.*

- *Provide training information and procedures for safe work and appropriate equipment to safeguard against risks to the health of personnel.*
- *Execute projects and design and manage operations to minimize exposure to Occupational Health and Safety impacts and provide work places with minimal exposure to hazards.*

ENVIRONMENT

We take our environmental responsibilities seriously. Continued improvement and a commitment to comply with international, local and regulatory requirements are central to our approach. Key policies we have adopted include to:

- *An aim for zero negative effect on the environment through no oil spillage and minimal oil in produced water.*
- *Targets to increase waste segregation and recycling as well as the amount of waste generated.*
- *Plans to keep chemical use as low as practically possible.*
- *Conducting our operations as efficiently as possible regarding material and energy use. Our main consumption of nonrenewable resources is through fuel use. As a result we closely monitor our fuel usage and strive to maximize process efficiency and minimize consumption to increase the sustainability of our operations.*
- *Provide training, information and procedures to our employees regarding prevention of pollution to air and sea.*

COMMUNITY

We have an impact on local communities and we shall therefore give back to these communities.

EFFORTS AND RESULTS

HEALTH AND SAFETY

All personnel operating the FPSO are trained in firefighting, sea survival, first aid, helicopter evacuation and emergency response. Specific training is often on the job as this has proven most effective for vocational work. However before work on a project commences a thorough plan must be made to check that crew members have appropriate training and to anticipate risks involved.

We also maintain strict standards regarding dress and use of personal protective equipment (PPE) and keeping work environments clean, tidy and safe at all times. Inspections to ensure high quality are carried out. Furthermore before employees travel offshore they must acquire an approved and up to date health certificate.

Lost Time Incidents (LTIs) have once again been avoided during 2016, and we are now proud to be able to say that the total time without an LTI is now over 8 years.

KPI achievements regarding Health, Safety and Quality related to Dhirubhai-1

	Target	Actual 2016	Actual 2015	Actual 2014
Fatal Injuries	0	0	0	0
Lost time Incidents (LTI)	0	0	0	0
Sickness/occupational disease	<2% of total man-hours	0.37%	0.48%	0.95%

ENVIRONMENT

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. We regularly review our environmental policy to ensure we achieve the best possible results.

In 2016 we once again achieved our target of 0 litres of accidental oil spillage into the environment. Our produced water also contained well below the legal limit of 40ppm oil in water at 19ppm, the same level as 2015.

Environmental KPI's related to Dhirubhai-1

	Target	Actual 2016	Actual 2015	Actual 2014
Annual oil spill	0	0 ltr	0 ltr	0 ltr
Produced water Quality (oil-in-water)	<40 ppm	<19 ppm	19 ppm	23ppm

COMMUNITY

Through our subsidiary, Aker Floating Production AS, we have taken an initiative to support the local community by donating to the UMA Educational & Technical Society, an Indian charity that works to improve the quality of life for disadvantaged people with a particular focus on helping those with disabilities achieve greater independence. We have this year continued the support of the UMA Educational & Technical Society.

AMBITIONS

Going into 2017 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.

AFP OPERATIONS` SOCIAL RESPONSIBILITY PROGRAM

AFP Operations has been cooperating with the charity organisation Uma Educational & Technical Society ("UMA") located in Kakinada which is also the location for AFP`s Indian shore base organisation. The organisation is registered under the societies registration act and they have successfully been helping people below the poverty line for 25 years. Uma is managed by Mr. SP Reddy who is a postgraduate in rehabilitation psychology.

The main goal of UMA is to render needed welfare and initiate activities for the rehabilitation of persons with disabilities who are below the defined poverty line and are residents in the rural areas of Kakinada. Presently UMA runs workshops for fabricating aids and appliances for the disabled, but are also involved in startup of other income generating programs to the disabled and their families and the initiation of self-help groups.

UMA's main sources of income derive from government aids, donations and the income generation programs. Aker Floating Production has granted donations to fund several projects over the last four years and has contributed to the income generation program by donating cardboard packing materials. This has been used to produce paper plates to be sold at the local market.

The following projects have been sponsored by Aker Floating Production AS, through its subsidiary, AFP Operations AS over the past four years:

2014:
Installation of 3kw solar panels to reduce the electrical power cost, provide stable power supply and the possibility to sell excess power back to the grid. This was the first installation of this kind in the region. The electricity cost was reduced by 50 % as a result.

2015:
Construction of the ground floor of a multipurpose building. The ground floor is now the new artificial limbs workshop.

2016:
Construction of the first floor of the multipurpose building. This is now used as a rehabilitation center for persons that are deaf and/or blind.

2017:
Installation of an elevator in the same building that now has four floors.

All the projects have been closely followed up from our shore base in Kakinada to ensure that donations have been 100% utilized for the intended purpose.

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Consolidated Income statement and total comprehensive income

Income statement

Continuing operations

Amounts in USD million	Note	2016	2015
Operating revenue	7	**241.7**	233.1
Finance lease revenue	8	**45.9**	23.6
Income from investments in associates	16	**6.7**	-
Total revenue and other income		**294.4**	256.7
Vessel operating expenses		**-17.8**	-15.5
Wages and other personnel expenses	9	**-6.1**	-12.6
Other operating expenses	9	**-5.3**	-4.5
EBITDA	13	**265.2**	224.2
Depreciation and amortization	14,15	**-99.7**	-96.7
Impairment charges	10	**-36.2**	-28.6
Operating profit (EBIT)	13	**129.2**	98.9
Financial income	11	**25.7**	59.7
Financial expenses	11	**-60.9**	-78.1
Net financial items	11	**-35.2**	-18.4
Net profit before tax		**94.0**	80.4
Income tax expense (-)/ benefit (+)	12	**-16.5**	24.6
Net profit after tax from continuing operations		**77.5**	105.0
Attributable to:			
Equity holders of the parent		**76.1**	104.0
Non-controlling interests		**1.4**	1.0
Net profit after tax from continuing operations		**77.5**	105.0
Basic earnings per share (USD)	20	**0.55**	0.77
Diluted earnings per share (USD)	20	**0.55**	0.77

Total comprehensive income

Amounts in USD million	Note	2016	2015
Net profit after tax		**77.5**	105.0
OTHER COMPREHENSIVE INCOME NET OF INCOME TAX			
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit liability		**-0.2**	0.1
Total for items that will not be reclassified to the income statement		**-0.2**	0.1
Items that may be reclassified to the income statement			
Share of other comprehensive income from investments in associates	16	**18.9**	-
Currency translation differences		**0.8**	-11.1
Total for items that may be reclassified to the income statement		**19.7**	-11.1
Total change in other comprehensive income, net of income tax		**19.4**	-11.0
Total comprehensive income		**96.9**	94.0
Attributable to:			
Equity holders of the parent		**95.5**	93.0
Non-controlling interests		**1.4**	1.0
Total comprehensive income		**96.9**	94.0

Consolidated Balance sheet at 31 December

Amounts in USD million	Note	2016	2015
ASSETS			
Vessels and other fixed assets	14	**1 243.8**	1 239.5
Goodwill	15	**9.8**	9.8
Deferred tax assets	12	**20.5**	36.4
Investments in associates	16	**187.4**	-
Interest-bearing long term receivables	17	**925.4**	478.3
Other non-current assets	17	**0.6**	127.6
Total non-current assets		**2 387.5**	1 891.6
Trade receivables and other interest-free receivables	18	**21.7**	15.5
Cash and cash equivalents	19	**165.5**	117.7
Total current assets		**187.2**	133.2
Total assets		**2 574.7**	2 024.8
EQUITY AND LIABILITIES			
Share capital		**239.6**	222.8
Treasury shares		**-0.1**	-0.1
Other paid-in capital		**461.6**	455.2
Total paid-in capital	20	**701.1**	678.0
Translation and other reserves		**-40.9**	-42.0
Retained earnings		**144.0**	61.1
Total equity attributable to equity holders of the parent		**804.2**	697.2
Non-controlling interests	21	**11.0**	11.6
Total equity		**815.2**	708.8
Interest-bearing debt	23	**1 380.4**	974.8
Pension liabilities	24	**0.4**	0.3
Non-current provisions	27	**28.5**	26.6
Mark to market of derivatives		**26.1**	68.7
Other interest-free long term liabilities	25	**37.4**	33.4
Total non-current liabilities		**1 472.7**	1 103.9
Interest-bearing short term debt	23	**173.4**	184.1
Liability related to investments in associates	16	**57.7**	-
Trade and other payables		**55.7**	28.0
Total current liabilities		**286.8**	212.1
Total liabilities		**1 759.5**	1 316.0
Total equity and liabilities		**2 574.7**	2 024.8

LYSAKER, 24TH MARCH 2017
OCEAN YIELD ASA

FRANK O. REITE
CHAIRMAN

KJELL INGE RØKKE
DIRECTOR

JENS ISMAR
DIRECTOR

ANNE-CHRISTIN DØVIGEN
DIRECTOR

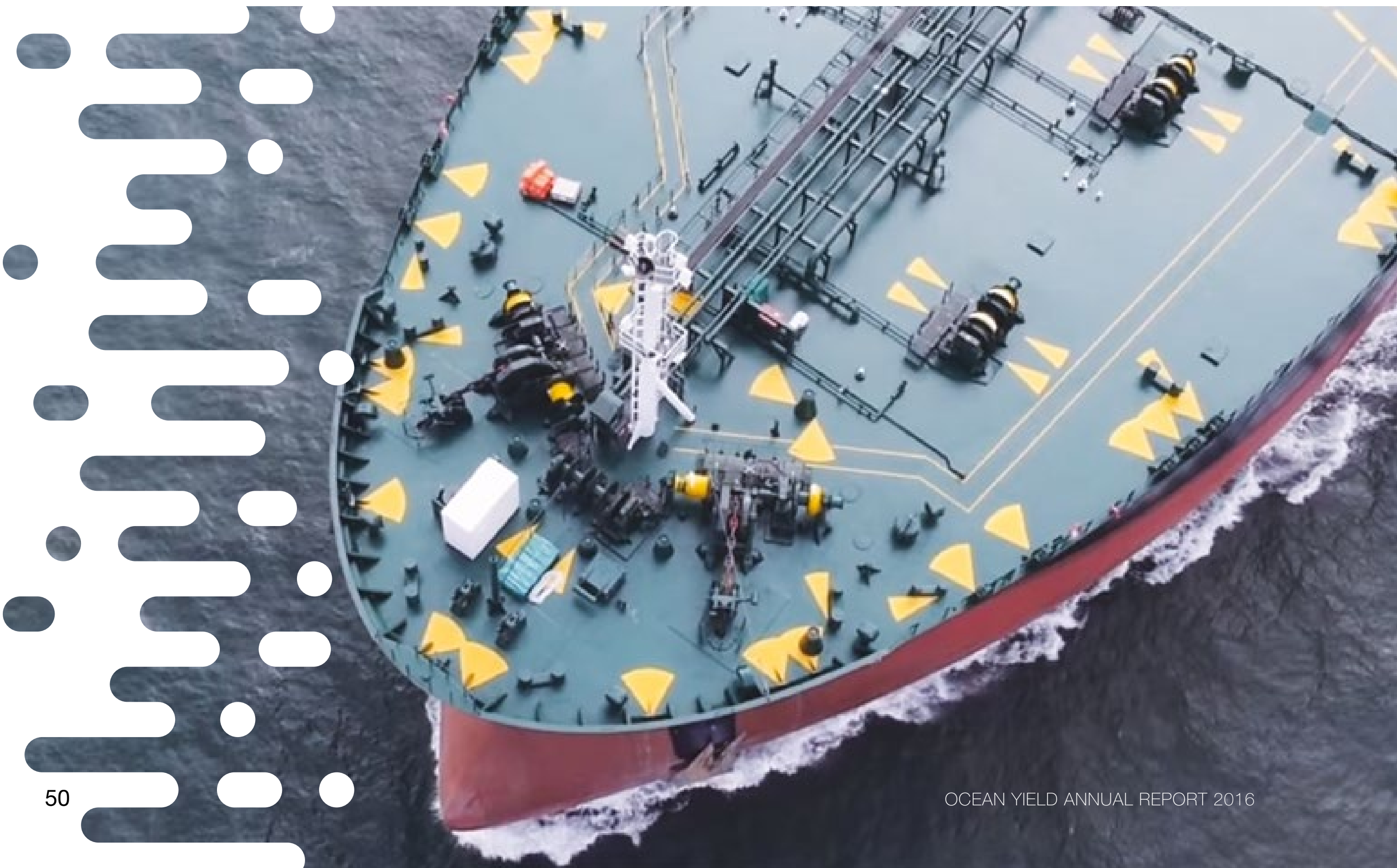
ANNICKEN GANN KILDAHL
DIRECTOR

LARS SOLBAKKEN
CEO

Changes in Equity

Amounts in USD million	Share capital	Share Premium	Treasury shares reserve	Trans-lation reserve	Retained earnings	Share-holders equity	Non-controlling interests	Total
Balance at 31 December 2014	**222.3**	**453.8**	**-0.2**	**-30.6**	**62.8**	**708.1**	10.6	**718.7**
Correction of decommissioning obligation from previous years*	-	-	-	-	-24.9	-24.9	-	**-24.9**
Balance at 1 January 2015	**222.3**	**453.8**	**-0.2**	**-30.6**	**37.9**	**683.3**	**10.6**	**693.8**
Net profit after tax for the period	-	-	-	-	104.0	104.0	1.0	**105.0**
Other comprehensive income	-	-	-	-11.1	0.1	-11.0	-	**-11.0**
Total comprehensive income	-	-	-	-11.1	104.1	93.0	**1.0**	**94.0**
Issuance of ordinary shares	0.6	1.4	-	-	-	2.0	-	**2.0**
Dividend	-	-	-	-	-80.7	-80.7	-	**-80.7**
Treasury shares acquired	-	-	-1.1	-	-	-1.1	-	**-1.1**
Treasury shares sold	-	-	1.0	-	-0.1	0.9	-	**0.9**
Balance at 31 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 at 31 December 2016	**239.6**	**461.8**	**-0.3**	**-40.9**	**144.0**	**804.2**	**11.0**	**815.2**

**The correction was first reflected in the 2015 Annual Report*



Consolidated Cash Flow Statement

Amounts in USD million	Note	2016	2015
Net profit before tax		**94.0**	80.4
Taxes paid		**-0.5**	-1.5
Net interest expense (+)		**34.1**	18.9
Interest paid		**-43.2**	-31.8
Interest received		**13.6**	6.5
Impairment charges	10	**36.2**	28.6
Depreciation and amortization	14,15	**99.7**	96.7
Income from investments in associates	16	**-6.7**	-
Unrealized foreign exchange gain/loss		**2.9**	-42.7
Mark to market of derivatives		**-6.8**	40.5
Changes in other net operating assets and liabilities		**-28.8**	-6.4
Net cash flow from operating activities		**194.6**	189.2
Acquisition of vessels and other fixed assets	14	**-139.3**	-52.2
Proceeds from disposal of vessels and equipment	14	**17.6**	-
Acquisition of vessels accounted for as finance lease	8	**-248.6**	-130.5
Repayment of finance lease receivable	8	**26.1**	10.8
Net cash flow from other non-current assets	8	**-92.1**	-113.6
Investments in associates	16	**-104.2**	-
Net cash flow from interest-bearing long term receivables		**1.1**	-4.7
Net cash flow from investing activities		**-539.4**	-290.1
Proceeds from issuance of long-term interest-bearing debt	23	**630.7**	513.1
Repayment of long-term interest-bearing debt	23	**-247.0**	-291.5
Dividend paid	20	**-94.0**	-80.7
Dividend paid to non-controlling interests	21	**-2.0**	-
Net proceeds from issuance of ordinary shares		**105.1**	2.0
Net change in treasury shares		**-**	-0.3
Net cash flow from financing activities		**392.7**	142.6
Net change in cash and cash equivalents		**47.8**	41.7
Effects of changes in exchange rates on cash		**-0.1**	-0.3
Cash and cash equivalents at 1 January		**117.7**	76.4
Cash and cash equivalents at 31 December	19	**165.5**	117.7

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 2016 consolidated financial statements of Ocean Yield ASA incorporate the financial statements of the Company and its subsidiaries owned as of 31 December 2016 (referred to collectively as the "Group" and separately as group companies).

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

The consolidated financial statements for 2016 were approved and authorized for issue by the Board of directors on 24 March 2017. The consolidated financial statements will be presented to the Annual General Meeting on 20 April 2017 for approval.

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 31 December 2016.

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*

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 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 2016 all 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. This assessment involves the use of estimates and assumptions about fair values of the leased vessels and expected future values. This includes 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. In lease agreements where there are purchase options, an assessment is made whether it is reasonbly certain that any of the purchase options will be exercised by the lessee. Reference is made to note 7 Operating lease revenue and note 8 Finance lease revenue.

IMPAIRMENT OF VESSELS

Ocean Yield has significant investments in vessels. At every balance sheet date the Group considers whether there are any indications of impairment on the book values of these vessels. If such indications exist, a valuation is performed to assess whether the vessel is impaired or not. 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 14 Vessels and other fixed assets.

IMPAIRMENT OF GOODWILL AND ASSUMPTIONS

In accordance with applicable accounting principles, the Group performs impairment tests at each annual balance sheet date or more frequently if impairment indicators are identified in order to determine whether goodwill recorded in the balance sheet is subject to any impairment. The recoverable amount is determined based on the present value of estimated cash flows for the cash-generating unit. Such determination requires the use of estimates that are consistent with the market valuation of the Group. Reference is made to note 15 Goodwill.

IMPAIRMENT OF FINANCE LEASE RECEIVABLES

The Group had as of year-end 2016 15 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 28 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 31 December 2016 and have therefore not been applied in preparing these consolidated financial statements;

- *The implementation of IFRS 9 Financial Instruments is mandatory from 1 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 is not expected to have significant impact on the financial statements of Ocean Yield.*
- *Implementation of IFRS 15 Revenue from Contracts with Customers is mandatory from 1 January 2018. The new standard is not expected to have significant impact on the financial statements of Ocean Yield.*
- *Implementation of IFRS 16 Leases is mandatory from 1 January 2019. The new standard requires companies 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.

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

FUNCTIONAL CURRENCY

Initial recording of items included in the financial statements of each subsidiary is reflected in its functional currency, i.e., the currency that best reflects the economic substance of the underlying events and circumstances relevant to that subsidiary. The consolidated financial statements are presented in United States Dollars (USD), which is the functional currency of the parent company.

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 (if the average exchange rates for the period do not provide a fair estimate of the transaction rate, the actual transaction rate is used).*
- *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 costs for an item of property, plant and equipment are recognized as an asset if it is probable that the future economic benefits embodied within that item will flow to the Group, and its cost can be reliably measured. 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 when it is probable that the future economic benefits embodied within that asset will flow to the Group, and its cost can be measured reliably. 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. Useful life is considered to be the period over which an asset is expected to be available for use by Ocean Yield.

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

Vessels 10-30 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 2016 all vessels owned by the Group were chartered out on long term contracts. All the charter agreements are classified as either operating leases or finance leases based on an assessment of the terms of the lease agreements. 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. Payments received under operating leases, net of any incentives paid to the charterer, are recognized in the profit and loss on a straight-line basis over the period of the lease term. 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. Over the lease term, interest on the net investment is recognized in the profit and loss as operating income in a way that produces a constant rate of return on the investment.

LEASE AGREEMENTS (AS LESSEE)

OPERATING LEASE

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

INTANGIBLE ASSETS

GOODWILL

All business combinations in the Group are recognized using the acquisition method. Goodwill on acquisitions of subsidiaries represents the difference between the cost of the acquired entity and the fair value of the net identifiable assets acquired. In subsequent measurements goodwill is valued at acquisition cost, less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is at least tested annually for impairment.

FINANCIAL ASSETS

The Group classifies its non-derivative financial assets into the following four categories: loans and receivables; cash and cash equivalents; financial assets at fair value through profit and loss; and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired and their characteristics. Management determines the classification of its financial assets at initial recognition. 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. The Group initially recognizes loans and receivables and cash and cash equivalents on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

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 2016 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 2016 or 2015 in the Parent or any consolidated subsidiaries. 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 16, hedge accounting is applied to mitigate interest rate risk for borrowings in an associated company.

SHARE CAPITAL

ORDINARY SHARES

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are reflected in equity as a deduction from the proceeds, net of tax.

TREASURY SHARES

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are subsequently sold or reissued, the amount received is recognized as an increase in equity, and the surplus or deficit resulting from the transaction is transferred to/from retained earnings.

TRANSLATION RESERVE

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries with a different functional currency than USD.

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 2016 and 2015, 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. In such a case, the tax is also recognized in Other comprehensive income or directly in equity, respectively.

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.*

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. 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 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 25% (changed to 24% from 1 January 2017).

EMPLOYEE BENEFITS

DEFINED BENEFIT PLANS

For defined benefit plans, the liability recognized is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries and is measured as the present value of estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. The fair value of plan assets is determined as the opening balance, plus any contributions paid and the actual return during the year, subtracted any benefits paid

The cost of providing pensions is charged to the profit and loss so as to spread the regular cost over the service lives of employees. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions, and amendments to pension plans are charged or credited to equity in other comprehensive income in the period in which they arise.

DEFINED CONTRIBUTION PLANS

For defined contribution plans, contributions are paid into pension insurance plans. Once the contributions have been paid, there are no further payment obligations. Contributions to defined contribution plans are charged to the profit and loss in the period to which the contributions relate.

SHARE-BASED PAYMENTS

Share-based payments are accounted for in accordance with IFRS 2 Share-based Payment. Share-based payment expense is measured at fair value over the service period. All changes in fair value are recognized in the income statement.

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

PROVISIONS

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economics benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

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

For vessel charter agreements that are classified as finance leases the net present value of the minimum lease payments and any discounted unguaranteed residual value are recognized as an interest-bearing long term receivable. Over the lease term interest on the net investment is recognized in the profit and loss as operating 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 pre-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 profit and loss. 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 2015. The authorization is valid until the Annual General Meeting in 2017.

EARNINGS PER SHARE

The calculation of ordinary earnings per share is based on the profit attributable to ordinary shares using the weighted average number of shares outstanding during the year, after deduction of the average number of treasury shares held over the reporting period. The calculation of diluted earnings per share is consistent with the calculation of ordinary earnings per share, and gives effect to all dilutive potential ordinary shares that were outstanding during the period, that is:

- *The net profit for the period attributable to ordinary shares is increased by the after-tax amount of dividends and interest recognized in the period in respect of the dilutive potential ordinary shares, and adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares.*
- *The weighted average number of additional ordinary shares that would have been outstanding, assuming the conversion of all dilutive potential ordinary shares, increases the weighted average number of ordinary shares outstanding.*

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 28.

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 2016 the Group has 15 lease agreements that are classified as finance leases. The fair value calculation of the finance lease receivables is explained in greater detail in note 28.

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 liquid listed bonds 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.

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 0.68 per share has been paid in dividends during 2016 (USD 0.60 in 2015). In February 2017, in connection with the announcement of the Q4 2016 results, Ocean Yield declared a dividend of USD 0.1825 per share, which at the time of declaration equalled a dividend yield of approximately 9.6% on an annualized basis (10.7% annualized in February 2016).

DIVIDEND RESTRICTIONS IN SUBSIDIARIES

The Aker Floating Production AS Group ('AFP') has a secured bank loan, where the agreement contains restrictions on dividend payments. AFP is restricted from distributing dividends in excess of 50% of the excess cash resulting from payments received under the charter contract for the Dhirubhai-1, less instalments and interest payments on the bank loan and certain other items. Extraordinary charter-hire payments are not included. Any dividends or other distribution in a financial year may only be if AFP applies an amount equal to 50% of excess cash to further reduce the amount outstanding under facility A (see note 23) in the financial year. As of year-end 2016 AFP has available funds from such extraordinary charter hire payments which may be distributed.

CREDIT RISK

The management of Ocean Yield ASA and its main companies have a conservative approach to 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 Aker Oilfield Services (part of Akastor ASA) is the counterparty, eight chemical tankers chartered to Navig8 Chemical Tankers Inc, two chemical tankers chartered to Navig8 Ltd. and four product tankers chartered to Navig8 Product Tankers Inc. Management does not expect any counterparty to fail to meet its obligations.

TRADE RECEIVABLES

Ocean Yield's maximum exposure to credit risk for trade receivables against customers was USD 21.1 million year-end 2016 (USD 16.2 million year-end 2015). These customers had a credit rating of BBB or lower.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held with banks and financial institutions with high credit-ratings. Based on their high 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 light of the reduction in oil price seen since 2015 and reduced activity in the oil-service segment as a result, the Company is of the opinion that the overall counterparty risk has increased during 2016. More specifically this is related to Farstad Supply AS and Ezra Holdings Ltd. who both entered into discussions about a financial restructuring during 2016.

In December 2016, Ocean Yield was informed by the charterer of the vessel Lewek Connector, that they had introduced a short-term standstill agreement relating to the bareboat hire for the vessel for the months of December 2016 and January 2017. In February 2017, in order to protect Ocean Yield's legal interest, the bareboat charter was terminated and a new four-month charter at a reduced rate has been agreed. Subsequently, Emas Chiyoda Subsea and Ezra Holdings Ltd. filed for Chapter 11 and the subsidiary EMAS AMC AS filed for bankruptcy. Ocean Yield is expecting reduced revenues from the Lewek Connector going forward, following the termination. Ocean Yield has a claim against EMAS AMC AS, guaranteed by Ezra Holdings Ltd. for losses related to the termination of the charter contract. As of year-end 2016 the Group has no exposure for accounting losses on trade receivables against EMAS AMC, as the charter hire for December 2016 was not recognized as revenue.

In February 2017, Ocean Yield agreed with Farstad Supply AS to restructure the terms of the bareboat charters, while at the same time a combination of Farstad Shipping ASA, Solstad Offshore ASA and Deep Sea Supply Plc was proposed. Ocean Yield has converted NOK 160.8 million in net present value of future payments under the leasing agreements with Farstad Supply AS into equity. In addition, a portion of the annual lease payments have been deferred. The new charter rates are applicable from 1st January 2017. Following the completion of the Farstad restructuring, Ocean Yield owns 315,595,760 shares in Farstad Shipping, or equivalent to 6.5% of the shares in the company. Following a completion of the proposed combination with Solstad Offshore and Deep Sea Supply, it is expected that Ocean Yield's shareholding will be approximately 3% of the combined entity. A successful completion of the combination will create one of the largest companies in the high-end global offshore supply vessel industry with a fleet of 154 vessels. Following this financial restructuring, which had an acceptable outcome for Ocean Yield, the Company sees the risk as reduced in relation to Farstad Supply AS.

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:

		2016		
Amounts in USD million	**Note**	**Receivables at amortized cost**	**Cash and cash equivalents**	**Total**
Financial interest-bearing long term receivables	17	901.6	23.8	925.4
Other non-current assets		0.6	-	0.6
Trade receivables, other interest-free short term receivables	18	21.7	-	21.7
Cash and cash equivalents	19	-	165.5	165.5
Total		**923.9**	**189.3**	**1 113.2**

		2015		
Amounts in USD million	**Note**	**Receivables at amortized cost**	**Cash and cash equivalents**	**Total**
Financial interest-bearing long term receivables	17	581.3	24.6	605.9
Trade receivables, other interest-free short term receivables	18	15.5	-	15.5
Cash and cash equivalents	19	-	117.7	117.7
Total		**596.8**	**142.3**	**739.1**

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

Amounts in USD million	Gross trade receivables 2016	Provision for impairment loss 2016	Gross trade receivables 2015	Provision for impairment loss 2015
Not past due	12.2	-	12.3	-
Past due 0-30 days	0.5	-0.1	0.4	-
Past due 31-120 days	6.4	-4.3	0.4	-
Past due 121-365 days	4.1	-	-	-
Past due more than one year	3.9	-1.7	3.1	-1.7
Total trade receivables	**27.1**	**-6.0**	16.2	-1.7

Of the net trade receivables of USD 21.1 million, USD 20.1 million is related to dayrate, bonuses, studies and other payments under the charter contract for the FPSO Dhirubhai-1. USD 6.1 million of the USD 20.1 million is related to delayed bonus payments. USD 11.1 million is not overdue.

The gross trade receivables of USD 27.1 million includes USD 3.3 million related to charter hire for December 2016 for the vessel Lewek Connector. In December 2016, Ocean Yield received a request from the charterer EMAS AMC to enter into a short-term standstill agreement relating to the bareboat hire of the vessel for the months of December 2016 and January 2017. The charter hire for December was not recognized as revenue in 2016, but is included in the gross trade receivables as Ocean Yield still has a claim against EMAS AMC. The bareboat charter is also fully guaranteed by Ezra Holdings. Please refer to note 34 for more information regarding the charter contract for the vessel Lewek Connector.

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

Amounts in USD million	2016	2015
Balance 1 January	1.7	1.7
Impairment loss recognized in profit and loss	4.3	-
Reversal or use of previously recognized impairment loss	-	-
Balance 31 December	6.0	1.7

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:

	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 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**

	2015 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	933.5	-1 027.9	-88.0	-114.4	-168.1	-440.2	-217.2
Unsecured bond issues	225.4	-272.2	-5.9	-5.9	-12.1	-248.4	-
Non-current provisions	26.6	-32.0	-	-	-	-32.0	-
Interest rate swaps	12.8	-33.7	-1.3	-1.9	-6.9	-20.2	-3.4
Forward exchange contracts	61.5	-56.6	-1.2	-1.2	-35.7	-18.6	-
Trade and other payables	22.5	-22.5	-22.5	-	-	-	-
Total contractual cash flows for liabilities	**1 282.3**	**-1 445.0**	**-118.8**	**-123.5**	**-222.7**	**-759.4**	**-220.6**

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 has 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 2016 the Group's exposure to currency risk is mainly related to the bond loans in Ocean Yield ASA, which are denominated in NOK, and the finance lease receivable related to the vessel Aker Wayfarer, where USD 21.3 million of the total finance lease receivable of USD 201.6 million is denominated in NOK. To reduce some of the currency effects related to the bond loans Ocean Yield ASA has entered into five cross currency interest rate swaps where cash flows in NOK have been swapped to USD. One of the cross currency interest rate swap is related to the bond issue OCY02, where NOK 590 million (total bond loan is NOK 1 000 million) has been swapped from NIBOR + 3.90% p.a. to LIBOR + 4.603% p.a., three of the cross currency interest rate swaps 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 of the cross currency interest rate swaps 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:

	2016		2015	
Amounts in USD million	**Profit before tax**	**Equity**	**Profit before tax**	**Equity**
Foreign exchange gain on Bond loans	25.4	19.0	20.5	15.0
Foreign exchange loss on Finance lease receivables	-1.9	-1.4	-2.3	-1.7
Change in MTM cross currency interest rate swaps	-23.6	-17.7	-18.6	-13.6
Total	-0.1	-0.1	-0.4	-0.3

The consolidated financial statements are presented in USD. As some entities have NOK as functional currency the Group recognizes translation differences due to changes in the NOK exchange rate. The table below illustrates Ocean Yield Group's sensitivity to translation differences.

If the USD had been 10% stronger through 2016, the effects in the consolidated financial statement would have been as shown as follows:

Amounts in USD million	Operating revenue	Profit before tax	Equity
USD	278.3	88.7	771.2
NOK	16.1	5.3	43.9
Total	294.4	94.0	815.2
Ocean Yield when 10% USD appreciation	292.9	93.5	811.2
Change with USD 10% appreciation versus NOK	-1.5	-0.5	-4.0

At year-end 2015 the effects would have been as follows:

Amounts in USD million	Operating revenue	Profit before tax	Equity
USD	240.0	75.3	671.7
NOK	16.7	5.1	37.1
Total	256.7	80.4	708.8
Ocean Yield when 10% USD appreciation	255.2	80.0	705.4
Change with USD 10% appreciation versus NOK appreciation versus NOK	-1.5	-0.5	-3.4

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 2016 and 2015 in the Parent or consolidated subsidiaries. As further explained in note 16, hedge accounting is applied to mitigate interest rate risk for borrowings in an associated company.

In addition, in several of the Groups lease agreements the charter rates are subject to a LIBOR adjustment

EXPOSURE TO INTEREST RATE RISK

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

Amounts in USD million	2016	2015
Fixed rate instruments:		
Financial assets	**201.6**	260.5
Financial liabilities	**-505.6**	-473.9
Net fixed rate instruments	**-304.0**	-213.5
Variable rate instruments:		
Financial assets	**889.3**	335.5
Financial liabilities	**-1 048.3**	-685.0
Net variable rate instruments	**-159.1**	-349.5
Net interest-bearing debt (-) / asset (+)	**-463.0**	-562.9

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

Amounts in USD million	2016	2015
Swap amount	**430.3**	605.6
Weighted average fixed interest rate (swapped from LIBOR)	**2.46%**	1.92%
Weighted average remaining years	**3.1**	3.2

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 2016 the Group has USD 159.1 million (349.5 million year-end 2015) 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 1.3 million (USD 1.3 million based on year-end 2015) and an increase in the NIBOR rate of 100 basis points would increase the Group's annual net interest expenses of USD 2.1 million (USD 2.2 million based on year-end 2015). 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. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. 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.

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 31 December 2016 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 31 December 2016 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 Lewek Connector and the diving support and offshore construction vessel SBM Installer.

- ***Gas Carriers***
  This segment includes the Group's investments in gas carriers. As of 31 December 2016 the Group has one gas carrier; GasChem Beluga. The Group has also one newbuilding contract for one liquified ethylene gas (LEG) carrier of 36 000 cbm capacity, which will be delivered in 2017.

- ***Car Carriers***
  This segment includes the Group's investments in car carriers. As of 31 December 2016 the Group had 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, where two are under construction as of year-end 2016.

- ***Other Shipping***
  This segment includes the Group's investments in chemical tankers and product tankers. As of 31 December 2016 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, and four product tankers; Navig8 Supreme, Navig8 Sanctity, Navig8 Symphony and Navig8 Steadfast.

- ***Other***
  This segment includes all other investments, with the most significant being the bonds issued by American Shipping Company ASA.

2016 - Operating segments

Income statement

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

Balance Sheet

Amounts in USD million	FPSO	Other Oil Service	Gas Carriers	Car Carriers	Container vessels	Other Shipping	Other and eliminations	Total
ASSETS								
Vessels and other fixed assets	345.4	470.5	106.5	312.0	-	-	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	0.5	-	-	501.9	201.7	**926.0**
Total non-current assets	377.8	672.1	107.0	312.0	187.4	501.9	229.3	**2 387.5**
Trade receivables and other interest-free receivables	21.7	-	-	-	-	-	-	**21.7**
Cash and cash equivalents	45.6	21.5	1.0	1.2	-	5.6	90.6	**165.5**
Total current assets	67.3	21.5	1.0	1.2	-	5.6	90.6	**187.2**
Total assets	445.1	693.6	108.1	313.1	187.4	507.5	319.9	**2 574.7**
EQUITY AND LIABILITIES								
Total equity	296.6	179.2	41.7	70.5	129.8	122.4	-24.9	**815.2**
Interest-bearing long term debt	13.1	469.7	62.1	200.1	-	357.7	277.5	**1 380.4**
Deferred tax liability	-	-	0.1	-	-	-	-0.1	**-**
Pension liabilities	0.3	-	-	-	-	-	0.1	**0.4**
Mark to market of derivatives	-	0.8	-	4.8	-	-	20.5	**26.1**
Non-current provisions	28.5	-	-	-	-	-	-	**28.5**
Other interest-free long term liabilities	15.7	2.8	-	18.8	-	-	-	**37.4**
Total non-current liabilities	57.6	473.3	62.3	223.8	-	357.7	298.0	**1 472.7**
Interest-bearing short term debt	86.8	38.5	3.9	17.0	-	27.3	-	**173.4**
Liability related to investments in associates	-	-	-	-	57.7	-	-	**57.7**
Mark to market of derivatives	-	1.0	-	1.9	-	-	38.5	**41.3**
Trade and other payables	4.1	1.6	0.2	0.1	-	0.1	8.3	**14.4**
Total current liabilities	91.0	41.1	4.1	18.9	57.7	27.4	46.8	**286.8**
Total liabilities	148.5	514.4	66.4	242.7	57.7	385.1	344.8	**1 759.5**
Total equity and liabilities	445.1	693.6	108.1	313.1	187.4	507.5	319.9	**2 574.7**

2015 - Operating segments

Income statement

Amounts in USD million	FPSO	Other Oil Service	Gas Carriers	Car Carriers	Container vessels	Other Shipping	Other and eliminations	Total
Operating revenue	138.3	70.7	-	24.2	-	-	-	**233.1**
Finance lease revenue	-	19.4	-	-	-	4.2	-	**23.6**
Income from investment in associates	-	-	-	-	-	-	-	**-**
Total revenues and other income	138.3	90.1	-	24.2	-	4.2	-	**256.7**
Operating expenses	-21.2	-0.3	-	-0.1	-	-	-11.0	**-32.6**
Operating profit before depreciation and amortization	117.1	89.8	-	24.1	-	4.2	-11.0	**224.2**
Depreciation and amortization	-57.2	-29.2	-	-10.0	-	-	-0.3	**-96.7**
Impairment charges	-28.6	-	-	-	-	-	-	**-28.6**
Operating profit (loss)	31.3	60.6	-	14.0	-	4.2	-11.2	**98.9**
Interest income	-	-	-	-	-	-	18.1	**18.2**
Other financial income	0.2	-	-	-	-	-	41.3	**41.5**
Interest expense	-5.0	-18.1	-	-4.2	-	-1.3	-6.7	**-35.3**
Other financial expenses	-1.9	-2.4	-	-2.1	-	-	-36.4	**-42.8**
Net profit (loss) before tax	24.6	40.0	-	7.7	-	2.9	5.2	**80.4**
Income tax expense (-)/benefit (+)	20.0	1.1	-	2.2	-	0.4	0.9	**24.6**
Net profit (loss) after tax	44.6	41.2	-	10.0	-	3.3	6.0	**105.0**

Balance Sheet

Amounts in USD million	FPSO	Other Oil Service	Gas Carriers	Car Carriers	Container vessels	Other Shipping	Other and eliminations	Total
ASSETS								
Vessels and other fixed assets	402.8	532.1	66.2	230.9	-	-	7.6	**1 239.5**
Goodwill	9.8	-	-	-	-	-	-	**9.8**
Deferred tax assets	19.9	1.6	-	4.3	-	-	10.6	**36.4**
Interest-bearing long term receivables and other non-current assets	20.1	132.2	-	-	-	221.0	232.6	**605.9**
Total non-current assets	452.6	665.9	66.2	235.2	-	221.0	250.8	**1 891.6**
Trade receivables and other interest-free receivables	15.3	-	-	-	-	-	0.1	**15.5**
Cash and cash equivalents	42.9	19.4	0.5	0.2	-	0.2	54.5	**117.7**
Total current assets	58.3	19.4	0.5	0.2	-	0.2	54.6	**133.2**
Total assets	510.8	685.3	66.7	235.4	-	221.2	305.4	**2 024.8**
EQUITY AND LIABILITIES								
Total equity	287.9	171.5	66.6	84.5	-	93.8	4.4	**708.8**
Interest-bearing long term debt	81.4	456.5	-	126.8	-	84.8	225.4	**974.8**
Pension liabilities	0.2	-	-	-	-	-	0.1	**0.3**
Mark to market of derivatives	-	1.0	-	6.0	-	-	61.7	**68.7**
Non-current provisions	26.6	-	-	-	-	-	-	**26.6**
Other interest-free long term liabilities	24.7	2.2	-	6.5	-	-	-	**33.4**
Total non-current liabilities	132.9	459.7	-	139.2	-	84.8	287.2	**1 103.9**
Interest-bearing short term debt	86.1	44.7	-	10.7	-	42.6	-	**184.1**
Mark to market of derivatives	0.1	0.8	-	0.9	-	-	3.8	**5.6**
Trade and other payables	3.8	8.6	0.1	-	-	-	10.0	**22.5**
Total current liabilities	90.1	54.0	0.1	11.6	-	42.6	13.8	**212.1**
Total liabilities	223.0	513.7	0.1	150.8	-	127.4	301.0	**1 316.0**
Total equity and liabilities	510.8	685.3	66.7	235.4	-	221.2	305.4	**2 024.8**

Geographical areas

Amounts in USD million	2016	2015
Total revenue based on location of customer (registered business address):		
Germany	**1.4**	-
India	**137.9**	138.3
Marshall Islands	**22.2**	4.2
Norway	**110.5**	98.6
Switzerland	**15.6**	15.6
Total	**287.7**	256.7
Total vessels, equipment and intangibles by company location:		
Norway	**1 253.6**	1 248.4
Total	**1 253.6**	1 248.4

SIGNIFICANT CUSTOMERS

The Group has three customers that each account for more than 10% of the Group revenue in 2016. Recognized revenue related to these customers in 2016 was USD 137.9 million, USD 35.2 million and USD 35.4 million respectively. In 2015 the Group had two customers that accounted for more than 10% of the Group revenue. Recognized revenue related to these customers was USD 138.3 million and USD 38.3 million.

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	Gas Carriers	Car Carriers	Container vessels	Other Shipping	Total	Total 2015
Ordinary lease revenue	102.1	67.5	0.9	32.1	-	-	**202.6**	198.0
Contingent rent	4.7	-	-	-	-	-	**4.7**	5.7
Total operating lease revenue	106.8	67.5	0.9	32.1	-	-	**207.3**	203.7
Other operating revenue	22.1	-	-	-	-	-	**22.1**	20.3
Mobilization fee, advances and deferred revenue	9.0	-0.6	0.5	3.4	-	-	**12.3**	9.1
Total operating revenue	137.9	66.9	1.4	35.4	-	-	**241.7**	233.1

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

Amounts in USD million	FPSO	Other Oil Service	Gas Carriers	Car Carriers	Container vessels	Other Shipping	Total 2016	Total 2015
Duration less than one year	102.5	70.0	15.7	35.7	-	-	**223.9**	224.1
Duration between one and five years	74.2	278.4	83.9	145.3	-	-	**581.9**	721.5
Duration over five years	-	156.2	109.3	170.3	-	-	**435.8**	618.1
Total future minimum lease payments	176.7	504.6	208.9	351.3	-	-	**1 241.5**	1 563.8
Other order backlog	39.0	-	-	-	-	-	**39.0**	60.1
Total	215.7	504.6	208.9	351.3	-	-	**1 280.5**	1 623.9

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. In case of shutdowns the lease rental is not payable in the shutdown period. Furthermore lease rental payable on a monthly basis is adjusted for downtime experienced during the month. Downtime is a function of monthly loss of production measured against targeted production and is a consequence of reduction, stoppage in the oil and/or gas production or gas flaring for reasons attributable to Aker Floating Production ("AFP"), such as equipment break-down, maintenance and acts and omissions of AFP personnel. At downtime less than 5%, the monthly compensation is increased by a bonus where maximum achievable bonus is 5%. At downtime exceeding 5% the monthly compensation will be reduced in 1% steps up to 9%. With downtime above 9% the monthly compensation will be reduced by a percentage equal to the downtime. For the operation and maintenance contract the monthly compensation will be reducedby steps of 1% up to 15% downtime. For downtime above 15 % the monthly reduction will not exceed 10%.

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 first eight years of operations. In 2016 the achieved uptime was 99.2%. The estimated downtime includes planned shutdowns for maintenance in 2018, and additional estimated shutdowns at specific intervals every year. Potential bonus is not included in the non-cancellable lease rental income reported in the table.

OTHER OIL SERVICE

The lease agreements for the vessels Lewek Connector, Far Senator, Far Statesman and SBM Installer has been classified as operating leases.

Ocean Yield acquired the offshore construction vessel and cable lay vessel Lewek Connector in October 2012 and entered into a 10-year bareboat charter with EMAS AMC AS, a wholly-owned subsidiary of Ezra Holdings Ltd. ("Ezra"). The bareboat charter is fully guaranteed by Ezra. EMAS 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. However, in February 2017 Ocean Yield cancelled the bareboat charter for the vessel. This has not been reflected in the non-cancellable lease rental income reported in the table. The cancellation will reduce the non-cancellable lease rental income with USD 216.8 million. Please refer to note 34 for more information about the cancellation.

The Group acquired in 2013 two anchor handling tug supply vessels, Far Senator and Far Statesman. The vessels have been 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. However, in February 2017 Ocean Yield agreed with Farstad to restructure the terms of the bareboat charters. This has not been reflected in the non-cancellable lease rental income reported in the table. The changes in the charter hire agreements will reduce the non-cancellable lease rental income with USD 3.3 million. Please refer to note 34 for more information about the changes to the bareboat charters.

Ocean Yield acquired in December 2014 the diving support and offshore construction vessel SBM Installer. The vessel has been 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.

GAS CARRIERS

Ocean Yield entered in 2014 into newbuilding contracts for three LEG (Liquefied Ethylene Gas) carriers of 36,000 cbm capacity, to be built at Sinopacific Offshore & Engineering, China. However, in October 2016 the third vessel was cancelled and the second vessel was announced delayed and expected to be delivered in July 2017. In November 2016 the Group took delivery of the first vessel, GasChem Beluga. The vessels are, from delivery, chartered on 15-year "hell and high water" bareboat charters to the Hartmann Group ("Hartmann"), where the first ten years have a fixed charter rate and the last five years a floating charter rate. Hartmann has sub-chartered the vessels for a ten year period on time charter basis with additional five one-year options to SABIC Petrochemicals BV, a subsidiary of Saudi Arabian petrochemical company SABIC. 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 an ownership share of 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.

CAR CARRIERS

All of Ocean Yield's car carriers are on lease contracts classified as operating leases.

In 2012 Ocean Yield entered into newbuilding contracts for two pure car truck carriers (PCTC) of 6,500 car capacity with Daewoo Shipbuilding & Marine Engineering's. The vessels Höegh Jacksonville and Höegh Jeddah were delivered in

2014. The vessels are chartered on 12-year bareboat charter contracts to Höegh Autoliners. Höegh Autoliners has options to acquire the vessels during the charter period, with the first options being exercisable after five years. In December 2015 the charter contracts were amended, and the charter hire has from January 2016 been subject to a LIBOR related adjustment. The LIBOR adjustment has not been included in the non-cancellable lease rental income reported in the table.

In 2013 Ocean Yield entered into newbuilding contracts for two PCTCs of 8,500 car capacity with Xiamen Shipbuilding Industry Co. Ltd. The vessels, Höegh Tracer and Höegh Trapper were delivered in March and June 2016, respectively. The vessels are chartered on 12-year bareboat charter contracts to Höegh Autoliners. Höegh Autoliners has options to acquire the vessels during the charter period, with the first options being exercisable after five years. In December 2015 the charter contracts were amended and the charter rates for the two vessels were changed from fixed interest rate basis to floating interest rate basis. The LIBOR adjustment has not been included in the non-cancellable lease rental income reported in the table.

In 2014 Ocean Yield acquired two PCTCs of 4,900 car capacity, built in 2010. The vessels Höegh Beijing and Höegh Xiamen are chartered on 8-year bareboat charter contracts to Höegh Autoliners. Höegh Autoliners has options to acquire the vessels during the charter period, with the first options being exercisable after five years. The charter hire 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.

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	FPSO	Other Oil Service	Gas Carriers	Car Carriers	Container vessels	Other Shipping	Total 2016	Total 2015
Ordinary finance lease revenue	-	23.8	-	-	-	20.9	**44.7**	23.8
Contingent rent	-	-	-	-	-	1.3	**1.3**	-0.1
Total finance lease revenue	-	23.8	-	-	-	22.2	**45.9**	23.6

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.

AKOFS has been awarded a 5 + 5 year contract with Petrobras to provide subsea intervention services offshore Brazil. In order to outfit the vessel for the Petrobras charter, a modification of the vessel was needed, making Aker Wayfarer a deep-water subsea equipment support vessel, allowing it to install and retrieve subsea trees and modules. The modification investment was completed in July 2016 and the total cost was approximately USD 78 million. This amount is now included in the finance lease receivable. In addition, USD 0.7 million in borrowing expenses in 2016 has been included in the finance lease receivable. The borrowing costs have been calculated using an average interest rate of LIBOR +4.59%. Due to the modification investment, an additional charter rate in USD has been included from completion in July 2016 until September 2027.

OTHER SHIPPING

Ocean Yield has ten chemical tankers and four product tankers accounted for as finance leases.

In 2015 Ocean Yield agreed to acquire eight newbuilding chemical tankers in combination with 15-year “hell and high” 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 built by Hyundai Mipo Dockyard, Korea, were delivered in June, July and September 2015. The last four vessels; Navig8 Turquoise, Navig8 Topaz, Navig8 Tourmaline and Navig8 Tanzanite, being 49,000 dwt IMO II chemical carriers built by STX Korea, were delivered in April, July, October and November 2016. In 2016 USD 36.3 million was paid in pre-delivery advances and 81.6 USD million at vessel delivery. In addition USD 0.1 million in acquisition related expenses and USD 1.3 million in borrowing expenses has been included in the finance lease receivables. The borrowing costs have been calculated using an average interest rate of LIBOR +4.59%. 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 "hell and high water" bareboat charters to Navig8 Product Tankers Inc. The four vessels; Navig8 Symphony, Navig8 Sanctity, Navig8 Steadfast and Navig8 Supreme, built at Sungdong Shipbuilding & Marine Engineering Co., Ltd, Korea, were delivered in February, March, May and August 2016. In 2016 USD 14.9 million was paid in pre-delivery advances and 108.9 USD million at vessel delivery. In addition USD 0.8 million in borrowing expenses has been included in the finance lease receivables. The borrowing costs have been calculated using an average interest rate of LIBOR +4.59% p.a. Navig8 Product 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 "hell and high" bareboat charters to Navig8 Ltd ("Navig8 Group"). The two vessels; Navig8 Universe and Navig8 Constellation, built in 2013, were delivered in September and October 2016. The purchase price for each vessel was USD 35 million, which includes a seller's credit of USD 6.0 million per vessel. Navig8 Group 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.

Pre-delivery advances related to the chemical tankers and the product tankers, which were not delivered as of year-end 2015 were presented with the finance lease receivables, as related assets. The pre-delivery advances were at year-end 2015 not included in the net investment used for calculating the finance lease interest, but have been included in 2016 from the time of vessel delivery.

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

	Other Oil Service (Aker Wayfarer)			Other Shipping (Chemical and Product 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**
Lease payments receivable:							
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 finance lease receivables	**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

The net finance lease receivables and related assets as of 31 December 2015 were as follows:

	Other Oil Service (Aker Wayfarer)			Other Shipping (Chemical and Product 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**
Lease payments receivable:							
Less than one year	36.2		33.3	13.2		12.7	46.1
Between one and five years	165.1		108.4	64.9		50.6	159.0
More than five years	264.4		74.6	145.6		64.9	139.4
Lease investments:							
Less than one year	-89.2		-84.0	-		-	-84.0
Total finance lease receivables	**376.6**	**-244.3**	**132.2**	**223.8**	**-95.5**	**128.2**	**260.5**
Related assets			34.9			92.7	127.6
Total finance lease receivables and related assets			**167.1**			**220.9**	**388.1**
Unguaranteed residual values included above	59.0		10.9	40.0		14.0	24.8

NOTE 9 WAGES, PERSONNEL EXPENSES AND OTHER OPERATING EXPENSES

Wages and personnel expenses consist of the following:

Amounts in USD million	2016	2015
Wages	**5.0**	11.0
Social security contributions	**0.7**	1.1
Pension costs	**0.2**	0.4
Other expenses	**0.2**	0.1
Total	**6.1**	12.6
Average number of employees	**20**	18
Number of employees at year end	**21**	19
Geographical split of number of employees per region		
Norway	**21**	19
Total	**21**	19

Other operating expenses consist of the following:

Amounts in USD million	2016	2015
External consultants and services other than audit	**2.7**	1.6
Office rent, related parties	**0.5**	0.1
Services from related parties	**0.1**	0.7
Other operating expenses	**2.1**	2.1
Total	**5.3**	4.5

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

Amounts in USD thousand	Ordinary auditing	Other assurance services	Tax advisory services	Other non-audit services	2016	2015
Ocean Yield ASA	102.0	7.2	14.2	1.7	**125.2**	130.6
Other consolidated companies	137.5	7.3	0.5	-	**145.3**	142.9
Total	239.5	14.6	14.7	1.7	**270.5**	273.4

The figures are exclusive of VAT.

NOTE 10 IMPAIRMENT CHARGES

Amounts in USD million	2016	2015
Impairment charges	**-36.2**	**-28.6**
Total	**-36.2**	**-28.6**

USD 35.6 million of the impairment charges in 2016 relates to the segment Other Oil Service and the vessel Lewek Connector. In addition, impairment charges includes USD 0.7 million related to the segment Gas Carriers and the cancellation of the third LEG vessel (see also note 14, Vessels and other fixed assets).

Impairment charges of USD 28.6 million in 2015 was impairment of goodwill related to the segment FPSO.

OTHER OIL SERVICE SEGMENT - LEWEK CONNECTOR

In December 2016, Ocean Yield received a request from the charterer of the vessel Lewek Connector, to enter into a short-term standstill agreement relating to the bareboat hire of the vessel for the months of December 2016 and January 2017. Given the challenging offshore market, the parent company of EMAS AMC AS, EMAS Chiyoda Subsea, has initiated discussions with its creditors in order to restructure and recapitalise the company. EMAS Chiyoda Subsea is owned 40% by Ezra Holdings Ltd., 35% by Chiyoda Corporation and 25% by Nippon Yusen Kabushiki Kaisha ("NYK"). EMAS-AMC AS' obligations under the charterparty for the Lewek Connector are guaranteed by Ezra Holdings Limited, listed on the Singapore Stock Exchange.

At year-end 2016, in light of the financial restructuring in EMAS AMC AS and Ezra Holdings Ltd, the value in use of the vessel, calculated as the present value of the estimated future cash flows, is USD 35.6 million lower than the book value, resulting in a corresponding impairment charge. The remaining net book value as of 31 December 2016 is USD 214.1 million.

The projected cash flows used in the calculation of value in use represents management's best estimate for future charterhire for the vessel. The cashflows cover a period of 17 years, equaling an assumed life of 22 years to scrap value.

The cashflows have been calculated using a discount rate of 7.53%, after tax. 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 calculation of value in use is highly sensitive to the estimated level of future charterhire.

NOTE 11 FINANCIAL INCOME AND FINANCIAL EXPENSES

Net financial income/expense recognized in profit and loss:

Amounts in USD million	2016	2015
Interest income on bank deposits and receivables at amortized cost	**18.8**	18.2
Net foreign exchange gain	**-**	41.5
Change in mark to market of derivatives	**6.8**	-
Total financial income	**25.7**	59.7
Interest expense on financial obligations measured at amortized cost	**-50.3**	-34.8
Accretion of interest decommissioning liability	**-1.9**	-1.7
Change in mark to market of derivatives	**-**	-40.5
Loss from derecognition of financial obligations measured at amortized cost	**-1.7**	-0.5
Net foreign exchange loss	**-5.9**	-
Net other financial expenses	**-1.0**	-0.5
Total financial expenses	**-60.9**	-78.1
Net financial items	**-35.2**	-18.4

The financial income and expenses above include the following interest income and expense in respect of assets (liabilities) not recognized at fair value through profit and loss:

Total interest income on financial assets	**18.8**	18.2
Total interest expense on financial liabilities	**-50.3**	-31.9

NOTE 12 TAX

Income tax expense

Amounts in USD million	2016	2015
Current tax expense:		
Tax expense current year	**-0.2**	-0.4
Total current tax expense	**-0.2**	-0.4
Deferred tax expense:		
Origination and reversal of temporary differences	**-15.5**	25.0
Change in tax rate	**-0.9**	-
Total deferred tax expense (-)/benefit (+)	**-16.3**	25.0
Total income tax expense (-)/benefit (+)	**-16.5**	**24.6**
Temporary differences consist of		
Vessels and other fixed assets	**75.1**	86.0
Receivables	**-4.5**	-3.5
Provisions	**-28.5**	-26.6
Capitals gains and loss reserve	**-6.5**	-8.0
Deferred income	**-10.9**	-16.8
Withholding tax	**-96.9**	-79.7
Other differences	**-30.2**	-41.6
Total	**-102.6**	-90.2
Tax losses	**-90.1**	-135.1
Deferred tax base assets	**-192.7**	-225.3
Deferred tax assets	**46.3**	56.3
Deferred tax assets and liabilities not recognized	**-25.8**	-19.9
Net deferred tax assets and liabilities	**20.5**	36.4
Net deferred tax assets and liabilities recorded as follows:		
Deferred tax assets	**20.5**	36.4
Deferred tax liabilities	**-**	-
Net deferred tax assets and liabilities	**20.5**	36.4

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. Estimates of future taxable profits show that the Group is able to utilize most of the tax losses carried forwards in the foreseeable future based primarily on firm contracts of vessels taxed outside the Norwegian tonnage tax regime, and projected financial income. A deferred tax asset of USD 20.5 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 2.5 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 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 25% to 24% from 1 January 2017.

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

			2016
Amounts in USD million	**Comprehensive income before tax**	**Tax**	**Comprehensive income after tax**
Remeasurements of defined benefit liability	-0.3	0.1	-0.2
Other comprehensive income from investments in associates	18.9	-	18.9
Currency translation differences	0.8	-	0.8
Other comprehensive income	**19.4**	**0.1**	**19.4**

			2015
Amounts in USD million	**Comprehensive income before tax**	**Tax**	**Comprehensive income after tax**
Remeasurements of defined benefit liability	0.2	-0.0	0.1
Currency translation differences	-11.1	-	-11.1
Other comprehensive income	**-10.9**	**-0.0**	**-11.0**

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

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

			2015
Amounts in USD million	**Before tax**	**Tax**	**After tax**
Total	**-**	**-**	-

Reconciliation of effective tax rate

Amounts in USD million	2016	2015
Profit before tax	**94.0**	80.4
Nominal tax rate in Norway (25% in 2016, 27% in 2015)	**-23.5**	-21.7
Effect of change in tax rate	**-0.9**	-2.9
Revenue not subject to tax	**2.4**	-
Expenses not deductible for tax purposes	**-0.7**	-8.0
Utilization of previously unrecognized tax losses	**-**	22.0
Deferred tax asset previously not recognized	**-**	19.6
Tax losses for which no deferred income tax asset was recognized	**-1.5**	-0.4
Companies within tonnage tax legislation	**13.0**	14.7
Other differences	**-5.5**	1.4
Total income tax expense(-)/benefit(+)	**-16.5**	24.6

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:

2016

Amounts in USD million	Net balance at 1 January	Recognized in profit and loss	Recognized in OCI	Recognized directly in equity	Translation difference	Net balance at 31 December
Vessels and other fixed assets	-21.5	3.5	-	-	-	-18.0
Receivables	0.8	0.3	-	-	-	1.1
Provisions	6.7	0.2	-	-	-	6.8
Capital gains and loss reserve	2.0	-0.4	-	-	-	1.6
Deferred income	4.2	-1.6	-	-	-	2.6
Withholding tax	19.9	3.4	-	-	-	23.3
Other differences	10.4	-3.2	0.1	-	-	7.3
Tax losses	33.8	-13.6	-	1.5	-0.0	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	-0.0	20.5

2015

Amounts in USD million	Net balance at 1 January	Recognized in profit and loss	Recognized in OCI	Recognized directly in equity	Translation difference	Net balance at 31 December
Vessels and other fixed assets	-30.3	8.8	-	-	-	-21.5
Receivables	0.9	-0.1	-	-	-	0.8
Provisions	-	6.7	-	-	-	6.7
Capital gains and loss reserve	3.2	-1.2	-	-	-	2.0
Deferred income	7.4	-3.2	-	-	-	4.2
Withholding tax	22.4	-2.5	-	-	-	19.9
Other differences	-4.1	14.5	-0.0	-	-0.0	10.4
Tax losses	68.9	-35.1	-	-	-	33.8
Deferred tax assets and liabilities not recognized	-57.0	37.1	-	-	-	-19.9
Net deferred tax assets (+) and liabilities (-)	11.4	25.0	-0.0	-	-0.0	36.4

NOTE 13 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 measures 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 that presenting EBITDA, EBITDA adjusted for finance lease effects, EBIT and Adjusted net profit are 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 Groups 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 consolidated income statement as separate line items.

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

Amounts in USD million	2016	2015
EBITDA	**265.2**	224.2
Repayment on finance lease receivables	**26.1**	10.8
EBITDA adjusted for finance lease effects	**291.3**	235.0
Net profit after tax	**77.5**	105.0
Impairment charges	**35.6**	28.6
Foreign exchange gains/losses	**5.9**	-41.5
Mark to market of derivatives	**-6.8**	40.5
Change in deferred tax	**16.3**	-25.0
Other non-recurring items	**2.4**	0.5
Adjusted Net profit	**130.9**	108.1

NOTE 14 VESSELS AND OTHER FIXED ASSETS

	Vessels				Advances on vessels under construction		Other fixed assets		
Amounts in USD million	**FPSO**	**Other Oil Service**	**Gas Carriers**	**Car Carriers**	**Gas Carriers**	**Car Carriers**	**FPSO**	**Other**	**Total**
Cost balance at 1 January 2015	**877.2**	**630.2**	**-**	**215.0**	**24.7**	**24.8**	**2.9**	**4.2**	**1 779.1**
Capital expenditure	-	-	-	-	41.5	6.2	0.8	3.7	**52.2**
Disposals	-	-	-	-	-	-	-	-	**-**
Effect of movements in foreign exchange	-	-26.2	-	-	-	-	-	-	**-26.2**
Cost balance at 31 December 2015	**877.2**	**604.0**	-	**215.0**	**66.2**	**31.1**	**3.7**	**8.0**	**1 805.1**
Capital expenditure	-	-	48.7	124.7	8.8	6.2	-	3.9	**192.3**
Disposals	**-**	-	-	-	-16.9	-37.3	**-**	-1.4	**-55.6**
Effect of movements in foreign exchange	-	3.0	-	-	-	-	-		**3.0**
Reclassification	-	-	33.1	-	-33.1	-	-	-	**-**
Cost balance at 31 December 2016	**877.2**	**607.0**	**81.8**	**339.7**	**25.0**	**-**	**3.7**	**10.4**	**1 944.9**
Accumulated depreciation and impairment losses at 1 January 2015	**-419.3**	**-45.0**	**-**	**-5.2**	**-**	**-**	**-1.6**	**-0.1**	**-471.2**
Depreciation charge of the year	-56.8	-29.2	-	-10.0	-	-	-0.5	-0.3	**-96.7**
Impairment	-	-	-	-	-	-	-	**-**	**-**
Disposals	-	-	-	-	-	-	-	**-**	**-**
Effect of movements in foreign exchange	-	2.3	-	-	-	-	-	**-**	**2.3**
Accumulated depreciation and impairment losses at 31 December 2015	-476.0	-71.9	-	-15.2	-	-	-2.1	**-0.4**	**-565.6**
Depreciation charge of the year	-56.8	-28.9	-0.4	-12.6	-	-	-0.6	-0.5	**-99.7**
Impairment	-	-35.6	-	-	-	-	-	**-**	**-35.6**
Disposals	-	-	-	-	-	-	-	**-**	**-**
Effect of movements in foreign exchange	-	-0.2	-	-	-	-	-	**-**	**-0.2**
Accumulated depreciation and impairment losses at 31 December 2016	**-532.8**	**-136.5**	**-0.4**	**-27.8**	**-**	**-**	**-2.7**	**-0.9**	**-701.1**
Balance at 31 December 2015	401.2	532.1	-	199.8	66.2	31.1	1.6	7.6	**1 239.5**
Balance at 31 December 2016	344.4	470.5	81.4	312.0	25.0	-	1.0	9.5	**1 243.8**

CAPITAL EXPENDITURE

GAS CARRIERS

In 2014 the Group entered into newbuilding contracts for three LEG (Liquefied Ethylene Gas) carriers of 36,000 cbm capacity, in combination with 15-year "hell and high water" bareboat charters to the Hartmann Group ("Hartmann"). The vessels, being built at Sinopacific Offshore & Engineering, China, were scheduled for delivery in Q3 2016 – Q1 2017. However, in October 2016 the third vessel was cancelled and the second vessel was agreed to be delayed until July 2017. In November 2016 the Company took delivery of the first vessel, GasChem Beluga.

The investment per vessel is approximately USD 81 million. The contract price is paid in six installments, where 60% of the contract price is paid upon completion and delivery. During the construction period the ship builder has the title to and the risk of the vessels. In 2016 USD 8.1 million was paid in advances and USD 48.2 million at vessel delivery. In addition USD 1.2 million in acquisition related expenses and USD 3.3 million in borrowing costs was capitalized as part of the acquisition cost of the vessels. The borrowing costs have been calculated using an average interest rate of LIBOR +4.59%. Due to the cancellation of the third vessel, USD 17.6 million was refunded from the yard. USD 0.7 million was recognized as loss due to the cancellation.

CAR CARRIERS

The Group entered in 2013 into newbuilding contracts for two pure car truck carriers (PCTC) of 8,500 car capacity with Xiamen Shipbuilding Industry Co. Ltd. In 2015 Ocean Yield agreed to sell these two vessels to Höegh Autoliners (Höegh) and acquire two newbuilding sister vessels with earlier delivery dates from Höegh. The vessels, Höegh Tracer and Höegh Trapper were delivered in March and June 2016 and are chartered on 12-year bareboat charter contracts to Höegh. Höegh has options to acquire the vessels during the charter period, with the first options being exercisable after five years. In 2016 USD 6.2 million was paid in advances and USD 87.4 million at vessel delivery. In addition USD 0.6 million in borrowing costs has been capitalized in 2016 as part of the acquisition cost of the vessels. This has 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.

IMPAIRMENT CHARGES

OTHER OIL SERVICE

An impairment charge of USD 35.6 million have been recognized related to the segment Other Oil Service and the vessel Lewek Connector. For more information, see note 10.

In February 2017 Ocean Yield agreed with Farstad to restructure the terms of the bareboat charters for the vessels Far Senator and Far Statesman. Based on the cash flows from the restructured charter contracts, the value in use, calculated as the present value of the estimated future cash flows, is higher than the book value of the vessels of USD 120.7 million, As a consequence no impairment has been recognized in 2016. The value in use was calculated using a discount rate of 6.7% after tax, For more information regarding the changes to the bareboat charters see note 34.

EFFECT OF EXCHANGE RATE FLUCTUATIONS

The effect of exchange rate fluctuations decreased the value of vessels and other fixed assets with USD 2.9 million in 2016. These are translation differences that are mainly attributable to the fluctuations in the NOK/USD ratio for the vessels Far Senator and Far Statesman, which are accounted for in NOK.

CONTRACTUAL OBLIGATIONS

The Group has the following contractual obligations related to the purchase of vessels:

Amounts in USD million	FPSO	Other Oil Service	Gas Carriers	Car Carriers	Container vessels	Other Shipping	Total
Already paid	-	-	24.3	-	0.6	-	**24.9**
Due in 2017	-	-	56.7	-	57.7	-	**114.4**
Total contractual obligations	-	-	81.0	-	58.2	-	**139.2**
Total remaining payments	-	-	56.7	-	57.7	-	**114.4**
Secured bank financing	-	18.4	67.5	-	29.0	-	**114.9**
Surplus cash							**0.5**

The secured financing of USD 18.4 million related to the segment Other Oil Service is available financing for the modification of the vessel Aker Wayfarer.

The obligation above related to the Gas Carriers segment is related to one LEG carrier, scheduled for delivery in July 2017. Long term financing has been secured for the vessel for a total of USD 67.5 million.

The obligations above related to the new segment Container vessels are related to Ocean Yields commitment for its 49.5% interest in two mega container vessels under construction. The vessels with capacity of about 19,500 TEU, are under construction at Samsung Heavy Industries, South Korea and are scheduled for delivery in February and March 2017.

The secured financing of USD 29.0 million related to this segment is the amount that was available for drawdown year-end 2016 on the Aker ASA facility. The Facility was cancelled in January 2017.

NOTE 15 GOODWILL

Movements in goodwill are shown below:

	Goodwill	
Amounts in USD million	**2016**	**2015**
Cost balance at 1 January	**125.8**	125.8
Cost balance at 31 December	**125.8**	125.8
Accumulated amortization and impairment losses at 1 January	**-116.1**	-87.5
Impairment losses recognized in profit and loss	**-**	-28.6
Accumulated amortization and impairment losses at 31 December	**-116.1**	-116.1
Carrying amount at 31 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 2016. In 2015 an impairment of USD 28.6 million was made.

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 long term 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, and includes planned shutdowns for maintenance in 2018. The achieved uptime in 2016 was 99.2%.

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 7.00% p.a. has been used, which implies a pre-tax discount rate of 9.08% 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 10 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.

NOTE 16 INVESTMENTS IN ASSOCIATES

The Group had as of year-end 2016 the following investments in associates:

BOX HOLDINGS INC.

The Group acquired in June 2016 49.5% of the shares in BOX Holdings Inc. BOX Holdings Inc, with Quantum Pacific Shipping as the largest shareholder, owns six newbuilding container vessels chartered to a major European container line on 15-year bareboat charters. The vessels, with capacity of about 19,500 TEU, are being built at Samsung Heavy Industries, South Korea. The first two vessels, MSC Diana and MSC Ingy were delivered in July 2016, the third vessel, MSC Eloane was delivered in September 2016 and the fourth vessel, MSC Mirjam was delivered in October 2016. The remaining two vessels are scheduled for delivery in February and March 2017.

The vessels have been financed with secured loans with international banks at competitive terms. 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.

Ocean Yield's equity investment in the transaction is approximately USD 162 million in total, and is accounted for using the equity method. As of year-end 2016 the investment in associates reflects the full equity commitment for all six vessels, while a liability of USD 57.7 million have been recognized reflecting a deferred equity commitment, as the remaining obligation is settled in part upon delivery of each of the two vessels not yet delivered. The purchase price allocation as of year-end 2016 is based on preliminary financial information and will be finalized once the audited financial statements of BOX Holdings Inc for 2016 are available.

Amounts in USD million	BOX Holdings Inc
Country	Marshall Islands
Ownership and voting rights	49.5 %
Carrying amount of investments in associates:	**31.12.2016**
Non-currents assets	575.9
Current assets	47.8
Non-current liabilities	-404.7
Current liabilities	-41.8
Net assets (100%)	**177.3**
Share of net assets (49.5%)	**87.8**
Deferred consideration	57.7
Consideration paid related to vessels not yet delivered	0.6
Carrying amount of investments in associates before adjustments	**146.0**
Adjustment to carrying value of investments:	
Finance lease receivables	48.6
Adjustment to interest-bearing long-term debt	-7.2
Carrying amount of investments in associates	**187.4**
Income from investments in associates:	**Jul - Dec 2016**
Operating revenues	19.7
Operating expenses	-0.2
Financial items	-6.9
Net profit (100%)	**12.6**
Share of net profit (49.5%)	**6.2**
Adjustment to finance lease revenue	-1.0
Interest adjustment to long-term debt	1.5
Income from investments in associates	**6.7**
Total comprehensive income from investments in associates:	**Jul - Dec 2016**
Net profit (100%)	12.6
Other comprehensive income	40.2
Total comprehensive income	**52.8**
Share of comprehensive income (49.5%)	**26.1**
Adjustment to finance lease revenue	-1.0
Interest adjustment to long-term debt	0.4
Total comprehensive income from investments in associates	**25.6**

NOTE 17 INTEREST-BEARING LONG TERM RECEIVABLES AND OTHER NON-CURRENT ASSETS

Amounts in USD million	2016	2015
Restricted deposits	**23.8**	24.6
American Shipping Company ASA bonds	**197.5**	192.6
Finance lease receivables and related assets	**703.5**	388.1
Other interest-bearing long term receivables	**0.6**	0.6
Other non-current assets	**0.6**	-
Total interest-bearing long term receivables and other non-current assets	**926.0**	605.9

RESTRICTED DEPOSITS

USD 20.1 million of the restricted funds relates to the loan agreement in Aker Floating Production. USD 3.6 million is 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.

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, (ISIN NO0010356512), with maturity in 2018 (the "Bonds"). The bonds carried an interest of LIBOR + 6.00% p.a.

The bonds were measured at amortized cost using the effective interest method less any impairment losses.

In February 2017, American Shipping Company ASA successfully completed a refinancing of its outstanding 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, which was received in February 2017. The bonds allocated are held as a financial investment and are freely available for sale in the market.

FINANCE LEASE RECEIVABLES AND RELATED ASSETS

Finance lease receivables and related assets of USD 703.5 million at 31 December 2016 are related to the vessel Aker Wayfarer, ten chemical tankers and four product tankers. For more information regarding the lease agreements and calculations of the net finance lease receivables, see note 8.

The modification investment on the vessel Aker Wayfarer and pre-delivery advances related to the chemical tankers and the product tankers, which were not delivered as of year-end 2015, were presented with the finance lease receivables, as related assets year-end 2015. The modification investment and the pre-delivery advances were at year-end 2015 not included in the net investment used for calculating the finance lease interest, but have been included in 2016 from the time of completion/vessel delivery.

NOTE 18 TRADE AND OTHER SHORT TERM INTEREST-FREE RECEIVABLES

Trade and other short term interest-free receivables comprise of the following items:

Amounts in USD million	2016	2015
Trade receivables	27.1	16.2
Provision for impairment of trade receivables	-6.0	-1.7
Other short term interest-free receivables	0.6	0.9
Total	**21.7**	15.5

NOTE 19 CASH AND CASH EQUIVALENTS

The Group has the following amount of cash and cash equivalents:

Amounts in USD million	2016	2015
Total	**165.5**	117.7

Of the total cash balance, USD 0.4 million was restricted cash. In addition the Group has USD 23.8 million in restricted cash classified as long term assets (see note 17).

NOTE 20 EARNINGS PER SHARE, DIVIDEND PER SHARE AND PAID-IN EQUITY

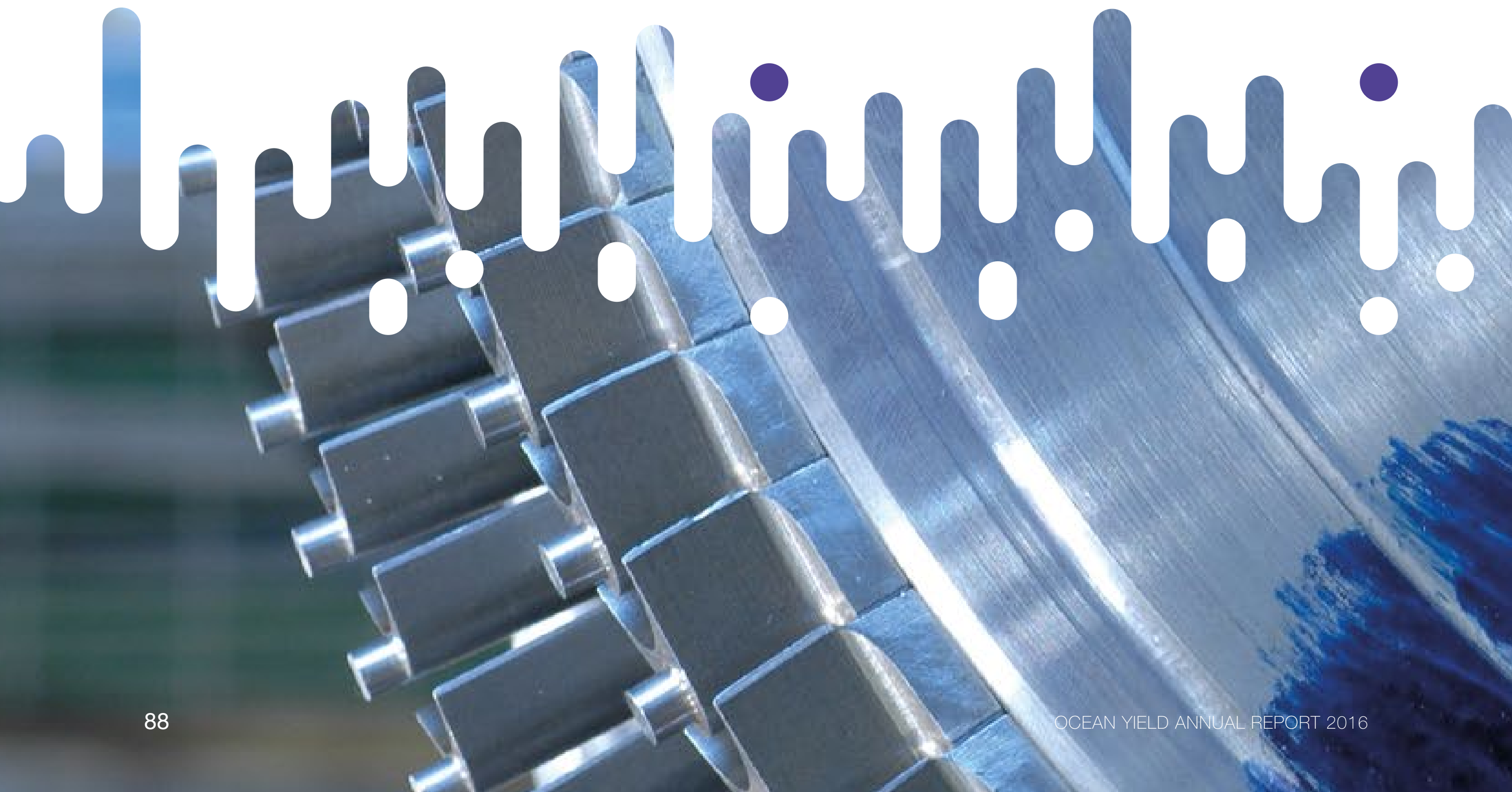
Earnings per share

Calculation of profit from continued operations to equity holders of the Group:

Amounts in USD million	2016	2015
Continued operations:		
Net profit (loss) after tax from continued operations	**77.5**	105.0
Non-controlling interests	**1.4**	1.0
Profit from continued operations attributable to equity holders of the Group	**76.1**	104.0
Ordinary shares issued at 31 December	**148 351 432**	134 628 575
Treasury shares at 31 December	**-42 813**	-42 813
Ordinary shares outstanding at 31 December	**148 308 619**	134 585 762
Weighted average number of shares (basic)	**138 929 201**	134 528 692
Basic earnings per share (USD)	**0.55**	0.77
Weighted average number of shares	**138 929 201**	134 528 692
Effect of shares from incentive scheme on issue	**-**	-
Weighted average number of shares (diluted)	**138 929 201**	134 528 692
Diluted earnings per share (USD)	**0.55**	0.77

Dividends

Amounts in USD million	2016	2015
Total dividend paid	**94.0**	80.7
Declared dividend for the 4th quarter subsequent to 31 December	**27.1**	21.9



Paid in capital

At 31 December 2016 Ocean Yield ASA's share capital consists of the following:

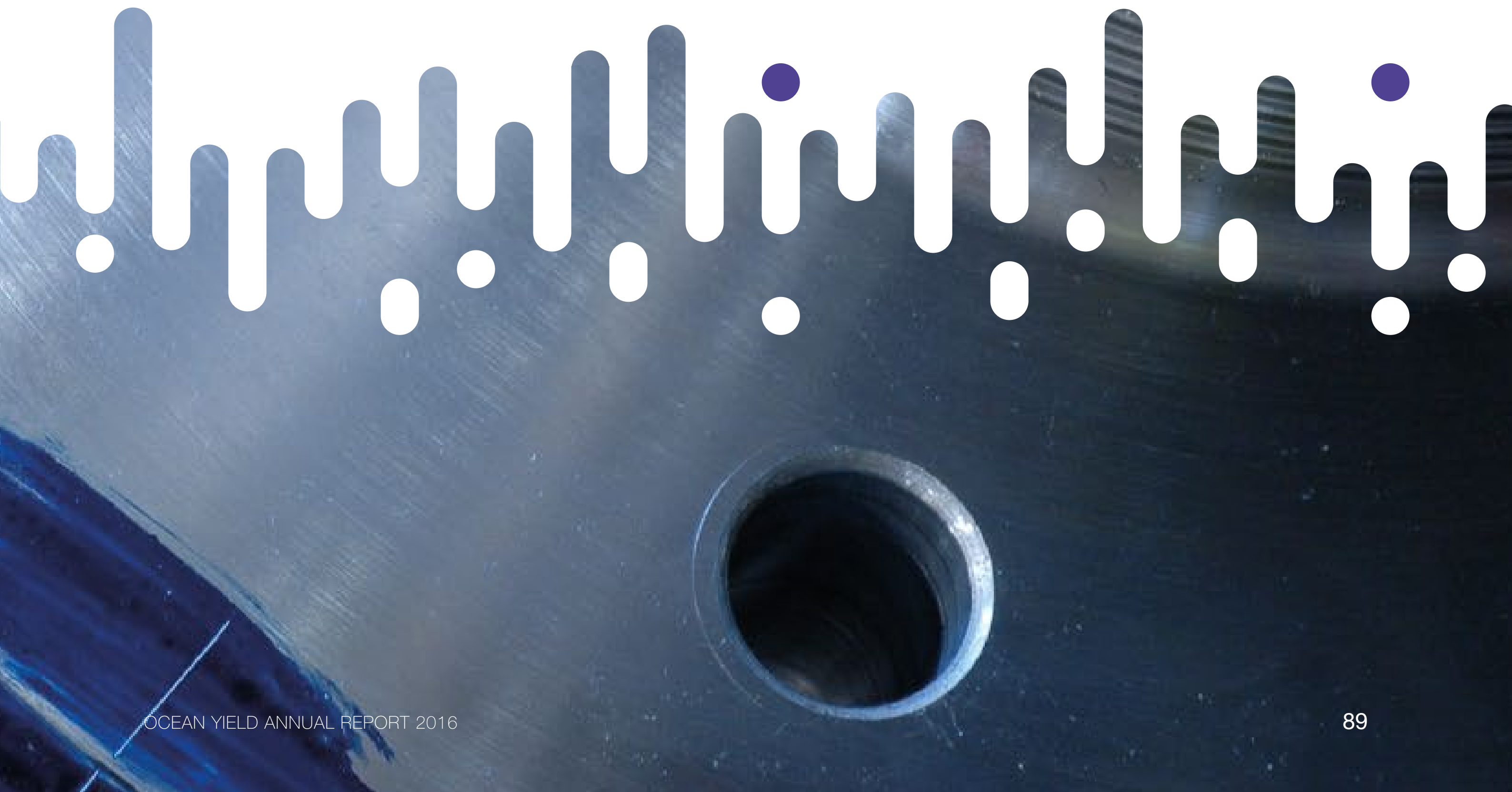
	in NOK	in USD
Number of ordinary shares	**148 351 432**	148 351 432
Par value	**10**	1.6
Total par value (million)	**1 483.5**	239.6

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

Change in number of shares:	2016	2015
Number of shares outstanding 1.1	**134 585 762**	134 169 041
Share capital increase	**13 462 857**	-
Issue of shares related to management incentive scheme	**260 000**	436 464
Treasury shares acquired	**-**	-150 000
Treasury shares sold	**-**	130 257
Number of shares outstanding 31.12	**148 308 619**	134 585 762

CURRENT BOARD AUTHORIZATIONS

At the Annual General Meeting, held on 12 April 2016, Ocean Yield ASA's shareholders gave the board an authorization to increase the share capital with maximum NOK 134.6 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 authorization for a private placement of shares was used in August 2016, in connection with raising new equity in the Company. 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 authorizations are valid until the 2017 Annual General Meeting.



The 20 largest shareholders as of 31 December 2016

Shareholders	Number of shares	Percent
Aker Capital AS 1)	98 242 575	66.2 %
Citibank N.A.	3 630 389	2.4 %
JP Morgan Chase Bank N.A. London	3 570 530	2.4 %
JP Morgan Chase Bank N.A. London	2 514 000	1.7 %
Norron sicav - target	1 560 000	1.1 %
Invesco Perp Euran smler comps fd	1 511 835	1.0 %
Finmarine AS 2)	1 350 880	0.9 %
Klaveness Marine Finance AS	1 090 000	0.7 %
SEB Prime Solutions Sissener Canop	900 000	0.6 %
Fidelity Funds-Nordic Fund/Sicav	898 691	0.6 %
Invesco Funds	826 608	0.6 %
Invesco Perpetual Euran opprt fd	759 647	0.5 %
State Street Bank and Trust Company	722 295	0.5 %
O.N. Sunde AS	700 000	0.5 %
Global x superdividend etf	642 397	0.4 %
Nordnet Livsforsikring AS	592 303	0.4 %
SEB STO, Sfma1	574 628	0.4 %
JP Morgan Chase Bank N.A. London	482 970	0.3 %
Frede Wælgaard Jacobsen	452 000	0.3 %
State Street Bank and Trust Company	436 168	0.3 %
Other	26 893 516	18.1 %
Total	**148 351 432**	**100%**

1) Kjell Inge Røkke controls 67.8% 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.
2) Finmarine AS is owned by the CEO Lars Solbakken.

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 2016 financial statement for Aker ASA are when available, to be found at www.akerasa.com.

NOTE 21 GROUP ENTITIES

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 2016 the Group consists of the subsidiaries presented in the table below. Companies owned directly by Ocean Yield ASA are highlighted.

			Business address	
Amounts in USD million	**Group's ownership in%**	**Group's share of votes in%**	**City location**	**Country**
Aker Floating Production AS	100.00	100.00	Lysaker	Norway
AFP Operations AS	100.00	100.00	Lysaker	Norway
Aker Contracting FP ASA	100.00	100.00	Lysaker	Norway
Aker Floating Operations Publ Ltd	100.00	100.00	Limassol	Cyprus
Connector 1 AS	100.00	100.00	Lysaker	Norway
F-Shiplease Holding AS	100.00	100.00	Lysaker	Norway
F-Shiplease AS	100.00	100.00	Lysaker	Norway
LH Shiplease 1 AS	100.00	100.00	Lysaker	Norway
Ocean Holding AS	100.00	100.00	Lysaker	Norway
OCY Albany AS	100.00	100.00	Lysaker	Norway
OCY Containerinvest AS	100.00	100.00	Lysaker	Norway
OCY Nelson AS	100.00	100.00	Lysaker	Norway
OCY Nelson 2 AS	100.00	100.00	Lysaker	Norway
OCY Nelson 3 AS	100.00	100.00	Lysaker	Norway
OCY Nelson 4 AS	100.00	100.00	Lysaker	Norway
OCY Nelson 5 AS	100.00	100.00	Lysaker	Norway
OCY Nelson 6 AS	100.00	100.00	Lysaker	Norway
OCY Nelson 7 AS	100.00	100.00	Lysaker	Norway
OCY Nelson 8 AS	100.00	100.00	Lysaker	Norway
OCY Nelson 9 AS	100.00	100.00	Lysaker	Norway
OCY Nelson 10 AS	100.00	100.00	Lysaker	Norway
OCY Nelson 11 AS	100.00	100.00	Lysaker	Norway
OCY Nelson 12 AS	100.00	100.00	Lysaker	Norway
OCY Nelson 13 AS	100.00	100.00	Lysaker	Norway
OCY Nelson 14 AS	100.00	100.00	Lysaker	Norway
OCY Severn AS	100.00	100.00	Lysaker	Norway
OCY Severn 2 AS	100.00	100.00	Lysaker	Norway
OCY Severn 3 AS	100.00	100.00	Lysaker	Norway
OCY Thelon AS	100.00	100.00	Lysaker	Norway
OCY Wayfarer AS	100.00	100.00	Lysaker	Norway
OS Installer AS	75.00	75.00	Lysaker	Norway

Non-controlling interests

The table below summarizes the information related to the Group's subsidiaries that has material non-controlling interests

	OS Installer AS	
Amounts in USD million	**2016**	**2015**
Non-controlling interests percentage	**25%**	25%
Non-current assets	**135.6**	142.7
Current assets	**6.1**	8.6
Non-current liabilities	**-88.1**	-95.4
Current liabilities	**-9.7**	-9.5
Net assets	**43.8**	46.4
Carrying amount of Non-controlling interests	**11.0**	11.6
Operating revenues	**15.6**	15.6
Net profit after tax	**5.5**	4.1
Other comprehensive income	**-**	-
Total comprehensive income	**5.5**	4.1
Profit allocated to Non-controlling interests	**1.4**	1.0
Other comprehensive income allocated to Non-controlling interests	**-**	-
Cash flows from operating activities	**12.8**	14.4
Cash flows from investment activities	**-**	-
Cash flows from financing activities	**-15.3**	-7.3
Net change in cash and cash equivalents	**-2.5**	7.1

The non-controlling interests reported above are related to the subsidiary OS Installer AS. Ocean Yield acquired in December 2014 the vessel SBM Installer. The vessel is chartered to SBM Holding ("SBM") for a period of 12 years. A single purpose company, OS Installer AS was established for the ownership of the vessel, in which SBM owns 25%. Ocean Yield and SBM have entered into a shareholder agreement, where certain matters require the consenting vote of SBM. Ocean Yield is however still considered to have control, as Ocean Yield is exposed to variable returns and has the ability to affect those returns through its power over OS Installer AS.

NOTE 22 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 2016	Rate at 31 Dec. 2016	Average rate 2015	Rate at 31 Dec. 2015
Norway	USD/NOK	8.40	8.62	8.06	8.81

The average rate and the closing rate at 31 December have been applied in translation of profit and loss and balance sheet items, respectively. The average rate is used in translation of profit and loss. If the average exchange rate for the period does not provide a fair estimate of the transaction rate, the actual transaction rate is used.

NOTE 23 INTEREST-BEARING LOANS AND LIABILITIES

Interest-bearing loans and liabilities are allocated as follows:

Amounts in USD million	2016	2015
Secured bank loans	**1 276.3**	933.5
Unsecured bond loans	**277.7**	225.4
Loan from related parties	**-0.1**	-
Total	**1 553.8**	1 158.9
Whereof the following is classified as current:		
Secured bank loans	173.4	184.1
Total	**173.4**	184.1
Long- term Interest-bearing liabilities	**1 380.4**	974.8

Change in the Group's interest-bearing liabilities:

Amounts in USD Million	Secured loans	Unsecured bond loans	Loan from related parties	2016	2015
Interest- bearing liabilities at 1 January	933.5	225.4	-	**1 158.9**	994.6
New loans	490.1	91.3	49.4	**630.7**	513.1
Instalments	-153.7	-	-51.7	**-205.4**	-291.5
Repurchase	-	-41.6	-	**-41.6**	-
Loss from repurchase	-	0.2	-	**0.2**	-
Amortization of loan fees	2.6	0.5	0.8	**3.8**	2.8
Effect of movement in foreign exchange	3.8	2.0	**1.4**	**7.2**	-60.1
Interest-bearing liabilities at 31 December	**1 276.3**	**277.7**	**-0.1**	**1 553.8**	**1 158.9**

The contractual terms of interest-bearing liabilities as at 31 December 2016 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 2016	Carrying amount USD million 2015
FPSO	Secured loans	USD	2018	*Dhirubhai-1*	344.4	3 month LIBOR	1.50%-2.75%	-	100.2	**100.0**	167.5
Other Oil Service	Secured loans	USD	2019 - 2024	*Aker Wayfarer* *Lewek Connector* *SBM Installer*	551.3	3 month LIBOR	0.66%-2.00%	18.4	430.5	**426.9**	415.0
Other Oil Service	Secured loans	NOK	2025	*Far Senator* *Far Statesman*	120.7	3 month NIBOR FIXED	3.5% 3.69%	-	702.4	**81.2**	86.2
Car carriers	Secured loans	USD	2021	*Höegh Beijing* *Höegh Xiamen* *Höegh Jacksonville* *Höegh Jeddah* *Höegh Tracer* *Höegh Trapper*	312.0	3 month LIBOR	2.25%	-	220.1	**217.1**	137.5
Gas carriers	Secured loans	USD	2026 - 2027	*GasChem Beluga* *S1034*	81.4	3 month LIBOR	2.00%	67.5	67.5	**66.0**	-
Other Shipping	Secured loans	USD	2021 - 2023	*Navig8 Aronaldo* *Navig8 Aquamarine* *Navig8 Amessi* *Navig8 Azotic* *Navig8 Turquoise* *Navig8 Topaz* *Navig8 Tourmaline* *Navig8 Tanzanite* *Navig8 Symphony* *Navig8 Sanctity* *Navig8 Steadfast* *Navig8 Supreme* *Navig8 Universe* *Navig8 Constel-lation*	501.8	3 month LIBOR	2.00%	-	392.3	**385.0**	127.3
Ocean Yield ASA	Unsecured bond loans	NOK	2019 - 2021			3 month NIBOR	+ 3.90%-4.50%	-	2 412.0	**277.7**	225.4
Ocean Yield ASA	Loan from Aker ASA	NOK	2018			3 month NIBOR	4.50%	250.0	-	**(0.1)**	-
	Total interest-bearing liabilities									**1 553.8**	1 158.9
	Whereof the following is classified as current									**173.4**	184.1
	Total interest-bearing long-term liabilities									**1 380.4**	974.8

**In addition most of the shares in subsidiaries are used as security. The book value of these is zero in the consolidated financial statements.*

NEW LOANS IN 2016

GAS CARRIERS

In July 2016 Ocean Yield signed a loan agreement with a group of banks for a USD 202.5 million credit facility for the financing of the three Liquefied Ethylene Gas carriers. However, following Ocean Yields announcement to cancel the third vessel in October 2016 the tranche relating to this vessel was also cancelled. The credit facility will finance USD 67.5 million out of the contract price of USD 81 million per vessel. The facility carries an interest rate of LIBOR plus 2.00% p.a. Interest is paid quarterly. The facilities has a tenor of 10 years from delivery, and will be repaid on an annuity basis down to a balloon of USD 22.5 million per vessel at maturity.

OTHER SHIPPING

In September 2016, Ocean Yield agreed to acquire two chemical tankers with bareboat charters to Navig8 Ltd. The transaction was financed with a USD 49 million senior secured term loan facilitiy agreement entered into with Nordea Bank Norge ASA and Danske Bank AS. The loan is secured against two chemical tankers; Navig8 Universe and Navig8 Constellation. The facility carries an interest rate of LIBOR plus 2.00% p.a. Interest is paid quarterly. The facility is repaid in quarterly consecutive instalments, with a balloon at the final maturity date falling five years from the last vessel delivery, but no later than 30 November 2021.

OTHER

In June 2016 Ocean Yield entered into a drawing facility agreement with Aker ASA. The Facility of NOK 1,000 million matures in February 2018, corresponding with the maturity of the bonds held by Ocean Yield in American Shipping Company. The loan carries an interest rate of NIBOR + 4.5% p.a. During 2016 Ocean Yield has drawn and then repaid and cancelled NOK 420 million of this credit facility. In addition, NOK 330 million has also been cancelled. As of year-end 2016 NOK 250 million was available for drawdown. The facility was however cancelled in January 2017.

In September 2016, Ocean Yield successfully completed a new unsecured bond issue of NOK 750 million with maturity in September 2021, carrying a coupon of 3 months NIBOR + 4.50% p.a. with quarterly interest payments. The net proceeds from the bond issue was used to refinance existing debt from Aker ASA, finance future growth and for general corporate purposes. Concurrently, Ocean Yield repurchased NOK 245.5 million of OCY02 with maturity in 2019 and NOK 92.5 million of OCY 03 with maturity in 2020, to extend the average maturity of its outstanding bond loans. Ocean Yield has also entered into one cross currency interest rate swap related to the new bond loan where NOK 400 million has been swapped from NIBOR + 4.50% p.a. to LIBOR + 4.94% p.a.

Covenants

Most of the Groups loans are subject to the following covenants

	Covenants	Year-end 2016	Year-end 2015
Group equity	25%	31.7%	35.0%
Interest cover ratio (ratio of EBITDA to Net Interest Cost)	2.00:1	6.0:1	6.5:1
Minimum liquidity (freely available and unrestricted cash)	USD 25 million	USD 165.5million	USD 117.7 million

The Group was in compliance with these covenants at year-end 2016 and 2015.

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 loan facility. The minimum value requirements are based on the average of broker estimates and vary between 115% - 130% compared to the outstanding loans. If the minimum market value requirement is not met, the borrower is required to either make a prepayment of the loans or provide the lenders with additional security.

As of year-end 2016 and year-end 2015 the minimum market value in percent of outstanding loans was less than the requirement of 130% for the vessel Lewek Connector. As of year-end 2016 additional security in the amount of USD 2.6 million is required. The Group is in dialog with the Lenders around posting additional security or a partial prepayment of the loan to comply with this covenant.

MANDATORY PREPAYMENTS – PAYMENT DEFAULTS BY THE CHARTERER

Certain of the Group's loan facilities contain requirements relating to the charter contracts, where a payment default by the charterer may trigger a mandatory prepayment of the loan under certain conditions. Ocean Yield terminated the bareboat charter for the vessel Lewek Connector in February 2017 and is in dialog with the Lenders regarding a permanent waiver of the relevant clauses in the loan agreement concerning the charterer. Outstanding under this facility was USD 146.9 million as of year-end 2016.

OTHER CLAUSES

Certain of the Group's loan 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 24 PENSION EXPENSES AND PENSION LIABILITIES

The Ocean Yield Group's Norwegian companies mainly cover their pensions through group pension plans in life insurance companies. Under IAS 19R, Employee benefit plans have been treated, for accounting purposes, as defined benefit plans. 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.

Certain companies have pension plans for which the employer provides an agreed-upon contribution that is managed in separate pension savings plans (defined contribution plans) or makes contributions that are included in joint plans with other employers (multi- employer plans). The contributions are recorded as pension expenses for the period. The Group also has uninsured pension liabilities for which provisions have been made.

The discount rates in 2016 and 2015 are based on the Norwegian high-quality corporate bond rate. The assumptions used are in line with the recommendations of the Norwegian Accounting Standards Board. Actuarial calculations have been made to determine pension liabilities and pension expenses in connection with the Group's defined benefit plans. The following assumptions have been made when calculating liabilities and expenses in Norway.

Actuarial calculations for defined benefit plans have been made based on the following assumptions:

	Balance 2016	Balance 2015
Expected return	**2.5 %**	**2.5 %**
Discount rate	**2.5 %**	**2.5 %**
Wage growth	**2.5 %**	**2.5 %**
Pension adjustment	**0.8 %**	**0.8 %**

Pension expense recognized in profit and loss:

Amounts in USD million	2016	2015
Expense related to benefits earned in this period	**0.2**	0.4
Pension expense recognized from defined benefit plans	**0.2**	0.4
Contribution plans (employer's contribution)	**0.1**	0.1
Total pension expense recognized in profit and loss	**0.2**	0.4

Changes in present value for benefit based pension liability:

Amounts in USD million	2016	2015
Pension liabilities as at 1 January	**1.5**	1.5
Included in profit and loss		
Expense related to pensions vested this period	**0.2**	0.4
Interest expense on pension liabilities	**-**	-
Plan amendments	**-0.1**	-
Included in OCI		
Remeasurements (loss)/ gain	**0.3**	-0.3
Effect of movement in exchange rate	**-0.1**	-0.1
Pension liabilities as at 31 December	**1.8**	1.5

Change in fair value pension funds:

Amounts in USD million	2016	2015
Fair value of pension funds as at 1 January	**1.2**	0.9
Included in profit and loss		
Expected return on pension funds	**0.0**	-
Administration	**-**	-
Plan amendments	**-0.1**	-
Included in OCI		
Remeasurements (loss)/ gain	**-**	-0.1
Effect of movement in exchange rate	**-**	-0.1
Other		
Contribution paid by the employer	**0.4**	0.4
Fair value of pension funds as at 31 December	**1.5**	1.2

Net pension fund and liabilities

Amounts in USD million	2016	2015
Defined benefit obligation at 31 December	**-1.8**	-1.5
Fair value of plan assets at 31 December	**1.5**	1.2
Pension liabilities at 31 December	**-0.4**	-0.3

The major categories of plan assets as a percentage of the fair value of total plan assets is as follows:

Amounts in USD million	2016	2015
Bonds	**84.60%**	88.00%
Money market	**5.40%**	5.00%
Equities	**6.40%**	4.10%
Other	**3.60%**	2.90%

NOTE 25 OTHER INTEREST FREE LONG-TERM LIABILITIES

Other long term debt and liabilities comprise the following items:

Amounts in USD million	2016	2015
Other interest-free long term debt	**37.4**	33.4
Total	**37.4**	33.4

Other interest-free long term debt mainly consists of deferred income in Aker Floating Production and prepaid charter hire related to the PCTC vessels Höegh Xiamen, Höegh Beijing, Höegh Tracer and Höegh Trapper. At year-end 2016 USD 15.7 million was related to Aker Floating Production and USD 18.8 million was related to the PCTC vessels.

NOTE 26 OPERATING LEASES (AS LESSEE)

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

5Amounts in USD million	2016	2015
Less than one year	**0.5**	0.4
Between one and five years	**1.8**	1.5
More than five years	**0.3**	0.8
Total	**2.6**	2.7

Amounts recognized in profit and loss

Amounts in USD million	2016	2015
Lease expenses	**0.5**	0.2
Contingent rent expenses	**-**	-
Total	**0.5**	0.2

The figures reported above are mainly related to an office lease agreement that Ocean Yield entered into with Fornebuporten AS (previously a subsidiary of Aker ASA) 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 27 PROVISIONS

Amounts in USD million	Decommissioning obligation	Total
Non-current portion at 31 December 2015	-26.6	**-26.6**
Provisions as at 31 December 2015	-26.6	**-26.6**
New or increased provisions	-	-
Amounts charged against provisions	-	**-**
Provisions reversed during the year	-	**-**
Accretion expense	-1.9	**-1.9**
Currency exchange adjustments	-	-
Provisions as at 31 December 2016	-28.5	**-28.5**
Non-current portion at 31 December 2016	-28.5	**-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 31.3 million in September 2018 has been estimated, where USD 28.5 million has been recognised in the balance sheet as of year-end 2016, representing the present value of the obligation.

NOTE 28 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:

31 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 17)	-	189.3	-	189.3	-	-	-
Total 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	-
Total financial liabilities carried at fair value	67.4	-	-	67.4	-	67.4	-
Financial liabilities carried at amortized cost							
Bonds and convertible loans	-	-	277.7	277.7	-	-	279.6
Other interest-bearing debt	-	-	1276.2	1 276.2	-	1 292.1	-
Deferred consideration related to investments in associates	-	-	57.7	57.7	-	-	-
Interest-free short term financial liabilities	-	-	11.2	11.2	-	-	-
Total financial liabilities carried at amortized cost	-	-	1 622.7	1 622.7	-	1 292.1	279.6

31 December 2015	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 and related assets	-	388.1	-	388.1	-	93.3	376.5
Bonds	-	192.6	-	192.6	-	-	192.7
Other interest-bearing long term receivables	-	0.6	-	0.6	-	-	-
Trade and other short term receivables	-	15.2	-	15.2	-	-	-
Cash and cash equivalents (including long term restricted deposits, see note 17)	-	142.3	-	142.3	-	-	-
Total financial assets carried at amortized cost	-	738.8	-	738.8	-	93.3	569.3
Financial liabilities carried at fair value							
Interest rate swaps	12.8	-	-	12.8	-	12.8	-
Foreign exchange contracts	61.5	-	-	61.5	-	61.5	-
Total financial liabilities carried at fair value	74.3	-	-	74.3	-	74.3	-
Financial liabilities carried at amortized cost							
Bonds and convertible loans	-	-	225.4	225.4	-	-	220.8
Other interest-bearing debt	-	-	933.5	933.5	-	946.6	-
Interest-free short term financial liabilities	-	-	20.7	20.7	-	-	-
Total financial liabilities carried at amortized cost	-	-	1 179.7	1 179.7	-	946.6	220.8

There were no transfers between levels 1 and 2, or 2 and 3 during 2016 or 2015 for assets and liabilities that are measured at fair value.

The Ocean Yield Group had as of 31 December 2016 and 31 December 2015 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, and the valuation techniques are as follows:

ASSET/LIABILITY	VALUATION TECHNIQUE
AMSC BONDS	**Discounted cash flows:** The fair value has been calculated by discounting the estimated cash flows with an applicable discount rate. As there are limited observable prices for the bonds the fair value has been calculated by discounting the estimated cash flows with an applicable discount rate. In February 2017, American Shipping Company ASA completed a refinancing of its outstanding unsecured bonds, and exercised the call option, where the bonds were redeemed in full at 101% of par value plus accrued interest. The estimated cash flows used in the calculations reflects the exercise of the call option, and have been discounted using an annual discount rate of 9.5% (10.0% in 2015). This gives a fair value of USD 202.0 million (USD 192.7 million year-end 2015), which equals 100.7% of the amount outstanding as of 31 December 2016.
FINANCE LEASE RECEIVABLES – OTHER OIL SERVICE	**Discounted cash flows:** The fair value has been calculated by discounting the estimated cash flows with an applicable discount rate. The estimated cash flows used in the calculations reflects the bareboat contract for the vessel Aker Wayfarer. Forward USD/NOK exchange rates have been applied in the calculations, as the lease agreement contains both NOK and USD cash flows. The cash flows also include an unguaranteed residual value of USD 57.8 million. The estimated cash flows are discounted using an annual discount rate of 6.2% (7.6% in 2015). This gives a fair value of USD 296.4 million (USD 244.9 million year-end 2015).
FINANCE LEASE RECEIVABLES – OTHER SHIPPING	**Discounted cash flows:** The fair value has been calculated by discounting the estimated cash flows with an applicable discount rate. The estimated cash flows used in the calculations reflects the bareboat contracts for the ten chemical tankers and the four product tankers 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 137.6 million. The estimated cash flows are discounted using an annual discount rate of 6.2% (6.2% in 2015). This gives a fair value of USD 571.1 million (USD 131.7 million year-end 2015).
BOND LOAN OCY02/OCY03/OCY04	**Quoted price close to year-end:** The fair value has been calculated by using the last quoted price in 2016. As there have been limited transactions related to the bond loans, 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 2016 the total fair value of the bond loans is considered to be USD 279.6 million (USD 220.8 million year-end 2015), which equals 99.9% of the amount outstanding as of 31 December 2016.

NOTE 29 TRANSACTIONS AND AGREEMENTS WITH RELATED PARTIES

Ocean Yield's largest shareholder, with 66.2% of the shares 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 2016 with Kjell Inge Røkke except remuneration as a board member in Ocean Yield ASA (see note 30), and transactions with Fornebuporten AS.

TRANSACTION WITH AKER ASA

The Group has a service agreement with Aker ASA which provides certain accounting, financial and administration services to Ocean Yield ASA and its subsidiaries. In 2016 the Group has paid USD 58,000 to Aker ASA for such services. In June 2016 Ocean Yield entered into a drawing facility agreement with Aker ASA. The loan carried an interest rate of NIBOR + 4.5% p.a. During 2016 Ocean Yield has drawn and then repaid and cancelled NOK 420 million of this credit facility. An additional NOK 330 million has also been cancelled. As of year-end 2016 NOK 250 million was available for drawdown. 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.

AKOFS has been awarded a 5 + 5 year contract with Petrobras to provide subsea intervention services offshore Brazil. In order to outfit the vessel for the Petrobras charter, a modification of the vessel was needed, making Aker Wayfarer a deep-water subsea equipment support vessel, allowing it to install and retrieve subsea trees and modules. The modification investment was completed in July 2016, on time and below budget, where the total modification cost was approximately USD 78 million. Due to this additional investment, an additional charter rate in USD has been included from completion in July 2016 until September 2027.

TRANSACTIONS WITH FORNEBUPORTEN AS

Ocean Yield entered in 2014 into an office lease agreement with Fornebuporten AS, (previously a subsidiary of Aker ASA), 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 26.

TRANSACTIONS WITH AMERICAN SHIPPING COMPANY ASA

Ocean Yield owned 93.05% of the outstanding, unsecured bonds issued by American Shipping Company, for more information see note 17.

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 2016 as part of the Company's incentive scheme. For more information regarding the incentive scheme and shares owned by the executive team see note 30, 31 and 32.

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 30.

NOTE 30 SALARY AND OTHER REMUNERATION TO THE BOARD OF DIRECTORS, CEO AND OTHER EMPLOYEES IN OCEAN YIELD'S EXECUTIVE TEAM

Remuneration to the Board of Directors	2016	2015
	USD	USD
Frank O. Reite (Chairman from 12 April 2016)	40 172	-
Kjell Inge Røkke	35 708	37 204
Jens Ismar	35 708	37 204
Anne-Christin Døvigen	38 386	37 204
Annicken Gann Kildahl	42 850	44 645
Trond Brandsrud (Chairman until 12 April 2016)	14 283	59 526
Total	207 108	215 782

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 and Trond Brandsrud received no remuneration for directorship in Ocean Yield before he resigned as CFO in Aker ASA in Q3 2015. The board fee for Kjell Inge Røkke was paid to The Resource Group in 2016 and 2015.

ORGANIZATIONAL STRUCTURE IN OCEAN YIELD

The executive team of Ocean Yield at the end of 2016 consists of CEO Lars Solbakken and CFO Eirik Eide.

DIRECTIVE OF REMUNERATION OF THE CEO AND THE COMPANY'S EXECUTIVE TEAM

The accumulated remuneration to the executives 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 Executive team is member 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 others in the Executive team. The employment contract of the members of the executive team can be terminated with 3 month notice.

The remuneration to the CEO and executive team in 2016 was according to the guidelines of Ocean Yield.

INCENTIVE SCHEME

In 2013, Ocean Yield ASA implemented an incentive scheme pursuant to which the members of the Executive team 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 held 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 2016 Lars Solbakken had a fixed salary of USD 446,068 (USD 463,157 in 2015), and earned a bonus of USD 832,789 (USD 4,468,050 in 2015). The bonus for 2015 related to the share price increase bonus was paid in 2016. The value of additional remuneration was USD 5,119 in 2016 (USD 4,976 in 2015) and net pension expense in 2016 for Lars Solbakken was USD 36,089 (USD 37,517in 2015). At the Annual General Meeting held 28 April 2014 a loan facility of up to USD 841,067 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 2016 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 2016 Eirik Eide had a fixed salary of USD 256,567 (USD 255,561 in 2015), and earned a bonus of USD 264,978 (USD 1,423,484 in 2015). The value of additional remuneration was USD 1,972 in 2016 (USD 2,336 in 2015) and the net pension expense for Eirik Eide was USD 33,463 in 2016 (USD 34,972 in 2015). At the Annual General Meeting held 28 April 2014 a loan of USD 464,037 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 2016 Eirik Eide has borrowed USD 232,019 under this loan facility.

The CEO and CFO have no other remuneration than what is described above. Accordingly they have no stock option rights or profit sharing in their contracts.

NOTE 31 SHARES OWNED BY THE BOARD OF DIRECTORS, CEO AND OTHER EMPLOYEES IN THE EXECUTIVE TEAM

As of 31 December 2016 the Board of Directors, CEO and other members of the Executive team 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
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, together with his wife owns 100% of The Resource Group TRG AS (TRG AS) which in turn owns 99.45% of TRG Holding AS, which again owns 66.66% 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 TRG AS owns 1.14% in Aker ASA directly.*

NOTE 32 SHARE-BASED PAYMENT ARRANGEMENTS

The Group had at year-end 2016 and 2015 one cash settled share-based payments arrangement. Expense is recognized during the vesting period. At the end of each reporting period the liability is measured at the fair value of the expected cash settlement adjusted downwards for service to be performed over the remaining vesting period.

At 31 December 2016 the Group had the following share-based payment arrangements:

SHARE PRICE INCREASE BONUS (CASH SETTLED)

In 2013, Ocean Yield ASA implemented an incentive scheme pursuant to which the members of the Executive team 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.

Each scheme participant annually receives a cash bonus equal to the difference of a base price and the closing price of the shares, multiplied by a number of synthetic shares allocated to that scheme participant (a "share price increase bonus"). 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 share price increase bonus is calculated based on the development of the share price during a relevant year. This is the vesting period, as the bonus is earned year-end. During the vesting period, at the end of each reporting period, the services acquired and the liability incurred are measured at the fair value of the liability. Changes in fair value are recognized in profit and loss as operating expenses.

The fair value of the liability is calculated as the difference between the base price (NOK 68.50 in 2016 and NOK 44.00 in 2015) and the closing price of the shares at each reporting date (NOK 65.00 in 2016 and NOK 68.50 in 2015), multiplied by the number of synthetic shares allocated to the scheme participant. No share price increase bonus has been recognized as of year-end 2016.

Expenses recognized in profit and loss:

USD million	2016	2015
Cash-settled share-based payment liability	-	5.3
Total expenses related to share-based payments	-	5.3

NOTE 33 CONTINGENCES AND LEGAL CLAIMS

No material contingencies have been recorded at year-end 2016.

NOTE 34 EVENTS AFTER THE BALANCE SHEET DATE

In February 2017, Ocean Yield agreed with Farstad Supply AS to restructure the terms of the bareboat charters, while at the same time a combination of Farstad Shipping ASA, Solstad Offshore ASA and Deep Sea Supply Plc was proposed. Ocean Yield will convert NOK 160.8 million in net present value of future payments under the leasing agreements with Farstad Supply AS into equity. In addition, a portion of the annual lease payments have been deferred. The new charter rates are applicable from 1st January 2017. Following completion of the Farstad restructuring, Ocean Yield owns 315,595,760 shares in Farstad Shipping ASA, or equivalent to 6.5% of the shares in the company. Following a completion of the proposed combination with Solstad Offshore and Deep Sea Supply, it is expected that Ocean Yield's shareholding will be approximately 3% of the combined entity. A successful completion of the combination will create the largest company in the high-end global offshore supply vessel industry, with a fleet of 154 vessels. The company will operate a fleet of 33 CSV, 66 PSV and 55 AHTS vessels deployed globally.

In December 2016, Ocean Yield was informed by the charterer of the vessel Lewek Connector, that they had introduced a short-term standstill agreement relating to the bareboat hire for the vessel for the months of December 2016 and January 2017. In February 2017, in order to secure Ocean Yields legal interests the bareboat charter was terminated and a new four-month charter at a reduced rate has been agreed. Subsequently, EMAS Chiyoda Subsea and Ezra Holdings Ltd. filed for Chapter 11 and the subsidiary EMAS AMC AS filed for bankruptcy. Ocean Yield is expecting reduced revenues from the Lewek Connector going forward, following the termination.

In February 2017, American Shipping Company ASA successfully completed a refinancing of its outstanding 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. The bonds allocated will be held as a financial investment and are freely available for sale in the market.

OCEAN YIELD ASA FINANCIAL STATEMENTS AND NOTES

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Ocean Yield ASA Income statement

Amounts in USD million	Note	2016	2015
Total revenues		**0.1**	-
Salaries and other personnel related expenses	3,14	**-3.6**	-9.8
Other operating expenses	4	**-1.8**	-1.1
Depreciations	7	**-0.1**	-
Operating profit (+)/loss (-)		**-5.2**	-11.0
Gain/loss/write-downs from investment in subsidiaries	5,9	**13.3**	83.7
Financial Income	5	**29.9**	46.2
Financial Expenses	5	**-51.8**	-57.4
Net profit before tax		**-13.8**	61.5
Income tax expense (-) / benefit (+)	6	**1.0**	4.8
Net profit after tax		**-12.8**	66.2
Allocation of profit/loss for the year:			
Profit (+) / loss (-)		-12.8	66.2
Dividend	13	-99.2	-83.5
Transferred from other paid-in capital		99.2	9.9
Transferred from (+) / allocated to (-) retained earnings		-	7.3
Transferred to accumulated deficit		12.8	-
Total		-	-

Ocean Yield ASA Balance sheet at 31 December

Amounts in USD million	Note	2016	2015
ASSETS			
Fixed assets	7	**0.3**	0.3
Deferred tax asset	6	**19.2**	17.8
Shares in subsidiaries	8	**1 107.2**	962.6
Long-term interest bearing receivables from Group companies	9	**845.2**	416.2
Other long-term interest bearing receivables	10	**4.2**	5.1
Total non-current assets		**1 976.0**	1 402.1
Short-term interest free receivables from Group companies	9	**65.2**	55.4
Other short-term interest bearing receivables	11	**-**	92.6
Other short-term receivables		**-**	0.8
Cash and cash equivalents	12	**90.5**	52.5
Total current assets		**155.7**	201.4
Total assets		**2 131.7**	1 603.5
EQUITY AND LIABILITIES			
Share capital		**239.6**	222.8
Treasury shares		**-0.1**	-0.1
Other paid-in capital		**434.5**	445.1
Total paid-in equity		**674.1**	667.9
Accumulated deficit		**-12.8**	-
Total retained earnings		**-12.8**	-
Total equity	13	**661.2**	667.9
Long-term interest-bearing liabilities to Group companies	9,15	**15.3**	4.6
Long-term interest-bearing liabilities	15	**1 082.4**	578.8
Unsecured bond loans	15	**277.7**	225.4
Pension liabilities	14	**0.1**	0.1
Other long-term liabilities	17,19	**20.5**	61.7
Total non-current liabilities		**1 396.0**	870.6
Short-term interest free liabilities to Group companies	9	**0.1**	29.0
Dividend	13	**27.1**	21.9
Other short-term liabilities	18,19	**47.3**	14.1
Total current liabilities		**74.5**	65.0
Total liabilities		**1 470.5**	935.6
Total equity and liabilities		**2 131.7**	1 603.5

LYSAKER, 24TH MARCH 2017
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	Note	2016	2015
Profit before tax		**-13.8**	61.5
Dividends and group contributions from subsidiaries	9	**-61.5**	-92.8
Gain/loss/write-downs from investment in subsidiaries	5	**65.5**	9.1
Net interest income		**20.8**	12.5
Interest paid		**-37.7**	-17.0
Interest received		**20.4**	3.9
Foreign exchange gain/losses		**2.4**	-39.0
Change in other short term items		**-10.7**	40.5
Cash flow from operating activities		**-14.7**	-21.2
Acquisition of fixed assets	7	**-0.0**	-0.4
Acquisition of shares and capital increase in subsidiaries	8	**-0.0**	-30.3
Dividends and group contributions received from subsidiaries	9	**13.4**	62.1
Net change in long-term interest-bearing receivables from Group Companies	9	**-403.9**	-199.5
Net change in long-term interest-bearing receivables	10	**0.9**	-4.7
Net change in short-term interest-bearing receivables	11	**-51.2**	-92.6
Cash flow from investing activities		**-440.8**	-265.4
Proceeds from issuance of interest-bearing long-term external debt	15	**562.2**	460.7
Repayment of interest bearing long-term external debt	15	**-92.8**	-68.0
Proceeds from issuance of interest-bearing long-term debt to Group companies	9	**64.7**	19.6
Repayment of interest bearing long-term debt to Group companies	9	**-51.7**	-2.1
Repayment of interest-bearing short-term debt to Group companies	9	**-**	-6.4
Dividends paid	13	**-94.0**	-80.7
New equity	13	**105.1**	2.0
Net change in treasury shares	13	**-**	-0.3
Cash flow from financing activities		**493.4**	324.9
Cash flow for the year		**37.9**	38.3
Cash and cash equivalents at January 1.		**52.5**	14.3
Cash and cash equivalents at December 31.	12	**90.5**	52.5

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

Ocean Yield ASA's functional currency and presentation currency is US Dollars (USD). 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.

PENSION LIABILITY

DEFINED BENEFIT PLANS

For defined benefit plans, the liability recognized is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets. The defined benefit obligation is calculated by independent actuaries and is measured as the present value of estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The cost of providing pensions is charged to the profit and loss so as to spread the regular cost over the service lives of employees. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions, and amendments to pension plans are charged or credited to equity in the period in which they arise.

TAX

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

The tax rate in Norway changed from 25% to 24% from 1 January 2017.

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.

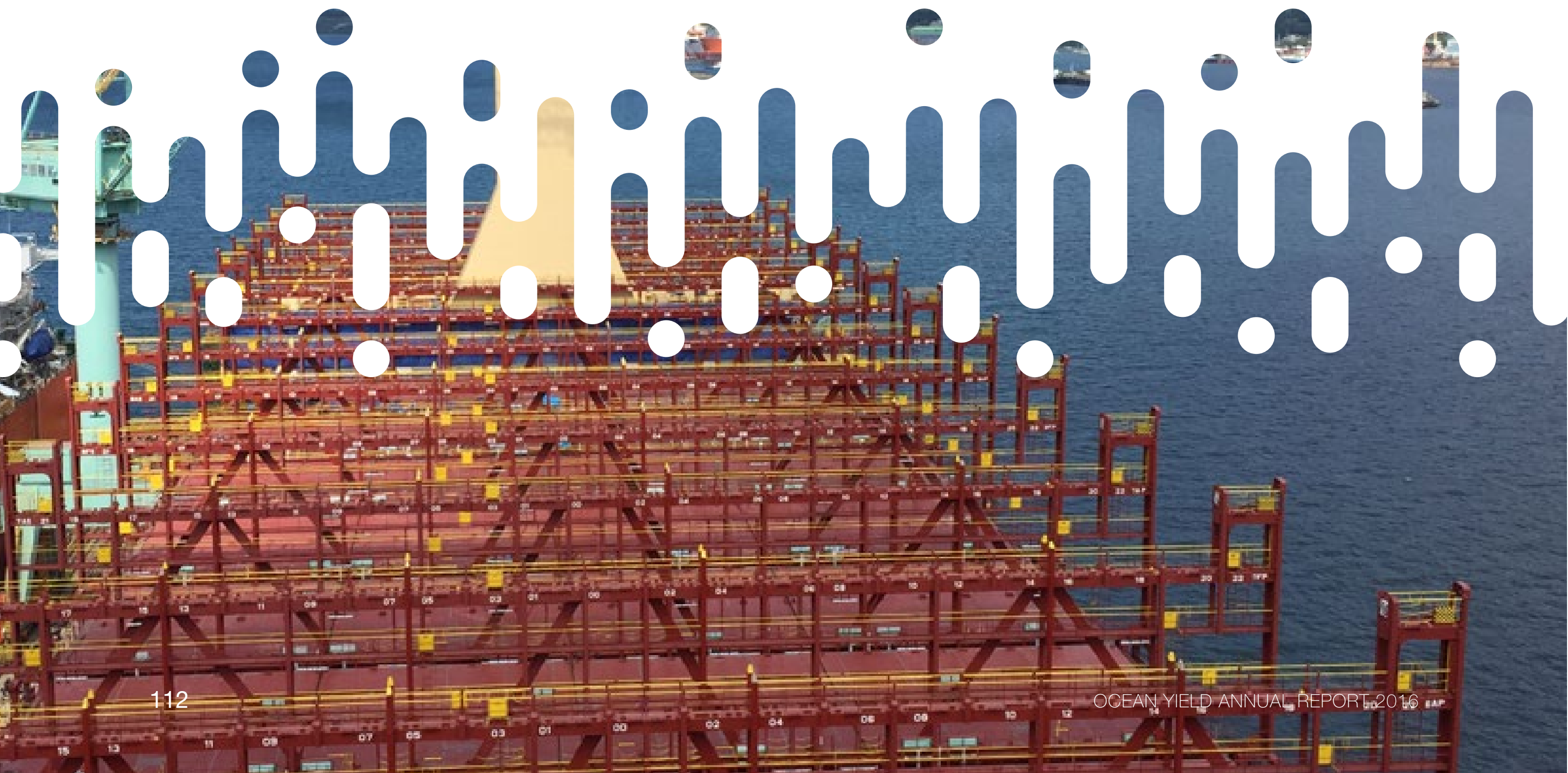
CURRENCY RISK

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 loans 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 590 million of the NOK 1,000 million OCY02 bond loan has been swapped from NIBOR + 3.90% p.a. to LIBOR + 4.603% 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 2016 Ocean Yield has five 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	2016	2015
Salaries	2.9	8.9
Social security contribution	0.4	0.7
Pension cost (see note 14)	0.1	0.2
Other benefits	0.2	0.1
Total salaries and other personnel expenses	**3.6**	9.8
Average number of employees	7	6
Full time employee equivalents	7	6

NOTE 4 OTHER OPERATING EXPENSES

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

Amounts in USD thousand	2016	2015
Ordinary audit	102.0	110.3
Tax advisory services	14.2	16.9
Other non-audit services	8.9	3.4
Total	**125.2**	130.6

The figures are exclusive of VAT

NOTE 5 FINANCIAL ITEMS

Amounts in USD million	2016	2015
Dividends and group contributions from subsidiaries	**78.8**	92.8
Gain from liquidation of subsidiaries	**2.7**	0.5
Loss from liquidation of subsidiaries	**-78.3**	-
Net reversed write down of shares in subsidiaries	**10.1**	-
Net write down of shares in subsidiaries	**-**	-9.6
Income from investment in subsidiaries	**13.3**	83.7
Interest income from companies within the Group	**19.1**	5.5
Other interest income	**4.3**	**2.2**
Net foreign exchange gain	**-**	38.5
Unrealized gain on interest and currency exchange swaps	**6.5**	-
Financial income	**29.9**	46.2
Interest expenses to Group companies	**-1.8**	-0.6
Other interest expenses	**-42.4**	-19.6
Net foreign exchange loss	**-5.6**	-
Unrealized loss on interest and currency exchange swaps	**-**	-36.7
Other financial expenses	**-2.1**	-0.5
Financial expenses	**-51.8**	-57.4

Net reversed write down in 2016 is related to the investments in Aker Floating Production AS and Aker Invest AS. The gain of USD 2.7 million is related to Connector 1 Holding AS, and the loss of USD 78.3 million is related to Aker Ship Lease AS, LH shiplease AS and Aker Invest AS, all liquidated in 2016.

Net write down in 2015 was related to the investments in Aker Floating Production AS and Aker Invest AS. The gain of USD 0.5 million was related to Aker Invest II KS, which was liquidated in 2015.

NOTE 6 DEFERRED TAX

The table below shows the difference between accounting and tax values at the end of 2016 and 2015 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	2016	2015
Fixed assets	**0.1**	0.1
Differences in interest and currency swap	**-59.0**	-65.5
Net pension liability	**-0.1**	-0.1
Capital gains and loss reserve	**0.2**	0.2
Loan fees amortized	**14.7**	11.4
Total differences	**-44.1**	-53.8
Tax losses carried forward	**-35.7**	-17.5
Total deferred tax basis	**-79.8**	-71.4
Net deferred tax asset (24% in 2016, 25% in 2015)	**-19.2**	-17.8
Recognized deferred tax asset	**-19.2**	-17.8

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 25% to 24% from 1 January 2017.

Estimated taxable profit

Amounts in USD million	2016	2015
Profit before tax	**-13.8**	61.5
Permanent differences in net non-taxable income (-) / expenses (+)	**6.6**	-84.5
Change in temporary differences	**-9.7**	28.0
Expenses recorded against equity	**-1.8**	-
Group contribution recognized directly against shares in subsidiaries	**0.8**	19.4
Correction from previous years	**-0.3**	0.8
Utilization of accumulated tax losses	**-**	-25.1
Estimated taxable income	**-18.2**	**-**
Tax payable (25%) in the profit and loss account	-	-

Income tax expense/income:

Amounts in USD million	2016	2015
Tax payable in the profit and loss account	-	-
Change in deferred tax	1.0	4.8
Total income tax expense (-) / benefit (+)	**1.0**	4.8

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 25% of profit before tax:	2016	2015
25 % tax on profit before tax (27% in 2015)	**3.4**	-16.6
25% tax on permanent differences (27% in 2015)	**-1.7**	22.8
Change in tax rate (24% from 1 January 2017)	**-0.8**	-1.4
Estimated income tax expense (-)/ benefit (+)	**1.0**	4.8
Effective tax rate (tax expense compared with profit / loss before tax)	**-7.2 %**	7.8 %

NOTE 7 FIXED ASSETS

Amounts in USD million	Other fixed assets
Cost balance at 1 January 2015	**-**
Capital expenditure	**0.4**
Disposals	-
Effect of movements in foreign exchange	-
Cost balance at 31 December 2015	0.4
Capital expenditure	-
Disposals	**-**
Effect of movements in foreign exchange	**-**
Cost balance at 31 December 2016	**0.4**
Accumulated depreciation and impairment losses at 1 January 2015	**-**
Depreciation charge of the year	**-**
Impairment	**-**
Disposals	**-**
Effect of movements in foreign exchange	**-**
Accumulated depreciation and impairment losses at 31 December 2015	**-**
Depreciation charge of the year	-0.1
Impairment	**-**
Disposals	**-**
Effect of movements in foreign exchange	**-**
Accumulated depreciation and impairment losses at 31 December 2016	**-0.1**
Balance at 31 December 2015	**0.3**
Balance at 31 December 2016	**0.3**

NOTE 8 SHARES IN SUBSIDIARIES

Shares in subsidiaries include the following companies at December 31 2016:

Amounts in USD million	Ownership in %	Voting share in %	Location, city	Equity as of Dec. 31 2016	Profit before tax 2016	Book value
Aker Floating Production AS	100.00	100.00	Lysaker, Norway	290.3	50.0 1)	**292.4**
Connector 1 AS	100.00	100.00	Lysaker, Norway	94.4	-21.4	**80.2**
F-Shiplease Holding AS	100.00	100.00	Lysaker, Norway	42.9	5.0 1)	**50.0**
LH Shiplease 1 AS	100.00	100.00	Lysaker, Norway	80.2	9.1	**58.4**
Ocean Holding AS	100.00	100.00	Lysaker, Norway	172.8	17.1	**155.2**
OCY Albany AS	100.00	100.00	Lysaker, Norway	46.0	5.6	**49.9**
OCY Containerinvest AS	100.00	100.00	Lysaker, Norway	29.6	-1.4	**30.0**
OCY Nelson AS	100.00	100.00	Lysaker, Norway	10.3	1.7	**7.6**
OCY Nelson 2 AS	100.00	100.00	Lysaker, Norway	10.1	1.7	**7.6**
OCY Nelson 3 AS	100.00	100.00	Lysaker, Norway	10.0	1.7	**7.6**
OCY Nelson 4 AS	100.00	100.00	Lysaker, Norway	9.8	1.7	**7.6**
OCY Nelson 5 AS	100.00	100.00	Lysaker, Norway	11.4	1.4	**10.0**
OCY Nelson 6 AS	100.00	100.00	Lysaker, Norway	10.9	0.9	**10.0**
OCY Nelson 7 AS	100.00	100.00	Lysaker, Norway	10.5	0.5	**10.0**
OCY Nelson 8 AS	100.00	100.00	Lysaker, Norway	10.2	0.2	**10.0**
OCY Nelson 9 AS	100.00	100.00	Lysaker, Norway	13.5	1.5	**12.0**
OCY Nelson 10 AS	100.00	100.00	Lysaker, Norway	13.4	1.4	**12.0**
OCY Nelson 11 AS	100.00	100.00	Lysaker, Norway	13.2	1.2	**12.0**
OCY Nelson 12 AS	100.00	100.00	Lysaker, Norway	12.8	0.7	**12.0**
OCY Nelson 13 AS	100.00	100.00	Lysaker, Norway	9.3	0.3	**9.0**
OCY Nelson 14 AS	100.00	100.00	Lysaker, Norway	9.1	0.1	**9.0**
OCY Severn AS	100.00	100.00	Lysaker, Norway	14.4	-0.3	**15.0**
OCY Severn 2 AS	100.00	100.00	Lysaker, Norway	15.1	0.4	**15.0**
OCY Severn 3 AS	100.00	100.00	Lysaker, Norway	14.3	0.6	**14.4**
OCY Thelon AS	100.00	100.00	Lysaker, Norway	58.3	3.6	**50.1**
OCY Wayfarer AS	100.00	100.00	Lysaker, Norway	142.3	24.0	**131.4**
OS Installer AS	75.00	75.00	Lysaker, Norway	43.8	5.5	**28.8**
Total						**1 107.2**

1) 100% of the Group's equity as of December 31, and the Group's profit before tax 2016.

NOTE 9 RECEIVABLES, BORROWINGS AND TRANSACTIONS WITH GROUP COMPANIES

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

Amounts in USD million	2016	2015
Connector 1 AS	**118.9**	153.8
F-shiplease AS	**80.8**	-
OCY Containerinvest AS	**74.2**	-
OCY Severn 2 AS	**66.9**	24.9
OCY Albany AS	**56.4**	18.6
LH Shiplease 1 AS	**34.3**	47.4
OCY Nelson 12 AS	**33.1**	0.0
OCY Nelson 11 AS	**32.0**	0.0
OCY Nelson 10 AS	**31.5**	0.0
OCY Nelson 9 AS	**31.1**	0.0
OCY Nelson 8 AS	**26.5**	0.0
OCY Nelson 7 AS	**26.0**	0.0
OCY Nelson 6 AS	**25.4**	0.0
OCY Wayfarer AS	**25.2**	6.2
OCY Nelson 5 AS	**24.7**	0.0
OCY Nelson 4 AS	**21.6**	24.1
OCY Nelson 3 AS	**21.3**	23.8
OCY Nelson 2 AS	**21.1**	23.6
OCY Nelson AS	**20.9**	23.4
OCY Nelson 14 AS	**19.9**	-
OCY Nelson 13 AS	**19.3**	-
OCY Thelon AS	**12.0**	20.0
Ocean Holding AS	**11.9**	8.5
OCY Severn AS	**10.2**	25.0
OCY Severn 3 AS	**-**	16.8
Long-term interest-bearing receivables from Group companies	**845.2**	416.2

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	2016	2015
Group contribution receivable OCY Wayfarer AS	**40.6**	-
Group contribution receivable Ocean Holding AS	**9.0**	40.3
Group contribution receivable Aker Floating Production AS	**8.3**	6.3
Group contribution receivable OCY Severn 3 AS	**0.8**	-
Group contribution receivable Aker Invest AS	**-**	0.2
Dividend from OS Installer AS	**-**	6.0
Short-term interest free receivable Connector 1 Holding AS	**-**	0.2
Short-term interest free receivable LH Shiplease AS	**-**	1.0
Incurred interest, not received, from Group companies	**5.8**	1.3
Other short-term receivable Group companies	**0.7**	-
Short-term interest free receivables from Group companies	**65.2**	55.4

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

Amounts in USD million	2016	2015
OCY Severn 3 AS	**15.3**	-
Aker Invest AS	**-**	4.6
Long-term interest bearing liabilities to Group companies	**15.3**	4.6

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	2016	2015
Group Contribution Ocean Holding AS	**-**	29.0
Other short-term liabilities group companies	**0.1**	0.1
Short-term interest free liabilities to Group companies	**0.1**	29.0

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

Dividends and Group contributions received from Group companies:

Amounts in USD million	2016	2015
Dividend from Aker Floating Production AS	**17.3**	59.5
Dividend from LH Shiplease AS	**3.6**	-
Dividend from F-shiplease Holding AS	**-**	2.6
Dividend from OS Installer AS	**-**	3.3
Group Contribution from OCY Wayfarer AS	**40.6**	-
Group Contribution from Ocean Holding AS	**9.0**	21.0
Group Contribution from Aker Floating Production AS	**8.3**	6.3
Group Contribution from Aker Invest AS	**-**	0.2
Dividends and group contributions received from Group companies	**78.8**	92.8

NOTE 10 LONG-TERM INTEREST-BEARING RECEIVABLES

Long-term interest-bearing receivables consist of the following:

Amounts in USD million	2016	2015
Restricted deposits	**3.6**	4.5
Other interest-bearing long term receivables	**0.6**	0.6
Total long-term interest-bearing receivables	**4.2**	5.1

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.

NOTE 11 SHORT-TERM INTEREST-BEARING RECEIVABLES

Short-term interest-bearing receivables consist of the following:

Amounts in USD million	2016	2015
Pre-delivery instalments Navig8 Chemical Tankers	**-**	28.2
Pre-delivery instalments Navig8 Product Tankers	**-**	64.4
Total short-term interest bearing receivables	**-**	92.6

The short-term interest-bearing receivables in 2015 was related to pre-delivery financing of four chemical tankers and four product tankers under construction. The receivables carried an interest of 7% p.a. Interest was paid quarterly, and the due date was at vessel delivery. All of the vessels were delivered during 2016.

NOTE 12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are distributed as follows:

Amounts in USD million	2016	2015
Cash restricted	**0.2**	0.2
Cash unrestricted	**90.2**	52.3
Total	**90.5**	52.5

In addition Ocean Yield ASA has USD 3.6 million in restricted cash classified as long-term assets (see note 10).

NOTE 13 SHAREHOLDERS EQUITY

Changes in shareholder's equity is as follows:

Amounts in USD million	Share capitall	Treasury shares	Other paid in capital	Retained earnings	Total equity
Shareholders equity 31 December 2014	222.3	-0.2	453.8	6.9	**682.8**
Share issue	0.6	-	1.4	-	**2.0**
Dividend	-	-	-9.9	-73.6	**-83.5**
Profit for the year	**-**	-	-	66.2	**66.2**
Treasury shares acquired	-	-1.1	-	-	**-1.1**
Treasury shares sold	-	1.0	-	-0.1	**0.8**
Other changes	-	-	-	0.6	**0.6**
Shareholders equity 31 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**
Shareholders equity 31 December 2016	**239.6**	**-0.3**	**434.8**	**-12.8**	**661.2**

Paid in capital
At 31 December 2016 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**	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:

Amounts in USD million	2016	2015
Number of shares outstanding 1.1	**134 585 762**	134 169 041
Share capital increase	**13 462 857**	-
Issue of shares related to management incentive scheme	**260 000**	436 464
Treasury shares acquired	**-**	-150 000
Treasury shares sold	**-**	130 257
Number of shares outstanding 31.12	**148 308 619**	134 585 762

The 20 largest shareholders as of 31 December 2016

Shareholders	Number of shares	Percent
Aker Capital AS 1)	98 242 575	66.2 %
Citibank N.A.	3 630 389	2.4 %
JP Morgan Chase Bank N.A. London	3 570 530	2.4 %
JP Morgan Chase Bank N.A. London	2 514 000	1.7 %
Norron sicav - target	1 560 000	1.1 %
Invesco Perp Euran smler comps fd	1 511 835	1.0 %
Finmarine AS 2)	1 350 880	0.9 %
Klaveness Marine Finance AS	1 090 000	0.7 %
SEB Prime Solutions Sissener Canop	900 000	0.6 %
Fidelity Funds-Nordic Fund/Sicav	898 691	0.6 %
Invesco Funds	826 608	0.6 %
Invesco Perpetual Euran opprt fd	759 647	0.5 %
State Street Bank and Trust Company	722 295	0.5 %
O.N. Sunde AS	700 000	0.5 %
Global x superdividend etf	642 397	0.4 %
Nordnet Livsforsikring AS	592 303	0.4 %
Euroclear Bank S.A./N.V.	574 628	0.4 %
MP Pensjon Pk	482 970	0.3 %
State Street Bank and Trust Co	452 000	0.3 %
State Street Bank and Trust Co	436 168	0.3 %
Other	26 893 516	18.1 %
Total	**148 351 432**	**100%**

1) Kjell Inge Røkke controls 67.8% 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 ASA.

2) Finmarine AS is owned by the CEO Lars Solbakken.

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 2016 financial statement for Aker ASA are when available, to be found at www.akerasa.com.

Dividends

Amounts in USD million	2016	2015
Total dividend paid	**94.0**	80.7
Declared dividend for the 4th quarter	**27.1**	21.9

CURRENT BOARD AUTHORIZATIONS

At the Annual General Meeting, held on 12 April 2016, Ocean Yield ASA's shareholders gave the board an authorization to increase the share capital with maximum NOK 134.6 million in connections with private placements, acquisitions, mergers, de-mergers or other transfers of business and an authorization to increase the share capital with maximum NOK 8 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 million in connection with the employee share programme. The authorizations are valid until the 2017 Annual General Meeting. This authorization to increase the share capital through a private placement was used in connection with the issuance of new equity in August 2016.

NOTE 14 PENSION COSTS AND PENSION LIABILITIES

According to the Norwegian law on occupational pensions, (Lov om tjenestepensjon) the company is required to provide a pension plan for all its employees.

Ocean Yield ASA covers its pension liabilities mainly through a group pension plan in a life insurance company. For accounting purposes the plan has been treated as a defined benefit plan.

The schemes provide defined future benefits. These benefits depend mainly on the number of years the individual is a member of the plan, the level of salary at time of retirement and the level of the benefits provided by the Norwegian National Insurance scheme.

Actuarial calculations have been made based on the following assumptions:

Amounts in USD million	2016	2015
Expected return	**2.5 %**	2.5 %
Discount rate	**2.5 %**	2.5 %
Wage growth	**2.5 %**	2.5 %
Pension adjustment	**0.8 %**	0.8 %
Number of employees that are part of the pension scheme yearend	**8**	7

Pension expense recognized in profit and loss:

Amounts in USD million	2016	2015
Expense related to benefits earned in this period	**0.1**	0.2
Interest expense accrued on pension liabilities	**0.0**	0.0
Expected return on pension funds	**-0.0**	-0.0
Effect of changes in estimates and pension plans (actuarial gains and losses)	-	-
Social security contribution	**-**	-
Total pension expense recognized in profit and loss	**0.1**	0.2

Changes in present value for benefit based pension liability:

Amounts in USD million	2016	2015
Pension liabilities as at 1 January	**0.5**	0.4
Expense related to pensions vested this period	**0.1**	0.2
Interest expense on pension liabilities	**0.0**	0.0
Plan amendments	**0.0**	0.0
Remeasurements (loss)/ gain	**0.1**	-0.1
Effect of movement in exchange rate	**0.0**	0.1
Pension liabilities as at 31 December	**0.7**	0.5

Changes in fair value pension funds:

Amounts in USD million	2016	2015
Fair value of pension funds as at 1 January	**0.4**	0.2
Expected return on pension funds	**0.0**	0.0
Administration	**0.0**	0.0
Plan amendments	**0.0**	0.0
Remeasurements (loss)/ gain	**0.0**	0.0
Contribution paid by the employer	**0.2**	0.2
Effect of movement in exchange rate	**0.0**	0.1
Fair value of pension funds as at 31 December	**0.6**	0.4

Net pension fund and liabilities:

Amounts in USD million	2016	2015
Defined benefit obligation at 31 December	**-0.7**	-0.5
Fair value of plan assets at 31 December	**0.6**	0.4
Pension liabilities at 31 December	**-0.1**	-0.1

NOTE 15 INTEREST-BEARING DEBT

Interest-bearing debt consist of the following:

Amounts in USD million	2016	2015
Long term interest bearing liabilities to Group companies, see note 9	15.3	4.6
Secured bank loans	1 082.6	578.8
Unsecured bond loans	277.7	225.4
Loan from related parties	-0.1	-
Total	**1 375.4**	808.8

Change in Interest-bearing debt:

Amounts in USD million	Debt to Group companies	Secured bank loans	Unsecured bond loans	Loan from related parties	Total 2016	2015
Interest-bearing debt at 1 January	4.6	578.8	225.4	-	**808.8**	326.7
New Loans	15.3	470.9	91.3	49.4	**626.9**	480.3
Instalments	-	-51.1	-	-51.7	**-102.9**	-70.0
Other non-cash changes (netted against receivables etc)	-4.9	81.5	-	-	**76.6**	110.8
Repurchase	-	-	-41.6	-	**-41.6**	-
Loss from repurchase	-	**-**	0.2	-	**0.2**	-
Amortization of loan fees	-	2.5	0.5	0.8	**3.7**	0.9
Effect of movement in foreign exchange	0.3	-	2.0	1.4	**3.7**	-40.0
Interest-bearing debt at 31 December	15.3	1 082.6	277.7	-0.1	**1 375.4**	808.8

SECURED BANK LOANS

In July 2016 Ocean Yield signed a loan agreement with a group of banks for a USD 202.5 million credit facility for the financing of the three Liquefied Ethylene Gas carriers on long term charter to the Hartmann Group, with SABIC Petrochemicals BV being the sub-charterer of the vessels for 10 years. However, following Ocean Yields announcement to cancel the third vessel in October 2016 the tranche relating to this vessel was also cancelled. The credit facility will finance USD 67.5 million out of the contract price of USD 81 million per vessel. The facility carries an interest rate of LIBOR plus 2.00% p.a. Interest is paid quarterly. The facilities has a tenor of 10 years from delivery, and will be repaid on an annuity basis down to a balloon of USD 22.5 million per vessel at maturity.

In September 2016, Ocean Yield agreed to acquire two 45,000 dwt IMO II chemical tankers, built 2013 for a consideration of USD 35 million per vessel in combination with 12-year “hell and high water” bareboat charters to Navig8 Ltd. (“Navig8 Group”). The transaction is financed with a USD 49 million senior secured term loan facilitiy agreement entered into with Nordea Bank Norge ASA and Danske Bank AS. The loan is secured against two chemical tankers; Navig8 Universe and Navig8 Constellation. The facility carries an interest rate of LIBOR plus 2.00% p.a. Interest is paid quarterly. The facility is repaid in quarterly consecutive instalments, with a balloon at the final maturity date falling five years from the last vessel delivery, but no later than 30 November 2021.

In December 2016 the loan agreement related to the vessels Far Senator and Far Statesman was amended, and Ocean Yield ASA assumed F-shiplease Holding AS’s position as borrower. The loan is secured in the vessels Far Senator and Far Statesman. The facility comprise of two term loan facilities split in sub-facilities: a term loan facility A of up to NOK 916.2 million with Eksportkreditt Norge AS as lender and a term loan facility B of up to NOK 68.7 million with Swedbank AB as lender. The facility A tranche is guaranteed by commercial guarantees of NOK 300 million issued by Swedbank AB and NOK 100 million issued by Sparebanken Møre and guarantee issued by GIEK of NOK 516.2 million. The facility A loans carry fixed interest rates of 3.69% p.a., whereas the facility B loans carry floating interest rates of NIBOR plus 3.5% p.a. Guarantee commissions of 1.60% p.a. accrue from day to day in respect of the commercial guarantees and the GIEK guarantees. Instalments on facility A are paid semi-annually. The facility A matures in 2025. Facility B shall be paid in full five years after delivery of the vessels, unless extended. The commercial guarantees are subject to renewal after five years from the delivery of the respective vessel, which will be in 2018.

UNSECURED BOND LOANS

In September 2016, Ocean Yield successfully completed a new unsecured bond issue of NOK 750 million with maturity in September 2021, carrying a coupon of 3 months NIBOR + 4.50% p.a. with quarterly interest payments. The net proceeds from the bond issue was used to refinance existing debt from Aker ASA, finance future growth and for general corporate purposes. Concurrently, Ocean Yield repurchased NOK 245.5 million of OCY02 with maturity in 2019 and NOK 92.5 million of OCY 03 with maturity in 2020, to extend the average maturity of its outstanding bond loans. Ocean Yield has also entered into one cross currency interest rate swap related to the new bond loan where NOK 400 million has been swapped from NIBOR + 4.50% p.a. to LIBOR + 4.94% p.a.

LOAN FROM RELATED PARTIES

In June 2016 Ocean Yield entered into a drawing facility agreement with Aker ASA. The Facility of NOK 1,000 million had maturity in February 2018, corresponding with the maturity of the bonds held by Ocean Yield in American Shipping Company. The loan carried an interest rate of NIBOR + 4.5% p.a. During 2016 Ocean Yield drew and then repaid and cancelled NOK 420 million of this credit facility. In addition, NOK 330 million was also cancelled. As of year-end 2016 NOK 250 million was available for drawdown. The facility was however cancelled in January 2017.

COVENANTS

Ocean Yield ASA has loans and guarantee commitments that contain certain financial covenants.

At year-end 2016 the minimum market value of Lewek Connector in percent of outstanding loans was 127.7% compared to the requirement of 130%. If the minimum market value covenant is not met the Borrower is required to either make a prepayment of the Loans, or provide the lenders with additional security. In this case, additional security in the amount of USD 2.6 million is required to be posted. Following the termination of the bareboat charter for this vessel, the Company is in dialogue with the lenders regarding a permanent waiver of the relevant clauses in the loan agreement concerning the charterer.

Ocean Yield ASA was in compliance with all other covenants at year-end 2016 and year-end 2015.

NOTE 16 MORTGAGES AND GUARANTEE OBLIGATIONS

Guarantee obligations are as follows:

Amounts in USD million	2016	2015
Loan guarantees F-Shiplease Holding AS	-	86.7
Loan guarantees Aker Contracting FP ASA	**67.8**	50.5
Total guarantee obligations	**67.8**	137.2

NOTE 17 OTHER LONG- TERM LIABILITIES

Other long-term liabilities consist of the following:

Amounts in USD million	2016	2015
Unrealized loss on interest and currency exchange swaps	**20.5**	61.7
Total	**20.5**	61.7

NOTE 18 OTHER SHORT-TERM LIABILITIES

Other short-term liabilities consist of the following:

Amounts in USD million	2016	2015
Accrued interest external	**5.9**	2.2
Unrealized loss on interest and currency exchange swaps	**38.5**	3.8
Accrued bonus to employees	**0.4**	6.9
Other	**2.5**	1.2
Total	**47.3**	14.1

NOTE 19 FINANCIAL INSTRUMENTS

At yearend Ocean Yield ASA had the following financial instruments recognized at fair value:
31 December 2016

Amounts in USD million	Carrying amount	Fair value	Unrealized loss on interest and currency exchange swaps 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**

31 December 2015

Amounts in USD million	Carrying amount	Fair value	Unrealized loss on interest and currency exchange swaps recognized in profit and loss
Cross currency interest rate swaps	-61.5	-61.5	-34.0
Interest rate swaps	-4.0	-4.0	-2.7
Total	**-65.5**	**-65.5**	**-36.7**

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

NOTE 20 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 21 SALARY AND OTHER REMUNERATION TO THE BOARD OF DIRECTORS, CEO AND OTHER EMPLOYEES IN OCEAN YIELD'S EXECUTIVE TEAM

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

NOTE 22 SHARES OWNED BY THE BOARD OF DIRECTORS, CEO AND OTHER EMPLOYEES IN THE EXECUTIVE TEAM

See note 31 in the consolidated financial statements for Ocean Yield ASA Group.

NOTE 23 SHARE-BASED PAYMENTS

See note 32 in the consolidated financial statements for Ocean Yield ASA Group.

NOTE 24 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 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 Ocean Yield ASA.

TRANSACTIONS WITH KJELL INGE RØKKE

See note 29 in the consolidated financial statements for Ocean Yield ASA Group.

TRANSACTION WITH AKER ASA

See note 29 in the consolidated financial statements for Ocean Yield ASA Group.

TRANSACTIONS WITH FORNEBUPORTEN AS

See note 29 in the consolidated financial statements for Ocean Yield ASA Group.

TRANSACTIONS WITH EMPLOYEES OF OCEAN YIELD ASA

See note 29 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 and counterparties see note 9.

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

NOTE 25 CONTINGENCIES AND LEGAL CLAIMS

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

NOTE 26 EVENTS AFTER THE BALANCE SHEET DATE

See note 34 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, which comprise the balance sheet as at 31 December 2016, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The financial statements of the group, which comprise the balance sheet as at 31 December 2016, 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 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for 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 of 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

Refer to page 28 (Board of Directors' report), page 54 (accounting principles), page 75 (impairment charges) and pages 82-85 (vessels and other fixed assets and goodwill).

The Key Audit Matter	*How the matter was addressed in our audit*
Vessels and other fixed assets includes vessels on operating lease contracts with customers and newbuildings under construction related to arranged operating lease agreements total USD 1 243.8 million as at 31 December 2016. The Group's long-term charters reduce exposure to volatility in market conditions provided that customers continue to have the ability to perform on their contractual obligations. These long-term charters also reduce the volatility of the impairment analysis and the related sensitivities. As discussed in notes 10 and 14 to the consolidated financial statements, one of the Group's long-term charters was cancelled due to non-payment. In addition, another customer has agreed to the terms of a financial restructuring with its creditors and is in the process of implementing the restructuring plan. Due to these events as well as continuing challenges facing the oil and gas sector and uncertainties about future developments, there is an increased risk that book value of vessels may need to be adjusted downwards. Management's assessment of valuation of vessels was therefore significant to our audit. Management's determination of the recoverable amounts related to vessels under operating leases includes: • Assumptions regarding cash flows forecasts; • Discount rates; • Customer credit risk; and • Residual values. Significant auditor judgment is required when evaluating whether management's assumptions are reasonable and supportable, and whether the residual values can be considered reliable.	*Our response:* For each vessel, we applied professional skepticism and critically assessed management's judgement. Where impairment indicators were identified our work included, but was not limited to, the following procedures: ▪ Assessment of Management's cash flow forecasts covered by, and subsequent to, lease contracts; ▪ Challenging Management's assessment related to residual values with reference to expected utilization after contract termination/completion, purchase and renewal options. ▪ 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; ▪ Corroborating Management's assertions with external sources when possible; ▪ Verifying the mathematical and methodological integrity of management's impairment models; ▪ Evaluation 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 ▪ Assessing Management's sensitivity analysis and considering whether the disclosures adequately reflect the sensitivity in the underlying impairment assessment.

2. Disclosures of long term debt and compliance with debt covenants

Refer to page 28 (Board of Directors' report), page 60 (financial risk and exposure), and page 93 (interest-bearing loans and liabilities).

The Key Audit Matter	*How the matter was addressed in our audit*
The Group has numerous debt facilities, including secured bank loans and listed bonds, which include financial and other covenants, including loan to value covenants on certain facilities and cross default clauses. This may potentially impact some or all of the following: • Presentation and classification of debt • Liquidity • Reader's understanding the future cash flows and risks of the business • Compliance with debt covenants; and • Adequate disclosure of financing facilities. Due to the complexity and the factors mentioned above this has been a key audit matter in our audit.	*Our response:* We have examined management's calculations of the covenant ratios in accordance with the term loan agreements and considered evidence documenting compliance with financial covenants. Our work included, but was not limited to, the following procedures: • Reading the loan agreements including any amendments; • Testing the mathematical integrity of the calculations in accordance with the loan agreements and the Group's reporting to banks and bondholders; and • Assessing the adequacy of the Group's disclosures regarding the covenants and the loan agreements.

3. Investment in Box Holdings

Refer to page 28 (Board of Directors' report), page 54 (accounting principles), page 85 (investments in associates).

The Key Audit Matter	*How the matter was addressed in our audit*
Each of the Company's transactions with customers is individually significant. At initial recognition, new arrangements do not necessarily have significant financial statement impact due to the timing of investments and/or delivery of vessels. However, given the size of the transactions, it is important that the initial and future accounting effects are properly assessed to ensure the financial statements are not materially misstated due to error. Accordingly, Management's evaluation for each new transaction is significant to our audit. In 2016, the Company's most significant new transaction was a 49.5 % share acquisition in Box Holdings Inc., which is accounted for using the equity method. As described more fully in note 16 to the consolidated financial statements, Box Holdings will ultimately own six container ships that will be leased under long-term bareboat charter arrangements that are accounted for as financial leases. The investment required the Company: • to consider if it should consolidate the investee; • to determine the allocation of the purchase price in order to apply equity method accounting; and • to evaluate the accounting Box Holding applied in its own consolidated financial statements for compliance with IFRS and consistency with the Group's own accounting policies.	We have carefully considered management's assessment of the accounting treatment related to the investment in Box Holdings including the consolidation analysis, the purchase price allocation and subsequent accounting using the equity method. Our work included, but was not limited to, the following procedures: • Reading the relevant contractual documentation and understanding the substance of the transaction; • Evaluating management's assessment of the fair value of the investees assets and liabilities at the investment date; • Corroborating payments made to underlying bank statements and considering the appropriateness of the accounting for deferred elements to the purchase price; • Inspecting underlying documentation for Box Holding's accounting treatment of the significant transaction, including the application of hedge accounting; and • Considered the adequacy of the Group's disclosure in the consolidated financial statements.

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.

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 and 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 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

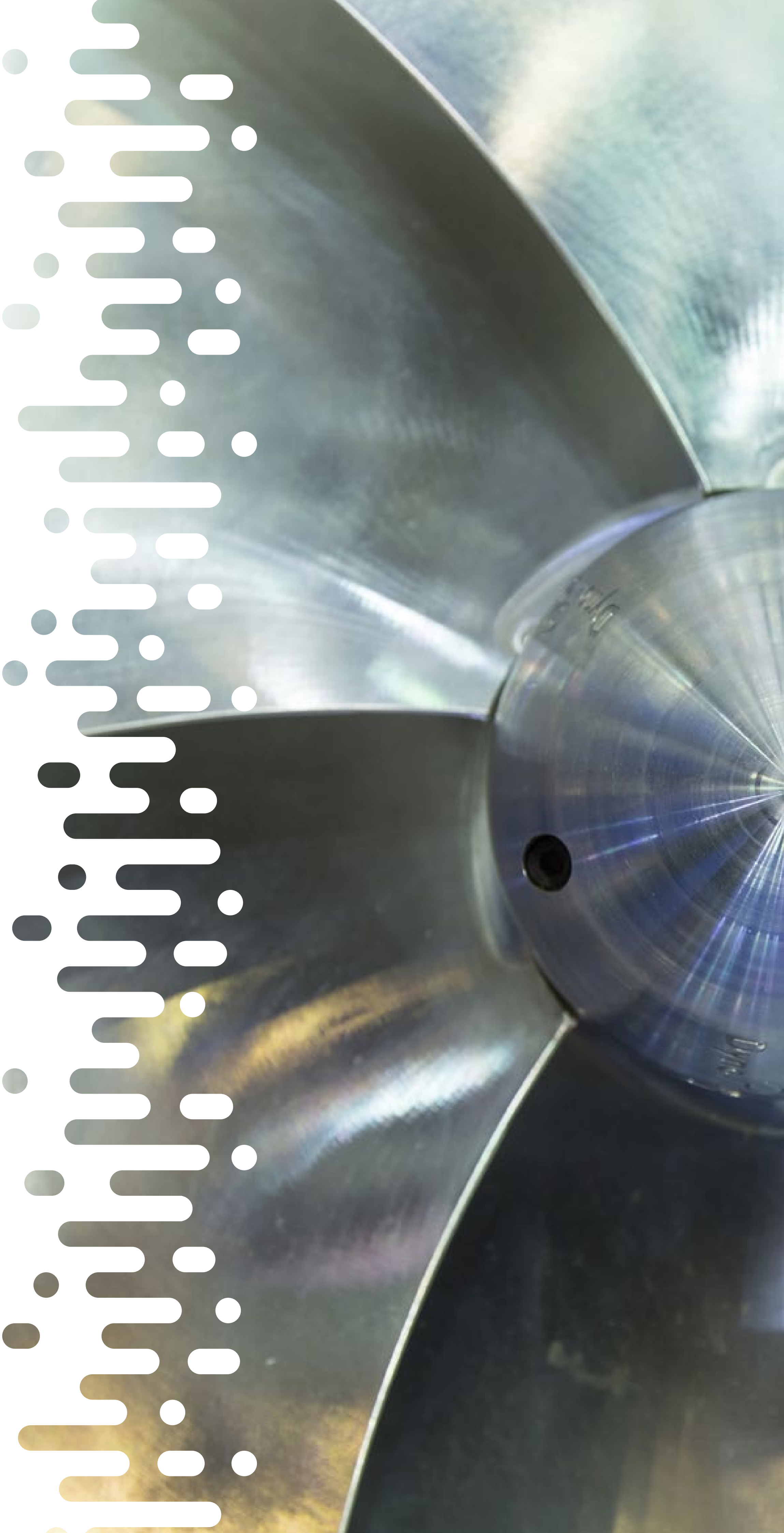
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report, in the Corporate Social Responsibility Statement and in the separate Corporate Governance Statement concerning the financial statements, the going concern 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, 24 March 2017
KPMG AS

Tom Myhre
State Authorised Public Accountant



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