

Annual report 2017

Annual accounts

- Annual report**
- Income statement - USD**
- Balance sheet - USD**
- Cash flow statement - USD**
- Notes**

Auditors' report

Report from the Board of Directors 2017 OCEANIC CHAMPION AS

Nature and location of business

Oceanic Champion AS is a ship-owner and operator in the offshore seismic segment. The fleet comprises one vessel on a long term bareboat charter. The company was formed in 2013.

The company's customer is an oil service company which engage in seismic exploration activities on contract to the oil companies. The vessel is employed with a reputable charterer.

The main office is at Austevollshella in Austevoll Municipality. The Group has no employees. Oceanic Champion AS is owned 100 % by Norfield AS.

Activity – material risks

The company's only owned vessel "Oceanic Champion" is employed on a long term bareboat charterparty to CGG; until 06/2020. There is consequently no technical and operational risk for the company related to this vessel.

Due to adverse market conditions in the seismic sector, CGG approached Oceanic Champion AS to renegotiate the terms of the bareboat contract as part of an overall refinancing of the CGG group. An agreement was made with CGG during 1st quarter 2017 wherein the company agreed to reduce the charterhire payments for the remaining term. The reduced charterhire was partly compensated by the issuing of CGG bonds in favour of the company. The bonds were issued in March 2017 and sold in the market at prevailing market price for CGG assets.

Health, Safety and Environment (HSE)

Oceanic Champion AS has a clear goal of operating the vessel without injuries to personnel or damage to the environment. The BB charter has not reported any injuries or damages during 2017.

External Environment

The company ensures that the vessel is operated within the regulations and guidelines in force at any given time for prevention of harm to the environment. During the year the company had no incidents resulting in oil spills to sea.

Working environment, personnel and equal opportunities

The Group had no personnel employed during 2017. The board of directors in Norfield AS consists of four men. Currently there is no program to change the gender composition of the Board.

Research and development

The Group had no research and development plan.

Going concern

The accounts have been prepared on the assumption of going-concern pursuant to Section 3-3 of the Accounting Act.

Report on the consolidated accounts

The accounts for 2017 are prepared in accordance with Norwegian GAAP.

Gross operating revenue was MUSD 11.6 in 2017 against MUSD 14.1 in 2016. Earnings before interest, taxes, depreciation and amortization, (EBITDA) was MUSD 11.5 (MUSD 14.0).

Oceanic Champion AS

The annual result was MUSD -5.0 (MUSD -7.7). The negative result is due to the impairment of the "Oceanic Champion" of MUSD 6.0. The Board of Directors proposes to allocate the result against other equity.

Net cash flow from operating activities was MUSD 13.9 (MUSD 10.1).

Financing and capital structure

Oceanic Champion AS has a long-term bond loan which is covered by the vessels cash-flow in a ring-fenced structure. The terms of the bond loan were amended as a consequence of the renegotiated terms of the bareboat charter party with CGG. The amendment applies to the repayments only which has been reduced to reflect the reduced earnings under the CGG contract.

Total assets per 31.12.2017 were MUSD 49.8 (MUSD 69.1). The equity was MUSD 21.9 (MUSD 26.9) calculating an equity ratio of 44% (39%).

Cash equivalents per 31.12.2017 were MUSD 3,4 (MUSD 7.4). The cash were placed in an escrow account as collateral for the bond loan.

Financial risk

Interest rate risk

The bond loan is a fixed interest seven-year loan. Consequently, the company has no interest exposure on the current facility.

Exchange rate risk

The bareboat contract and the bond loan are in USD. There is consequently only a negligible currency risk in this project.

Credit risk

The contract for the "Oceanic Champion" is with an international reputable seismic operator. Although there is currently a challenging situation in the seismic market, the board considers the credit risk for this client to be limited.

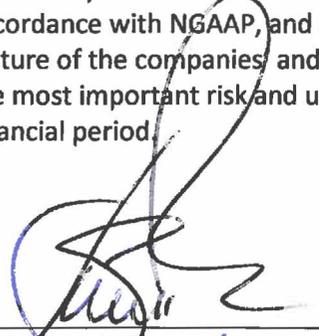
Liquidity risk

Oceanic Champion AS has sufficient free cash to cover the operation of the company.

Statement from the Board of Directors

We hereby declare that to the best of our knowledge the annual accounts for 2017 are prepared in accordance with NGAAP, and that the information in the financial statements and this report gives a fair picture of the companies' and group's assets, liabilities, financial position and result as a whole, as well as the most important risk and uncertainty factors to which the companies might be exposed in the next financial period.

31 December 2017
Austevoll 22 March 2018



Stein Pettersen
Chairman



Trym Jacobsen
Board Member



Tor Østervold
Board Member/CEO

Oceanic Champion AS

Income statement - USD

	Note	2017	2016
Revenue			
Sales revenue		<u>11 622 780</u>	<u>14 078 271</u>
Operating expenses			
Depreciation – ship	3	7 834 572	7 834 572
Write-down – ship	3	6 000 000	10 000 000
Other operating expenses	2	<u>148 288</u>	<u>111 948</u>
Total operating expenses		<u>13 982 860</u>	<u>17 946 520</u>
Operating result		<u>-2 360 080</u>	<u>-3 868 249</u>
Financial income and expenses			
Interest income from group companies		22 661	21 938
Other financial income		-64 232	68 838
Other financial expenses		<u>2 570 252</u>	<u>3 885 344</u>
Net financial items		<u>-2 611 823</u>	<u>-3 794 568</u>
Ordinary result before tax		<u>-4 971 903</u>	<u>-7 662 817</u>
Tax on ordinary result	8	<u>1 601</u>	<u>1 524</u>
Net profit or loss for the year		<u>-4 973 504</u>	<u>-7 664 341</u>
Allocated as follows			
Transferred to other equity	9	<u>-4 973 504</u>	<u>-7 664 341</u>

Oceanic Champion AS

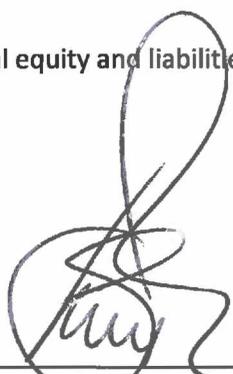
Balance sheet - USD pr. 31. December

	Note	2017	2016
Fixed assets			
<i>Tangible assets</i>			
Ship	3, 5	<u>44 815 279</u>	<u>58 649 851</u>
Total tangible assets		<u>44 815 279</u>	<u>58 649 851</u>
<i>Financial assets</i>			
Other receivables	5	<u>738 922</u>	<u>1 061 374</u>
Total financial assets		<u>738 922</u>	<u>1 061 374</u>
Total fixed assets		<u>45 554 201</u>	<u>59 711 225</u>
Current assets			
<i>Receivables</i>			
Trade receivables		325	1 264 036
Other receivables	7	<u>781 037</u>	<u>758 411</u>
Total accounts receivable		<u>781 362</u>	<u>2 022 447</u>
Cash and cash equivalents	4, 5	<u>3 417 788</u>	<u>7 380 999</u>
Total current assets		<u>4 199 150</u>	<u>9 403 446</u>
Total assets		<u>49 753 351</u>	<u>69 114 671</u>

Oceanic Champion AS

Balance sheet - USD pr. 31. December

	Note	2017	2016
Equity			
<i>Paid-in capital</i>			
Share capital	9, 10	42 905 259	42 905 259
Total paid-in capital		<u>42 905 259</u>	<u>42 905 259</u>
<i>Retained earnings</i>			
Other equity	9	-20 990 136	-16 016 632
Total retained earnings		<u>-20 990 136</u>	<u>-16 016 632</u>
Total equity		<u>21 915 123</u>	<u>26 888 627</u>
Liabilities			
<i>Other long-term liabilities</i>			
Bonds	5	23 131 759	41 000 000
Other long-term liabilities	11	3 999 649	
Total other long-term liabilities		<u>27 131 408</u>	<u>41 000 000</u>
<i>Current liabilities</i>			
Trade creditors		26 688	12 741
Tax payable	8	1 601	1 524
Other short-term liabilities		678 531	1 211 779
Total current liabilities		<u>706 820</u>	<u>1 226 044</u>
Total liabilities		<u>27 838 228</u>	<u>42 226 044</u>
Total equity and liabilities		<u>49 753 351</u>	<u>69 114 671</u>

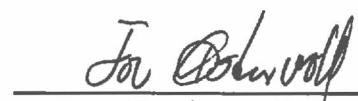


Stein Pettersen
Chairman

31 December 2017
Austevoll, 22 March 2018



Trym Jacobsen
Board member



Tor Østervold
Board member/CEO

Oceanic Champion AS

Cash flow statement - USD 01.01-31.12

	Note	2017	2016
Cash flow from operating activities			
Profit/(loss) before taxes		-4 971 903	-7 662 817
Taxes paid		-1 524	-1 605
Depreciation		7 834 572	7 834 572
Impairment of fixed assets		6 000 000	10 000 000
Changes in trade receivables and trade payables		1 251 295	-66 279
Changes in other current balance sheet items		3 792 590	3 834
Net cash flow from operating activities		<u>13 905 030</u>	<u>10 107 705</u>
Cash flow from investing activities			
Net cash flow from investing activities		<u>0</u>	<u>0</u>
Cash flow from financing activities			
Repayment of long term loans		<u>-17 868 241</u>	<u>-9 000 000</u>
Net cash flow from financing activities		<u>-17 868 241</u>	<u>-9 000 000</u>
Net change in cash and cash equivalents		-3 963 211	1 107 705
Cash at 01.01		<u>7 380 999</u>	<u>6 273 294</u>
Cash at 31.12		<u>3 417 788</u>	<u>7 380 999</u>

Notes to the accounts for 2017

Note - 1 Accounting Principles

Oceanic Champion AS was incorporated 26 February 2013 and acquired the vessel Oceanic Champion from its sister company, Norfield Shipping AS in April 2013. Oceanic Champion AS is domiciled in Austevoll, Norway.

The financial statements have been prepared in accordance with the Accounting Act and generally accepted accounting principles. The financial statement has functional and presentation currency in USD.

Bareboat income

Operation income from the chartering of vessels is recognized at the time of delivery. Earnings recognized in line with accrued revenues. The percentage of freight revenue relating to future charter is recorded as accrued income and recognized thereafter as the charter is delivered.

Balance sheet classification

Net current assets comprise creditors due within one year, and entries related to goods circulation. Other entries are classified as fixed assets and/or long-term creditors.

Current assets are valued at the lower of acquisition cost and fair value. Short term creditors are recognized at nominal value.

Fixed assets are valued by the cost of acquisition, in the case of non-incidentally reduction in value the asset will be written down to the fair value amount. Long term creditors are recognized at nominal value.

Long-term loans are recognized at nominal value at the time of delivery.

Trade and other receivables

Trade receivables and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful debts. Provisions for doubtful debts are calculated based on individual assessments. In addition, for the remainder of accounts receivables outstanding balances, a general provision is made on expected loss.

Foreign currency translation

Foreign currency transactions are translated using the year end exchange rates.

Vessel and equipment

Tangible assets are capitalized and depreciated over the estimated useful life. Direct maintenance costs are expensed as incurred, while improvements are capitalized and depreciated along with the asset. If the recoverable amount of the asset is less than its carrying value it is written down to its recoverable amount. The recoverable amount is the higher of net selling price and value in use.

Depreciation of the fleet is calculated using the straight-line method over a useful life of 20-25 years. The amortization period and method are reviewed annually.

Docking / classification cost of vessels are capitalized and recognized as depreciation until the next docking / classification. Other maintenance is charged to operations immediately. In cases where the completed works include additions or improvements that represent quality of a significant duration, the costs associated with this will be capitalized on the ship and depreciated over the remaining useful life.

Damage repairs, less deductible, are capitalized and classified as current assets pending reimbursement from insurance underwriters.

Income tax

The company was incorporated in 2013 and entered into the tonnage tax system from inauguration.

Notes to the accounts for 2017

Companies taxed under this regime is not taxed for the shipping operation profit. A positive net financial result will however be taxable. To qualify for the tonnage tax system certain criteria has to be met and violations from such compliance can lead to exclusion therefrom.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term highly liquid placements with maturity of three months or less.

Note 2 - Wage costs, number of employees, remuneration and auditor's fee

The total number of employees in the company during the year: 0

The company has no employees and has not paid directors' remuneration for 2017. The vessel is chartered on a bareboat charter contract.

Auditor fee has been divided as follows

	2017	2016
Audit fee	3 947	7 800
Other services	0	2 127
Total	<u>3 947</u>	<u>9 927</u>

VAT is not included in above figures.

Note 3 - Tangible assets

	Oceanic Champion
Acquisition cost 01.01.	108 600 000
Acquisition cost 31.12.	108 600 000
Acc.depreciation 31.12.	-28 884 721
Acc.write-downs 31.12.	-34 900 000
Net carrying amount at 31.12.	44 815 279
Depreciation for the year	7 834 572
Write-downs for the year	6 000 000
Useful economic life	25
Amortization plan	Linear

Depreciation is calculated as a combined consideration of contract value (2,5 years remaining) and vessel value (17 years remaining life time). The book value of the vessel at 44,8 MUSD is substantiated by the long term bareboat charter in combination with broker estimates.

Due to the current market conditions, there are uncertainties with respect to the valuation of the vessel which is based on broker estimates. If the challenging market situation persists, the vessel value may deteriorate further in which case additional impairment on vessel book value may be required.

Oceanic Champion AS

Notes to the accounts for 2017

Note 4 - Bank deposit

	2017
Escrow accounts	3 397 166

Note 5 - Long-term and secured debt

	2017	2016
<i>Financial transactions costs</i>		
Other financial transaction costs	738 922	1 061 374
<i>Long term secured debt</i>		
Bonds	23 131 759	41 000 000
<i>Pledged assets</i>		
Ship	44 815 279	58 649 851
Escrow accounts	3 397 166	7 359 374
Total	<u>48 212 445</u>	<u>66 009 225</u>

Capitalized financing costs amortized in line with the repayment of the loans.

The bond loan has a fixed interest of 8% per annum. As a result of the renegotiation of the bareboat contract, a new payment plan has been agreed that complies with the reduced earnings. Extraordinary prepayment of the loan in Q1 and Q2 2017 has been made with a total amount of MUSD 7.8.

The bond loan is due in full in 2020.

Note 6 - Financial expenses

	2017	2016
Interest cost bond loan	2 247 800	3 562 892
Financial cost related to bond loan	322 452	322 452
Total	<u>2 570 252</u>	<u>3 885 344</u>

Note 7 - Intercompany balance group company

<i>Receivables</i>	2017	2016
Norfield Shipping AS	0	618 059
Norfield AS	778 039	135 143
Total	<u>778 039</u>	<u>753 202</u>

Intercompany loans have been calculated with interests.

Oceanic Champion AS

Notes to the accounts for 2017

Note 8 - Tax

The Company is subject to tonnage tax rules and the basis for tax calculation is in Norwegian kroner. The balance is converted to USD at the closing rate.

<i>Income tax expenses</i>	2017	2016
Tonnage tax	<u>1 601</u>	<u>1 524</u>
Total income tax expense	<u>1 601</u>	<u>1 524</u>
<i>Tax base estimation</i>	2017	2016
Tax base	<u>-1 851 985</u>	<u>-1 324 040</u>
<i>Temporary differences outlined</i>	2017	2016
Loss carryforwards	<u>-4 783 866</u>	<u>-2 931 881</u>
Total temporary differences	<u>-4 783 866</u>	<u>-2 931 881</u>
Deferred income tax liability 23 % (24% in 2016)	-1 100 289	-703 651

Total loss carry forwards is NOK 39.251.624 converted to USD 4.783.866. Deferred tax assets are not listed due to the uncertainties regarding utilization.

Note 9 - Owners equity

	Share capital	Other equity	Total
Owners' equity 01.01.	42 905 259	-16 016 632	26 888 627
Annual result	0	-4 973 504	-4 973 504
Owners' equity 31.12.	42 905 259	-20 990 136	21 915 123

Note 10 - Share capital and shareholder information

Share capital:

	Number of shares	Face value	Total NOK
Ordinary shares	245 816 970	1 NOK	245 816 970

Shareholders per 31.12:

	Ordinary shares	Ownership share	Voting rights
Norfield AS	245 816 970	100 %	100 %

Note 11 - Other long-term liabilities

Due to adverse market conditions in the seismic sector, CGG approached Oceanic Champion AS to renegotiate the terms of the bareboat contract as part of an overall refinancing of the CGG group. An agreement was made with CGG during 1st quarter 2017 wherein the company agreed to reduce the charter hire payments for the remaining term. The reduced charter hire was partly compensated by the issuing of CGG bonds in favour of the company. The bonds were issued in March 2017 and sold in the market at prevailing market price for CGG assets. The compensation is amortized over the remaining contract period.

To the General Meeting of Oceanic Champion AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Oceanic Champion AS showing a loss of USD 4.973.504. The financial statements comprise the balance sheet as at 31 December 2017, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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 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.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 skepticism 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 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.

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

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 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.

Bergen, 14 May 2018
Deloitte AS



Bjarne Ryland
State Authorised Public Accountant