



Oceanteam ASA
Postboks 463
5853 BERGEN

OUR REFERENCE
18/2690

YOUR REFERENCE

DATE
13.03.2018

RE: Oceanteam ASA's public disclosure of 24 February 2018

Finanstilsynet makes reference to its letter 2 March 2018 regarding Oceanteam ASA's (the company) notification to Oslo Stock Exchange on 24 February 2018 at 10:38. Further to the company's reply, Finanstilsynet has assessed the information.

On this basis, Finanstilsynet cannot see that the information provided in the mentioned notification gives a true and fair view of the company's financial situation. On the contrary, the financial information provided is insufficient, and likely to give investors and other interested parties misleading signals.

1. Change in accounting policy

The company has changed its accounting policy for vessels previously accounted for using the revaluation method. As the vessels previously have been measured at fair value, the change in policy entails that they are now being measured at cost (including any impairment recognised). According to the notification the change has a positive effect of USD 13.9 million. Finanstilsynet's question whether the change was done retrospectively, was not addressed by the company. Nevertheless, it is our understanding based on the mentioned notification, that the effect is taken as a whole in 2017 and recognised in the company's statement of profit and loss and other comprehensive income.

According to IAS 8.19, a voluntary change of accounting policy should be applied retrospectively, as if it had always been applied. This requires adjustment of the opening balance of the earliest period presented. The company's accounting treatment is not in line with IAS 8.19 and consequently this represents a breach of the standard. The retrospective application of such a change in accounting policy is a necessity for investors to understand the financial information.

2. Presentation of financial information

In general, the company's notification focuses on emphasising solid and strong financial results and performance. Negative aspects related to the company appear to be presented in a more general and/or short fact-based manner. This is for example the case regarding the company's liquidity situation. The company seems to be in a situation of stressed liquidity. This is, inter alia, shown by the company's negative working capital and the fact that only USD 0.4 million of the cash balance is available. Reference is also made to the company's notification to Oslo Stock Exchange on 10 March 2018 at 17:17 where the extraordinary general meeting was scheduled to approve a cross-border merger between Oceanteam ASA and its Dutch subsidiary Oceanteam II BV. According to the notification, this has now been postponed due to the company's situation as it has deployed all available cash sources, and is therefore unable to fund the various advisors needed to complete the merger documentation in time for a general meeting on 10 April 2018.

Given the company's liquidity situation, it is important to disclose sufficient and relevant information about the situation and the relevant risks. In Finanstilsynet's view the company should in addition to information about its restricted cash, have disclosed qualitative information regarding the liquidity situation.

Another example is the risks and uncertainties related to the fact that the company currently does not have an appointed auditor. If an auditor is not appointed by the deadline set by the Register of Business Enterprises, which is 15 April 2018, the company will face a compulsory liquidation. In Finanstilsynet's opinion, this represents a matter of high importance to shareholders, bondholders and other stakeholders of the company, and related qualitative information including risks involved should have been disclosed. Under the circumstances it is Finanstilsynet's view that the company's notification is not balanced, and focuses mainly on the extension granted by the Register of Business Enterprises.

3. Debt restructuring

As a result of the capital debt restructuring which took place during the first half of 2017, the company has recognised a material positive impact presented in financial income and expenses (net presentation). Based on the half year report for 2017, the financial income is approximately USD 30 million (gross presentation). Finanstilsynet assumes that this amount mainly relates to the gain from the debt restructuring. If so, this is an amount that has considerable impact on the financial results for 2017 presented in the notification.

Finanstilsynet's opinion is that the amount should have been disclosed in the said notification. This is an item that in its nature differs from items that occur on a recurring basis, and it is important that users of the financial information have knowledge about both the amount and the effects of such items. In Finanstilsynet's view it is important to provide this information to the users of the financial information, so that the content of the financial results and the company's performance can be understood and analysed.

4. Other issues

Based on the information provided by the company regarding the remaining goodwill amount of USD 3.1 million and the change in useful economic life of turntables and other equipment, Finanstilsynet has no further questions at this point. Finanstilsynet will however emphasise that it has not performed an assessment or in any way approved these items.

5. Concluding remarks

Finanstilsynet requests that its views expressed in this letter are fully taken into account when issuing the company's annual financial statements for 2017.

Should you have any questions please contact Christian Falkenberg Kjøde on telephone number 22 93 99 46 or by email.

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