ANNUAL REPORT

2019

DOF Subsea

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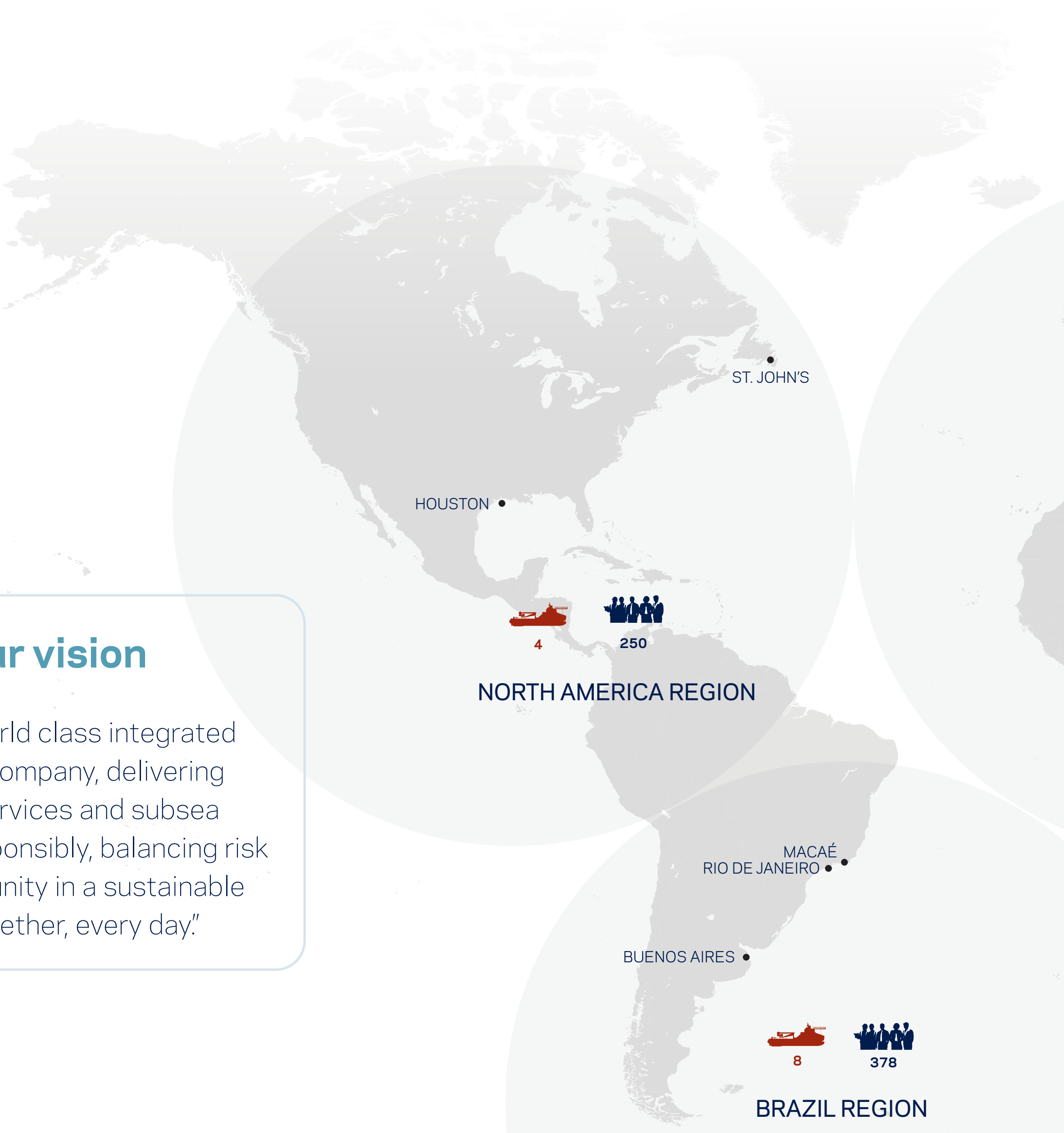
Contents

We offer the world's offshore energy producers integrated offshore services from a single company

The Group is uniquely positioned globally with two business segments - Subsea/IMR Projects and Long-term Chartering - providing access to more market opportunities and revenue streams.



Our vision

To be a world class integrated offshore company, delivering marine services and subsea solutions responsibly, balancing risk and opportunity in a sustainable way, together, every day."

$

5 147	**1 895***	**119**	**19 775**	**4 697**	**12.8**
NOK million operating revenue	NOK million EBITDA	NOK million EBIT	NOK million total assets	NOK million total equity	NOK billion firm backlog

*excludes profit from sale of non-current assets.

Our strategy

24	3	6.0	74	14	1 181	12
Owned vessels in operation	Chartered-in vessels	Value-adjusted fleet age (years)	ROVs	Offices worldwide	Employees	Nationalitiies

Highlights 2019

As reported to the Oslo Stock Exchange

Q1

- Atlantic: Geoholm and Skandi Neptune have mobilised on new contracts in the Red Sea and Guyana respectively

- Brazil: The joint venture with TechnipFMC took delivery of the newbuild PLSV Skandi Olinda and the vessel commenced the 8-year contract with Petrobras. The delivery marks the successful conclusion of the JV's and DOF Subsea Group's newbuild program.

- Financing: A continuing weak market increased the liquidity risk for the Group. The management commence a dialogue with the involved parties in order to find a financial solution that reflects the current market conditions.

Q2

- Brazil: Skandi Seven commenced contract with Sapura Energy in Brazil, to perform a Riser and Umbilical installation on a FSRU.

- The Group secured several short-term contracts in the Subsea/IMR Project segment

- The JV PLSV Skandi Niteroi was committed to TechnipFMC for the Peregrino Project in Brazil

- North America: 3-year renewal of frame agreement in the US Gulf of Mexico utilising Harvey Deep Sea

- Atlantic: Geosund was awarded 60 days of work on the UKCS

- Skandi Skansen was awarded a contract for mooring installation for Equinor and thereafter a decommissioning job on the UKCS

- Financing: The Group aligns the definition of the liquidity covenants in the bond loans with the liquidity covenants in the bank loans

Q3

- Brazil: 3 year contract for 3x RSVs commenced with Petrobras

- Skandi Niteroi started Peregrino Ph2 Project Q4 and Skandi Vitoria was committed on a contract with Technip FMC with commencement in Q1 2020.

- Atlantic: Skandi Acergy saw her long-term contract with Subsea 7 extended until Q2 2022

Q4

- Atlantic: DOF Subsea signs a joint venture contract with Kværner to collaborate and deliver Marine Operations for Equinor's Hywind Tampen Project. The contract shall be executed in a 50/50 partnership.

- Skandi Neptune was awarded a 3-year frame agreement for IMR and light construction services with a major operator in Trinidad, with first call off in November.

- Skandi Seven was awarded a 2-month long contract with an international energy client in Angola, Africa.

- Skandi Seven and Skandi Skansen were awarded two contracts totaling more than 160 vessel days in Africa.

- Asia Pacific: several contract-awards in New Zealand and South East Asia securing 130 days vessel and resource utilisation into Q1 2020 for Skandi Singapore and Skandi Hercules.

Message from the CEO

Mons S Aase
CEO

2019 has been another challenging year for DOF Subsea with continued pressure on rates and utilisation, resulting in the need to refinance our debt and adjust the repayment profile to reflect the current market condition. Despite the financial challenges, the Group had its best operational performance since 2016. Operating revenue and EBITDA came in at NOK 5 147 million and NOK 1 895 million, respectively, compared to NOK 4 607 million and NOK 1 402 million in 2018. We can look back at several operational highlights during the year with delivery of our last newbuilding and several contract awards in the Subsea/IMR segment. The overall fleet utilisation for 2019 was 73% per cent and at year end the Group had a firm backlog of NOK 12.8 billion.

During 2019 we saw a small increase in the overall activity and demand for subsea assets and services in terms in an increased number of tenders. However, the supply side remained challenging in terms of oversupply, resulting in market prices and utilisation of vessels and personnel still being under pressure.

Despite the challenging market conditions, the Group can look back at 2019 with several highlights. In February, Geoholm commenced a 2-year contract in support of a 3D ocean bottom node survey in in the Red Sea. In addition, the Group took delivery of the Joint Venture PLSV Skandi Olinda which immediately commenced her 8-year contract with Petrobras.

In May, Skandi Seven commenced a contract for a riser and umbilical installation for a FSRU in Brazil, while the JV vessel Skandi Niteroi was committed for the Peregrino Phase II SURF project in Brazil.

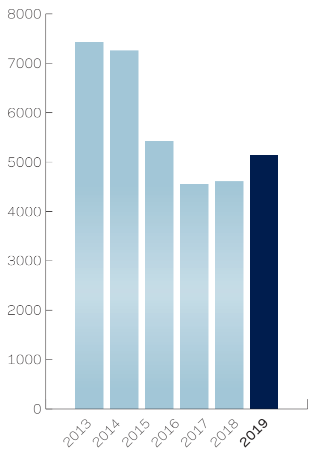
In October, the Group signed a contract to deliver marine operations for Equinor's Hywind Tampen Project. The project will be executed in a 50/50 partnership with Kværner and will deploy several vessels from the DOF Subsea fleet, including Skandi Skansen. The project is of strategic importance in order to position ourselves in the growing offshore wind market.

During the year, the Group saw several extensions of current contracts and frame agreements in addition to new contract awards, securing good utilisation for our fleet relative to the market average. The Group also entered new important geographical areas such as the Red Sea, Guyana and Trinidad, where we expect growing activity for offshore services in the coming years.

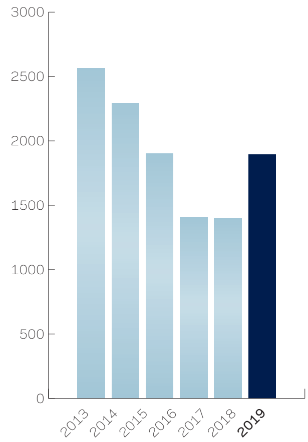
The Subsea/IMR Project segment delivered an operating revenue of NOK 3 233 and an EBITDA of NOK 436 million in 2019, compared to a NOK 3 033 million and NOK 199 million in 2018, respectively. The increase in revenue and EBITDA are mainly due to higher utilisation of both personnel and assets. At year end, the Group's backlog in the Subsea/IMR Project segment was NOK 3.2 billion.

In the Long-term Chartering segment, the Group delivered an operating revenue of NOK 1 914 and an EBITDA of NOK 1 459 million, compared to NOK 1 574 million and NOK 1 203 million in 2018, respectively. The increase in revenue and EBITDA is mainly due to delivery of Skandi Olinda in February and a full operating year for Skandi Recife, however, this was partly offset by Skandi Acergy being idle for the last part of the year. At year end, the Group's backlog in the Long-term chartering segment was NOK 9.6 billion.

In 2nd quarter 2019, the Group faced difficulties in refinancing vessels and since October the Group have had waivers on instalment payments in order to find a long-term financial solution. The sudden negative market development caused by Covid-19, sharp decline in the oil



Operating revenue in NOK million



EBITDA in NOK million

price and extreme fluctuations in currency, have set the proposed long-term financial solution on hold. Due to the recent events, the Group has been given a short-term liquidity loan of NOK 100 million and has been given further waivers by the banks in order to find a short-term and long-term financial solution. On 22 April 2020, the bondholders approved a waiver from and suspension of all payment obligations until 30 June 2020, with possibility to extend to 30 September 2020.

Unaffected by the refinancing is the joint venture with TechnipFMC, which secured a USD 50 million top up financing on Skandi Recife in September, in addition to financing of Skandi Olinda at delivery in January.

As a result of the continued challenging markets and financial difficulties, the Group used 2019 to further adjust its workforce to the overall activity in the market. During the year, the Group decreased total employees by 130, from 1 311 as of end 2018 to 1 181 as of end 2019. At year end, the Group operated 27 vessels, of which three was charted-in from external parties. In addition, the Group owns and operates a fleet of 74 ROV systems.

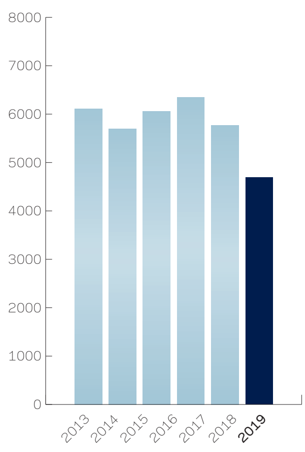
During 2019, the Group continued working with our ‘Safe the RITE way’ program, maintaining a common safety culture. In addition, we launched the DOF Workbook to support the knowledge and insight needed to maintain the high standards and operational excellence that the Group targets. The DOF Workbook includes extensive exercises, training and modules which works in close conjunction with the current training and competence regime in the Group.

Outlook

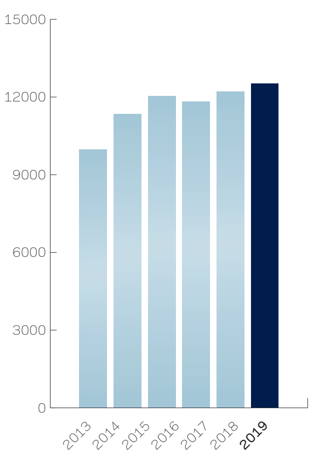
We ended 2019 and started 2020 with the impression that the worst was behind us with regards to demand and prices for our services. The last two quarters of 2019 was the best quarters we have had in years in respect of vessel utilisation and operational EBITDA. The start of 2020 gave reason to believe that the trend with increased utilisation of assets and people could continue. However, the sudden outbreak of Covid-19 and sharp decline in oil price have created a great amount of uncertainty with regards to the demand for oil and oil related products. As a result, several oil companies have announced that they will cut their E&P spending for 2020 to preserve their cash flow. E&P spending is the biggest demand driver in the subsea industry, hence 2020 is set to be a difficult year for the industry with a great deal of uncertainty and pressure on rates and utilisation.

We will use 2020 to continue our work towards financial stability and operational excellence, in order to be fully able to capture a potential upturn in the subsea industry down the road. In the short term we will focus on handling Covid-19 on a day by day basis, were we try to balance health and safety for our employees with keeping operations going. Up until now we have managed to keep the fleet operational, but cannot plan longer term as the situation around the globe are changing continuously. On that notice, I would like to express my gratitude and thank each employee in DOF Subsea for their extraordinary efforts the last weeks in relation with Covid-19.

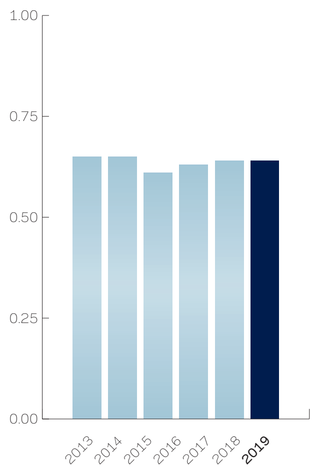
The key to our success remains unchanged – our people.



Total equity in NOK million



NIBD in NOK million



IBD/Total assets

For more details around the financials, HSEQ and HR, please see DOF ASA Annual Report at www.dof.no.

Regional highlights 2019

Asia Pacific

Michael Rosich
EVP Asia Pacific

The three-major long-term IMR projects Shell Philippines, Shell Prelude in Australia and Chevron in Australia remain a good foundation for business in the region. They deliver numerous campaigns over the year. Vessels, expert teams and the full range of services support production facilities into 2020 and beyond.

Highlights

- Skandi Hawk and Skandi Darwin deliver IRM campaigns and Platform Support Services delivering 100 per cent utilisation.
- Chevron Australia IMR scopes included an AUV survey and installation of Navigation Aids by the Skandi Singapore.
- Skandi Hercules completed the installation of piled mooring system for the Yinson Helang FPSO project in Malaysia.
- Skandi Hercules executed an umbilical replacement project for Jadestone Energy.

Outlook

- Australian projects
  FID: Julimar, Gorgon Stage 2
  FEED: Scarborough, Browse, Ichthys Phase 2, Barossa.
- Major offshore campaigns start in 2021 but we see earlier phases (tree installation) going offshore in 2020.
- Kuala Lumpur office established
- Market development activities continue in India and expand into China
- We expect to see IMR-based opportunities in Vietnam and Malaysia.

SAFE the RITE way

During 2019, operations were LTI, RWC & MTC free.

We continue to search for ways to eliminate rather than just reduce risk including a developing a way to connect a mooring chain to the pile subsea – rather than on the deck. The adopted subsea methodology removed risks which were previously managed.

Atlantic

Jan-Kristian Haukeland
EVP Atlantic

Focusing on core capabilities and relationships, the region won traditional work scopes and established a joint venture with Kværner to undertake the Hywvind Tampen offshore wind farm development in Norway. The region also continued to develop West Africa, where we have had solid gains.

Highlights

- Geosund delivered Survey and Inspection work scopes on various sites for Vår Energy
- Decommissioning on Hannay field, delivered from Skandi Skansen for Repsol
- Survey workscopes for Norwegian Hydrographic Institute in Q2, Q3 and Q4 utilising Geograph
- Skandi Seven executed FSV/IMR scope for Eni in Angola at end Q3 / Q4
- JV with Kværner secured the Hywvind Tampen offshore wind project for Equinor

Outlook

- Three to four different longer term FSV/IMR contracts forecast in Angola. Eni for 1y+1y FSV. Two for Total, both 3y firm contracts plus 2yr options and Chevron bid will be Q1 2020
- Increased activity expected in renewable sector for offshore wind farms including supporting survey/ UXO work scopes.
- Decommissioning in UK sector with majors Shell and Repsol.

SAFE the RITE way

2019 was LTI free.

Safe the RITE way is always a focus area for offshore project execution. The 10 lifesaving rules, roll-out of new Code of Business Conduct and new lifting handbook have been a focus and provided safety tools to continuously improve in this area. Strong safety culture and cooperation onboard are also supported in our client feedback.

Brazil

Mario Fuzetti
EVP Brazil

Long-term commitment and investment in the region have built the skills and capability to grow subsea services and manage some of the most advanced, state-of-the-art vessels in the fleet. Development, including important participation from International Oil Companies (IOCs) show signs of growth in the market.

Highlights

- Petrobras: PLSV, Skandi Olinda, delivered and commenced an 8 year contract in Q1. PLSVs, Skandi Açu, Buzios, Recife and Olinda recorded most improved laying efficiency compared to peers. Skandi Açu selected to lay the latest heavy CAS type flexible/risers.
- Petrobras: 3-year contract for 3x RSVs commenced.
- Skandi Niteroi started Peregrino Ph2 Project in Q4 and Skandi Vitoria was committed to TechnipFMC commencing Q1 2020.
- Delivered first AUV project in Brazil to Petrobras and Shell.

Outlook

- Equinor, Total and Shell are IOCs currently participating in the market: longer-term, ExxonMobil, Repsol, Petronas and CNOOC expected.
- Major deep-water pre-salt fields, SURF EPCI projects for with Libra/ Mero 1 and Sepia operations in 2021. Total/NE under execution in 2020. Libra/Mero 2, PB/ Buzios 5 and Lapa SW being tendered with operations forecasted 2022 and 2023. Other SURF/subsea projects like PetroRio / Frade Ph2, PetroRio/Polvo, PB/Parque das Baleias tenders forecast.

SAFE the RITE way

2019 was LTI free.

Safety culture has been strengthened by the Safe the Rite Way program as well as three Leadership Seminar events conducted in 2019/. More than 370 marine and subsea offshore and onshore leaders participated in the in the program. This has resulted in onshore senior management being closer to operations and increased employee commitment to safety show in the high safety observation rate.

North America

Marco Sclocchi
EVP North America

The North America region extended its reach geographically and in the range of services provided, creating a solid based for business in 2020. The region's focus on multiple contracts and relationships gained major awards for offshore operations in Guyana, the Red Sea, Trinidad and the US East Coast.

Highlights

- Skandi Neptune delivered 2-phase, pre-lay and construction support for ExxonMobil's LIZA 1 development, Guyana: approx. 200 days utilisation and 2 campaigns under new Shell IMR Frame agreement in Trinidad
- Husky Canada, long-term contract delivering IMR and ROV rig support utilising Skandi Vinland
- Red Sea: Geoholm commenced a 2 year seismic nodal survey support contract
- Geosea delivered Geophysical support in Q3-Q4 on Shell's Wind Farms project for Terrasond, East Coast US

Outlook

- The mid-term market remains focused on IMR services and light construction activities. In the US, IMR vessel market rate steadily increased over the year due to limited availability of Joan Act Certified vessels.
- Opportunities include US wind development seismic survey, Well Stimulation and Hydrate remediation and Decommissioning projects.
- New development is forecasted in Guyana and Trinidad.

SAFE the RITE way

2019 was LTI free.

The region delivered new projects and has new assets within the region and the focus on DOF Group's core value has reinforced safety culture, how teams work together and how we work with clients. Management visibility and transparency have been appreciated in 2019 and will continue to be a focus in 2020.

Successful business model

We integrate subsea and marine services for seamless project delivery

LONG-TERM CHARTERING

The Long-term Chartering segment provides state-of-the-art subsea vessels and marine management services to leading players.

The vessels are on long-term charter contracts to solid counterparties providing strong contract coverage, backlog and robust earnings base for the Group.

The Long-term Chartering segment includes the joint venture with TechnipFMC which owns six PLSVs, of which four are fixed on long-term contracts with Petrobras in Brazil.

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MARINE MANAGEMENT

All of our vessels are managed and manned by the DOF Group.

Our in-house newbuild, technical management and maintenance teams, along with dedicated crews, extend our capability, and the associated knowledge transfer leads to enhanced operational safety.

DOF Subsea delivers integrated Subsea solutions to the offshore energy industry. The Group is uniquely postioned in two business segments Subsea/IMR Projects and Long-term Chartering - providing access to more market opportunities and revenue streams.

SUBSEA/IMR PROJECTS

DOF Subsea is a leading subsea service provider and IMR partner to offshore energy operators. The Group is established globally and present in all the major offshore regions.

Long-term IMR contract awards build backlog for the Group and secure good utilisation for our vessels and resources globally. Our success in this segment demonstrate that our assets, capabilities and reputation are well tailored for these projects.

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PLANNING, PROJECT MANAGEMENT AND ENGINEERING

DOF Subsea's Project Management capability offers clients a single interface for all project resources and assets, including subsea engineering, vessels and marine management, to ensure seamless end-to-end project delivery.

Subsea/IMR Projects

DOF Subsea is a global IMR partner with all IMR-related assets and disciplines in-house. We provide integrated, accessible, subsea solutions from a single company. Our highly professional onshore and offshore teams understand and regularly deliver IMR work scopes, within timelines, budget and to high HSEQ standards.

THE SEGMENT AT A GLANCE

Global IMR market

IMR programs are essential for the smooth operation, production and maintenance of subsea infrastructure throughout the life-of-field. Our assets, capabilities and team are matched to meet client requirements.

SHELL PHILIPPINES

2014 Contract award
IMR services and dedicated vessel

Skandi Hawk
Dedicated vessel

HUSKY ENERGY

2015 Contract award
IMR and vessel services. IMR services and vessel contract in Canada.

2017
Skandi Vinland
Dedicated vessel delivered

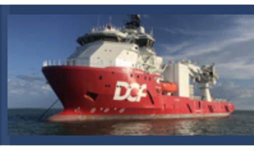
CHEVRON AUSTRALIA

2015 Contract award
IMR contract for Gorgon and Wheatstone Gas fields in Asia Pacific.

Skandi Singapore and **Skandi Hercules** utilised for IMR contract for Gorgon and Wheatstone Gas fields.

SHELL PRELUDE

2016 Contract award
Underwater Services and MPSV services to the Prelude FLNG facility in Asia Pacific.



ENI ANGOLA

Skandi Seven - Dedicated Vessel, IMR Services contract in West Africa

DURATION
16
MONTHS

PETROBRAS

PETROBRAS

2014 2016 2018

Current fleet

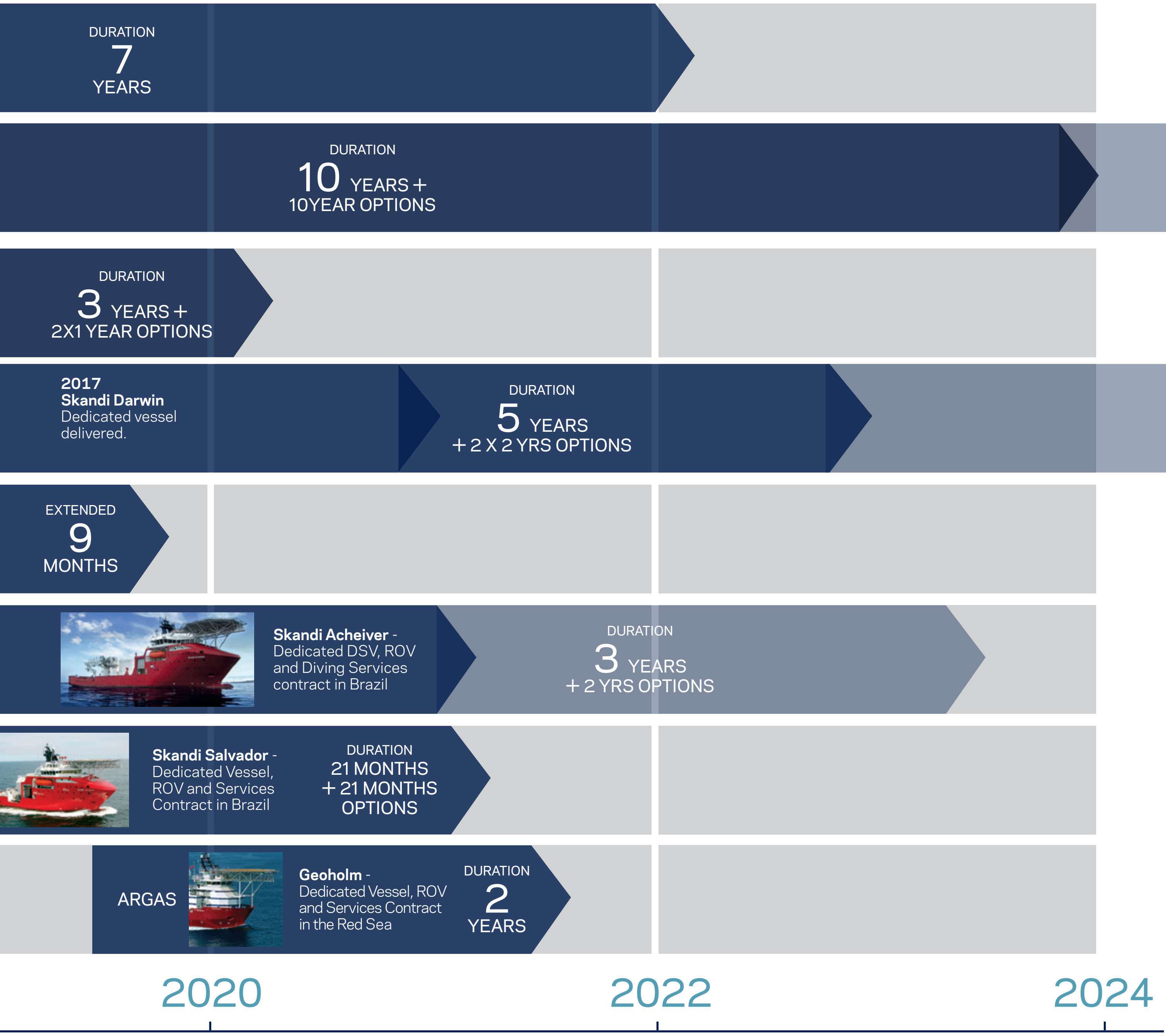
The Group has a modern purpose-built fleet of 18 ships operating in the Subsea/IMR Projects segment. Several vessels operate under long-term IMR contracts.

Key Success Factors

The awards of several long-term IMR contracts globally demonstrate that our assets, capabilities and reputation are a good fit for IMR projects.

Successful strategic alliance

DOF Subsea acquired 50 per cent of SEMAR in 2007 and have established a close collaboration across numerous projects. The alliance with SEMAR strengthens DOF Subsea's IMR and mooring capabilities and track record.



Long-term Chartering

Our business model allows for increased revenue opportunities with the DOF Subsea fleet divided between two segments: vessels working in the Subsea/IMR Projects segment, and the vessels chartered to third-party companies in the Long-term Chartering segment. Our fleet diversity and interchangeability is also an advantage, as vessels can move between the two segments as required. The long-term charter arrangements and JV contract awards enable earnings visibility for the Group, and the investments contribute to significant 'value increase'.

THE SEGMENT AT A GLANCE

Long-term chartering market

DOF Subsea provides state-of-the-art vessels chartered to offshore energy companies and major subsea contractors.

Skandi Acergy

Subsea construction and flowline lay vessel entered service with Acergy on a long-term charter.

DURATION
8 YEARS

2009
The joint venture was established with the contract award for **Skandi Vitória** and **Skandi Niterói** – the first ever Pipe-Lay Support Vessels (PLSVs) built in Brazil.

2013
The joint venture was awarded four ground-breaking contracts by Petrobras for the construction of four new PLSVs and their operation in Brazilian waters.

Cont
for an additio
Norskan Offsh

Skandi Africa: Ship of the Year 2015.

DURATION
5 YEARS

Skandi Açu

Skandi Buzios

2009 2011 2013 2015 2017

Current fleet

The DOF Subsea Group has nine state-of-the-art vessels in operation and one newbuild under construction in the Long-term Chartering segment.

Key Success Factors

The vessels on long-term contract provide strong contract coverage, backlog and earnings visibility for the Group.

Successful strategic alliance

Six of the vessels within this segment are owned in a joint venture with TechnipFMC.

EXTENDED 3 YEARS

Long-term contract with Subsea 7
Extension of long-term time charter contract to Q2 2022

EXTENDED 3 YEARS

Skandi Niteroi starts Peregrino Ph2 Project Q4 2019

Skandi Vitoria on contract to TechnipFMC Q1 2020.

racts are for eight years from start of operations, with options for renewal
nal eight-year period. TechnipFMC will manage the flexible pipelay operations and
ore Ltda, a sister company of DOF Subsea, will be responsible for marine services.

The sophisticated DP3 construction support vessel, designed for harsh environment and Deepwater subsea construction and flex lay operations, up to 3,000 m depth. Long-term contract with TechnipFMC

First of the four new PLSVs was delivered and commenced eight-year contract with Petrobras.

DURATION 8 YEARS + 8 YEARS OPTIONS

Second of the PLSVs, commenced eight-year contract with Petrobras.

DURATION 8 YEARS + 8 YEARS OPTIONS

Skandi Recife

Third PLSV newbuild was delivered in May 2018. Built in Brazil with 350t VLS
Vessel owned in joint venture with TechnipFMC

DURATION 8 YEARS + 8 YEARS OPTIONS

Skandi Olinda

Long-term contract with Petrobras
Fourth and last PLSV newbuild was delivered in January 2019 Built in Brazil with 350t VLS
Vessel owned in joint venture with TechnipFMC

DURATION 8 YEARS + 8 YEARS OPTIONS

2019 | 2021 | 2023 | 2025

DOF Subsea fleet

Owned vessels

DOF Subsea currently owns and operates one of the largest fleets of high-end subsea vessels in the world. Our versatile fleet of high power and environmentally-friendly vessels are purpose built to match the challenges of the offshore sector and designed for operations across a wide range of water depths and environmental conditions.


SKANDI ACERGY


SKANDI BUZIOS


SKANDI HERCULES


SKANDI ACHIEVER


SKANDI CARLA


SKANDI NEPTUNE


SKANDI AÇU


SKANDI CONSTRUCTOR


SKANDI NITERÓI


SKANDI AFRICA


SKANDI HAWK


SKANDI OLINDA


SKANDI PATAGONIA


SKANDI SINGAPORE


GEOGRAPH


SKANDI RECIFE


SKANDI SKANSEN


GEOHOLM


SKANDI SALVADOR


SKANDI VINLAND


GEOSEA


SKANDI SEVEN


SKANDI VITÓRIA.


GEOSUND

DOF Subsea fleet

Chartered-in vessels

DOF Subsea expanded the fleet with three chartered-in vessels, building greater flexibility to manage risk and provide a diverse fleet mix to meet our clients' needs.

SKANDI DARWIN


HARVEY DEEP SEA

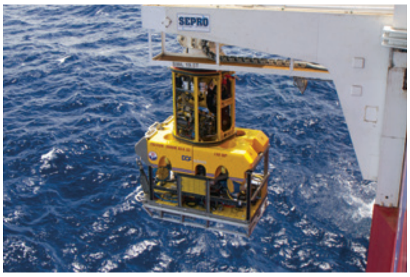

HARVEY SUBSEA

DOF Subsea ROVs

DOF Subsea's next generation ROV fleet, designed and manufactured to our own specifications, accommodates an extensive range of operational requirements. The ROV fleet has the capability of working down to 4 000 meters water depth with active heave compensated launch and recovery systems (LARS).

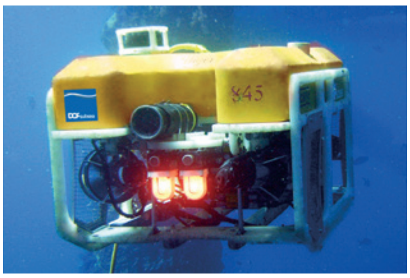

SCHILLING UHD


TRITON XL 150



TRITON XLX 150


SCHILLING HD


SEAEYE MARINE TIGER


TRITON XLS 150


KYSTDESIGN SUPPORTER


COUGAR XTi

HUGIN AUV


MOHICAN INSPECTION

Board of Directors

Helge Møgster

Chairman

Born in 1953, Helge Møgster is the founder, majority owner and Chairman of LACO AS, the main shareholder of DOF ASA and Austevoll Seafood ASA. Mr. Møgster has long experience from both the offshore supply and fishing industry, and holds board positions in several companies, including being chairman of DOF ASA. Mr. Møgster is a Norwegian citizen, and resides in Norway.

Helge Singelstad

Director

Born in 1963. Helge Singelstad is CEO of Laco AS and deputy chairman of the Board of DOF ASA, and Chairman of Austevoll Seafood ASA and Lerøy Seafood Group ASA. Mr. Singelstad holds a degree in engineering from Bergen Engineering College, he holds a MSc from the Norwegian School of Economics and Business Administration (NHH), and he has a first year degree from the law school at the University of Bergen (UiB). Mr. Singelstad has extensive experience from various types of businesses such as oil and gas, ship equipment and the seafood sector.

Hilde Drønen

Director

Born in 1961. Hilde Drønen has worked as CFO in DOF ASA since 2004. Mrs. Drønen has long experience within the oil industry and has had various positions within the Møgster Group and acted as CFO in Bergen Yards (today Bergen Group) from 2003 to 2004. Mrs. Drønen holds a MSc in Controlling and Finance from the Norwegian School of Management (Oslo) and a first year law degree from the University in Bergen. Mrs. Drønen has served on numerous boards and is currently a member of the Board of Statkraft.

Kathryn Moore Baker

Director

Born in 1964. Kathryn Moore Baker was appointed to the Board in 2019. She is chairman of Catena Media plc which is listed on the Stockholm Stock Exchange. Ms Baker is a board member of Akastor ASA and holds several other board and advisory positions. Ms. Baker was previously a member of the Executive Board of the Central Bank of Norway, a partner at the Norwegian private equity firm Reiten & Co for 15 years, and has held positions with Morgan Stanley and McKinsey & Co. She holds a bachelor's degree in economics from Wellesley College and an MBA from the Tuck school of Business at Dartmouth. Ms. Baker is a United States citizen and resides in Norway.

Hans Olav Lindal

Director

Born in 1962, Hans Olav Lindal was appointed to the Board in 2019 and is a Norwegian qualified corporate lawyer, admitted to the Supreme Court of Norway and partner of the law firm Thommessen since 1993. He was President of the Norwegian Shipowners' Association and board member of International Chamber of Shipping (ICS) until 2018, and chairs and serves on the board of several companies in the maritime industry, including Norwegian Hull Club, Viken Shipping, Wallem, Gearbulk and G2Ocean. He is also the chairman of NORCE Norwegian Research Centre. Mr. Lindal is a Norwegian citizen and resides in Norway.

Mons Svendal Aase

CEO

Born in 1966. Mons Svendal Aase has been a part of the management team since 1998. In 2005, he became CEO of the Company, and in 2009, he also became CEO of DOF Subsea AS. Prior to 2005, he has served as CFO and Deputy Managing Director in the Company. Mr. Aase has various experience from finance and shipbroking industries and chairs, as well as serves on, numerous boards of directors. He holds a MSc from the Norwegian Institute of Technology and a Cand. Merc. from the Norwegian School of Economics and Business Administration (NHH). Mr. Aase is a Norwegian citizen, and resides in Norway.

Board of Directors report

Since inception in 2005, the DOF Subsea Group has become a provider of subsea project services and high-end subsea vessels in all major offshore Oil and Gas producing regions in the world. At year-end 2019, the Group had 1 181 employees, excluding marine crew, and operated a fleet of 27 subsea vessels and 74 ROVs. 24 of the operated vessels were owned by the Group, and three vessels were chartered in from third-party vessel owners. In January 2019, the Group took delivery of the last joint venture newbuild Skandi Olinda and in February the vessel entered into a long-term charter contract with Petrobras. In 2019 the Group faced difficulties in refinancing vessels and the Board of Directors and the Management is working to secure a long-term financial solution for the Company.

The Group had an operating revenue of NOK 3 946 million in 2019, compared to NOK 3 742 million in 2018. The increase in operating revenue compared to the prior year reflects more vessels in operation, in addition to improved activity level for the Group in the second half of 2019 compared to 2018. The operating profit before depreciation (EBITDA) in 2019 was NOK 1 201 million (including NOK 4 million in gain from sale of non-current assets) compared to NOK 1 085 million (including NOK 1 million in gain from sale of non-current assets) in 2018. The operating profit (EBIT) was negative with NOK 161 million (positive with NOK 172 million in 2018) after impairment related to intangible and tangible assets of NOK 798 million (NOK 361 million) and depreciation of NOK 565 million (NOK 552 million). The Group's total assets amounted to NOK 15 152 million (NOK 16 476 million), while total liabilities were NOK 10 456 million (NOK 10 742 million), giving a total equity of NOK 4 697 million (NOK 5 735 million) and a book equity ratio of 31.0 per cent (34.8 per cent). Total net interest-bearing debt (NIBD) at year-end 2019 was NOK 8 528 million (NOK 8 606 million).

The vessel utilisation in 2019 was 73 per cent and as at 31 December 2019, the Group's firm contract backlog was NOK 12.8 million, including 50 per cent of the backlog in the JV with TechnipFMC. The sharp decline in the oil price and the responses of the oil companies to this may cause attempts to renegotiate existing contracts. Further, the recent events will increase the risk for idle time, drop in rate and consequently lower earnings going forward.

Since March 2020 the energy markets have been significantly disrupted initially from Covid-19 driven impact on global oil demand and then an unexpected collapse in the negotiations among OPEC and Non-OPEC (incl. Russia) which has generated a steep fall in the oil price. An imbalance between supply and demand may increase the risk for a continuing low oil price and reduced earnings within the oil service industry going forward.

The Covid-19 impact and the steep fall in the oil price have also led to extreme fluctuations in the currency market impacting the DOF Subsea Group and increased the risk for the Group significantly.

The Board of Directors and the Management have since 2nd quarter 2019 been working on a long-term financial solution for the Group, which includes discussions with the banks, the bondholders and the main shareholder. The long-term financial solution includes waivers and adjustments of interest, instalments and financial covenants. The significant uncertainties created by Covid-19 in Q1 2020 and the decrease in the oil price has delayed the ongoing work with the long-term financial solution and the Group has in consultation with its secured lenders initiated a process to take the necessary steps to secure a short-term and long-term financial solution that are sufficiently robust taking the recent events into account.

Business model and Vision

The Group is organised into two business segments, Subsea/IMR Projects and Long-term Chartering. The Subsea/IMR Projects segment covers operations in the Asia Pacific region, the Atlantic region, the Brazil region and the North America region. Through the regions, the Group is selling and providing subsea project services directly to Oil and Gas Companies. The Long-term Chartering segment covers owned vessels chartered out to third-party charterers on long-term contracts and is managed and operated by DOF Marine (DOF Management AS and Norskan Offshore Ltda). The flexibility of combining the Subsea/IMR Projects segment and the Long-term Chartering segment gives the Group increased market access and revenue opportunities.

At the end of 2019, 18 of the Group's vessels were operating in the Subsea/IMR Projects segment and nine of the Group's vessels were operating in the Long-term Chartering segment. In 2019 the operating revenue in the Subsea/IMR Projects segment was higher compared to the previous year, mainly due to an increase in activity level in the Oil and Gas industry. The Long-term Chartering segment was strengthened during 2019 with increased operating revenue compared to the previous year due to delivery of Skandi Olinda in the joint venture. The challenging market conditions caused by the dramatic developments in 2020 has however significantly increased the risk of lower utilisation and lower rates for both segments going forward.

The Group has its headquarter in Bergen, and has offices located in Perth, Singapore, Manilla, Jakarta, Oslo, Aberdeen, Luanda, Rio de Janeiro, Macaé, Houston and St. Johns. The Group is also represented in Malaysia, Ghana, Nigeria and Guyana.

Operational events 2019

Subsea/IMR Projects

Asia Pacific

In 2019, the Asia Pacific region has conducted IMR services, construction work, mooring and installation work, decommissioning and survey work for Shell Philippines, Shell Australia, Chevron Australia, Woodside, Quadrant Energy, PTTEP, OMV New Zealand and Yinson in Malaysia utilising the vessels Skandi Hawk, Skandi Darwin, Skandi Hercules and Skandi Singapore. The Asia Pacific region has also conducted several short-term projects during the year. In addition, the region has delivered geotechnical and AUV services to clients in the region. The revenue in 2019 was below the revenue recognised in 2018 mainly due to a weak first half of the year with lower asset and personnel utilisation.

Atlantic

In 2019, the Atlantic region has provided IMR services, mooring and installation services, decommissioning work and survey work for Exxon, Shell, Total, Equinor, Conoco Phillips, Eni, Repsol, Tullow and BWO. In addition, the region conducted survey for the Norwegian Mapping Authority and delivered ROV services on board several DOF Group vessels. The region has utilised the vessels Skandi Seven, Skandi Skansen, Skandi Constructor, Geograph and Geosund. During the year, the region has increased its presence in West Africa. The regional revenue in 2019 was below the revenue recognised in 2018, mainly due to a weak first half of the year with lower asset and personnel utilisation.

Brazil

The Brazil region has provided IMR, survey and diving services to Petrobras, utilising the vessel Skandi Salvador and Skandi Achiever. In the second quarter, the region was awarded a short-term construction contract by Sapura Energy utilising the vessel Skandi Seven. The region has also delivered ROV and survey services on board several DOF Group vessels operating in Brazil. The regional revenue in 2019 was above the revenue recognised in 2018, mainly due to higher vessel and personnel utilisation.

North America

The North America region has delivered IMR services, light construction, installation services and survey for Husky Energy, Shell, Chevron, Eni, Hess, Anardarko, Talos, Subsea 7, Saipem and Argas during the year, utilising the vessels Skandi Vinland, Geoholm, Harvey Deepsea and Harvey Subsea. During the year the Region has increased its presence in Guyana and in the Caribbean Sea. The regional revenue in 2019 was more or less in line with the revenue obtained in 2018.

Long-term Chartering

During the year Skandi Acergy ended her contract with Subsea 7 and entered into a pay as you go contract until the new firm contract commence in May 2020.

Skandi Africa, Skandi Patagonia and the joint venture vessels Skandi Açu, Skandi Buzios and Skandi Recife have operated under their long-term charter contracts during the year.

The joint venture with TechnipFMC has provided pipelay services to Petrobras. The JV took delivery of the PLSV Skandi Olinda which was the last vessel of the four PLSV newbuilds fixed on eight-year contracts with Petrobras. The vessel was delivered in January 2019 and commenced its long-term contract in February.

The vessel Skandi Niteroi and Skandi Vitoria was fixed on term contracts to TechnipFMC. Skandi Niteroi commenced her contract in 4th quarter 2019 working on the Peregrino field and Skandi Vitoria commenced her contract in January 2020.

Asset and fleet utilisation

At year-end 2019 the Group operated a fleet of 27 subsea vessels and 74 ROVs. 24 of the operated vessels were owned by the Group, and three vessels were chartered in from third-party vessel owners. During the year, the Group took delivery of one newbuild.

In 2019, the vessels operating in the Subsea/IMR Project segment had a fleet utilisation of 72 per cent, whilst the vessels operating in the Long-term Chartering segment had a fleet utilisation of 76 per cent. The overall fleet utilisation was 73 per cent in 2019 equal to the fleet utilisation in 2018. The activity level was higher in the Subsea IMR Project segment whilst lower in the Long-term Chartering segment compared to the previous year.

Utilisation per segment	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Subsea/IMR Projects	63%	67%	80%	76%
Long-term Chartering	76%	77%	72%	78%
Fleet	67%	70%	78%	77%

Financing and liquidity

The Group's financing, capital structure and liquidity are monitored closely through weekly, monthly and quarterly reports. Liquidity risk is monitored on short, medium and long-term, focusing on funding and liquidity requirements.

Cash and cash equivalents at year end, committed credit facilities and forecasted cash flows based on a long-term financial solution forms the basis for the liquidity forecast.

The Group has cash pooling arrangements whereby cash surpluses and overdrafts residing in the Group companies bank accounts are pooled together to create a net surplus. Liquidity is made available through the cash pooling for the companies in the Group to meet their obligations. Currency positions in the cash pool at year end were negatively exposed to exchange rate changes against NOK. The significant weakening, in the range of 20%-30%, of NOK against other currencies in 2020, have had a significant negative impact on the Group's liquidity and available cash in the Group's cash pools. As a result, a short-term liquidity loan of NOK 100 million has been secured during Q1 2020 and a larger credit facility is being discussed. The credit facility, together with waivers on interest payments and instalments, are expected to cover the Group's short-term liquidity needs. Some subsidiaries are not part of the cash pool structure, and surplus cash in these companies will only be available for the rest of the Group through loans or dividends, see Note 16 'Cash and cash equivalents' in the consolidated financial statements.

In 2nd quarter 2019 the Group faced difficulties in refinancing vessels and since October the Group have had waivers on instalment payments in order to find a long-term financial solution. The sudden negative market development caused by Covid-19, sharp decline in the oil price and extreme fluctuations in currency, have set the proposed long-term financial solution on hold. A short-term liquidity loan of NOK 100 million has been secured as part of the Group's discussions with the secured lenders. The parties are also discussing a larger credit facility. The credit facility, together with waivers on interest payments and instalments, covers the Group's short-term liquidity needs. The Group has in consultation with its secured lenders initiated a process to take the necessary steps to secure a long-term financial solution for the Group that are sufficiently robust taking the recent events into account.

During the year, the Group has paid interest and instalments on debt to credit institutions. From the 4th quarter 2019 the Group has a temporary deferral of loan repayments and instalments as part of the work to reach a long-term financial solution.

In the joint venture, new loans were drawn on the JV vessel Skandi Olinda and Skandi Recife, at standard terms for offshore vessel financing.

The Group has a temporary deferral of payment of interest and instalments with its secured lenders in order to reach a long-term financial solution. The Group is in compliance with financial covenants at period end. If waivers are not extended, it is a significant risk that the Group will be in breach of its covenants.

Subsea market risk

The oil price is the main driver for the exploration and production spending (E&P spending). At the beginning of 2019 the price of Dated Brent was USD 58.88 per barrel and during the 5 first months of the year the price increased to a peak of USD 75.69, improving the sentiment in the industry. During the 7 last months of the year the price of Dated Brent has been volatile, and the price reached a low for the year of USD 54.17 per barrel. The average Dated Brent price for the year was USD 65.22 per barrel against USD 71.00 per barrel in 2018. Even though the average Dated Brent price was lower, there was a rise in the oil price toward the end of the year, creating a more positive market sentiment. Despite the volatile oil price, the E&P companies have increased their spending over the last two years.

The seasonality due to winter on the northern hemisphere combined with a lower demand from the oil companies led to a weak subsea market in the first half of 2019. However, in the second half of the year, there was some market improvements in the Asia Pacific region, the North America region and the Brazil region.

The tendering activity remained stable, however with lower activity towards the end of the year. This trend has continued into 2020. At year-end 2019 the Group had a firm contract backlog for the segments Subsea/IMR Projects and Long-term Chartering of NOK 12.8 billion, including 50 per cent of the backlog in the JV with TechnipFMC. Despite some improving fundamentals, the markets for the Group's services are still challenging with overcapacity of vessels and continued pressure on terms and rates.

The outlook for the offshore industry is uncertain, after the impact of Covid-19 and the fall in the oil price. Oil prices have fallen from around USD 60 per barrel at the start of the year to below USD 30 per barrel in mid-April. Global oil consumption is expected to decrease in 2020, which is the first annual decrease since 2008. As a result of the decline in demand, the oil producers will have to reduce their production.

The outlook for the offshore sector in 2020 was positive, and initial expectations were that offshore markets would build on 2019's moderate recovery rate and utilisation gains. This now seems unlikely given recent events, and a more challenging market conditions lies ahead, with numerous operators scaling back their 2020 E&P spending. This may result in a decrease in vessel demand, and increase the risk for termination and renegotiation of existing contracts.

Financial risk

Foreign exchange

DOF Subsea has global operations, and a significant portion of the income and costs is denominated in foreign currencies, mainly USD, AUD, GBP, CAD and BRL. Fluctuations in foreign exchange rates against the NOK affects the Group's financial statements.

Currency fluctuations may have negative impacts on both the liquidity and the solidity for the Group. The currency fluctuations so far in 2020 has been extreme, with a volatility never experienced before. This has had a negative impact on both the liquidity and solidity for the Group and available cash in the Group's cash pool.

The Group aims to be naturally hedged by matching income and costs for the relevant currencies. In addition, the Group has an active hedging strategy using derivatives to reduce the exchange rate risk exposure.

Interest rates

The Group's long-term debt is denominated in NOK, USD and CAD, and the Group has both fixed and floating interest rate loans. An active hedging strategy has been adopted where the interest rate risk exposure is partly hedged by using interest rate derivatives and fixed interest rate loans with term to maturity of up to 16 years. Interest periods for the floating interest rate loans are from one to six months. The fixing of interest rates for longer periods and changing of loan currencies is continuously evaluated.

Counterparty risk

Policies and guidelines for follow-up and collection of outstanding receivables have been established. The majority of the Group's contracts are with major international oil and gas companies and other large subsea contractors. The Group continuously evaluates the financial strength and credit worthiness of the customers and suppliers. Historically, the portion of receivables not being collectable has been low. However, the Group experience an increase in counterpart risk. The increased counterpart risk is reflected in the bad debt provision. The impacts from Covid-19 and a low oil price may increase the counterparty risk going forward.

Tax risk

The Group has a global organisation operating vessels and delivering services in several different tax jurisdictions. During the last couple of years, the Group's operation has entered several new tax jurisdictions covering countries in Africa, South America and in Asia. Income and profit from these operations are subject to income taxes and judgment may be involved when determining the taxable results. Tax authorities in different jurisdictions may challenge calculation of taxes payable from prior periods through tax audits. Several tax audits have been conducted over the last couple of years, where some of the tax claims are disputed by the Group. It may be unclear how tax law applies to a particular transaction or circumstances. The acceptability of a particular tax treatment under tax law may not be known until the relevant taxation authority or a court takes a decision in the future. Consequently, a dispute or examination of a particular tax treatment by the taxation authority will affect the Group`s accounting for a current or deferred tax asset or liability. In general, attention from tax authorities are increasing, and the trend is that each individual country has increased focus on protecting their tax base. In combination with increased focus from the tax authorities, the total tax risk has increased. To mitigate the increased tax risk, the Group has recognised a general tax provision of NOK 40 million.

OECD and G20 countries' implementation of the Base Erosion and Profit Shifting (BEPS) reporting regime in 2016 has given tax jurisdictions a better basis to evaluate profit for companies operating in the global market. Based on the increased global activity, the Group has increased its focus on tax compliance. The Group is in compliance with the BEPS reporting requirements.

Other financial risk

The Group has limited direct financial exposure to changes in the prices of commodities and raw materials, such as oil and refined oil products. To the extent the Group has such risk exposure, it is managed and partly hedged through clauses in the Group's contracts. The oil price is an important driver for the global demand for vessels and services within the subsea industry. The development of the oil price over the last couple of years has reduced the demand for both subsea services and vessels.

Since most of the operating revenue and operations are outside Norway, the activities carried out by the Group are exposed to risk related to compliance with local laws and regulations. The Group has established reporting routines and procedures to manage this risk, and it is focused on ensuring full compliance with all applicable international and local legislation and regulation wherever the Group operates.

Continued challenging market situation, low utilisation of vessels, equipment and personnel has resulted in lower earnings. This has affected the value of the Group`s tangible assets and goodwill. Revised estimates of future cash flows have led to a recognised impairment loss of NOK 798 million related to tangible assets and goodwill. The current market conditions may lead to a further decrease in market values of the Group's tangible assets and goodwill which could give an additional impairment loss.

Sustainability

Having sustainable operations is important for DOF Subsea. The successful balance between social, environmental and economic elements allows the Group to develop 'Sustainable Operations'. This ensures the Group remains commercially feasible, socially acceptable and works within the capacity of the external environment.

The Group acts responsibly and ethically everywhere it operates, and the Group's operations and decisions are guided by the values – Respect, Integrity, Teamwork, Excellence – RITE – and above all we are Safe. This ensures honest, fair and equitable operations, protecting and building the Group's reputation.

The Group is guided by the article of associations, the DOF Group Corporate Governance and the policies combined with the Code of Business Conduct, ensuring that the Group's operations consider the interests of all stakeholders.

The Group promotes transparency and standard disclosure of information relating to key sustainability aspects. As part of this, the Group reports according to the Carbon Disclosure Project and the Global Reporting Initiative. For detailed reporting on these matters please find the DOF Group's Sustainability Report on www.dofsubsea.com.

DOF Subsea is certified towards ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018.

Employees

DOF Subsea has since its inception in 2005 grown to become a global organisation, and the key to DOF Subsea's success has remained unchanged – our people.

The market conditions required the organisation to adapt its capacity and posed a threat to the Group's human capital. The aim going forward will be to keep the capability to maintain the Group's flexible workforce and to retain core competence. At the end of 2019, the headcount in the Group was 1 181 people, of which approximately 16% were women.

Equal opportunities and anti-discrimination

The Group has focus on diversity and strives to create equal opportunities for all employees, regardless of their ethnic background, nationality, descent, colour, language, religion, lifestyle or gender. The Group's 'Equal Employment Opportunity' policy clearly states that the Group is committed to be an equal opportunity employer. This means that all business units within the Group will select and appoint the most suitable person for a position based on their attitude, skills and qualifications. The Group also has a zero-tolerance policy for workplace harassments.

Human Rights and Labour Standards

The Group embraces practices consistent with international human rights and operates in compliance with fundamental as well as local labour standards. The Group's policies and standards are based on International Labour Organisation (ILO) conventions, and they prohibit any use of forced or child labour. The Group recognises and respects employees' right to freely associate, organise and collectively bargain, and the policies are compliant with working hour requirements as established by local laws.

Several initiatives have been taken during the year to ensure that slavery and human trafficking are not occurring within the supply chain nor in any part of the Group's activities. The Group's human rights and slavery statement is available on the Group's website. In 2019, Amnesty International ranked the DOF Group as one of the top five Nordic companies with the best score related to human rights practise

Health, Safety and Working Environment

The Group strives to improve safety and environmental performance across all worksites, globally. DOF Subsea did not experience any Lost Time Incidents (LTIs) in 2019. With four Medical Treatment Cases and two Restricted Workday Cases, the Total Recordable Frequency (TRFC) was 1.9 recordable incidents per million man-hours.

After a saturation dive campaign in Australia in 2017, some of the divers have been diagnosed with potential long-term health effects with various symptoms. The situation continues to be monitored, and the Group has engaged a team of globally recognised experts and has offered specialist medical support to all divers involved. The case is still under investigation by Australian authorities.

The Group's ambition is to be an incident free organisation. Through the 'Safe the RITE way' program, the Group has been able to establish a unified safety culture, as well as a stronger safety cooperation with clients, industry partners and suppliers.

In 2019, absence due to sickness has been 2.1 per cent, which is below the Group's target of 3 per cent. The working environment is monitored by various means of activities, including working environment surveys.

Business Integrity and Ethics

Business Integrity is the core of multiple aspects of the Group's business model, both from an internal and external perspective. As one of the governing core values, the Group has established integrity training throughout the organisation. This ensures sound business practices and decisions determined and executed in accordance with the DOF Group's Code of Business Conduct, promoting everyone to display professional competence, due-diligence, confidentiality and professional behaviour in everything we do on behalf of the Group.

A new Ethical helpline was launched in 2019. The helpline is operated by a third-party company and provides a platform for reporting unacceptable conduct, when normal reporting lines cannot be used. The helpline allows for anonymous communication which can be essential during investigations.

Anti-bribery and corruption

The Group has a zero-tolerance policy for bribery and corruption. The Group's ABC policy is to conduct all business in an honest and ethical manner. The Code of Business Conduct sets clear expectations for all employees and is supplemented by internal training.

It is the intention of the Board of Directors that the Group shall be recognised by its high ethical standards. Anti-bribery and anti-corruption measures are regularly evaluated and assessed to ensure that they are aligned with legal requirements and best practice. There have been no confirmed incidents of corruption during 2019.

Compliance

The Group acknowledges the importance for its internal and external stakeholders of being a reliable partner, and that it is why compliance is a key topic. To be compliant with both international and local laws, regulations and industry standards is important for the Group. In 2019, there have been no significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area.

The Group's due diligence processes have been strengthened over the last years and involve the global competence within legal, finance and CSR. The new vendor evaluation database allows the management to assess the suppliers and subcontractors towards the Group's requirements for CSR. The process is built upon UN Global Compact guidelines and ISO standards. The new DOF Workbook developed during the past year is the foundation for all the training in the years to come. The modules have a holistic approach and will be the center of compliance for all our activities as well as the Group stakeholders' expectations for DOF to be a leading company, aligning its activities with UN's sustainability development goals.

Investment in modern communication tools have enabled global alignment to streamline the organisation, allowing further development of our human and organisational capital.

External environment

The Group's environmental management system ensures that the operations are effectively managed, and that continuous improvement of environmental performance is achieved. The energy efficiency program of the Group is continuously challenged with the aim to improve environmental performance.

During 2019, the focus on energy efficiency has increased by implementing Key Performance Indicators (KPIs) related to environmental performance, e.g. energy consumption and CO2 emissions. During the year, there have been no major spills and no spills that resulted in fines or other non-monetary sanctions from local governments.

Climate change and emissions to the air

As part of DOF ASA, DOF Subsea has several processes to ensure that direct and indirect climate influencing activities are kept at a minimum and consistent with the Group's overall approach to climate change.

Defining and measuring environmental sustainability and risks associated with the Group's business activities are important. Investments in systems and equipment have been made to record, understand and improve environmental performance. This has been achieved through SEEMP, ISO 14001 and the Carbon Disclosure Project (CDP).

Through continued focus on technologically advanced vessels and an improved environmental culture on all levels of the organisation, the Group strives to achieve the objective of a reduction in CO2 emissions through reduced fuel consumption.

Continuous improvement of operations

It is the view of the Board of Directors that continuous improvement helps to reduce risk, improve performance and align ways of working. Through the Group's improvement program, DOF Subsea has streamlined and systematised its improvement work. Based on thorough planning, improvement projects have been carried out through the Group's value chain, focusing on standardisation and improved efficiency. The improvement initiatives will continue in 2020.

Shareholders

In November 2019, a sale purchase agreement between DOF ASA and FRC Lux Holding Limited and Dolphin Invest 2 AS was signed regarding the transfer of shares from FRC Lux Holding Limited and Dolphin Invest 2 AS to DOF ASA. The transaction is completed and DOF ASA own 100% of DOF Subsea AS.

Corporate Governance

The Group's Corporate Governance is based on principles established in the Norwegian Code of Practice for Corporate Governance, available at www.nues.no. The parent company DOF ASA prepare the Corporate Governance report for the Group. DOF Subsea is aligned and follow principles presented in DOF ASA`s Corporate Governance report.

The DOF ASA Group's Corporate Governance Policy is a governing document containing measures which are continuously implemented to secure efficient management and control of the Group`s activities. The main objective is to ensure that the business is operated in an equitable and profitable manner for the benefit of shareholders and other stakeholders. The development and improvement of the Group's Corporate Governance is a continuous and important process on which the Board of Directors and the Executive Management keep a keen focus.

Both operational and financial processes are standardised, and the same reporting and control structures are in use for all companies within the Group. These processes are integrated in the Group's ERP system and supported by Group policies, guidelines and standards in the Business Management System. To strengthen the awareness surrounding the Groups compliance activities, there are established training programs and E-learning modules followed by workshops. In 2019 a new DOF Workbook was developed and launched. The Workbook will among others support and strengthen the Group`s compliance activities.

Every year, the Management carries out a detailed and thorough budgeting process at all levels of the organisation. The next year's budget is submitted to and approved by the Board of Directors. The Board of Directors receives weekly, monthly and quarterly operational and financial reports, including information on investments, financing, cash flow, liquidity, HSEQ, HR, Tax and Legal performance. In addition, financial forecast and information of assumptions are received on a regular basis.

The Board of Directors is of the opinion that the Group's reporting procedures and quality are at a high standard and sufficient to fulfil the requirements of the Board of Directors for risk management and financial control.

The Board of Directors has appointed an Audit Committee for the Group. The primary purpose of the Audit Committee is to assist the Board of Directors in monitoring the Group`s internal control of the risk management, financial control and reportinG. This includes but is not limited to:

- all critical accounting policies and practices,
- quality, integrity and control of the Group's financial statements and reports,
- compliance with legal and regulatory requirements,
- qualifications and independence of the external auditors and
- performance of the internal audit function and external auditor.

The external auditor present to the audit committee the audit plan for the audit of the Groups and the Company`s financial statements. Furthermore, after the audit has been performed the external auditor present to the audit committee a summary and result of the audit performed.

The Group's internal audit function covers the Group's value chain, including business support functions. The purpose of the internal audits is to make sure that the Group follows internal policies, guidelines, standards, processes and statutory requirements. Internal audits of the Group`s operations are carried out based on risk analysis.

Management reviews are undertaken by Corporate and the regional senior management to ensure that the quality and effectiveness of the Business Management System is maintained. Through these reviews, the management aims to:

- improve Safety Performance,
- improve the quality, environmental and safety management systems,
- improve products and services related to customer needs and requirements,
- ensure that resource allocation is effective,
- establish key business objectives and performance indicators and
- determine needs for process or product audits.

During the year management reviews are performed in all regions followed by action plans for regional improvements in order to ensure compliance with the Group`s guiding principles.

For further details on Corporate Governance, see the Corporate Governance section of the Annual Report for DOF ASA.

Presentation of Group and Parent Company financial statements

DOF Subsea AS has prepared the consolidated financial statement in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Going concern

In accordance with IAS 1.25, the Board of Directors confirms that the financial statements have been prepared under the assumption of going concern. However, the recent events described below give rise to significant doubt on the Group and the Company's ability to continue as going concern.

The Board of Directors and the Management in DOF Subsea AS are working on a long-term financial solution for the Group, the discussion with the relevant stakeholders is constructive. The effect of not having a long-term financial solution in place or waivers covering more than 12 months after balance sheet date, has resulted in a reclassification of the Group and Company's non-current debt to credit institutions as of 31 December 2019. The Group has a temporary deferral of payment of interest, instalments and waivers in order to reach a short-term and long-term financial solution. If the Company and the Group cannot be treated as 'going concern', the valuation of the Group and Company's assets will be further revised. Valuation of asset without the going concern assumption may result in further impairment of the Group and Company's assets.

In March 2020, the DOF Subsea Group reported through a press release that the refinancing process has been delayed due to a sudden negative market development caused by Covid-19 and the sharp decline in oil price, in combination with extreme fluctuations in foreign exchange rates. The Group has in consultation with its secured lenders initiated a process to take the necessary steps to secure both a short-term and a long-term financial solution for the Group that are sufficiently robust taking the recent events into account. The short-term solution involves establishment of a short-term credit facility and necessary waivers. Even though there is still uncertainty if a short-term and long-term financial solution will be achieved, the Board of Directors believes that both a short-term and long-term financial solution is obtainable, but no assurance can be given. There is a risk that the Group will not reach an agreement with the lenders and in such an event, the Group could be forced to realise its assets at a significantly lower value than their carrying amount.

Group financial statement

The Group had an operating revenue of NOK 3 946 million in 2019, compared to NOK 3 742 million in 2018. The increase in operating revenue compared to the prior year reflects more vessel days in operation, in addition to improved activity level for the Group in the second half of 2019 compared to 2018. The operating profit before depreciation (EBITDA) for 2019 was NOK 1 201 million (including NOK 4 million in gain from sale of non-current assets) compared to NOK 1 085 million (including NOK 1 million in loss from sale of non-current assets) in 2018. The operating profit (EBIT) was negative NOK 161 million compared to positive NOK 172 in 2018. The EBIT included impairment related to intangible and tangible assets of NOK 797 million in 2019 and NOK 361 million in 2018, in addition to depreciation of NOK 565 million in 2019 and NOK 552 million in 2018.

NOK million	2019	2018	Change
Operating revenue	3 946	3 742	5 %
EBITDA	1 201	1 085	11 %
Depreciation and impairment	-1 362	-913	-49 %
EBIT	-161	172	-194 %

Net financial loss was NOK 669 million in 2019 (loss of NOK 794 million in 2018), of which NOK 109 million was an unrealised loss on derivative instruments and currency positions (unrealised loss on derivative instruments and currency positions of NOK 214 million in 2018). Loss before tax was NOK 830 million in 2019 (loss of NOK 622 million in 2018), and the loss for the year was NOK 1 130 million in 2019 (loss of NOK 668 million in 2018).

Total assets were NOK 15 152 million in 2019 compared to NOK 16 476 million in 2018. Non-current assets were NOK 13 091 million (NOK 14 414 million).

Total current receivables were NOK 1 127 million (NOK 920 million), while cash and cash equivalents were NOK 934 million (NOK 1 142 million), giving total current assets of NOK 2 062 million (NOK 2 062 million in 2018). Cash and cash equivalents included restricted cash of NOK 137 million (NOK 223 million).

The Group's total equity was NOK 4 697 million (NOK 5 735 million), including non-controlling interests of NOK 165 million (NOK 194 million), representing a book equity ratio of 31.0 per cent (34.8 per cent). Non-current liabilities were NOK 587 million (NOK 7 793 million). Current liabilities were NOK 9 869 million (NOK 2 949 million), of which NOK 9 195 million represented current portion of debt (NOK 2 177 million). The net interest-bearing debt was NOK 8 528 million (NOK 8 606 million). The effect of not having a long-term financial solution in place or waivers covering more than 12 months after balance sheet date, has resulted in a reclassification of the Group's non-current debt to credit institutions. NOK 5 776 million has been reclassified from non-current debt to current debt as of 31 December 2019. Following the significant adverse developments in 2020 and as announced by the Group, the Group will be required to reach a refinancing solution with its secured lenders and bondholders, which is sufficiently robust taking the recent events into account.

NOK million	2019	2018	Change
Tangible assets	10 542	11 100	-5 %
Cash and cash equivalents	934	1 142	-18 %
Total equity	4 697	5 735	-18 %
NIBD	8 528	8 606	-1 %

Net cash flow from operating activities was NOK 214 million (NOK 324 million). Cash flow from investing activities was NOK 416 million (NOK -239 million). Cash flow from financing activities was NOK -807 million (NOK 3 million). The Group's cash and cash equivalents were NOK 934 million in 2019 compared to NOK 1 142 million in 2018.

On a quarterly basis, the Group assesses whether there is any indication that tangible and intangible assets may be impaired. If an indication of impairment exists, the Group estimates the recoverable amount, represented by the higher of fair value less costs of disposal and value in use. If the recoverable amount of an asset is below the carrying value (book value), the asset is considered impaired, and is written down to its recoverable amount.

Parent company financial statement

The Company`s operating revenue was NOK 88 million in 2019 compared to NOK 83 million in 2018. The operating profit before depreciation (EBITDA) was NOK 6 million (NOK -8 million in 2018), and the operating loss (EBIT) was NOK -3 million (NOK -22 million) after depreciation and impairment of NOK 9 million (NOK 15 million).

The net financial loss was NOK 1 609 million compared to a loss of NOK 523 million in 2018. The loss before tax was NOK 1 612 million (loss of NOK 545 million), and the loss for the year was NOK 1 709 million (loss of NOK 547 million).

The Company's total assets were NOK 6 102 million in 2019 compared to NOK 7 829 million in 2018. Non-current assets were NOK 5 370 million (NOK 6 815 million), including NOK 89 million in deferred tax assets (NOK 184 million). Total current receivables were NOK 397 million (NOK 507 million), while cash and cash equivalents were NOK 335 million (NOK 507 million), giving total current assets of NOK 732 million (NOK 1 014 million).

Total equity was NOK 2 753 million compared to NOK 4 462 million in 2018, representing a book equity ratio of 45.1 per cent compared to 56.9 per cent in 2018. Total liabilities were NOK 3 349 million (NOK 3 367 million), of which NOK 23 million represented non-current liabilities (NOK 2 544 million) and NOK 3 326 million represented current liabilities (NOK 823 million). The effect of not having a long-term financial solution in place or waivers covering more than 12 months after balance sheet date, has resulted in a reclassification of the Company's non-current debt to credit institutions. NOK 2 122 million has been reclassified from non-current debt to current debt as of 31 December 2019.

Net cash flow from operating activities was NOK -812 million (NOK -421 million), while cash flow from investing activities was NOK 609 million (NOK -57 million). Cash flow from financing activities was NOK 59 million (NOK 591 million).

The Company's cash and cash equivalents were NOK 335 million in 2019 compared to NOK 507 million in 2018.

Allocation of profit/loss

Of the Company's total comprehensive loss for the year net of tax of NOK -1 708 million, NOK -118 million was covered by other equity and NOK -1 590 million was covered by other paid in capital.

Events after period end

After period end, the Group has been awarded several contracts in the Subsea/IMR Project segment. In the APAC region, DOF Subsea was awarded several contracts securing vessel and resource utilisation in Q1 2020 and first part of Q2 2020. These contract awards will utilise Skandi Singapore. In the North America region, DOF Subsea secured multiple contracts, of which Skandi Neptune will perform a pre-lay and LBL array installation activities in Guyana, subsea installation work in Trinidad and well-head removal work in Canada. Further, the Harvey Deep Sea will perform a large ocean bottom node survey in the GoM, in addition to several shorter IMR and light construction projects. In Brazil, the joint venture vessel Skandi Vitoria was taken out of layup and commenced a 2-year contract with TechnipFMC. In the Atlantic region, Skandi Seven secured an extension of existing contract in Angola. In addition, the Geosea has been awarded a 5-year contract with N-Sea and end client the Royal Netherlands Navy.

In March 2020 the Group reported that the refinancing process has been delayed due to a sudden negative market development caused by Covid-19 and the sharp decline in oil price in combination of extreme currency fluctuations. A short-term liquidity loan of NOK 100 million to the Group was secured to cover the immediate short-term liquidity needs. However, the Group will also require (i) a new larger credit facility to cover the Groups short term liquidity needs, (ii) waivers from certain of the Group's covenants, including both the equity and liquidity covenants, as well as (iii) deferrals of interest payments and amortisations in order to establish a basis for a continued dialogue with its secured lenders and bondholders regarding a sustainable long term financing solution which also is sufficiently robust to cater for the additional uncertainties created by the developments in 2020. Even though there is still uncertainty if a long-term financial solution will be achieved, the Board of Directors believes that a long-term financial solution is obtainable, but no assurance can be given.

On 22 April 2020, the bondholders approved a waiver from and suspension of all payment obligations until 30 June 2020, with possibility to extend to 30 September 2020. The waiver period cannot be extended beyond 30 September 2020 without approval from the bondholdrs.

The disruptive events in 2020 including a significant wakening of the NOK will have a substantial negative impact on the Group's financial statements for the first quarter of 2020. In parallel, the collapse in the oil-price will result in a drop in vessel values, hence considerable impairments will be booked in first quarter 2020. As a consequence, it is expected that the Group's equity will be significant lower in the financial statements for first quarter 2020.

The Group declared a global Covid-19 crisis 27 February and established a global Emergency Response Team (ERT) consisting of executive managers. The ERT is working close with the regional ERT team to mitigate consequences of the crisis.

The Board of Directors recognises there is potential risk connected to the impact of Covid-19 virus disrupting operations of the Group. This might have an adverse effect on the Group's financial performance as a consequence of both internal and external factors. The Group has been able to continue normal operations of its vessels even if replacement of crew has become, and is expected to remain, increasingly difficult. There is a general increased risk in the sector of postponements of offshore projects, which also could involve the Group`s vessels and assets. The Board of Directors will continuously monitor financial exposure, taking measure to mitigate the risks and ensure timely recognition of all relevant estimates in the Group's financial reporting.

Outlook

The market is expected to remain challenging with variations between the different regions and within the Long-term chartering segment.

The Group will maintain its strategy to secure the fleet on long-term contracts and is actively working on keeping the firm employment of the fleet as high as possible. The Group will further continue to adapt its cost level and adjust its capacity to the challenging markets. However, due to recent events there is a high risk that the backlog will decline due to either cancellations or renegotiations of existing contracts and few new sustainable contract awards which again will result in more vessels in lay-up going forward. A continuing weak market will further reduce the earnings and increase the liquidity risk for the Group significantly.

The majority of the Group's Long-term Chartering assets are committed on firm contracts and represent the largest portion of the Group's backlog. A continuing weak market will however increase the risk of lower earnings of the Group's vessels, including risk of renegotiation of existing contracts. Combined with the financing-/refinancing risk, this put more pressure on the Group's liquidity position if a short-term and long-term refinancing solution is not achieved.

The recent outbreak of Covid-19 and the sharp decline in the oil price is expected to negatively impact the market sentiment going forward. As a result, the Board of Directors expects the market conditions to remain challenging, and the timing of market recovery remains uncertain. As reported, the Board of Directors and Management have been working on a short-term and long-term financial solution for the DOF Subsea Group. The discussions with the relevant stakeholders are constructive, however no assurance can be given that the Group will be successful in this respect. Even though the risk has increased whether a short-term and long-term financial solution can be achieved, the Board of Directors still believe that a financial solution is obtainable for the Group. This is based on a historical good operational performance, high utilisation of the fleet through a demanding period, a global organisation and the fact that the backlog is still high for the Group.

The Board of Directors is thankful for the effort from all employees in 2019.

Bergen, 24 April 2020

The Board of Directors of DOF Subsea AS

Helge Møgster
Chairman

Helge Singelstad
Director

Kathryn M. Baker
Director

Hilde Drønen
Director

Hans Olav Lindal
Director

Mons S. Aase
CEO

Financial statements DOF Subsea Group

DOF Subsea Group

Amounts in NOK million

Consolidated statement of comprehensive income

	Note	2019	2018
Operating revenue	4, 5	3 946	3 742
Payroll expenses	6	-1 415	-1 375
Other operating expenses	7	-1 573	-1 688
Share of net income from associates and joint ventures	26	240	403
Profit from sale of non-current assets	11	4	1
Operating profit before depreciation and impairment (EBITDA)	4	**1 201**	**1 085**
Depreciation and impairment	10, 11,12	-1 362	-913
Operating profit (EBIT)		-161	172
Financial income	8	76	96
Financial expenses	8	-615	-507
Realised net gain / loss on derivative instruments and currency position	8	-21	-168
Unrealised net gain / loss on derivative instruments and currency position	8	-109	-214
Net financial income / loss	8	-669	-794
Profit / loss before tax	4	-830	-622
Income tax expense	9	-301	-46
Profit / loss for the year		-1 130	-668
Other comprehensive income net of tax			
Items that may be subsequently reclassified to profit / loss			
Currency translation difference (CTA)		21	-19
Share of other comprehensive income of associates and joint ventures	26	66	123
Other		-	1
Items that will not be reclassified to profit / loss			
Defined benefit plan actuarial gains / losses		4	-
Other comprehensive income / loss net of tax		92	105
Total comprehensive income / loss for the year net of tax		-1 039	-563
Profit / loss attributable to			
Non-controlling interests	25	-13	-3
Owners of the parent	25	-1 118	-666
Total comprehensive income / loss attributable to			
Non-controlling interests	25	-13	-2
Owners of the parent	25	-1 026	-562
Earnings per share			
Basic and diluted earnings per share (NOK)	29, 30	-6.68	-3.98

DOF Subsea Group

Amounts in NOK million

Consolidated statement of financial position

Assets	Note	31.12.2019	31.12.2018
Tangible assets	11, 12	10 542	11 100
Goodwill	10	85	337
Deferred tax asset	9	4	220
Investments in associates and joint ventures	26	1 859	1 553
Non-current receivables	13, 21, 23	600	1 204
Total non-current assets		**13 091**	**14 414**
Trade receivables	14	618	631
Other current receivables	15, 21, 23	509	289
Current receivables		**1 127**	**920**
Restricted cash	16	137	223
Unrestricted cash and cash equivalents	16	797	919
Cash and cash equivalents		**934**	**1 142**
Total current assets		**2 062**	**2 062**
Total assets		**15 152**	**16 476**

DOF Subsea Group

Amounts in NOK million

Consolidated statement of financial position

Equity and liabilities	Note	31.12.2019	31.12.2018
Paid-in equity	30	2 753	4 344
Other equity		1 779	1 197
Non-controlling interests	25	165	194
Total equity		**4 697**	**5 735**
Bond loans	17	-	2 480
Debt to credit institutions	17	256	5 278
Lease liabilities	12, 17	325	-
Other non-current liabilities	6, 9, 21, 22	6	34
Total non-current liabilities		**587**	**7 793**
Current portion of debt	17	9 195	2 177
Trade payables	18	384	406
Other current liabilities	9, 19, 21, 23	291	366
Total current liabilities		**9 869**	**2 949**
Total liabilities		**10 456**	**10 742**
Total equity and liabilities		**15 152**	**16 476**

Bergen, 24 April 2020

The Board of Directors of DOF Subsea AS

Helge Møgster
Chairman

Helge Singelstad
Director

Kathryn M. Baker
Director

Hilde Drønen
Director

Hans Olav Lindal
Director

Mons S. Aase
CEO

DOF Subsea Group

Amounts in NOK million

Statement of changes in equity

Changes in equity	Share capital	Share premium	Other paid-in capital	**Paid-in equity**	Retained earnings	Currency translation differences	**Other equity**	Non-controlling interests	**Total equity**
Equity at 01.01.2019	1 674	540	2 130	**4 344**	1 155	42	**1 197**	194	**5 735**
Profit / loss for the year	-	-	-1 590	**-1 590**	472	-	**472**	-13	**-1 130**
Other comprehensive income net of tax	-	-	-	**-**	70	21	**92**	-	**92**
Total comprehensive income net of tax	-	-	-1 590	**-1 590**	542	21	**562**	-13	**-1 039**
Reclassifications of non-controlling interests	-	-	-	**-**	17	-	**17**	-17	**-**
Equity at 31.12.2019	1 674	540	540	**2 753**	1 715	63	**1 779**	165	**4 697**
Equity at 01.01.2018	1 674	540	2 130	**4 344**	1 716	62	**1 778**	226	**6 348**
Profit / loss for the year	-	-	-	**-**	-666	-	**-666**	-3	**-668**
Other comprehensive income net of tax	-	-	-	**-**	123	-19	**104**	1	**105**
Total comprehensive income net of tax	-	-	-	**-**	-543	-19	**-562**	-2	**-563**
IFRS 9 implementation effect	-	-	-	**-**	-25	-	**-25**	-	**-25**
Adjustment of merger effect	-	-	-	**-**	5	-	**5**	-	**5**
Changes in non-controlling interests	-	-	-	**-**	-	-	**-**	-31	**-31**
Total transactions with shareholders	-	-	-	**-**	-20	-	**-20**	-31	**-51**
Equity at 31.12.2018	1 674	540	2 130	**4 344**	1 155	42	**1 197**	194	**5 735**

The adjustment of merger effect in 2018 relates to the merger of the DOF Subsea Holding AS and DOF Subsea AS in 2017.

DOF Subsea Group

Amounts in NOK million

Consolidated statement of cash flows

	Note	2019	2018
Operating profit (EBIT)		-161	172
Depreciation and impairment	11	1 362	913
Profit from sale of non-current assets	11	-4	-1
Share of net income of associates and joint ventures	26	-240	-403
Change in trade receivables		13	223
Change in trade payables		-22	14
Changes in other working capital		-49	25
Exchange rate effect on operating activities		-146	-73
Cash flow from operating activities		**755**	**869**
Interest received		65	6
Interest paid		-573	-519
Tax paid		-33	-32
Net cash flow from operating activities		**214**	**324**
Sale of tangible assets	11	5	1
Purchase of tangible assets	11	-188	-267
Net cash flows from other non-current receivables		599	27
Cash flow from investing activities		**416**	**-239**
Proceeds of non-current debt	17	-	1 558
Installments on non-current debt	17	-807	-1 524
Payments to non-controlling interests		-	-31
Cash flow from financing activities		**-807**	**3**
Net change in cash and cash equivalents		**-177**	**88**
Cash and cash equivalents, included restricted cash, at 01.01	16	**1 142**	**1 097**
Exchange rate effect on cash and cash equivalents		-31	-43
Cash and cash equivalents, included restricted cash, at 31.12	16	**934**	**1 142**

Restricted cash at 31.12.2019 is NOK 137 million (NOK 223 million) and is in included in Cash and cash equivalents. Changes in restricted cash is reflected in the cash flow. For further information about restricted cash, please refer to note 16 `Cash and cash equivalents`.

DOF Subsea Group

Contents

NOTES TO THE FINANCIAL STATEMENTS

1 Corporate information and going concern

Corporate information

DOF Subsea AS, the Company, is a limited liability company registered in Norway. The Company's head office is located at Thormøhlensgate 53 C, 5006 Bergen, Norway.

The Company is owned by DOF ASA as a sole shareholder with 100% ownership stake on 31 December 2019.

DOF Subsea AS is the parent company in the DOF Subsea Group exercising control over a number of subsidiaries. The Company also holds investments in associates and joint arrangements.

The vision of the Group is to be a world class integrated offshore company, delivering marine services and subsea solutions responsibly, balancing risk and opportunity in a sustainable way, together, every day.

The DOF Subsea Group has two business segments, Subsea/IMR Projects and Long-term Chartering. In these segments, the Group provides integrated subsea and marine services to the world's offshore energy producers.

Integrating project management capabilities with high end subsea vessels creates long-term client relationships, broader market opportunities and, reduces overall risk. The Group's two segments: vessels and personnel working in the Subsea/IMR Projects segment and the vessels chartered to third-party companies in the Long-term Chartering segment, increases the Group's access to market opportunities and reduces risk. The vessels are divided into three categories: Multi-Purpose Support Vessels, Multi-Purpose Anchor Handler Vessels, and Construction Support Vessels. The Group also owns a fleet of ROV assets and other subsea equipments and has over 15 years' experience providing ROV and intervention services to the energy industry worldwide. The ROVs are available on DOF Subsea operated vessels or as supplementary support on any offshore vessel.

The financial report is divided into the Group financial statements and the Parent Company financial statements.

Going concern

IIn accordance with IAS 1.25, the Board of Directors confirms that the financial statements have been prepared under the assumption of going concern. However, the recent events described below give rise to significant doubt on the Group and the Company's ability to continue as going concern.

The Board of Directors and the Management in DOF Subsea AS are working on a long-term financial solution for the Group, the discussion with the relevant stakeholders is constructive. The effect of not having a long-term financial solution in place or waivers covering more than 12 months after balance sheet date, has resulted in a reclassification of the Group and Company's non-current debt to credit institutions as of 31 December 2019. The Group has a temporary deferral of payment of interest, instalments and waivers in order to reach a short-term and long-term financial solution. If the Company and the Group cannot be treated as 'going concern', the valuation of the Group and Company's assets will be further revised. Valuation of asset without the going concern assumption may result in further impairment of the Group and Company's assets.

In March 2020, the DOF Subsea Group reported through a press release that the refinancing process has been delayed due to a sudden negative market development caused by Covid-19 and the sharp decline in oil price, in combination with extreme fluctuations in foreign exchange rates. The Group has in consultation with its secured lenders initiated a process to take the necessary steps to secure both a short-term and a long-term financial solution for the Group that are sufficiently robust taking the recent events into account. The short-term solution involves establishment of a short-term credit facility and necessary waivers. Even though there is still uncertainty if a short-term and long-term financial solution will be achieved, the Board of Directors believes that both a short-term and long-term financial solution is obtainable, but no assurance can be given. There is a risk that the Group will not reach an agreement with the lenders and in such an event, the Group could be forced to realise its assets at a significantly lower value than their carrying amount.

The Board of Directors approved the financial statements on 24 April 2020.

2 Financial risk management

The Group is exposed to various types of financial risk relating to its ongoing operations: market risk (including price, foreign exchange, interest rate risks), contract risk (contract fulfilment, credit an liquidity risks) and operational risk (downtime, cost overruns risks). The Group's governing risk management strategy focuses on minimising the potential negative effects on the Group's results. The primary risks managed using derivative instruments are foreign currency risk and interest rate risk. Please refer to note 32 'Accounting policies', paragraph U, for information on derivative financial instruments and hedging activities. Please also see note 21 'Financial instruments and hedging activities'.

The Group's risk management is conducted in line with policies and guidelines approved by the Board of Directors. Accordingly, financial risk is identified, evaluated and managed if appropriate. The Board of Directors has issued written policies governing risk management and defining principles for specific areas such as foreign exchange, interest rate and credit risks management and the use of financial derivatives and other financial instruments.

Financial derivatives

The Group is exposed to foreign exchange risk and floating interest rate risk. The Group uses financial derivatives to reduce these risks.

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's presentation currency is NOK. Foreign exchange risk arises when future commercial transactions such as contractual obligations, non-current liabilities and investments are in different currencies than NOK. The Group aims to achieve a natural hedge between cash inflows and cash outflows and manages the remaining foreign exchange risk arising from commercial transactions, assets and liabilities using forward contracts, derivatives and similar instruments as appropriate.

Foreign exchange rate changes in receivables, liabilities and foreign exchange contracts are recognised in the net financial income/loss section in the consolidated statement of comprehensive income. Fluctuations in foreign exchange rates will therefore influence the Group's statement of comprehensive income and statement of financial position.

The fair value of foreign exchange contracts is calculated based on the midpoint of the relevant yield and forward curves. The fair value of interest rate contracts is expressed as the present value of the estimated future cash flows based on observable yield curves.

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market

DOF Subsea Group

interest rates. The Group's existing debt arrangements are non-current liabilities at floating or fixed interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term liabilities with floating interest rates. The Group's policy is a portfolio of floating- and fixed interest rates taking the market outlook into consideration. The Group manages parts of its floating interest rate risk by using floating-to-fixed interest rate swaps. Of the total liability portfolio, 68% is subject to fixed interest rate as at period end (78% in 2018).

Change in value of interest rate swaps are recognised in the net financial income/loss section in the consolidated statement of comprehensive income. Fluctuations in foreign exchange rates will therefore influence the Group's statement of comprehensive income and statement of financial position.

There is a continuous evaluation of the ratio between fixed interest rate versus floating interest rate liability.

The Group's interest-bearing assets of significance are bank deposits, current receivables and non-current receivables, see notes 17 'Interest-bearing debt' and 22 'Financial instruments - by category'.

Sensitivity analysis

In accordance with IFRS 7 'Financial instruments: disclosures', the Group provides information about the potential impacts of market risk and hypothetical gain/loss from its use of derivative financial instruments and other financial instruments through a sensitivity analysis disclosure. The sensitivity analysis is only for the hypothetical gain/loss in fair values which would occur assuming a change in exchange rates between currencies and change in interest rates and would actually be accounted for in the consolidated statement of comprehensive income. All changes are before tax.

Foreign exchange sensitivity

Changes in foreign exchange rates against subsidiaries' functional currencies as at period end would have affected the measurement of assets and financial instruments denominated in foreign currency by the amounts described below.

Effects on the Group's statement of financial position resulting from changes in foreign exchange rates are due to changes in the NOK value of assets and liabilities denominated in currencies other than NOK. The Group has a significant amount of liability denominated in USD. In conducting the foreign exchange sensitivity analysis for the Group's liability to bond owners and credit institutions, a hypothetical decrease/increase in currency towards NOK has been used. Liabilities in the cash pool and loan in CAD are included in the sensitivity analysis. The Group has liability of USD 34 million in a subsidiary with functional currency BRL. The effect of a change in BRL to USD is included in the sensitivity results. Investment in the joint venture is an investment in USD. Currency changes in the sensitivity analysis of the investment in the joint venture would affected other comprehensive income.

Amounts in NOK million

	Appreciation			Depreceation		
	10%	20%	30%	10%	20%	30%
Liabilities in currency	580	1 162	1 741	-580	-1 162	-1 741
Derivative financial instruments	158	335	512	-170	-347	-524
Investment in joint venture	-177	-355	-532	177	355	532
Net effect	560	1 142	1 722	-572	-1 154	-1 734

The Group aims to achieve a natural hedge between cash inflows and cash outflows on Group level. Current receivables and liabilities excluding current portion of non-current liabilities are often in the same currency and are normally due within 30-60 days. Currency effects on current items in currency, excluding current portion of non-current debt, are not included in the sensitivity analysis.

A significant portion of the Group's operating revenue is denominated in USD. If USD depreciates against NOK over a longer period of time, this will negatively impact net profit.

Interest rates sensitivity

A parallel shift of 100 basis points in interest rates as of period end would have increased/decreased net financial income/loss and thus the equity by the amounts estimated in the below table, assuming foreign exchange rates remain constant.

Amounts in NOK million

2019 figures	100bp decrease	100bp increase
NOK		
Derivatives financial instruments	-49	73

Credit and liquidity risk

Credit and liquidity risk arise from cash and cash equivalents, financial derivative instruments, as well as credit exposures to clients. The Group has a policy of limiting the credit exposure to any single financial institution and bank, and actively manages its exposure to achieve this.

Credit exposures are mainly towards clients that traditionally have had good financial position to meet their obligations. The sustained challenging market situation has resulted in changes to credit ratings for some of the Group's customers, and thereby increased the credit risk. The Group's historical losses have been low. For further credit risk assessment please see note 14 'Trade receivables'. Other current and non-current receivables are mainly to joint ventures and DOF ASA Companies. See note 13 'Non-current receivables' and note 15 'other current receivables' for further information.

Payment profile of debt (*) — Amounts in NOK million

At 31 December 2019	2020	2021-2024	Thereafter
Borrowings (ex. lease liabilities)	3 148	5 194	707
Lease liabilities related to ROV`s	77	153	9
Interest payment	454	799	44
Trading and net settled derivative financial instruments (interest rate swaps and foreign exchange instruments)	-	12	-
Trade and other payables	652	-	2
Total payables	**4 331**	**6 158**	**762**

(*) Table shows undiscounted cash flows..

The Group has a temporary deferral of payment of interest and instalments in order to reach a long-term solution. Presented payment profile is based on existing loan agreements

Lease liabilities for right of use property and sub-lease of assets of NOK 404 million are excluded in the table above. For further information about lease liabilities, see note 17 'Interest-bearing debt'.

DOF Subsea Group

Liquidity risk management implies maintaining sufficient cash, marketable securities, available funding through committed and uncommitted credit facilities and ability to close market positions. The significant weakening, in the range of 20%-30%, of NOK against other currencies in 2020, had a significant negative impact on available cash in the Group's cash pool. For further information about cash and cash management, see note 16 'Cash and cash equivalents'.

A short-term liquidity loan of NOK 100 million has been secured as part of the Group's discussions with the secured lenders. The parties are also discussing a larger credit facility. The credit facility, together with waivers on interest payments and instalments, covers the Group's short-term liquidity needs. The Group has in consultation with its secured lenders initiated a process to take the necessary steps to secure a long-term financial solution for the Group that are sufficiently robust taking the recent events into account.

The Group's business is capital intensive and the Group may need to raise additional funds through public liability, private liability or equity financing to execute the Group's strategy and fund capital expenditure. The Group's loan agreements include terms, conditions and covenants.

The Group has routines to report cash flow forecasts on a regular basis in order to monitor the Group's future liquidity positions. For further information about financial liabilities, see note 17 'Interest-bearing debt'.

Price risk

The Group is exposed to price risk at two main levels:

- The demand for the Group's vessels and services is sensitive to changes in the offshore energy industry, for example, oil price movements, exploration and general activity level within the industry. This can affect both the pricing/valuation and utilisation of the Group's assets.
- The cost of construction of new assets and replacement of assets are sensitive to changes in market prices.

The Group aims to reduce the price risk through long-term contracts.

Capital structure and equity

The main objective in managing the Group's capital structure is to ensure that the Group maintains the best possible credit rating, thereby achieving favourable terms and conditions for the long-term funding of the Group's operations and investments. The Group manages its capital structure and carries out all necessary changes, based on continuous assessments of the economic conditions under which the operations take place.

The Group has established common financial covenants on all long-term funding which imply minimum consolidated cash, minimum total equity and minimum value adjusted equity ratio for the Group. On a quarterly basis, the Group measures its total equity and value adjusted equity ratio by receiving fair market valuations of the total fleet from several independent brokers.

The Group monitors its capital structure by evaluating the debt ratio, which is defined as net interest-bearing debt divided by equity plus net interest-bearing debt. The Group's intention is to maintain liability financing corresponding to approximately 60-80% funding of the Group`s vessels and to continue to have high long-term contractual coverage, either through IMR contracts in the Subsea/IMR Projects segment or time charter or bareboat contracts in the Long-term Chartering segment.

A continued depressed market and decline in vessel values have increased the refinancing risk of the Group's fleet and may further cause additional impairments going forward. The Norwegian high yield bond market has historically been an important financing recourse for the Group. Following the challenging market situations in 2019, the bond market is currently not an option for the Group.

The Board and Management have since 2nd quarter 2019 been working on a long-term financial solution for the Group, which includes discussions with the banks, the bondholders and the main shareholders. Work on the long-term financial solution includes waivers, deferral of instalments and amendments of financial covenants. The significant uncertainties created by Covid-19 in Q1 2020 and the dramatic decrease in the oil price has delayed the ongoing work with the long-term financial solution. The effect of not having a long-term financial solution in place or waivers covering more than 12 months after balance sheet date, has resulted in a reclassification of the Group's non-current debt to credit institutions and bondholders. NOK 5.8 billion has been reclassified from non-current debt to current debt as of 31 December 2019.

The Board and Management still believes that a long-term solution is achievable, however no assurance can be given at this time. The Group has in consultation with its secured lenders initiated a process to take the necessary steps to secure both a short-term and a long-term financial solution for the Group that are sufficiently robust taking the recent events into account.

The foreign exchange sensitivity analysis demonstrates the currency effect of financing in USD and CAD. The significant weakening of NOK against USD and CAD in 2020 had a significant negative impact on equity .

See also note 17 'Interest-bearing debt' for further information about ongoing work to find a long-term financial solution adapted to the Group's earning capacity in a challenging market.

3 Accounting estimates and assessments

Valuations, estimates and assumptions with a significant effect on the financial statements are summarised below:

Debt to credit institutions and bondholders

The effect of not having a long-term financial solution in place or waivers covering more than 12 months after balance sheet date, has as of 31 December 2019 resulted in a reclassification of non-current debt to credit institutions and bondholders to current portion of debt. Agreement on a new long-term financing solution or waiver of more than 12 months duration, will result in change in presentation of debt to to credit institutions and bondholders.

For further information about debt to credit institutions and bondholders, see note 17 'Interest-bearing debt'.

Depreciation of vessels

The carrying amount of the Group's vessels represents 62% of the total consolidated statement of financial position. Consequently, policies and estimates linked to the vessel values have a significant impact on the Group's financial statements. Depreciation is calculated on a modified straight-line basis over the estimated useful life of the asset. Depreciable amount equals historical cost less residual value. Please see note 32 'Accounting policies' paragraph I, for information on tangible assets.

Useful life of vessels

The depreciation of vessels depends on the vessels' estimated useful life in the Group. Estimated useful life is 20 years based on strategy, past

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experience and knowledge of the types of vessels the Group owns. There will always be risk of events like breakdown and obsolescence which may result in a shorter useful life than anticipated. From time to time the Group may own vessels older than 20 years. The useful life will then be estimated individually.

Residual value of vessels

The level of depreciation depends on the calculated residual value. Residual value is determined based on the estimated fair value at the end of the asset's useful life. According to the Group's strategy, the policy is not to own vessels with an age above 20 years. Consequently, the residual value differs from salvage value, and the Group has to estimate the residual value of the vessels when they reach an age of 20 years. The estimate of residual value is based on a market valuation of a charter free vessel, and the current fair value forms a basis for the estimate. However, this fair value is discounted to reflect the fair value of the vessel as if it was of an age and in the condition expected at the end of its useful life (20 years). The evaluation of residual value is done on a yearly basis or upon significant changes in market values.

Impairment of assets

Vessels

For the purposes of assessing impairment of vessels, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units, "CGU"). Each vessel together with associated contracts is considered as a separate CGU.

Fair value less cost to sell

For vessels, fair value less cost to sell is based on an average of brokers' estimates, taken into account sales commission. All vessels in the Group are assessed by obtaining independent broker estimates. The brokers' estimates are based on the principle of 'willing buyer and willing seller'. Broker estimates include mounted equipment and assume that the vessels are without any charter contracts (i.e. charter-free basis). The Group adjusts for positive or negative contract value in associated contracts. Due to a limited number of vessel transactions in the current market the brokers' estimates only to a limited extent represent the results of transactions in the market. Because of this, the broker estimates are more influenced by the judgement of each broker. For this reason, the Group has sought to substantiate the broker valuations, inter alia with value in use calculations or tests of reasonableness of implicit rates and other assumptions derived from the valuations. The Group has deemed it necessary to perform separate calculations for all vessels to support the broker estimates.

After the evaluation, the Group has concluded that the average of the broker estimates is considered reliable.

Value in use

Estimated cash flows are based on next year's budgets per vessel, and forecasted earnings going forward. The budget process is a detailed and thorough bottom-up budgeting process at all levels of the organisation, with approval procedures on all levels within the Group. Estimated future cash flows are based on historical performance per vessel, in combination with current market situation and future expectations. Critical assumptions in the assessment are related to charter rates, utilisation, operational and capital expenditure.

For vessels fixed on long-term contracts, the assumption is that the contracts run up until end of contract. Options held by the customers are not assumed to be exercised, unless the options are at or below current market rates. For vessels without a contract, assumptions derived from the evaluation of broker estimates, combined with other market information are considered when estimating future revenues. It is expected to be a weak market the next 1-2 years, and gradually normalise to historical average levels thereafter.

The Weighted Average Cost of Capital (WACC) is used as a discount rate and reflects a normalised capital structure for the industry. The WACC represents the rate of return the Group is expected to pay to its sources of finance for cash flows with similar risks. Cash flows are calculated after tax and discounted with an after tax discount rate.

Sensitivity analysis and stress tests have been carried out for the main variables in the assessment. This includes changes to key variables such as broker estimates, operating revenue, operating expenses and the discount rate.

ROVs

The ROVs are defined as interchangeable with each other and are therefore identified as one CGU. Value in use calculation is performed for all ROVs as a group and impairment will be recognised if the recoverable amount from the value in use calculation for the whole group of ROVs is lower than carrying amount of the group of ROVs. Principles for calculation of future cash flows and WACC are the same as described for vessels.

Goodwill

Goodwill is allocated to the operating segments, which represents the lowest level within the entity where the goodwill was monitored. Each operational segment consists of several cash generating units (GCU).

For the impairment test of goodwill, the vessels are allocated to the different segments based on the current and expected use of the vessels.

For goodwill in the Subsea/IMR Projects segment, recoverable amount is calculated based on discounted cash flows extracted from next year's budgets and forecasts covering 5 years. No real growth is expected after 5 years. Both budgets and forecasts covering 5 years, are presented to the Board of Directors. Management has used the same expectation about market development as for the impairment test of vessels. The impairment test demonstrated that recoverable amount was lower than carrying amount, and all goodwill allocated to the Subsea/IMR Project segment was impaired. Reference is made to note 10 'Goodwill' for further information about assumptions and sensitivities.

For the Long-term Chartering segment, value in use is the sum of value in use for all vessels allocated to the segment. Goodwill is therefore supported by value in use being higher than the carrying amount for individual vessels. The impairment test performed at year-end demonstrated that recoverable amount was higher than carrying amount of NOK 85 million, and no further impairment was required. During 2019 an impairment of NOK 136 million has been recognised in the Long-term Chartering segment. Reference is made to note 10 'Goodwill' and note 11 'Tangible assets' for further information about assumptions and sensitivities.

Provisions

A provision is recognised when there is a legal or constructive obligation arising from past events, or in cases of doubt as to the existence of an obligation, when it is more likely than not that a legal or constructive obligation has arisen from a past event and the amount can be estimated reliably.

The amount recognised as provision is the best estimate of the expenditure to be incurred, see note 32 'Accounting policies', paragraph M.

The best estimate of the expenditure required to settle the present obligation is the amount that rationally will have to be paid, to settle the obligation at the consolidated statement of financial position date or to transfer it to a third party at that time.

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Tax

Changes in tax regimes may adversely affect the Group's cash flows and financial condition. Certain companies in the Group are subject to special tax rules for ship owners in the Norwegian Taxation Act (§ 8-10 - § 8-20). The Norwegian tonnage tax scheme is approved as legal state aid under the EU guidelines for a 10-year period, from 1 January 2018 until 31 December 2027. These tax rules stipulate certain requirements which will have to be met. A failure to meet such requirements may have an adverse effect on the effective tax rate of the Group.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements per IAS 12 'Income taxes'. Please refer to note 32 'Accounting policies', paragraph R.

Deferred tax asset is recognised in the consolidated statement of financial position on the basis of unused tax losses carried forward or deductible temporary differences to the extent that it is probable there will be sufficient future earnings available against which the loss carried forward or deductible can be utilised. Continued challenging market situation, low utilisation on vessels, equipment and personnel has resulted in lower earnings and increased risk in some tax jurisdictions. In this context the inherent uncertainty in forecasting the amount, timing of future taxable profits and the reversal of temporary differences has increased. As a result of this, management has revised its estimates for future taxable profits and has in 2019 recognised as tax cost NOK 216 million related to change in deferred tax asset

For further information about deferred tax assets and tax loss carried forward please refer to note 9 'Tax'.

In general, attention and follow-up from tax authorities are increasing in all tax jurisdictions. This should be seen in relation to OECD and G20 countries implementation of the Base Erosion and Profit Shifting (BEPS) reporting requirements. The general trend is that each individual country has become more concerned about protecting their tax base, and in this context the Group experiences more tax audits in all countries where the Group operates. Present tax claims and disputes are at period end in an administrative or legal process with local tax authorities. Tax claims are disputed, and the Group considers the risk of negative outcomes of each individual tax claims to be lower than 50% and has therefore not recognised any provision for each individual tax claim.

The Group has operated in several new tax jurisdictions last couple of years. In combination with increased focus from the tax authorities, the total tax risk has increased. To mitigate the increased tax risk, the Group has recognised a general tax provision of NOK 40 million. See note 9 'Tax' for further information about tax.

In 2014, the Brazilian Federal Revenue issued a Tax Assessment Notice against DOF Subsea Brasil Ltda (the Company). Loans given by the Parent Company to DOF Subsea Brasil Ltda were deemed to be taxable revenue for the Company. The Tax Assessment Notice was disputed, but on February 7, 2019, the court of first instance in Macae ruled against the Company. Estimated amount of the claim is approximately BRL 29.5 million (NOK 66 million) plus interest and charges. On February 13, 2019, the Company filed a clarification appeal before the same court. The Company intends to defend its position and considered it to be more likely than not that the final verdict will conclude that the loans received by the Company will not be reclassified as taxable revenue. No provision related to the dispute is included in DOF Subsea Group's accounts as of 31 December 2019. However, DOF Subsea has provided security for the tax claim and the amount is included in restricted cash. Outcome of such processes are uncertain and changes in assumptions, interpretations and circumstances might result in future cash outflow for the Group related.

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4 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers, as defined in note 32 'Accounting policies', paragraph D. The chief operating decision-makers are responsible for allocating resources and assessing performance of two operating segments: Subsea/IMR Projects and Long-term Chartering.

The segment reporting below is presented according to internal management reporting, based on the proportionate consolidation method of accounting for joint ventures. The bridge between the management reporting and the figures reported in the financial statements is presented below. Please refer to note 26 'Investment in associates and joint ventures' for further information on investments.

The Subsea/IMR Projects segment is the Group's largest segment, accounting for 63 % of the Group's total revenues for the period ended 31 December 2019 (66% in 2018). Within the segment, the Group has been awarded several long-term contracts over the last couple of years, among others, the 7-year contract with Shell Philippines, the 3-year contract with Chevron Australia, the 2-year contract with Saipem in Guyana/Trinidad, the 5-year contract with Shell Australia, the 10-year contract with Husky Energy in Canada, the long-term contract with Eni Angola, the 3-year diving contract with Petrobras and the 3-year service contract onboard 3 RSVs working for Petrobras.

Typical clients of the Group's Long-term Chartering services are major oil companies and subsea entrepreneurs.

	Management reporting			Financial Statements	
2019	Subsea/IMR Projects	Long-term Chartering	Total	Reconciliation to equity method	Total
Operating revenue	3 233	1 914	5 147	-1 201	3 946
Operating profit before depreciation and impairment (EBITDA)	440	1 459	1 899	-698	1 201
Depreciation and impairment			-1 780	418	-1 362
Operating profit (EBIT)			119	-280	-161
Net financial income / loss excl. unrealised net gain / loss on derivative instruments and currency position			-831	272	-559
Unrealised net gain / loss on derivative instruments and currency position			-137	28	-109
Profit / loss before tax			-850	20	-830
Tangible assets	7 125	3 418	10 542	-	10 542
Tangible assets jointly controlled companies	-	6 241	6 241	-6 241	-
Total tangible assets	7 125	9 659	16 783	- 6 241	10 542

2018	Subsea/IMR Projects	Long-term Chartering	Total	Reconciliation to equity method	Total
Operating revenue	3 033	1 574	4 607	-865	3 742
Operating profit before depreciation and impairment (EBITDA)	199	1 203	1 402	-317	1 085
Depreciation and impairment			-1 060	147	-913
Operating profit (EBIT)			342	-170	172
Net financial income / loss excl. unrealised net gain / loss on derivative instruments and currency position			-798	219	-579
Unrealised net gain / loss on derivative instruments and currency position			-209	-5	-214
Profit / loss before tax			-665	43	-622
Tangible assets	7 503	3 597	11 100	-	11 100
Tangible assets jointly controlled companies	-	5 746	5 746	-5 746	-
Total tangible assets	7 503	9 344	16 847	-5 747	11 100

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In management reporting for 2019 an impairment on the joint venture vessels Skandi Vitoria and Skandi Niteroi of NOK 219 million(DOF Subsea Group's share) has been recognised. In the joint venture company DOFCON Navegacao Ltda, a hedging position in Brazilian Real that was closed in 2017 in relation to conversion to functional currency USD, implying a profit and loss effect (unrealised financial cost) of negative NOK 58 million in 2019. The correction does not affect the company's cash- or equity position.

The impairment and the hedging correction give a total negative effect on the Group`s "Share of net income of associates and joint ventures" with NOK 277 million in 2019. The negative effect on NOK 277 million is included in the bridge between management reporting and Financial statements and is included in NOK -698 million in the table above.

Adjusted for these two effects, "Share of net income of associates and joint ventures" in the consolidated statement of comprehensive income had increased from NOK 240 million to NOK 517 million for 2019.

5 Operating revenue

The Group's revenue from contracts with customers has been disaggregated and presented in the tables below:

Operating revenue	Note	2019	2018
Lump sum contracts		357	125
Day rate contracts		3 589	3 617
Total operating revenue		**3 946**	**3 742**

Geographical distribution of operating revenue 2019	Norway	Great Britain	Brazil	Australia	Canada	USA	Other	Total
Operating revenue	519	921	685	597	242	226	756	3 946

Geographical distribution of operating revenue 2018	Norway	Great Britain	Brazil	Australia	Canada	USA	Other	Total
Operating revenue	386	877	376	601	228	381	893	3 742

Geographical distribution of revenue from contracts with customers is based on the location of clients. TechnipFMC and Petrobras each comprise approximately 10-12% of total operating revenues, other cusomers do not exceed more than 6% of total operating revenue.

The lease portion of revenue contracts are included in revenue from contracts with customers presented above. The right to use the vessel will normally be within the range 30-80% of the total contract value. Please refer to note 3 'Accounting estimates and assessments' and note 32 'Accounting policies', paragraph Q, for information on revenue recognition.

6 Payroll expenses

Payroll expenses	Note	2019	2018
Salary	24	-689	-681
Contract labor on vessels		-477	-502
Employer's contributions		-106	-82
Pension costs		-29	-29
Other personnel costs		-114	-80
Total payroll expenses		**-1 415**	**-1 375**
Full-time employees (at period end)		1 116	1 197

Pension costs above include defined benefit and defined contribution pension plans. The main part of the pension cost is related to the defined contribution pension plan. Please refer to note 32 'Accounting policies', paragraph S, for information on employee benefits.

As of 31 December 2019, the Group's defined pension plan benefit covered a total of 55 employees (72 in 2018) and 10 people in retirement (12 in 2018). The Group`s defined pension plan benefit is invested with an insurance company, which manages the pension plan. Pension obligations as of 31 December 2019 were NOK 1 million (NOK 7 million). The pension obligations are included in other non-current liabilities.

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7 Other operating expenses

Other operating expenses	2019	2018
Short-term lease of vessels including crew expenses	-166	-256
Technical costs	-127	-152
Hired personnel	-266	-260
Equipment cost	-410	-398
Bunkers	-139	-123
Administration cost	-177	-223
Other operating expenses	-287	-276
Total other operating expenses	**-1 573**	**-1 688**

8 Financial income and expenses

Financial income and expenses	Note	2019	2018
Interest income	23	63	52
Interest income from sub-lease	12,32Y	8	
Other financial income	23	6	45
Financial income		**76**	**96**
Interest expenses		-521	-465
Interest expenses on lease liability (right of use debt)	12, 32Y	-21	
Interest expenses payable to DOF ASA companies	23	-15	-16
Other financial expenses		-58	-27
Financial expenses		**-615**	**-507**
Realised foreign currency net gain / loss on non-current debt		124	-74
Realised foreign currency net gain / loss on current receivables / liabilities		-24	-47
Realised net gain / loss on foreign exchange derivatives		-121	-47
Realised net gain / loss on derivative instruments and currency position		**-21**	**-168**
Unrealised foreign currency net gain / loss on non-current debt		-170	-149
Unrealised foreign currency net gain / loss on current receivables / liabilities		-40	-40
Net change in unrealised gain / loss on foreign exchange derivatives		104	-56
Net change in unrealised gain / loss on interest rate derivatives		-3	31
Unrealised net gain / loss on derivative instruments and currency position		**-109**	**-214**
Net financial income / loss		**-669**	**-794**

Impairment of non-current receivable of NOK 21 million and expenses to the work to secure a long-term financial solution for the Group is included in other financial expenses. Please refer to note 32 ‘Accounting policies’, paragraph E, for information on conversion of foreign currency and note 32 ‘Accounting policies’, paragraph U, for information on financial derivatives.

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9 Tax

Income tax expense	2019	2018
Current tax on profits for the year	-91	-32
Adjustments in respect to prior years	2	-4
Change in deferred tax	-211	-8
Impact on change in tax rate on deferred tax	-	-2
Income tax expense	**-301**	**-46**

A tax provision of NOK 40 million is included in current tax on profits for the year. For further information about the tax provision,see note 3 'Accounting estimates and assessments'.

The tax on the Group's profit before tax differs from the theoretical amount, calculated by using domestic tax rates applicable to profits of each subsidiary as follows:

Reconciliation of nominal and effective tax rate	2019	2018
Profit / loss before tax	**-830**	**-622**
Tax estimated by use of domestic tax rates applicable to profits in the respective countries*	157	229
Tax effect of:		
Expenses not deductible for tax purposes	-5	-5
Tax effect of write down of financial assets	-4	-
Unrecognised tax losses and temporary differences	-421	-248
Adjustments in respect to prior years	2	-4
Impact on change in tax rate	-	-2
Withholding taxes and effect of different tax regimes	-82	-25
Associates and joint ventures results reported net of tax	53	9
Income tax expense	**-301**	**-46**

* Domestic tax rates applicable to the Group vary between 0% and 35%. Tax estimates exclude withholding taxes and other business taxes.

Tax effect other comprehensive income			2019
	Before tax	Income tax	After tax
Currency translation differences	22	-1	21
Share of other comprehensive income of associates and joint ventures	66	-	66
Defined benefit plan actuarial gains/losses	4	-	4
Other comprehensive income	**92**	**-1**	**91**

Tax effect other comprehensive income			2018
	Before tax	Income tax	After tax
Currency translation differences	-9	-10	-19
Share of other comprehensive income of associates and joint ventures	123	-	123
Defined benefit plan actuarial gains/losses	-	-	-
Other comprehensive income	**114**	**-10**	**104**

The gross movement on the deferred tax in the statement of financial position	2019	2018
At 01.01	-216	-238
Tax related to comprehensive income	-211	-12
Tax related to components of other comprehensive income	-1	-10
At 31.12	**-4**	**-216**

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Deferred tax

The table below specifies the temporary differences between accounting and tax values, and the calculation of deferred tax/tax assets at period end. The Group's deferred tax assets are reviewed for impairment. Deferred tax assets from tax loss carried forward are expected to be offset against taxable income within a period of 7 years. In 2019 there is no deferred tax assets from tax loss carried forward. In 2018 deferred tax assets from tax loss carried forward was expected to be offset against taxable income within a period of 7 years.

Basis for deferred tax	2019	2018
Non-current assets	655	752
Current assets	6	9
Liabilities	-565	-550
Tax position related to sold assets	61	76
Other differences	-2	11
Total temporary differences	**155**	**299**
Temporary differences not included as deferred tax (+)	263	84
Total temporary differences included as deferred tax	**417**	**383**
Tax loss carried forward*	-4 053	-3 806
Tax loss not included as deferred tax asset	3 620	2 594
Tax loss included as deferred tax assets (-)	**-433**	**-1 212**
Basis for calculating deferred tax / tax asset (-)	**-15**	**-829**

*Tax losses carried forward from subsidiaries taxed under the shipping tonnage tax regime are excluded.

Deferred tax / tax asset (-) calculated at domestic tax rates (17-35%)	-4	-216
Deferred tax (included in other non-current liabilities)	-	3
Deferred tax asset	-4	220
Total deferred tax / tax asset (-) recognised in the statement of financial position	**-4**	**-216**

Tax-loss carried forward recognised as deferred tax asset per country 2019

2019

Country	Tax-loss carried forward	Temporary differences	Deferred tax asset	Tax rate
Australia	-	-13	-4	30%
Total	**-**	**-13**	**-4**	**30%**

2018

Country	Tax-loss carried forward	Temporary differences	Deferred tax asset	Tax rate
Norway	-930	448	-106	22%
Brazil	-92	-66	-54	34%
Australia	-190	-10	-60	30%
Total	**-1 212**	**371**	**-220**	

For information on current and deferred tax, please refer to note 32 'Accounting policies', paragraph R.

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10 Goodwill

Goodwill as of 31.12.2019 is allocated to the Group's cash-generating units identified according to the operating segments.

2019	Subsea/IMR Projects	Long-term Chartering	Total
Book value at 01.01	**116**	**221**	**337**
Cost at 01.01	251	262	513
Cost at 31.12	**251**	**262**	**513**
Impairment at 01.01	-182	-41	-223
Impairment for the year	-117	-136	-253
Accumulated currency translation differences	48	-	48
Total adjustments at 31.12	**-251**	**-177**	**-428**
Book value at 31.12	**-**	**85**	**85**

2018	Subsea/IMR Projects	Long-term Chartering	Total
Book value at 01.01	**145**	**221**	**366**
Cost at 01.01	251	262	513
Cost at 31.12	**251**	**262**	**513**
Impairment at 01.01	-155	-41	-196
Impairment for the year	-27	0	-27
Accumulated currency translation differences	47	0	47
Total adjustments at 31.12	**-135**	**-41**	**-176**
Book value at 31.12	**116**	**221**	**337**

A continued challenging market situation, with low utilisation on vessels, equipment and personnel, has resulted in lower earnings and higher risk in both segments for a longer period. Furthermore, market recovery takes longer than previously assumed. Impairment tests in 2019 has reflected these changes and an impairment of NOK 117 million in Subsea/IMR segment and NOK 136 million in the Long-term Chartering segment has been recognised. After impairment, a goodwill of NOK 85 million allocated to the Long-term Chartering segment is recognised. Impairment losses on goodwill cannot be reversed.

Sensitivity analysis

Impairment test for goodwill is sensitive for changes in assumptions such as WACC and net future cash flows. Negative changes in net future cash flows of 20% or an increase in WACC with 50 basis points will result in an addtional impairment of NOK 85 million. The EBITDA margin used in impairment test for Long-term Chartering segments is in line with achieved margin in 2019 adjusted for effects of expected new contracts for 2020.

The Group uses a nominal WACC after tax of 9,3% in its impairment calculations. There is no real growth element in the calculations. See also note 3 Accounting estimates and assessments' for further information about the impairment test and growth.

For information on sensitivity analysis for vessels, see note 11 'Tangible assets'.

Please refer to note 32 'Accounting policies', paragraph K, and note 3 'Accounting estimates and assessments' for further information on goodwill

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11 Tangible assets

2019	Vessels	Periodic maintenance	ROVs	Operating equipments	Right-of-use property	Total
Cost at 01.01	12 855	945	1 661	907	-	16 367
Additions	34	88	79	66	291	558
Disposals	-	-	-	-	-1	-
Reallocation	-	-	-	-	-	-
Currency translation differences	-10	-3	-	3	4	-5
Cost at 31.12	**12 879**	**1 031**	**1 740**	**977**	**294**	**16 920**
Depreciation at 01.01	-1 723	-618	-917	-546	-	-3 804
Depreciation for the year	-171	-127	-160	-67	-42	-565
Reallocation	-	-	-	-	-	-
Currency translation differences	-	2	-	-2	-	-
Depreciation at 31.12	**-1 894**	**-743**	**-1 077**	**-615**	**-42**	**-4 371**
Impairment at 01.01	-1 425	-	-14	-23	-	-1 462
Impairment for the year	-498	-	-	-20	-27	-545
Currency translation differences	-	-	-	-	-	-
Impairment at 31.12	**-1 923**	**-**	**-14**	**-44**	**-26**	**-2 007**
Book value at 31.12	**9 062**	**288**	**649**	**318**	**226**	**10 542**
Lease assets included in book value	-	-	463	-	226	689
Asset lifetime (years)	20	2,5-5	10-12	5-15	5-30	
Depreciation schedule	*)	Linear	Linear	Linear	Linear	

*) Residual value varies based on market valuation of the vessel

2018	Vessels	Periodic maintenance	ROVs	Operating equipments	Total
Cost at 01.01	12 855	798	1 642	862	16 157
Additions	45	155	8	59	267
Reallocation	-	-	14	-14	-
Currency translation differences	-45	-8	-3	-1	-58
Cost at 31.12	**12 855**	**945**	**1 661**	**907**	**16 367**
Depreciation at 01.01	-1 523	-511	-764	-459	-3 257
Depreciation for the year	-197	-113	-156	-86	-552
Reallocation	-	-	2	-2	-
Currency translation differences	-3	6	1	1	5
Depreciation at 31.12	**-1 723**	**-618**	**-917**	**-546**	**-3 804**
Impairment at 01.01	-1 095	-	-11	-22	-1 128
Impairment for the year	-330	-	-3	-1	-334
Currency translation differences	-	-	-	-	-
Impairment at 31.12	**-1 425**	**-**	**-14**	**-23**	**-1 461**
Book value at 31.12	**9 707**	**327**	**730**	**338**	**11 100**
Lease assets included in book value	-	-	496	-	496
Asset lifetime (years)	20	2,5-5	10-12	5-15	5-30
Depreciation schedule	*)	Linear	Linear	Linear	Linear

*) Residual value varies based on market valuation of the vessel

DOF Subsea Group

Amounts in NOK million

Impairment

2019

Vessel	Impairment	Basis for recoverable amount	Segment	Measurement level
Geoholm	-21	Value in use	Subsea/IMR Projects	3
Geosea	-19	Fair value less cost of disposal	Subsea/IMR Projects	3
Geosund	-20	Value in use	Subsea/IMR Projects	3
Skandi Acergy	-108	Value in use	Long-term Chartering	3
Skandi Achiever	-5	Value in use	Subsea/IMR Projects	3
Skandi Carla	-28	Value in use	Subsea/IMR Projects	3
Skandi Hercules	-61	Value in use	Subsea/IMR Projects	3
Skandi Neptune	-60	Value in use	Subsea/IMR Projects	3
Skandi Seven	-47	Value in use	Subsea/IMR Projects	3
Skandi Singapore	-30	Fair value less cost of disposal	Subsea/IMR Projects	3
Skandi Skansen	-50	Value in use	Subsea/IMR Projects	3
Skandi Hawk	-50	Value in use	Subsea/IMR Projects	3
Total impairment to Vessels	**-498**			
Total book value of impaired vessels	**5 442**			

2018

Vessel	Impairment	Basis for recoverable amount	Segment	Measurement level
Geograph	-69	Fair value less cost of disposal	Subsea / IMR Projects	3
Geoholm	-15	Value in use	Subsea / IMR Projects	3
Geosea	-48	Fair value less cost of disposal	Subsea / IMR Projects	3
Geosund	-27	Fair value less cost of disposal	Subsea / IMR Projects	3
Skandi Acergy	-10	Value in use	Long-term Chartering	3
Skandi Carla	-29	Fair value less cost of disposal	Subsea / IMR Projects	3
Skandi Hercules	-20	Fair value less cost of disposal	Subsea / IMR Projects	3
Skandi Neptune	-24	Fair value less cost of disposal	Subsea / IMR Projects	3
Skandi Skansen	-5	Fair value less cost of disposal	Subsea / IMR Projects	3
Skandi Seven	-48	Fair value less cost of disposal	Subsea / IMR Projects	3
Skandi Singapore	-36	Fair value less cost of disposal	Subsea / IMR Projects	3
Total impairment to Vessels	**-330**			
Total book value of impaired vessels	**5 300**			

Depreciation and impairment	Note	2019	2018
Depreciation tangible asset		-565	-552
Impairment tangible asset		-545	-334
Impairment Goodwill	10	-253	-27
Depreciation and impairment		**-1 362**	**-913**

The drop in oil price starting in 2014 has resulted in reduced activity and demand for vessels in the offshore energy industry. The weak market has led to impairments for several of the Group's vessels.

In addition to the vessels above the Group has impaired equipments with NOK 20 million, and right-of-use assets with NOK 27 million.

For further information about tangible assets see note 3 'Accounting estimates and assessments' and for further information about measurement level see note 20 'Fair value estimation'.

DOF Subsea Group

Amounts in NOK million

Sensitivity analysis of impairment

A 10% drop in broker estimates as per 31 December 2019 will bring broker value below book value by NOK 260 million. This will affect nine of the Group's vessels and might result in additional impairment loss for the Group.

While testing the reasonableness of the broker estimates the Group has applied a nominal WACC after tax of 9.3%. An increase in WACC with 50 basis points will result in an additional impairment of the vessels with NOK 148 million. Negative effect on net future cash flows with 20 % will result in an additional impairment of the vessels with NOK 1 312 million.

DOF Subsea has a new fleet of vessels and as a result, the future cash flows for the vessels are long. The key assumptions in a discounted cash flow calculation for vessels are utilisation and charter rates. Changes in these assumptions could have considerable effects on the value of the vessels.

Finance leases of tangible assets

The Group's assets held under finance leases include several ROVs. For further information on these, please refer to note 12 'Leases' and note 32 'Accounting policies', paragraph I and J.

12 Leases

Operating lease income - the Group as lessor

DOF Subsea Group acts as a lessor in connection to operating leases. The leases relate to the time charter and bareboat contracts on vessels and equipment in the Long-term Chartering segment. For time charter contracts both the lease component and service component are included in the overview of future minimum lease revenue. Vessels on operating lease are recognised as tangible assets, see note 11 'Tangible assets'. Lease payments received are recognised in the statement of comprehensive income. Future minimum operating lease income arising from contracts on vessels at period end is shown in overview below. All contracts in foreign currency are converted to NOK using the exchange rate at 31 December 2019.

Overview of future minimum lease revenue	Within 1 year	2-5 years	After 5 years	Total
Minimum operating lease income amounts falling due in the periods	599	847	166	1 613
Minimum operating lease income amounts falling due in the periods including joint ventures	2 006	6 103	1 408	9 517

Total future minimum operating lease income from contracts is NOK 1 613 million (NOK 2 295 million).

Total future minimum operating lease income including joint ventures from contracts is NOK 9 517 million (NOK 11 306 million).

Please refer to note 32 'Accounting policies', paragraph J and Z, for further information on operating leases.

Leases of tangible assets - the Group as lessee

The Group leases mainly ROV's, warehouses and office buildings. In addition the Group leases Skandi Darwin. The bareboat contract of Skandi Darwin is classified and presented as a sub-lease.

Amounts recognised in the statement of financial position;

	31/12/19	01/01 2019	31/12/18
Tangible assets - ROV`s	463	496	496
Tangible assets - right-of-use property	226	284	-
Total tangible assets	**689**	**780**	**496**
Non-current receivables sub-lease	142	185	-
Total assets	**831**	**965**	**496**
Non-current debt to credit institution for lease of ROV`s	**-**	**163**	**163**
Current debt to credit institution for lease of ROV`s	239	87	87
Non-current lease - right of use property	325	394	-
Current lease - right of use property	**79**	**75**	**-**
Total liabilities	**643**	**719**	**250**

On long-term contracts for lease of ROV`s with low residual value, the Group has assumed an expectation of purchase of the asset. Other contracts are presented as right-of-use assets and is mainly related to lease of property. Please refer to note 11 'Tangible assets' for further information of the effect on tangible assets. The lease debt for ROV`s, where the Group assume to purchase the assets, is presented as part of debt to credit institution. Debt related to right-of-use assets and sub-lease is presented as lease debt. Please refer to note 17 'Interest-bearing debt for further information on lease debt.

DOF Subsea Group

Amounts in NOK million

In 2018, financial leased ROV's under IAS 17'Leases', was classified and presented as tangible assets and the lease debt presented as part of the Group's debt to credit institutions. For adoption of IFRS 16 'Leases' on 1 January 2019, please refer to note 32 'Accounting policies' paragraph Y.

Amounts recognised in statement of comprehensive income;

	2019
Short-term lease expenses of vessels including crew related cost	-166
Depreciation ROV	- 56
Depreciation right of use property	- 42
Impairment right-of-use property	- 27
Total depreciation and impairement	**-124**
Interest income	8
Interest expenses	-21
Unrealised net gain / loss on derivative instruments and currency position	-1
Net financial income / loss	-14
Total expenses in statement of comprehensiv income	-304

Financial lease	2019	2018
Cost at 01.01.	703	697
Implementation of IFRS 16 Leases	284	-
Additions	117	6
Disposals	-134	-
Currency translation differences	4	-
Cost at 31.12.	**974**	**703**
Depreciation at 01.01.	204	145
Depreciation for the year	97	59
Depreciation disposals	-46	-0
Currency translation differences	-	-
Depreciation at 31.12.	**255**	**204**
Impairment 01.01	3	3
Impairment for the year	27	-
Impairment 31.12	**30**	**3**
Book value at 31.12	689	496

Leased assets that are purchased from the Group after the end of the lease period are included in disposals.

13 Non-current receivables

Non-current receivables	Note	2019	2018
Non-current receivables from DOF ASA companies	23	84	97
Non-current receivables from joint ventures and associated companies	23	329	1 039
Derivative financial instruments	21	16	29
Other non-current receivables		50	38
Non-current receivables sub-lease	17	142	-
Provision for bad non-current receivables	23	-21	-
Total non-current receivables at 31.12		**600**	**1 204**

The effect of the bareboat contract for Skandi Darwin for operation in APAC region, is a non-current receivable of NOK 129 million. The contract is defined as a sub-lease for the Group and NOK 129 million is included in the total non-current receivable sub-lease of NOK 142 million. The existing contract expire in 2022. For further information about lease liability, see note 17 'Interest-bearing debt'. A provision of NOK 21 million is related to non-current receivable from DOF ASA companies.

DOF Subsea Group

Amounts in NOK million

14 Trade receivables

Trade receivables	2019	2018
Trade receivables at nominal value	443	417
Contract assets	232	220
Allowance for expected credit losses	-57	-6
Total trade receivables	**618**	**631**

Currency specification at 31.12.2019	AUD	USD	BRL	CAD	Other	Total
Trade receivables	204	224	74	63	53	618

Aging profile and credit risk at 31.12.2019	Total	Not matured	< 30 d	30-60 d	60-90 d	>90 d
Trade receivables at nominal value	443	306	61	14	28	34
Expected credit loss rate		0.2%	2.5%	3.0%	7.0%	12.0%
Loss allowance trade receivables	9	1	2	-	2	4
Loss allowance specific contract	48					
Contract asset		232				
Expected credit loss rate		0.2%				
Loss allowance contract asset	-	-				
Total expected loss allowance	**57**					

Currency specification at 31.12.2018	AUD	USD	BRL	CAD	Other	Total
Trade receivables	218	167	88	73	85	631

Aging profile and credit risk at 31.12.2018	Total	Not matured	< 30 d	30-60 d	60-90 d	>90 d
Trade receivables at nominal value	417	305	84	4	1	24
Expected credit loss rate		0.2%	2.0%	2.5%	5.0%	12.0%
Loss allowance trade receivables	5	1	2	-	-	3
Loss allowance specific contract						
Contract asset		220				
Expected credit loss rate		0.2%				
Loss allowance contract asset	-					
Total expected loss allowance	**6**					

The majority of the Group's trade receivables are to major international energy companies and subsea entrepreneurs. Historically the Group has had insignificant losses on trade receivables. Within the Subsea/IMR Projects segment, payment milestones in the contracts and variation orders impact the cash collection for the Group and potentially lead to short-term fluctuations in trade receivables. An impairment analysis is performed at each reporting period to measure expected credit losses. The contract asset and trade receivables have substantially the same risk characteristics and the same loss rates has been used for calculation of loss allowance. General allowance for expected credit losses 31 December 2019 and 31 December 2018 has been based on historical losses and updated view on general risk in the Group`s industry. Loss allowance for a specific contract has been based expectation of recovery of outstanding amount.

For further information about credit risk see note 2 'Financial risk management'. For further information on trade receivables, please see note 32 'Accounting policies', paragraph H.

DOF Subsea Group

Amounts in NOK million

15 Other current receivables

Other current receivables	Note	2019	2018
Receivables from DOF ASA companies	23	104	96
Receivables from joint ventures	23	224	33
Government taxes receivable (VAT)		13	15
Prepaid expenses		59	62
Insurance claims		26	21
Accrued interest income		1	3
Derivatives financial instruments	21	23	2
Fuel reserves and other inventory		57	51
Other current receivables		1	6
Total other current receivables at 31.12		**509**	**289**

16 Cash and cash equivalents

Cash and cash equivalents	2019	2018
Restricted cash	137	223
Unrestricted cash and cash equivalents	797	919
Total cash and cash equivalents at 31.12	**934**	**1 142**

A non-current loan has been provided by Eksportfinans and is invested as a restricted deposit. The repayment of the loan from Eksportfinans is equivalent to the reduction in the restricted cash, i.e. recognised in the financial statements on a gross basis. The loan is fully repaid in 2020. The cash deposit is included in restricted cash with a total value of NOK 52 million (NOK 136 million in 2018). The remaining restricted cash is deposit pledged as security for an outstanding bank guarantee.

The Group have an administrative cash pooling arrangement whereby cash surpluses and overdrafts residing in the Group Companies bank accounts are pooled together to create a net surplus. Liquidity is made available through the cash pooling for the Companies in the Group to meet their obligations. The bank accounts in the cash pool consists of accounts in various currencies that on a currency basis can be in surplus or overdraft. The total cash pool can never be in net overdraft. The cash pool is presented as unrestricted cash and cash equivalents. Currency positions in the cash pool at year end are negatively exposed to exchange rate changes where NOK depreciates against other currencies. The Group has cash deposits equivalent to NOK 337 million in USD, AUD, CAD and GBP placed in different regional bank accounts outside the Group's cash pool. The significant weakening, in the range of 20%-30%, of NOK against other currencies in 2020, have had a significant negative impact on the Group's liquidity and available cash in the Group's cash pool. As a result, a short-term liquidity loan of NOK 100 million has been secured and the Group is also discussing a larger credit facility. The credit facility, together with waivers on interest payments and instalments, covers the Group's short-term liquidity needs.

Surplus cash transferred to the Group's cash pool will be available at all times to meet the Group's financial obligations at any time. Some subsidiaries are not part of the cash pool structure. Surplus cash in these companies will only be available for the rest of the Group through loans or dividends. Total cash in these subsidiaries are NOK 352 million and are included in unrestricted cash and cash equivalents.

For further information about market-, credit- and liquidity risk see note 2 'Financial risk management' and note 31 'Events occurring after period end' for description of the effect for the Group of Covid-19 virus.

	2019		2018	
Group cash pool	Amount in currency	Book value	Amount in currency	Book value
NOK	1 216	1 216	901	901
USD	-75	-659	-70	-606
GBP	-7	-76	-4	-46
GBP	-	4	-	-
EUR	-	4	6	58
CAD	1	6	9	55
AUD	-17	-105	4	26
SGD	-17	-111	-3	-19
Net Group cash pool		**278**		**369**

DOF Subsea Group

Amounts in NOK million

Cash management

The Group has a credit facility (RCF) of NOK 250 million at year-end, of which all was utilised. For further information on cash and cash equivalents, please refer to note 32 'Accounting policies', paragraph G.

17 Interest-bearing debt

Non-current debt to credit institutions has in accordance with IFRS been reclassified to current portion of debt as of 31 December 2019, except of non-current liabilities in the subsidiary DOF Subsea Brasil Ltda. The Board of Directors and the Management are working on a long-term financial solution for the Group. The discussion with the relevant stakeholders is constructive. The effect of not having a long-term financial solution in place or waivers covering more than 12 months after balance sheet date, has resulted in a reclassification of the Group's non-current debt to credit institutions as of 31 December 2019. The Group has a temporary deferral of payment of interest and instalments and waivers in order to reach a long-term solution.

In March 2020, the Group reported through a press release that the refinancing process has been delayed due to a sudden negative market development caused by Covid-19 and the sharp decline in oil price, in combination of extreme fluctuations in currency. Even though there is still uncertainty if a long-term financial solution will be achieved, the Board of Directors and the Management believes that a long-term financial solution is obtainable, but no assurance can be given.

For further information on interest-bearing debt and potential effect on going concern assumption, please refer to note 31 'Events occurring after period end' and note 1 'Corporate information and going concern'.

Non-current interest-bearing debt	2019	2018
Bond loans	-	2 480
Debt to credit institutions	256	5 278
Lease liabilities	325	-
Total non-current interest-bearing debt	**581**	**7 759**
Current interest-bearing debt		
Bond loans	2 589	100
Debt to credit institutions	6 417	1 969
Lease liabilities	79	-
Total current interest-bearing debt	**9 086**	**2 069**
Total non-current and current interest-bearing debt	**9 667**	**9 827**
Net interest-bearing debt		
Cash and cash equivalent	934	1 142
Other interest-bearing assets - non-current	204	79
Total net interest-bearing debt	**8 528**	**8 606**

The DOF Subsea Group had as per period end three bond loans, which mature in 2020,2022 and 2023. The trustee on behalf of the bond holders is Nordic Trustee ASA. Interest rates are both floating and fixed. No particular security has been provided for the loans, and the Group is free to acquire its own bonds. The Group has been in discussion with the bondholder in order to obtain a long-term financial solution. The solution includes adjustment of interest and deferral of repayments. In ordner to finalise the agreement, the Group has obtained waivers on repayments of instalments on the bond loans. The recent events require that the Group needs a robust solution with both the secured lenders and the bondholders. On 22 April 2020, the bondholders approved a waiver from and suspension of all payment obligations until 30 June 2020, with possibility to extend to 30 September 2020. The waiver period cannot be extended beyond 30 September 2020 without approval from the bondholdrs.

Current portion of debt in the statement of financial position includes accrued interest expenses. Accrued interest expenses are excluded in the current interest-bearing debt above.

Cash and non-cash changes in total borrowings

Changes in total borrowings over a period consists of both cash effects (disbursements and repayments) and non-cash effects (amortisations and currency translation effects). The following is the changes in the Group's borrowings:

DOF Subsea Group

Amounts in NOK million

2019			Cash changes		Non-cash changes		
Interest bearing debt	Balance 31.12.18	Implementation of IFRS 16 Leases	Cash flows	Proceed lease debt	Amortised loan expense	Currency adjustment	Balance 31.12.19
Bond loans	2 580	-	-	-	-5	14	2 590
Debt to credit institutions	7 247	-	-730	82	11	63	6 673
Lease liabilities	-	470	-77	6	-	6	404
Total interest bearing debt	9 827	470	-807	88	6	82	9 667

2018			Cash changes	Non-cash changes		
Interest bearing debt	Balance 31.12.17	IFRS 9 effect	Cash flows	Amortised loan expense	Currency adjustment	Balance 31.12.18
Bond loans	1 914	25	566	-7	81	2 580
Debt to credit institutions	7 603	-	-532	17	160	7 247
Total interest bearing debt	9 518	25	34	10	241	9 827

The Group has applied IFRS 9 'Financial instruments' from 1 January 2018. IFRS 9 'Financial instruments' addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The implementation had a negative effect on the equity of NOK 25 million as of 1 January 2018, due to the modification of the remaining part of the DOFSUB07 bond loan in December 2017. The increased liability related to the DOFSUB07 bond loan will be amortised as reduced interest cost over the remaining time to maturity.

The Group has a temporary deferral of payment of interest and instalments in order to reach a long-term solution. Presented repayment profile below is based on existing loan agreements.

Debt repayment profile	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020	2021	2022	2023	2024	Thereafter	Total
Bond loans	-	-467	-	-	-467	-	-1 292	-840	-	-	-2 599
Debt to credit institutions	-1 498	-227	-730	-307	-2 761	-956	-723	-1 227	-307	-716	-6 689
Total repayment	-1 498	-694	-730	-307	-3 228	-956	-2 014	-2 067	-307	-716	-9 288
Total interest payment	-171	-78	-134	-71	-454	-351	-251	-164	-33	-44	-1 297
Total repayment including Interest	1 668	772	864	378	3 682	1 307	2 265	2 231	340	760	10 585

Amortised costs are not included in the repayment profile above. Interest payment is based on current repayment profile on existing debt and the yield curve for the underlying market interest rates from Reuters as end of December 2019.

Repayment profile for debt to credit institutions includes repayment of lease debt related to lease of ROV`s. Total liability for lease of the ROV`s amounts to NOK 239 million as of 31 December 2019 of which NOK 77 million is planned repaid in 2020. Lease contracts for the ROV`s are repaid on a monthly basis with maturity from 3 to 10 years. For further information on leases for the ROV`s, please refer to note 12 'Leases'.

Lease debt implemented with IFRS 16 'Leases'

Implementation 1 January 2019 of IFRS 16 'Leases' resulted in an increase of lease debt of NOK 470 million for lease of property and sub-lease of assets. The table below summarises the repayment profile for this part of the lease debt.

New lease debt implemented with IFRS 16 'Leases'	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020	2021	2022	2023	2024	Thereafter	Total
Lease repayment profile	-20	-20	-20	-20	-79	-78	-72	-31	-24	-119	-404

Lease repayment profile for the new lease debt above is exluded interest payments. Interest on lease liabilities in table above is measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied to the lease liabilities presented are in the range of 4%-6%.

Liabilities secured by mortgage	2019	2018
Liabilities to credit institutions, incl. leases	6 470	6 951
Book value of assets pledged as security*	9 865	10 608
Average rate of interest	5.72%	5.05%

*) for some of the vessels receivables are pledged as security

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Currency distribution current and non-current liabilities	CAD	NOK	USD	Total
Bond loans	-	1 307	1 292	2 599
Debt to credit institutions	383	2 999	3 307	6 689
Total	383	4 306	4 599	9 288

Debt to credit institutions in USD and CAD are revaluated to NOK using exchange rate at period end.

A mortgage loan of NOK 52 million (NOK 136 million in 2018) is secured by a cash deposit, see note 16 'Cash and cash equivalents'. Interest rate and derivative instruments on the cash deposit cover the debt repayment on the loan.

The fair values of the Group's bond loans at period end were as follows:

		31.12.2019		31.12.2018	
Loan		Fair value rate	Book value	Fair value rate	Book value
DOF Subsea AS 13/20	DOFSUB07	67.5	467	100.50	467
DOF Subsea AS 17/22	DOFSUB08	80.38	1 292	99.25	1 278
DOF Subsea AS 18/23	DOFSUB09	75.5	840	100.00	840

In November 2018, the Group issued the new bond loan (DOFSUB09) of NOK 900 million with maturity date in November 2023. The Group acquired NOK 60 million of the bond loan. Net proceeds from the new bond issue will be used to refinance existing bonds and for general corporate purposes. In connection with the placement of the new bond issue, the Group has repurchased bonds with nominal value of NOK 40,1 million in the existing bond issue DOFSUB07 and USD 26 million in the existing bond issue DOFSUB08.

Financial covenants

The Group's long-term financing agreements include the following covenants (based on the proportionate consolidation method of accounting for joint ventures):

- The Group shall have available cash of at least NOK 500 million at all times (based on the proportionate consolidation method of accounting for joint ventures)
- The Group shall have value-adjusted equity to value-adjusted assets of at least 30%
- The Group shall have book equity of at least NOK 3 000 million at all times
- The Group shall have positive working capital at all times, excl. current portion of debt to credit institutions
- The fair value of the Group's vessels shall always be at least 110-130% of the outstanding loan amount

In addition to the above-mentioned financial covenants, the loan agreements are also subject to the following conditions:

- The Group's assets shall be fully insured
- There shall not be any change of classification, flag, management or ownership of the vessels without the prior written approval of the lenders
- DOF ASA shall be the principal shareholder in DOF Subsea AS, and own a minimum of 50.1% of the shares
- DOF Subsea AS shall not merge, demerge or divest activities without the prior written approval of the lenders
- DOF Subsea AS shall report financial information to the lenders and Oslo Stock Exchange on a regular basis
- The Group's vessels shall be operated in accordance with applicable laws and regulations

The Group has a temporary deferral of payment of interest and instalments with its secured lenders in order to reach a long-term financial solution. The Group is in compliance with financial covenants at period end. If waivers are not extended, it is a significant risk that the Group will be in breach of its covenants.

18 Trade payables

Currency specification at 31.12.2019	NOK	BRL	GBP	USD	Other	Total
Trade payables	96	47	47	145	49	384

Currency specification at 31.12.2018	NOK	AUD	GBP	BRL	Other	Total
Trade payables	115	73	64	44	110	406

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19 Other current liabilities

Other current liabilities	Note	2019	2018
Current liabilities to DOF ASA companies	23	100	142
Tax payables	9	69	23
Public duties payables		18	24
Prepayment from customers		3	2
Financial current derivatives	21	23	105
Other current liabilities		79	69
Total other current liabilities at 31.12		**291**	**366**

20 Fair value estimation

For those financial and tangible assets and liabilities, which have been recognised at fair value in the Consolidated Statements of Financial Position, the measurement hierarchy and valuation methods described below have been applied. There have been no transfers between fair value levels.

Measurement level 1 (Quoted, unadjusted prices in active markets for identical assets and liabilities). Not in use for any assets or liabilities.

Measurement level 2 (Techniques for which all inputs which have significant effect on the recorded fair value are observable, directly and indirectly)

The fair value of forward exchange contracts is determined using the forward exchange rate at the end of the reporting period. The forward exchange rate is based on the relevant currency's interest rate curves. The fair value of interest swaps is determined by the present value of future cash flows, which is also dependent on the interest curves.

Measurement level 3 (Techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data)

The fair value of the Group's assets are assessed by obtaining independent quarterly broker estimates from recognised brokers within the industry. Net sales value is calculated based on an average of the brokers' values, taken into account sales commission and adjusted for for any excess values in the firm existing contracts.

21 Financial instruments and hedging activities

The following table displays the fair value of financial derivatives as of 31 December:

			2019		2018
Non-current and current portion	Measurement level	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	2	16	5	27	13
Foreign exchange contracts	2	23	21	4	109
Total non-current and current portion		**39**	**27**	**31**	**121**
Non-current portion					
Interest rate swaps	2	16	4	27	11
Foreign exchange contracts	2	-	-	2	5
Total non-current portion		**16**	**4**	**29**	**17**
Total current portion		**23**	**23**	**2**	**105**

For further information on derivative financial instruments, please see note 32 'Accounting policies', paragraph U.

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As of 31.12 the Group held the following interest rate derivatives, not qualified for hedge accounting:

Instruments	Fixed rate	Floating rate	Notional amount	Effective from	Maturity date
31.12.2019					
Interest rate swaps - USD	-	-	-	-	-
Interest rate swaps - NOK	0.85%-2.98%	NIBOR 3-6m	2 750	2014-2018	2020-2023
31.12.2018					
Interest rate swaps - USD	1.43%	USD LIBOR 3m	50	2016	2021
Interest rate swaps - NOK	0.85% - 2.98%	NIBOR 3m - 6m	3 500	2014 - 2018	2019 - 2023

As of 31.12 the Group held the following foreign exchange rate derivatives, not qualified for hedge accounting:

Instrument committed	Received	Amount in NOK million	Maturity
31.12.2019			
Foreign exchange contracts	NOK/EUR	500	< 1 year
Foreign exchange contracts	NOK/USD	1 132	< 1 year
Foreign exchange contracts	USD/NOK	146	< 1 year
31.12.2018			
Foreign exchange contracts	NOK/EUR	478	< 1 year
Foreign exchange contracts	NOK/USD	1 767	< 1 year
Foreign exchange contracts	NOK/USD	130	> 1 year

Foreign exchange contracts are held in currencies where the Group has most of its commercial contracts. For further information on foreign exchange rate derivatives and risks, please see Note 2 'Financial risk management'.

22 Financial instruments - by category

The tables below give an overview of the carrying value of the Group's financial instruments and the accounting treatment of these instruments. The table is the basis for further information regarding the Group's financial risk.

31.12.2019	Note	Financial instruments at fair value through profit and loss	Financial instruments measured at amortised cost	Total	Of which included in interest bearing debt
Assets					
Non-current derivatives	21	16	-	16	-
Other non-current receivables	13	-	584	584	204
Trade receivables and other current assets	14, 15	-	1 104	1 104	-
Current derivatives	21	23	-	23	-
Restricted deposits	16	-	137	137	137
Unrestricted cash	16	-	797	797	797
Total financial assets		39	2 623	2 662	1 138
Liabilities					
Derivatives non-current	21	4	-	4	-
Interest-bearing non-current liabilities	17	-	581	581	581
Current portion of debt	17	-	9 195	9 195	9 085
Other non-current liabilities		-	2	2	-
Current derivatives	21	23	-	23	-
Trade payables and other current liabilities	18, 19	-	652	652	-
Total financial liabilities		27	10 429	10 456	9 667

DOF Subsea Group

Amounts in NOK million

31.12.2018	Note	Financial instruments at fair value through profit and loss	Financial instruments measured at amortised cost	Total	Of which included in interest bearing debt
Assets					
Non-current derivatives	21	29	-	29	-
Other non-current receivables	13	-	1 175	1 175	79
Trade receivables and other current assets	14, 15	-	918	918	-
Current derivatives	21	2	-	2	-
Restricted deposits	16	-	223	223	223
Unrestricted cash	16	-	919	919	919
Total financial assets		**31**	**3 235**	**3 266**	**1 221**
Liabilities					
Derivatives non-current	21	17	-	17	-
Interest-bearing non-current liabilities	17	-	7 759	7 759	7 759
Current portion of debt	17	-	2 177	2 177	2 069
Other non-current liabilities		-	17	17	-
Current derivatives	21	105	-	105	-
Trade payables and other current liabilities	18, 19	-	667	667	-
Total financial liabilities		**121**	**10 620**	**10 742**	**9 828**

IFRS 9 contains two principal classification categories for financial instruments, amortised cost and fair value. The classification of financial instruments under IFRS 9 is generally based on the business model in which a financial instrument is managed and its contractual cash flow characteristics. IFRS 9 eliminated the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. On 1 January 2018 (the date of initial application of IFRS 9), the Group assessed which business models applicable to the financial instruments held by the Group and classified its financial instruments into the appropriate IFRS 9 categories. The adoption of IFRS 9 had none significant effect on the Group's accounting policies related to financial instruments.

The carrying amount of cash and cash equivalents and overdraft facilities is approximately equal to fair value since these instruments have a short term to maturity. Similarly, the carrying amount of trade receivables and trade payables is approximately equal to fair value since they are entered into at standard terms and conditions.

For further information on financial instruments, please refer to note 32 'Accounting policies', paragraph T.

23 Related parties

Description of related parties and the DOF Subsea Group's relationship to these:

DOF ASA is the sole shareholder in DOF Subsea AS with a 100% holding on 31 December 2019.

DOF ASA controls companies which hire vessels and deliver goods and services to companies in the Group. Furthermore, the Group has contracts covering leasing of assets and delivering of services to DOF ASA companies. All related parties transactions and contracts are subject to standard terms and Group policies.

Operating revenue from DOF ASA companies	2019	2018
Vessel hire	121	175
Hire of ROV equipment and services	54	31
Other revenue	42	33
Total	**218**	**239**

Operating expenses to DOF ASA companies	2019	2018
Vessel hire	8	16
Crew and other personnel hire	381	446
Vessel technical costs	8	26
Management fee vessels	80	68
Other management services and IT costs	78	48
Total	**556**	**603**

DOF Subsea Group

Amounts in NOK million

Vessel hire

The Group hires vessels from and to DOF ASA companies based on the demand in the market and available tonnage.

Skandi Chieftain was hired from DOF ASA companies during the year.

Hire of ROV equipment and services

Some of the Group's ROVs are hired by DOF ASA companies. The ROVs are operated by DOF Subsea personnel.

Crew and other personnel hire

The Group hires marine crew from DOF ASA companies and external parties.

Vessel technical costs

Vessel technical costs are purchases done by DOF ASA companies on behalf of DOF Subsea Group.

Management fee vessels

The Group purchases management services from DOF Management AS, DOF Management Pte Ltd and Norskan Offshore Ltda. for its entire fleet of owned vessels. The management fee during the year varied from NOK 800 thousands till NOK 6.4 million (NOK 1.1 million till NOK 4.3 million 2018) per vessel.

Other management services and IT costs

Marin IT delivers IT services to the Group. Other management services (income and expenses) will include transactions such as hire of onshore staff, rental of office space and other reimbursable expenses invoiced from or to DOF ASA companies.

Guarantee agreement between DOF ASA and the Group

The Group has in June 2010 entered into a guarantee agreement with DOF ASA. DOF ASA has provided a parent company guarantee for obligations of DOF Subsea Brasil Serviços Ltda. and DOFCON Navegação Ltda. The outstanding loans guaranteed by DOF ASA amounts to USD 127 million at year end (USD 144 million as of 31 December 2018).

Financial income and expenses from/to DOF ASA companies	2019	2018
Interest income	4	3
Guarantee fees expenses	15	16

Balances arising from sales / purchases of goods / services and loans related to DOF ASA companies	Note	2019	2018
Current receivables	15	104	96
Current liabilities	19	100	145

Loans to DOF ASA companies	Note	2019	2018
Non-current receivables	13	63	97

For further information related to DOF ASA, see financial statements for DOF ASA.

Financial income and expenses from/to joint ventures	Note	2019	2018
Interest income	8	41	41
Guarantee income		9	29

Loans to joint ventures	Note	2019	2018
Other non-current receivables from joint ventures	13	329	1 039
Other current receivables from joint ventures	15	224	33

DOF Subsea AS has provided parent company guarantees for 50% of the loan obligations for the vessels owned in the joint venture. For further information on joint ventures see note 26 'Investment in associates and joint venture'.

DOF Subsea Group

Amounts in NOK million

24 Remuneration to Board of Directors, Executives and Auditor

The Board of Directors received no fees, nor compensation in fees for the year.

	2019		2018	
Remuneration to Executives	CEO	EVP	CEO	EVP
Salaries	0.2	6.4	0.2	6.0
Management fee	5.1	-	5.7	-
Payment from DOF Subsea	5.3	6.4	6.0	6.0

CEO=Mons Aase, EVP=Jan Nore

Salaries include pension, bonuses and other compensations from the Group. Senior executives are included in the general Group's pension plan, see note 6 'Payroll expenses'. For additional information on employee benefits, please refer to note 32 'Accounting policies', paragraph S.

Jan Nore held the position as EVP and CFO for the Group during the year. The EVP is entitled to a bonus based on the result of the company and personal performance.

The Group is part of the DOF ASA Group, see note 30 'Share capital and share information'. The contract with the CEO includes a 6 month termination period and 12 months termination compensation. The CEO's retirement compensation is based on 70% salary and the retirement age is set at 67 years. Cost related to CEO Mons Aase is included in the management fee between DOF ASA and DOF Subsea AS for 2019. Please refer to the DOF ASA annual report for further information of salary to CEO Mons Aase.

A loan of NOK 2.5 million was given to both the CEO and EVP in 2016. The annual interest on the loans are 2%. In 2019 the loan period was extended and the loans are to be repaid in 2022. There is sufficient security related to the loans. No other loans have been given to or any security provided for the members of the Board of Directors, members of the Group management or other employees or close relatives of the same Group.

Specification of Auditor's fee (excl. VAT)	2019	2018
Fee for audit of financial statements	5.2	4.9
Fee for other attestation services	0.1	0.1
Fee for other tax consultancy	0.1	0.1
Fee for other services	0.1	-
Total	5.5	5.1

The Board has drawn up the following statement

The Board of Directors prepares annually a separate statement regarding the remuneration of executives in accordance with the Norwegian Public Limited Companies Act, Allmennaksjeloven § 6-16a. The following guideline is presented at the annual General Meeting.

Responsibilities and duties of the Compensation Committee

The Board of Directors has established a Compensation Committee. See statement on guidelines for defining salaries and other payments for the CEO and other senior executives of the Group below:

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities for establishing and reviewing the overall compensation philosophy of the Group. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board of Directors from time to time related to the purposes of the Committee.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate and shall have the sole authority to retain outside counsel or other experts for this purpose, including the authority to approve the fees payable to such counsel or experts and any other terms of retention.

The main principles guiding the Group's executive remuneration policy is that senior executives shall be offered terms which are competitive in terms of salary, benefits in kind, bonus and pension plan taken as a whole. The Company offers a salary level which reflects a comparable level in equivalent companies and businesses, taking into account the Company's need for well qualified staff in all parts of the business.

When it comes to setting salaries and other payments for senior executives, this must be in line with the principles outlined above at all times. Payments to senior executives over and above the basic salary shall be restricted to bonuses. Any bonus to the CEO and other senior executives is set by the Compensation Committee. Bonuses to other executives are set by the CEO in conjunction with the Chairman of the Board. DOF Subsea AS does not have any schemes for granting options to purchase shares in the Company or in other companies within the Group. Senior executives are members of the Group's pension plan, which provides pension benefits not exceeding 12 G (G = national insurance basic amount) per year. Senior executives may have agreements concerning Company cars and phones, but do not receive any other benefits in kind. In the event of termination by the Company, there is no provision for senior executives to receive pay after termination of employment in excess of payment of salary for the period of notice defined in the senior executive's terms of employment.

DOF Subsea Group

Amounts in NOK million

25 Companies within the Group

Subsidiary	Owner	Registered office	Proportion of ownership and votes
DOF Installer ASA	DOF Subsea AS	Austevoll, Norway	84.90 %
DOF Subsea Chartering AS	DOF Subsea AS	Bergen, Norway	100 %
DOF Subsea Congo S.A.	DOF Subsea AS	Pointe-Noire, Republice du Congo	55 %
DOF Subsea Norway AS	DOF Subsea Atlantic AS	Bergen, Norway	100 %
DOF Subsea Atlantic AS	DOF Subsea AS	Bergen, Norway	100 %
DOF Subsea Rederi AS	DOF Subsea AS	Bergen, Norway	100 %
DOF Subsea Rederi III AS	DOF Subsea AS	Bergen, Norway	100 %
Semar AS	DOF Subsea AS	Oslo, Norway	50 %
DOF Subsea ROV AS	DOF Subsea AS	Bergen, Norway	100 %
DOF Subsea Angola Lda	DOF Subsea AS	Luanda, Angola	100 %
DOF Subsea Asia Pacific Pte Ltd	DOF Subsea AS	Singapore	100 %
DOF Subsea Asia Pacific Pte Ltd Philippine Branch	DOF Subsea Asia Pacific Pte Ltd	Muntinlupa City, Philippines	100 %
DOF Subsea Brasil Serviços Ltda	DOF Subsea AS	Macaé, Brazil	100 %
DOF Subsea UK Ltd	DOF Subsea Atlantic AS	Aberdeen, UK	100 %
DOF Subsea Ghana Ltd	DOF Subsea UK Ltd	Accra, Ghana	49 %
DOF Subsea USA Inc	DOF Subsea AS	Houston, USA	100 %
PT DOF Subsea Indonesia	DOF Subsea Asia Pacific Pte Ltd	Jakarta, Indonesia	95 %
DOF Subsea Labuan Bhd	DOF Subsea Asia Pacific Pte Ltd	Labuan, Malaysia	100 %
DOF Subsea Australia PTY	DOF Subsea Asia Pacific Pte Ltd	Perth, Australia	100 %
DOF Subsea Malaysia Sdn Bhd	DOF Subsea Asia Pacific Pte Ltd	Kuala Lumpur, Malaysia	100 %
DOF Subsea Offshore Services Pte Ltd	DOF Subsea Asia Pacific Pte Ltd	Singapore	100 %
Mashhor DOF Subsea Sdn	DOF Subsea Australia Pty Ltd	Negara Brunei Darussalam	50 %
DOF Subsea Canada Corp.	DOF Subsea US Inc	St. Johns, Canada	100 %

The profit or loss allocated to the non-controlling interest of subsidiaries is not material for the Group for the year. For further information, please refer to note 32 'Accounting policies', paragraph C for information on subsidiaries and to note 32 'Accounting policies', paragraph P for information on transactions with non-controlling interests.

26 Investments in associates and joint ventures

The Group has the following investments in associated and joint ventures accounted for using the equity method:

Name of entity	Place of business / country of incorporation	Industry	% of ownership interest	Nature of relationship	Measurement method
DOFCON Brasil Group	Norway	Subsea Chartering	50%	Joint Venture	Equity
DOF Management Group	Norway	Vessel management and operation	34%	Associate	Equity
Marin IT AS	Norway	IT	35%	Associate	Equity
Master and Commander AS	Norway	Seismic Chartering	20%	Associate	Equity

Reconciliation of the aggregate carrying amounts in investments

2019	DOFCON Brasil Group	Associated companies	Total
Book value of investments 01.01	1 435	118	1 553
Reclassification to subsidiaries	-	-	-
Capital increase	-	-	-
Profit / loss for the period	271	-32	240
Other comprehensive income	66	-	66
Book value of investments 31.12	**1 773**	**87**	**1 859**
2018	**DOFCON Brasil Group**	**Associated companies**	**Total**
Book value of investments 01.01	923	104	1 027
Profit / loss for the period	389	14	403
Other comprehensive income	123	-	123
Book value of investments 31.12	**1 435**	**118**	**1 553**

DOF Subsea Group

Amounts in NOK million

Please refer to note 32 'Accounting policies', paragraph C, for information about joint arrangements and associates.

Information about the joint ventures

The Group has a 50% interest in the joint venture DOFCON Brasil Group together with TechnipFMC. DOFCON Brasil Group consists of DOFCON Brasil AS as the parent company and the subsidiaries TechDOF Brasil AS and DOFCON Navegação Ltda.

DOFCON Brasil AS is a holding company located in Bergen. It is jointly owned by DOF Subsea AS and Technip Coflexip Norge AS. DOFCON Brasil AS owns and controls TechDOF Brasil AS and DOFCON Navegação Ltda. DOFCON Brasil Group owns and operates six vessels by year-end after the delivery of the brazilian build Skandi Olinda in January 2019.

TechDOF Brasil AS owns and operates two vessels, Skandi Açu and Skandi Buzios. Both vessels operates at long-terms contracts in Brazil with Petrobras.

DOFCON Navegação Ltda owns and operates Skandi Niterói, Skandi Vitória, Skandi Recife and Skandi Olinda. Skandi Recife and Skandi Olinda are on long-term contracts in Brazil with Petrobras. Skandi Niteroi operates on a short-term contract while Skandi Vitoria is fixed on a long-term contract, both with TechnipFMC.

DOFCON Navegação Ltda applied from 2013 hedge accounting related to foreign exchange risk on the portion of the company's highly probable revenue in USD hedging the company's debt in USD. As of January 2017 DOFCON, Navegação Ltda, changed its functional currency from BRL to USD. The change in the functional currency eliminated the foreign exchange risk that, consequently, resulted in the prospective discontinuation of the cash flow hedge accounting. The accumulated hedge reserves held in other comprehensive income was converted by use of exchange rate as of 1 January 2017. The Group's share of the other comprehensive income related to hedging as of 1 January 2017 was NOK -333 million. The recycling of the accumulated hedge reserve to the consolidated statements of comprehensive income in 2019 is NOK 58 mill (NOK 40 mill). The cost is included in the Share of net income from associates and joint ventures. The negative effect of the recycling has no cash effect, nor effect on the Group's equity.

In 2019 an impairment on the joint venture vessels Skandi Vitoria and Skandi Niteroi of NOK 219 million has been recognised. The impairment is included in the profiit/loss for the period.

DOF Subsea AS has guaranteed for 50% of the obligations related to loans on the vessels in the joint venture, see also note 23 'Related parties' and 28 'Guarantees'.

Sensitivity analysis of investment in joint ventures

A 10% drop in broker estimates as per 31 December 2019 will bring broker value below book value of vessels in DOFCON Brasil Group by NOK 867 million (DOF Subsea share: NOK 434 million). This will affect three of the DOFCON Brasil Group's vessels and might result in additional impairment in DOFCON Brasil Group, which in turn might affect the book value of the Group's investment in DOFCON Brasil Group .

Associates

DOF Management AS and Norskan Offshore Ltda performs vessel management, vessel operation and other related services to vessel owners in the offshore energy industry. DOF Management AS and Norskan Offshore Ltda delivers vessel management to the DOF Subsea Group's fleet. DOF Subsea own 34% of DOF Management AS, the remaining 66% is owned by DOF ASA.

Marin IT AS delivers IT services. DOF Subsea Group is a customer of Marin IT AS. The remaining shares in Marin IT AS are owned by DOF ASA and Austevoll Seafood ASA.

Master and Commander AS owns two vessels Oceanic Phoenix and Geowave Commander. Currently, both vessels are in lay-up.

Summarised preliminary consolidated financial information for the joint venture DOFCON Brasil Group (100% basis)

The table below provides summarised the consolidated financial information for the joint venture DOFCON Brasil Group. The information disclosed reflects the amounts presented in the preliminary financial statements of DOFCON Brasil Group. The table also reconciles the summarised financial information to the DOF Subsea Group's share and carrying amount of the investment.

DOF Subsea Group

Amounts in NOK million

Statement of comprehensive income	2019	2018
Operating revenue	2 403	1 731
Operating expenses	-464	-318
Operating profit before depreciation (EBITDA)	1 939	1 412
Depreciation and impairment	-836	-294
Operating profit (EBIT)	1 103	1 118
Net financial income / loss	-599	-426
Profit / loss before tax	504	692
Income tax expenses	40	86
Profit / loss for the year	544	778
Other comprehensive income / loss, net of tax	131	246
Total comprehensive income / loss for the year, net of tax	**675**	1 024
DOF Subsea Group's share of profit for the year	**338**	**512**

Statement of financial position	2019	2018
Assets		
Deferred tax asset	373	263
Tangible assets	12 483	11 493
Non-current assets	12 856	11 755
Total receivables	433	395
Cash and cash equivalents	606	577
Current assets	1 039	971
Total assets	**13 895**	**12 727**
Equity and liabilities		
Total equity	3 544	2 869
Non-current liabilities	8 701	8 754
Current liabilities	1 650	1 103
Total liabilities	10 351	9 858
Total equity and liabilities	**13 895**	**12 727**
DOF Subsea Group's carrying amount of the investment	**1 773**	**1 435**

The preliminary financial statements of the joint ventures are not audited at the DOF Subsea Group reporting date. Figures above are consolidated with the use of the equity method in the DOF Subsea Group financial statements.

Summarised financial information for associates

The table below provides summarised financial information for the associate companies. The information disclosed reflects the Group's share in the IFRS financial statements of the associate companies. The preliminary financial statements of the associate companies are not audited at the Group reporting date.

2019

Associated companies	Assets at 31.12	Liabilities at 31.12	Equity at 31.12	Profit / loss for the year
DOF Management Group	134	83	51	-2
Marin IT	34	28	6	-3
Master & Commander	30	0	30	-28
Group's carrying amount of the investment			**87**	

DOF Subsea Group

Amounts in NOK million

2018

Associated companies	Assets at 31.12	Liabilities at 31.12	Equity at 31.12	Profit / loss for the year
DOF Management Group	134	83	50	-1
Marin IT	30	21	8	-1
Master & Commander	62	5	57	7
Group's carrying amount of the investment			**118**	

27 Contingencies

After a saturation dive campaign in Australia in 2017, some of the divers have been diagnosed with potential long-term health effects with various symptoms. The situation continues to be monitored, and the Group has engaged a team of globally recognised experts and has offered specialist medical support to all divers involved. The case is still under investigation by Australian authorities. The Group does not expect any future cash outflow related to the dive campaign in 2017.

The Group is not involved in any legal disputes or on-going legal matters involving potential losses, except for the tax related claims and disputes mentioned in note 3 'Accounting estimates and assessments'. Please refer to note 32 'Accounting policies', paragraph N, for discussion on contingent liabilities.

28 Guarantees

The Group has commitments to clients to ensure performance under contracts. These commitments are mainly parent company guarantees or counter guarantees given to banks for the issuance of bank guarantees and performance bonds. The guarantees are limited to fulfilment of the contract and are released after fulfilment of the contract obligation. In some cases, this is followed by a warranty period. Normally this warranty period will have duration of 12-24 months and will only be for a portion of the initial guarantee amount.

Furthermore, guarantees are given to suppliers for fulfilment of payment for deliveries of goods and services including vessels.

See also note 26 'Investment in associates and joint venture' for guarantees related to loans on vessels in the joint venture.

29 Earnings per share

Basis for calculating earnings per share	2019	2018
Profit / loss attributable to shareholders of the parent company	-1 118	-666
Weighted average number of outstanding shares	167 352 762	167 352 762
Weighted average number of outstanding shares, diluted	167 352 762	167 352 762
Basic and diluted earnings per share (NOK)	**-6.68**	**-3.98**

30 Share capital and share information

Share capital

The share capital in DOF Subsea AS was NOK 1 674 million comprising 167 352 762 shares, each with a nominal value of NOK 10.00.

Shareholder overview

Shareholders at 31.12.2019	No. of shares	Proportion of ownership	Share capital
DOF ASA	167 352 762	100 %	100 %
Total	167 352 762	100 %	100 %

Board of Directors	Title
Helge Møgster	Chairman
Helge Singelstad	Director
Kathryn M. Baker	Director
Hilde Drønen	Director
Hans Olav Lindal	Director

Executives	Title
Mons S. Aase	CEO
Jan Nore	CFO/EVP

The Company is a part of DOF ASA. Please refer to the DOF ASA annual report for shares held in DOF ASA by the management and the Board of Directors. The annual report is published at www.dof.no.

31 Events occurring after period end

After period end, the Group has been awarded several contracts in the Subsea/IMR Project segment. In the APAC region, DOF Subsea was awarded several contracts securing vessel and resource utilisation in Q1 2020 and first part of Q2 2020. These contract awards will utilise Skandi Singapore. In the North America region, DOF Subsea secured multiple contracts, of which Skandi Neptune will perform a pre-lay and LBL array installation activities in Guyana, subsea installation work in Trinidad and well-head removal work in Canada. Further, the Harvey Deep Sea will perform a large ocean bottom node survey in the GoM, in addition to several shorter IMR and light construction projects. In Brazil, the joint venture vessel Skandi Vitoria was taken out of layup and commenced a 2-year contract with TechnipFMC. In the Atlantic region, Skandi Seven secured an extension of existing contract in Angola. In addition, the Geosea has been awarded a 5-year contract with N-Sea and end client the Royal Netherlands Navy.

In March 2020 the Group reported that the refinancing process has been delayed due to a sudden negative market development caused by Covid-19 and the sharp decline in oil price in combination of extreme currency fluctuations. A short-term liquidity loan of NOK 100 million to the Group was secured to cover the immediate short-term liquidity needs. However, the Group will also require (i) a new larger credit facility to cover the Groups short term liquidity needs, (ii) waivers from certain of the Group's covenants, including both the equity and liquidity covenants, as well as (iii) deferrals of interest payments and amortisations in order to establish a basis for a continued dialogue with its secured lenders and bondholders regarding a sustainable long term financing solution which also is sufficiently robust to cater for the additional uncertainties created by the developments in 2020. Even though there is still uncertainty if a long-term financial solution will be achieved, the Board of Directors believes that a long-term financial solution is obtainable, but no assurance can be given.

On 22 April 2020, the bondholders approved a waiver from and suspension of all payment obligations until 30 June 2020, with possibility to extend to 30 September 2020. The waiver period cannot be extended beyond 30 September 2020 without approval from the bondholdrs.

The disruptive events in 2020 including a significant wakening of the NOK will have a substantial negative impact on the Group's financial statements for the first quarter of 2020. In parallel, the collapse in the oil-price will result in a drop in vessel values, hence considerable impairments will be booked in first quarter 2020. As a consequence, it is expected that the Group's equity will be significant lower in the financial statements for first quarter 2020.

The Group declared a global Covid-19 crisis 27 February and established a global Emergency Response Team (ERT) consisting of executive managers. The ERT is working close with the regional ERT team to mitigate consequences of the crisis.

The Board of Directors recognises there is potential risk connected to the impact of Covid-19 virus disrupting operations of the Group. This might have an adverse effect on the Group's financial performance as a consequence of both internal and external factors. The Group has been able to continue normal operations of its vessels even if replacement of crew has become, and is expected to remain, increasingly difficult. There is a general increased risk in the sector of postponements of offshore projects, which also could involve the Group`s vessels and assets. The Board of Directors will continuously monitor financial exposure, taking measure to mitigate the risks and ensure timely recognition of all relevant estimates in the Group's financial reporting.

DOF Subsea Group

Amounts in NOK million

32 Accounting policies

A. Summary of significant accounting principles

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

B. Going concern

In accordance with IAS 1.25, the Board of Directors confirms that the financial statements have been prepared under the assumption of going concern. However, the recent events described below give rise to significant doubt on the Group and the Company's ability to continue as going concern.

The Board of Directors and the Management in DOF Subsea AS are working on a long-term financial solution for the Group, the discussion with the relevant stakeholders is constructive. The effect of not having a long-term financial solution in place or waivers covering more than 12 months after balance sheet date, has resulted in a reclassification of the Group and Company's non-current debt to credit institutions as of 31 December 2019. The Group has a temporary deferral of payment of interest, instalments and waivers in order to reach a short-term and long-term financial solution. If the Company and the Group cannot be treated as 'going concern', the valuation of the Group and Company's assets will be further revised. Valuation of asset without the going concern assumption may result in further impairment of the Group and Company's assets.

In March 2020, the DOF Subsea Group reported through a press release that the refinancing process has been delayed due to a sudden negative market development caused by Covid-19 and the sharp decline in oil price, in combination with extreme fluctuations in foreign exchange rates. The Group has in consultation with its secured lenders initiated a process to take the necessary steps to secure both a short-term and a long-term financial solution for the Group that are sufficiently robust taking the recent events into account. The short-term solution involves establishment of a short-term credit facility and necessary waivers. Even though there is still uncertainty if a short-term and long-term financial solution will be achieved, the Board of Directors believes that both a short-term and long-term financial solution is obtainable, but no assurance can be given. There is a risk that the Group will not reach an agreement with the lenders and in such an event, the Group could be forced to realise its assets at a significantly lower value than their carrying amount.

C. Group

Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date control is transferred to the Group. Subsidiaries are deconsolidated from the date control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

DOF ASA companies

DOF ASA companies are defined as DOF ASA and its subsidiaries excluding companies within the DOF Subsea Group.

Joint arrangements and associates

Investments in jointly controlled companies are classified as either joint operations or joint ventures depending on the contractual rights and obligations for each investor. DOF Subsea Group has assessed the nature of its jointly controlled companies and determined them to be joint ventures. Joint ventures are accounted for by using the equity method of accounting.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by using the equity method of accounting.

Under the equity method of accounting, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of post-acquisition profits or losses and movements in other comprehensive income in the investee. The Group's investment in the investee includes goodwill identified on acquisition. When the Group's share of losses equals or exceeds its interest in the investee (which includes any long-term interests that, in substance, form part of the Group's net investment in the investee), the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the investee.

Unrealised gains on transactions between the Group and its investees are eliminated to the extent of the Group's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

If the ownership interest in an investee is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate has been impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, recognising the amount in 'share of net income from associates and joint ventures' in the consolidated statement of comprehensive income.

Accounting policies of the investee have been changed where necessary to ensure consistency with the policies adopted by the Group.

D. Segment reporting

Members of the Board of Directors are the Group's chief operating decision-makers. The Group has determined operating segments based on the information given to the Group's operating decision-makers for the purposes of allocating resources and assessing performance. These reports are defined as Management reporting.

Segments are reported to the chief operating decision-makers on a regular basis. Corporate expenses and similar are allocated to the segments proportionately based on estimated split of services delivered to each segment.

The segment reporting is presented according to Management reporting, based on the proportionate consolidation method of accounting for joint ventures. The bridge between the Management reporting and the figures reported in the financial statements is presented in the segment note. Please refer to note 26 'Investment in associates and joint ventures' for further information on investments.

The Subsea/IMR Projects segment covers operations in four regions; the Asia Pacific region, the Atlantic region, the North America region and the Brazil region. In the Subsea/IMR Projects segment, the vessels and the equipment allocated to the segment are utilised on a global basis.

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The Group has gradually built the Subsea/IMR Projects segment to become a global provider of subsea services with a core focus on IMR. In addition to the IMR market, the Subsea/IMR Projects segment has focused on mooring, light construction and survey work utilising the Group's core competences and assets.

The Long-term Chartering segment covers letting of vessels to third-party charterers and is managed through the Group's associated company DOF Management AS, DOF Management Pte Ltd and Norskan Offshore Ltda. The Long-term Chartering segment is built on DOF Subsea's long standing as an internationally recognised vessel owner and operator of high-end subsea vessels.

E. Conversion of foreign currency

Foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, 'the functional currency'. The functional currency is mainly NOK, USD, AUD, GBP, CAD and BRL. The consolidated financial statements are presented in NOK.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions are presented as realised currency gain/loss under financial items. Similarly, the conversion at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as unrealised currency gain/loss.

Group companies

Group companies that have a functional currency which differs from the presentation currency (NOK) are converted into the presentation currency as follows:

- assets and liabilities presented at consolidation are converted to presentation currency using the foreign exchange rate at the end of the reporting period,
- income and expenses are converted using the average rate of exchange, and
- all exchange differences are recognised in other comprehensive income and specified separately in the consolidated statement of changes in equity.

F. Classification of assets and liabilities

Assets are classified as current assets when:

- the asset forms part of the entity's operating cycle, and is expected to be realised or consumed over the course of the entity's normal operations; or
- the asset is held for trading; or
- the asset is expected to be realised within 12 months after the reporting period.

All other assets are classified as non-current assets.

Liabilities are classified as current liabilities when:

- the liability forms part of the entity's operating cycle, and is expected to be realised or consumed over the course of the entity's normal operations; or
- the liability is held for trading; or
- settlement of the liability has been agreed upon within 12 months after the reporting period; or
- the entity does not have an unconditional right to postpone settlement of the liability until at least 12 months after the reporting period.

All other liabilities are classified as non-current liabilities.

G. Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call with banks. Restricted deposits are classified separately from unrestricted bank deposits under cash and cash equivalents. Restricted deposits include deposits with restrictions exceeding twelve months.

H. Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Contract asset are presented together with trade receivables. A contract asset is the right to consideration in exchange for services transferred to the customer. If the Group performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables are recognised initially at nominal amount. An impairment analysis is performed at each reporting period to measure expected credit losses.

I. Tangible assets

Tangible assets are recognised at cost less accumulated depreciation and accumulated impairment losses. The cost of tangible assets comprises its purchase price, borrowing costs and any directly attributable costs of bringing the asset to its operating condition. If significant, the total expenditure is separated into components which have different expected useful lives.

Depreciation is calculated on a modified straight-line basis over the useful life of the asset. Depreciable amount equals historical cost less residual value.

Depreciation commences when the asset is ready for its intended use. The useful lives of tangible assets and the depreciation method are reviewed periodically in order to ensure that the method and period of depreciation are consistent with the expected pattern of financial benefits expected to be derived from the assets.

When tangible assets are sold or retired, their cost and accumulated depreciation and accumulated impairment loss are derecognised and any gain or loss resulting from their disposal is included in profit or loss.

For vessels, residual value is determined based on estimated fair value today as if the asset was at the end of its useful life. According to the Group's strategy, it intends not to own vessels older than 20 years. For further information on depreciation see note 3 'Accounting estimates and assessments'.

Contract costs and costs related to mobilisation are capitalised and amortised over the contract period. Contract period is based on best estimates taken into consideration, the initial agreed period with probability for optional periods. A probability judgment is performed in assessing whether the option period shall be included in the contract period.

Assets under construction

Assets under construction are capitalised as tangible assets during construction as instalments are incurred. Building costs include contractual costs and costs related to monitoring the project during the construction period. Borrowing costs are added to the cost of those assets. The capitalisation of borrowing costs cease when the asset is substantially ready for its intended use. Assets under construction are not depreciated before the tangible asset is ready for its intended use.

Impairment of assets

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised. The recoverable amount is the higher of an asset's net selling price and value in use. Where there are circumstances and evidence that impairment losses recognised previously no longer exists or has decreased, a reversal of the impairment loss is recognised, except for goodwill. For further information on the calculation see note 3 'Accounting estimates and assessments'.

Periodic maintenance

Periodic maintenance is related to major inspection and overhaul costs which occur at regular intervals over the useful life of an asset. The expenditure is capitalised when it is probable that the Group will derive future financial benefits from upgrading the asset. Periodic maintenance of a vessel is depreciated on a straight-line basis until the vessel is due for its next periodic maintenance. When new vessels are acquired, a portion of the cost price is classified as periodic maintenance based on best estimates. Intervals between periodic maintenance are calculated on the basis of past experience. The estimated life of each periodic maintenance program is 5 years.

Ordinary repairs and maintenance costs of assets are expensed as incurred.

J. Leases

Implementation of IFRS 16 'Leases' changed accounting policy for leases where the Group is the lessee. Effect of the changes is described in section Y. 'New standards, amendments and interpretations adopted by the Group'.

Where assets are financed through finance leases, under which substantially all the risks and rewards of ownership are transferred to the Group, the assets are treated as if they had been purchased outright. The amount included in the cost of tangible assets represents the aggregate of the capital elements payable during the lease. The corresponding obligation, reduced by the appropriate proportion of lease or hire purchase payments made, is included in borrowings. The amount included in the cost of property, plant and equipment is depreciated on the basis described in the preceding paragraphs and the interest element of lease payments made is included in interest expense in the statement of comprehensive income.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised as operating revenue on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

K. Goodwill

Goodwill is measured as the excess of consideration transferred plus the amount of non-controlling interests and fair value of any previously held equity interest less the fair value of the identifiable net assets acquired in the business combination. When this amount is negative, the difference is recognised in profit or loss. Goodwill comprises the difference between nominal and discounted amounts in terms of deferred tax, synergy effects, organisational value and key personnel and their expertise.

Goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable. Impairment losses on goodwill are not reversed.

The goodwill in the Group is allocated to and monitored on the level of operational segments, except for the situations were independent cash flows on lower levels can be monitored.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

L. Debt

Debt is recognised initially at fair value, net of incurred transaction costs. Debt is subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the debt using the effective interest method.

Fees paid on the establishment of debt are recognised as transaction costs of the debt to the extent that it is probable that some or all of the liability will be drawn. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the liability will be drawn, the fee is recognised as a prepayment for liquidity services and amortised over the period of the liability to which it relates.

Interest expenses related to debt are recognised as part of the cost of an asset when the borrowing costs accrue during the construction period of a qualifying asset.

Debt is classified as a current liability unless it involves an unconditional right to postpone payment of the liability for more than 12 months from the reporting period.

M. Provisions

Provisions are recognised when, and only when, the Group faces an obligation (legal or constructive) as a result of a past event, it is probable (more than 50%) that a settlement will be required, and a reliable estimate can be made of the obligation amount.

For onerous contracts, provisions are made when unavoidable cost of meeting the obligations under the contract exceed the economic benefit to be received under the contract. The unavoidable costs under the contract are the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract. Unavoidable cost are costs that would not incur for the entity if it did not have the contract. Provisions are reviewed at the end of each reporting period and adjusted to the best estimate. When timing is significant for the amount of the obligation, it is measured at its present value. Subsequent increases in the amount of the obligation due to interest accretion are reported as interest costs.

N. Contingent assets and liabilities

Contingent assets are not recognised in the financial statements, but are disclosed in the notes to the financial statements if it is probable that the Group will benefit economically.

Contingent liabilities are defined as:

- possible liabilities resulting from past events, but where their existence relies on future events;
- liabilities which are not reported in the financial statements because it is improbable that the commitment will result in an outflow of resources;
- liabilities which cannot be measured with a sufficient degree of reliability.

Contingent liabilities are not reported in the financial statements, with the exception of contingent liabilities which originate from business combinations. Significant contingent liabilities are presented in the notes to the financial statements, except for contingent liabilities with a very low probability of settlement.

O. Equity

Ordinary shares are classified as equity.

Transaction costs related to equity transactions, including tax effects of transaction costs, are recognised directly in equity.

P. Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the non-controlling interests is recorded in the consolidated statement of changes in equity. Gains or losses on disposals to non-controlling interests are also recorded in the consolidated statement of changes in equity.

Q. Revenue recognition

The Group recognises income in line with the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Operating revenue is shown net of discounts, value-added tax and other taxes on gross rates.

Day rate contracts

A day rate contract is a contract where the Group is remunerated by the customer at an agreed daily rate for each day of use of the vessel, equipment, crew and other resources and services utilised under the contract. Such contracts may also include certain lump sum payments.

Under Long-term Chartering the Group delivers a vessel, including crew, to a client. The charterer determines, within the contractual limits, how the vessel is to be utilised. Under Subsea/IMR Projects the Group utilises its vessels, equipment, crew and the onshore project organisation to perform tailor made services on the client's installations and/or assets.

The right to use the vessel fall in under the scope of IFRS 16 'Leases', and revenue is recognised over the lease period on a straight-line basis.

Distinct service components in a contract are accounted for separately from other promises in the contract. Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the stand-alone selling prices. Revenue is recognised over time as the services are provided. The stage of completion for determines the amount of revenue to recognise is assessed based on an input or output method. The method applied is the one that most faithfully depicts the Group's progress towards complete satisfaction of the performance obligation. Progress is usually measured based on output methods such as days.

The Group does not recognise revenue during periods when the underlying vessel is off-hire. In contracts where the Group is remunerated for maintenance days the revenue is recognised over the contract period. The maintenance days are recognised as receivables, and invoiced during off-hire.

Costs incurred relating to future performance obligations are deferred and recognised as assets in the consolidated statement of financial position. The costs incurred will be expensed in line with the satisfaction of the performance obligation.

Lump sum contracts

A lump sum contract is a contract where the Group is remunerated by the client to a fixed price which is deemed to include the Group's costs, profit and contingency allowances for risks. Any over-run of costs experienced by the Group is for the Group's account, unless specifically agreed with the client in the contract.

For lump sum projects, contract revenue and expenses are recognised over time in accordance with the stage of completion of a contract. The stage of completion is calculated by dividing contract costs incurred to date by total estimated contract costs. Revenue is recognised in line with the stage of completion.

The method relies on the Group's ability to estimate future costs in an accurate manner over the remaining life of a project. The process requires judgement, and changes to estimates or unexpected costs resulting in fluctuations in revenue recognition and probability. Cost forecasts are reviewed on a continuous basis and the project accounts are updated in a monthly project manager's report as a result of these reviews. The reviews monitor actual cost of work performed project to date, the estimate cost to complete and the estimate cost at completion. This enables a reliable estimate for the likely outcome in terms of profitability of each project.

As contract revenue, costs and the resulting profit are recognised as the work is performed, costs incurred relating to future activities are deferred and recognised as an asset in the consolidated statement of financial position. Conversely, where revenue is received in advance of costs being incurred, a deferred liability is recognised in the consolidated statement of financial position.

Where the outcome of a project cannot be reliably measured, revenue will be recognised only to the extent that costs are recoverable. Where it is probable that contract costs will not be recovered, it is only costs incurred that are recognised in the consolidated statement of comprehensive income.

Variation orders

Additional contract revenue arising from variation orders is recognised when it is probable that the client will approve the variation and the amount of revenue arising from the variation can be reliably measured.

Mobilisation

In contracts where the Group is remunerated for mob- or demobilisation of vessel the remuneration is classified as prepayment and amortised over the contract period.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Interest income

Interest income is recognised using the effective interest method.

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R. Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Company's subsidiaries and associated companies operate and generate taxable income. Permanent establishment of the operation will be dependent on the Group's vessels' operations in the period. Tax is calculated in accordance with the legal framework in those countries in which the Group's subsidiaries, associated companies or vessels with permanent establishment operate and generate taxable income.

The Group periodically evaluates tax positions where applicable tax regulation is subject to interpretation. Provisions are recognised on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. For further information on deferred tax see note 3 'Accounting estimates and assessments' and note 9 'Tax'.

Both tax payable and deferred tax are recognised directly in the consolidated statement of changes in equity, to the extent they relate to items recognised directly in the consolidated statement of changes in equity. Similarly, any tax related to items reported as other comprehensive income is presented together with the underlying item.

Companies under the shipping tonnage tax regime

The Group has companies that is organised in compliance with the tax regime for shipping companies in Norway. This scheme entails no tax on profits or tax on dividends from companies within the scheme. Net finance, allowed for some special regulations, will continue to be taxed on an on-going basis. In addition tonnage tax is payable, which is determined based on the vessel's net weight. This tonnage tax is presented as an operating expense.

S. Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

Defined contribution plans

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the 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.

Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the consolidated statement of comprehensive income.

T. Financial assets

The Group classifies its financial assets in the following categories: fair value through other comprehensive income (FVOCI), fair value through profit and loss (FVTPL), and amortised cost. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial instrument is managed and its contractual cash flow characteristics. Classification of financial assets is determined at initial recognition, and is not reclassified subsequently unless the Group changes its business model for managing financial assets.

A financial asset shall be measured at amortised cost if both of the following conditions are met and it is not designated at FVTPL:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVOCI if both of the following conditions are met and it is not designated at FVTPL:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (see note 22 'Financial instruments - by category'). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;

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- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets

Financial assets at FVTPL

The assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Impairment

The Group assesses at the end of each reporting period the expected credit losses for a financial asset or a group of financial assets. See paragraph H regarding trade receivables.

Financial assets at fair value through comprehensive income

Financial assets at fair value through comprehensive income are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of profiting from short-term price fluctuations. Derivatives are also categorised as held for trading unless they are designated for hedge accounting.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the consolidated statement of financial position date. Loans and receivables are classified as "trade receivables" and "other receivables", and as "cash and cash equivalents" in the consolidated statement of financial position. Those exceeding 12 months are classified as non-current financial assets. Loans and receivables are carried at amortised cost.

Regular purchases and sales of financial assets are recognised on the trade date, that is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through comprehensive income. Financial assets carried at fair value through comprehensive income are initially recognised at fair value and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through comprehensive income are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through comprehensive income" category, including interest income and dividends, are presented in the consolidated statement of comprehensive income as financial income or expenses in the period in which they arise. Dividend income from financial assets at fair value through comprehensive income is recognised in the consolidated statement of comprehensive income as part of financial income when the Group's right to receive payment is established. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques.

The Group assesses at each consolidated statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets are impaired. For further information about trade receivables, see H. 'Trade receivables'.

U. Derivative financial instruments and hedging activities

The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. Foreign exchange derivatives are utilised to manage foreign exchange risk related to projected future sales. Interest rate derivatives are utilised to manage interest rate risk by converting from floating to fixed interest rates. Derivatives financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value through profit or loss. The Group has currently not applied hedge accounting for any hedging activities.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 21 'Financial instruments and hedging activities'.

Derivates are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity of the item is more than 12 months, and as a current asset or liability when the remaining maturity is less than 12 months. Trading derivatives are classified as current assets or liabilities.

V. Events after period end

New information and other events that provide evidence of conditions that existed at the end of the reporting period is included in the accounts. Events occurring after the reporting period, which do not impact the Group's financial position, but which have a significant impact on future periods, are disclosed in the notes.

W. Use of estimates

The preparation of financial statements in conformity with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3 'Accounting estimates and assessments'. Changes in accounting estimates are recognised in profit or loss for the period in which they occur. If the changes also apply to future periods, the effect of the change is distributed over current and future periods.

X. Consolidated statement of cash flows

The consolidated statement of cash flows is prepared in accordance with the indirect model.

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Y. New standards, amendments and interpretations adopted by the Group

IFRS 16 Leases replaces the current standard IAS 17 Leases and related interpretations. IFRS 16 Leases removes the current distinction between operating and financing leases for lessees, and requires recognition of an asset (the right to use the leased item) and a financial liability representing its obligation to make lease payments. The Group adopted the standard at January 1, 2019.

The Group applied the simplified transition approach and comparative amounts for the year prior to first adoption are not restated.

Reference is made to note 32 'Accounting policies', paragraph Z. in the Group's annual report 2018 for a detailed description of policy- and transition choices made upon the implementation of the standard. There have been no changes to these elements. For further information about transition choices, see below.

The implementation of the standard has increased the statement of financial position with lease liabilities, net investments and right-of-use assets. The Group's equity has not been impacted by the implementation of IFRS 16. The following line items in the financial report have been impacted as result of the new accounting standard:

Consolidated statement of financial position	31.12.2018	Implementation of IFRS 16 Leases	01.01.2019
Tangible assets	11 100	284	11 384
Other non-current assets	3 314	185	3 499
Total non-current assets	14 414	470	14 884
Total current assets	2 062	-	2 062
Total assets	16 476	470	16 946
Total equity	5 735	-	5 735
Non-current liabilities	7 793	394	8 187
Current liabilities	2 949	75	3 024
Total liabilities	10 742	470	11 212
Total equity and liabilities	16 476	470	16 947

Lease expenses within the scope of the standard are removed and replaced by depreciation of right-of-use assets and interest costs. Lease income within the scope of the standard are removed and replaced by interest income.

The table below presents a reconciliation of the Group's operating lease liabilities as reported under IAS 17 Leases per 31 December 2018, and the IFRS 16 Lease liability recognised on 1 January 2019.

Reconciliation of lease commitments to lease liabilities	01.01.2019
Operating lease commitments (IAS 17) at 31 December 2018	583
Practical expedient related to short-term- and low-value leases	-76
Effect of discounting	-77
Escalation and amendments to lease agreements	40
Lease liabilities recognised at initial application	470

Lease expenses within the scope of the standard are removed and replaced by depreciation of right-of-use assets and interest costs. Lease income within the scope of the standard are removed and replaced by interest income. The effect of the standard in the profit or loss for 2019 is presented in the table below and in note 12 'Leases'.

IFRS 16 'Leases' transition choices

The Group applyed the simplified transition approach and did not restate comparative amounts for the year prior to first adoption. Contracts already classified either as leases under IAS 17 or as non-lease service arrangements will maintain their respective classifications upon the implementation of IFRS 16 Leases ("grandfathering of contracts").

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities presented are 5.6%. Right-of-use assets will be measured on transition as at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The cumulative effect of initially applying the standard to recognised the opening balance of retained earnings is zero.

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When applying a modified retrospective approach to leases previously classified as operating leases under IAS 17 Leases, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group has used the following practical expedients permitted by the standard:

- applying IAS 37 for assessment of whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

For leases that were classified as finance leases under IAS 17 'Leases', the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 was determined to be the carrying amount of the lease asset and lease liability at the date if initial application of IFRS 16 'Leases'. Financial lease debt under IAS 17 'Leases' was presented as part of debt to credit institutions. The Group has kept this classfication and presentation for 2019 for these leases.

The Group is not required to make any adjustments on transition for leases in which it is a lessor, with the exception of sub-leases. The Group is an intermediate lessor and had subleases previously classified as operating leases. The Group has accounted for the sub-leases as new finance leases entered into on the date of initial application.

IFRS 16 'Leases' application policy choices

The Group has decided not to apply IFRS 16 'Leases' for intangible assets.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

Non-lease components within lease contracts will be accounted for separately for all underlying classes of assets, and reflected in the relevant expense category as incurred.

IFRS 16 'Leases' and effect on profit or loss

Consolidated statement of comprehensive income	2019 excluding IFRS 16	Effect of IFRS 16 Leases	2019
Operating revenue	3 997	-51	3 946
Operating expenses	-3 084	96	- 2 988
Share of net income of associates and joint ventures	240	-	240
Profit from sale of non-current assets	4	-	4
Operating profit before depreciation and impairment (EBITDA)	**1 156**	**45**	**1 201**
Depreciation and impairment	-1 224	-68	-1 362
Operating profit (EBIT)	**-138**	**-23**	**-161**
Financial income	68	8	76
Financial expenses	-594	-21	-615
Realised net gain / loss on derivative instruments and currency position	-21	-	-21
Unrealised net gain / loss on derivative instruments and currency position	-108	- 1	-109
Net financial income / loss	**-655**	**-14**	**-669**
Profit / loss before tax	**-793**	**-37**	**-830**
Income tax expense	-301	-	-301
Profit / loss for the period	**-1 093**	**-37**	**-1 130**

ROU assets are impaired with NOK 27 million in 2019. In the table above, the impairment is included in the column "Effect of IFRS 16 Leases". Before implementation of IFRS 16, the impairment would be presented as part of operating expenses.

Z. New standards, amendments and interpretations not yet adopted

New standards and amendments mandatory for annual reporting periods after 31 December 2019 is expected to not be significant for the Group.

DOF Subsea Group

Amounts in NOK million

33 Performance measurement definitions

Alternative performance measurements

The Group's presents alternative performance measurements (APM) that are regularly reviewed by management and aim to enhance the understanding of the Group's performance. APMS are calculated consistently over time and are based on financial data presented in accordance with IFRS and other operational data as described in the table below.

Measure	Description	Reason for including
Operating profit before depreciation (EBITDA)	EBITDA is defined as operating profit, including profit from sale of non-current assets, before impairment of tangible and intangible assets, depreciation of tangible assets and amortisation of contract assets. EBITDA represents earnings before interest, tax, depreciation and amortisation, and is a key financial parameter for the Group.	This measure is useful in evaluating operating profitability on a more variable cost basis as it excludes depreciation, impairment and amortisation expenses related primarily to capital expenditures and acquisitions that occurred in the past. EBITDA shows operating profitability regardless of capital structure and tax situations with the purpose of simplifying comparison in the same industry.
EBITDA margin	EBITDA margin presented is defined as EBITDA divided by operating revenue.	Enables comparability of profitability relative to operating revenue.
Operating profit (EBIT)	EBIT represents earnings before interest and tax	EBIT shows operating profitability regardless of capital structure and tax situations.
Net interest-bearing debt	Net interest-bearing debt consists of both current and non-current interest-bearing liabilities less interest bearing financial assets, cash and cash equivalents. Non-current receivables from joint ventures are not included in net interest-bearing debt. Cash and cash equivalents will include restricted cash. Current interest-bearing debt includes interest-bearing debt related to asset held for sale.	Net interest-bearing debt is a measure of the Group's net indebtedness that provides an indicator of the overall statement. It measures the Group's ability to pay all interest-bearing liabilities within available interest bearing financial assets, cash and cash equivalents, if all debt matured on the day of the calculation. It is therefore a measurement of the risk related to the Group's capital structure.
Working capital	The working capital position of the Group is equal to current assets less current liabilities.	It is a measure of the Group's liquidity and efficiency, and demonstrates the Group's ability to pay its current liabilities.

Other definitions

Measure	Description
Equity ratio	Equity ratio is defined as total equity divided by total assets at the reporting date.
Market value	Calculated average vessel value between several independent brokers' estimates based on the principle of "willing buyer and willing seller".
Vessel utilisation	Vessel utilisation is a measure of the Group`s ability to keep vessels in operation and on contract with clients, expressed as a percentage. The vessel utilisation numbers are based on actual available days.
Contract backlog	Sum of undiscounted revenue related to secured contracts in the future and optional contract extensions as determined by the client in the future. Contract backlog excludes master service agreements (MSAs) within the Subsea/IMR Projects segment. Under the MSAs only confirmed POs are included.
Firm contract backlog	Sum of undiscounted revenue related to secured contracts in the future. Secured contracts are contracts signed with clients in the past, covering future delivery of services.
Backlog options	Sum of undiscounted revenue related to optional contract extensions as determined by the client in the future.

Financial statements DOF Subsea AS

DOF Subsea AS

Amounts in NOK million

Statement of comprehensive income

	Note	2019	2018
Operating revenue	17	88	83
Payroll expenses	4, 18	-49	-52
Other operating expenses	18	-33	-39
Operating profit before depreciation and impairment (EBITDA)		**6**	**-8**
Depreciation and impairment	7	-9	-15
Operating profit (EBIT)		**-3**	**-22**
Income / loss from investments		9	329
Financial income	5	311	248
Financial expenses	5, 8, 19, 20	-1 936	-1 098
Realised net gain / loss on derivative instruments and currency position	5	186	-74
Unrealised net gain / loss on derivative instruments and currency position	5	-179	72
Net financial income / loss	5	**-1 609**	**-523**
Profit / loss before tax		**-1 612**	**-545**
Income tax expense	6	-98	-2
Profit / loss for the year		**-1 709**	**-547**
Other comprehensive income net of tax			
Items that will not be subsequently reclassified to profit / loss			
Defined benefit plan actuarial gains / losses		1	-
Other comprehensive income / loss net of tax		**1**	**-**
Total comprehensive income / loss for the year net of tax		**-1 708**	**-547**

DOF Subsea AS

Amounts in NOK million

Statement of financial position

	Note	31.12.2019	31.12.2018
Assets			
Tangible assets	7	12	9
Deferred tax asset	6	89	184
Investments in subsidiaries	19	4 030	4 628
Investments in associates and joint ventures	20	645	650
Non-current receivables from Group companies and joint ventures	5, 8, 16	588	1 327
Other non-current receivables	15, 16	7	16
Total non-current assets		**5 370**	**6 815**
Current receivables from Group companies and joint ventures	5, 8, 16	384	502
Other current receivables	9, 15, 16	12	5
Current receivables		**397**	**507**
Restricted cash	10, 16	52	136
Unrestricted cash and cash equivalents	10, 16	283	371
Cash and cash equivalents		**335**	**507**
Total current assets		**732**	**1 014**
Total assets		**6 102**	**7 829**

DOF Subsea AS

Amounts in NOK million

Statement of financial position

	Note	31.12.2019	31.12.2018
Equity and liabilities			
Paid-in equity	24	2 753	4 344
Other equity		-	118
Total equity		**2 753**	**4 462**
Bond loans	11, 16	-	2 480
Debt to credit institutions	11, 16	-	50
Lease liabilities	11, 16	23	-
Other non-current liabilities	4, 15, 16	-	14
Total con-current liabilities		**23**	**2 544**
Current portion of debt	11, 16	2 957	339
Trade payables	12, 16	17	7
Current liabilities to Group companies	16	338	451
Other current liabilities	13, 15, 16	14	25
Total current liabilities		**3 326**	**823**
Total liabilities		**3 349**	**3 367**
Total equity and liabilities		**6 102**	**7 829**

Bergen, 24 April 2020

The Board of Directors of DOF Subsea AS

Helge Møgster
Chairman

Helge Singelstad
Director

Kathryn M. Baker
Director

Hilde Drønen
Director

Hans Olav Lindal
Director

Mons S. Aase
CEO

DOF Subsea AS

Amounts in NOK million

Statement of changes in equity

Changes in equity	Share capital	Share premium	Other paid-in capital	Paid-in equity	Other equity	Total equity
Equity at 01.01.2019	1 674	540	2 130	4 344	118	4 462
Profit / loss for the year	-	-	-1 590	-1 590	-119	-1 709
Other comprehensive income for the year	-	-	-	-	1	1
Total comprehensive income for the year	-	-	-1 590	-1 590	-118	-1 708
Equity at 31.12.2019	1 674	540	540	2 753	-	2 753
Equity at 01.01.2018	1 674	540	2 130	4 344	685	5 029
Profit / loss for the year	-	-	-	-	-547	-547
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-547	-547
IFRS 9 implementation effect	-	-	-	-	-25	-25
Adjustment of merger effect	-	-	-	-	5	5
Equity at 31.12.2018	1 674	540	2 130	4 344	118	4 462

DOF Subsea AS

Amounts in NOK million

Statement of cash flows

	Note	2019	2018
Operating profit (EBIT)		-3	-22
Depreciation and impairment	7	9	15
Change in trade payables	12	10	-
Changes in other working capital		-784	-331
Exchange rate effect on operating activities		12	17
Cash flow from operating activities		**-757**	**-322**
Interest received	5	294	160
Interest paid	5, 11	-349	-259
Tax paid		-	-
Net cash flow from operating activities		**-812**	**-421**
Purchase of tangible assets	7	-2	-3
Investment in shares		-	-382
Dividends / Group Contributions received		76	329
Changes in other non-current receivables		535	-
Cash flow from investing activities		**609**	**-57**
Proceeds of debt to credit institutions	11	150	940
Installments on interest-bearing debt	11	-91	-349
Cash flow from financing activities		**59**	**591**
Net change in cash and cash equivalents		**-143**	**113**
Cash and cash equivalents, included restricted cash, at 01.01	10	**507**	**450**
Exchange rate effect on cash and cash equivalents	5	-28	-56
Cash and cash equivalents, included restricted cash, at 31.12	10	**335**	**507**

Restricted cash at 31.12. 2019 is NOK 52 million (NOK 136 million) and is in included in Cash and cash equivalents. Changes in restricted cash is reflected in the cash flow. For further information about restricted cash, please refer to note 10 `Cash and cash equivalents`.

DOF Subsea AS

Contents

NOTES TO THE FINANCIAL STATEMENTS

1 Corporate information and going concern

DOF Subsea AS, the Company, is a limited liability company registered in Norway. The Company's head office is located at Thormøhlensgate 53 C, 5006 Bergen, Norway.

The Company is owned by DOF ASA as a sole shareholder with 100% ownership stake on 31 December 2019.

DOF Subsea AS is the parent company in the DOF Subsea Group exercising control over a number of subsidiaries. The Company also holds investments in associates and joint arrangements.

The DOF Subsea Group has two business segments, Subsea/IMR Projects and Long-term Chartering. In these segments, the Group provides integrated subsea and marine services to the world's offshore energy producers.

Integrating project management capabilities with high end subsea vessels creates long-term client relationships, broader market opportunities and reduces overall risk. The Group's two segments: vessels and personnel working in the Subsea/IMR Projects segment and the vessels chartered to third-party companies in the Long-term Chartering segment, increases the Group's access to market opportunities and reduces risk. The vessels are divided into three categories: Multi-Purpose Support Vessels, Multi-Purpose Anchor Handler Vessels, and Construction Support Vessels. The Group also owns a fleet of ROV`s and other subsea equipments and has over 15 years' experience providing ROV and intervention services to the energy industry worldwide. The ROVs are available on DOF Subsea operated vessels or as supplementary support on any offshore vessel.

This section of the financial statements covers the parent company accounts. The financial statements of the Company have been prepared in accordance with the Norwegian accounting act § 3-9 and Finance Ministry's prescribed regulations on simplified IFRS. For further information see note 26 ' Accounting policies'.

Going concern

In accordance with IAS 1.25, the Board of Directors confirms that the financial statements have been prepared under the assumption of going concern. However, the recent events described below give rise to significant doubt on the Group and the Company's ability to continue as going concern.

The Board of Directors and the Management in DOF Subsea AS are working on a long-term financial solution for the Group, the discussion with the relevant stakeholders is constructive. The effect of not having a long-term financial solution in place or waivers covering more than 12 months after balance sheet date, has resulted in a reclassification of the Group and Company's non-current debt to credit institutions as of 31 December 2019. The Group has a temporary deferral of payment of interest, instalments and waivers from covenants in order to reach a short-term and long-term financial solution. If the Company and the Group cannot be treated as 'going concern', the valuation of the Group and Company's assets will be further revised. Valuation of asset without the going concern assumption may result in further impairment of the Group and Company's assets.

In March 2020, the DOF Subsea Group reported through a press release that the refinancing process has been delayed due to a sudden negative market development caused by Covid-19 and the sharp decline in oil price, in combination with extreme fluctuations in foreign exchange rates. The Group has in consultation with its secured lenders initiated a process to take the necessary steps to secure both a short-term and a long-term financial solution for the Group that are sufficiently robust taking the recent events into account. The short-term solution involves establishment of a short-term credit facility and necessary waivers. Even though there is still uncertainty if a short-term and long-term financial solution will be achieved, the Board of Directors believes that both a short-term and long-term financial solution is obtainable, but no assurance can be given. There is a risk that the Group will not reach an agreement with the lenders and in such an event, the Group could be forced to realise its assets at a significantly lower value than their carrying amount.

The Board of Directors approved the financial statements on 24 April 2020.

2 Financial risk management

The Company is exposed to various types of financial risk relating to its ongoing business operations: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's governing risk management strategy focuses on minimising the potential negative effects on the Company's results. The primary risks managed using derivative instruments are foreign currency risk and interest rate risk. Please see note 32 'Accounting policies', paragraph U, in the consolidated financial statements, for information on derivative financial instruments and hedging activities. See also note 15 'Financial instruments and hedging activities'.

The Company's risk management is conducted in line with policies and guidelines approved by the Board of Directors. Accordingly, financial risk is identified, evaluated and risks are managed if appropriate. The Board of Directors has issued written policies for governing risk management and defined principles for specific areas such as the foreign exchange risk, interest rate risk, credit risk, use of financial derivatives and other financial instruments.

Financial derivatives

The Company is exposed to currency risk and interest rate risk. The Company uses to some extent financial derivatives to reduce these risks. However, the Company does not use financial derivatives linked to ordinary activities such as trade receivables, trade payables or similar.

Foreign exchange risk

The Company's reporting currency is NOK. Foreign exchange risk arises when future commercial transactions, contractual obligations and liabilities are denominated in a currency that is not the functional currency. The Company aims to achieve a natural hedge between cash inflows and cash outflows and manages remaining foreign exchange risk arising from commercial transactions, assets and liabilities by foreign exchange contracts and similar instrument as appropriate.

The currency fluctuations so far in 2020 has been extreme, with a volatility never experienced before. This has had a negative impact on both the liquidity and solidity for the Group.

Interest risk

The Company's existing debt arrangements are long term loans partly at floating and fixed interest rates. Movements in interest rates will have effects on the Company's cash flow and financial condition. The Company's policy is to maintain part of its debt at fixed rates.

The Company manage parts of its floating interest rate risk by using floating-to-fixed interest rate swaps. Under the interest rate swaps, the Company agrees with other parties to exchange, at specified intervals the difference between fixed interest rates and floating interest rates calculated by reference to the agreed amounts.

DOF Subsea AS

Amounts in NOK million

Credit risk

Credit risk exposure arises on the values of financial assets recognised in the statement of financial position. The Company's trade receivables balance is minimal and relates to subsidiaries, joint ventures and associated companies. The Company has guidelines for monitoring and recovering trade receivables.

Credit exposures to non-current and current receivables are mainly to subsidiaries and joint ventures. The Company is well informed about credit risks related to these positions. The current challenging market conditions have increased these risks. The Company has recognised an impairment of loans to Group companies of NOK 528 million.

The derivative contracts and bank deposits are entered into with the main banks of the Company. The value of trade receivables recognised in the statement of financial position is considered to reflect the credit risk.

Liquidity risk

Liquidity risk management implies maintaining sufficient cash and marketable securities, funding through committed credit facilities and the ability to close market positions. The significant weakening, in the range of 20%-30%, of NOK against other currencies in 2020, had a significant negative impact on the Company's liquidity and available cash in the Group's cash pool.

A short-term liquidity loan of NOK 100 million has been secured as part of the Group's discussions with the secured lenders. The parties are also discussing a larger credit facility. The credit facility, together with waivers on interest payments and instalments, covers the Group's short-term liquidity needs. The Group has in consultation with its secured lenders initiated a process to take the necessary steps to secure a long-term financial solution for the Group that are sufficiently robust taking the recent events into account.

The Company's business is capital intensive and the Company may need to raise additional funds through public or private debt or equity financing to execute the Company's strategy and fund capital expenditure. The Company's loan agreements include terms, conditions and covenants.

The Company has routines to report cash flow forecasts on a regular basis in order to monitor the Company's future liquidity positions.

The Company owns and controls cash pooling systems within the DOF Subsea Group. Liquidity is made available through the cash pooling systems for the Company to meet its obligations. Furthermore, the Company's strategy is to strengthen the liquidity through dividends from subsidiaries. For further information about cash and cash management, see note 16 'Cash and cash equivalents' in the consolidated financial statements.

Fair values

Fair value of forward exchange contracts is calculated based on the midpoint of the relevant yield curve. Fair value of interest rate contracts is calculated as the present value of the estimated futures cash flows based on observables yield curves.

Capital structure and equity

The main objective in managing the Company's capital structure is to ensure that the Company maintains the best possible credit rating, thereby achieving favourable terms and conditions for the long-term funding of the Company's operations and investments. The Company manages its capital structure and carries out all necessary changes based on continuous assessments of the economic conditions under which the operations take place.

3 Accounting estimates and assessments

Valuations, estimates and assumptions with a significant effect on the financial statements are summarised below:

Debt to credit institutions and bondholders

The effect of not having a long-term financial solution in place or waivers covering more than 12 months after balance sheet date, has as of 31 December 2019 resulted in a reclassification of non-current debt to credit institutions and bondholders to current portion of debt. Agreement on a new long-term financing solution or waiver of more than 12 months duration, will result in change in presentation of debt to to credit institutions and bondholders.

For further information about debt to credit institutions and bondholders, see note 11 'Interest-bearing debt'.

Financial assets

All financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of comprehensive income. The recoverable amount is the higher of an asset's net selling price and value in use.

Deferred tax assets

Deferred tax assets are recognised in the statement of financial position on the basis of tax losses carried forward or deductible temporary differences, to the extent that it is probable there will be sufficient future earnings available against which the loss or deductible can be utilised.

For further information, reference is made to the consolidated financial statements and note 6 'Tax'.

DOF Subsea AS

Amounts in NOK million

4 Payroll expenses

Payroll expenses	Note	2019	2018
Salary	18	-40	-44
Employer's contributions		-6	-6
Pension costs		-2	-2
Other personnel costs		-	-1
Total payroll expenses		**-49**	**-52**
Full time employees (at period end)		28	30

From 01.01.2020 the pension Defined pension plan in DOF Subsea AS has been terminated.

5 Financial income and expenses

Financial income and expenses	Note	2019	2018
Dividends / Group Contributions from subsidiaries		15	329
Gain / loss from sale of shares / liquidation		-6	-
Income / loss from investments		**9**	**329**
Interest income from Group companies*		240	212
Interest income		68	27
Other financial income from Group companies		3	9
Financial income		**311**	**248**
Impairment of investments	19, 20	-1 051	-703
Impairment of loans to Group companies	8	-528	-155
Interest expenses payable to Group companies		-6	-10
Interest expenses payable to DOF ASA companies*		-12	-12
Interest expenses		-327	-210
Other financial expenses		-12	-8
Financial expenses		**-1 936**	**-1 098**
Realised foreign currency net gain / loss on loans		232	5
Realised foreign currency net gain / loss on current receivables / liabilities		-28	-56
Realised net gain / loss on financial derivatives		-18	-23
Realised net gain / loss on derivative instruments and currency position		**186**	**-74**
Unrealised foreign currency net gain / loss on loans		-200	19
Net change in unrealised gain / loss on financial derivatives		21	53
Unrealised net gain / loss on derivative instruments and currency position		**-179**	**72**
Net financial income / loss		**-1 609**	**-523**

*Guarantee income / expenses related to financing of vessels are included in interest income / expenses

DOF Subsea AS

Amounts in NOK million

6 Tax

Income tax expense	2019	2018
Change in deferred tax	-95	-
Impact on change in tax rate on deferred tax	-	-2
Other business taxes	-3	-
Total income tax expense	**-98**	**-2**

Reconciliation of nominal and effective tax rate		
Profit before tax	-1 612	-545
Tax calculated at domestic tax rate 22% (23%)	355	125
Tax effect of:		
Impairment of financial assets	-347	-197
Tax exemption method on dividends and gain from sale of shares	7	87
Unrecognised tax losses	-110	-13
Withholding tax and effect of different tax regimes	-3	-
Impact on change in tax rate	-	-2
Associates results reported net of tax	-	-2
Total income tax expense	**-98**	**-2**

The tax related to components of other comprehensive income is as follows:			2019
	Before tax	Income tax	After tax
Re-measurements of post-employment benefit liabilities	1	-	1
Other comprehensive income	**1**	**-**	**1**

The tax related to components of other comprehensive income is as follows:			2018
	Before tax	Income tax	After tax
Re-measurements of post-employment benefit liabilities	-	-	-
Other comprehensive income	**-**	**-**	**-**

The gross movement on the deferred tax in the statement of financial position	2019	2018
Deferred tax at 01.01	184	186
Impact on change in tax rate on deferred tax	-	-2
Tax related to comprehensive income	-95	-
Deferred tax 31.12	**89**	**184**

Deferred tax

The table below specifies the temporary differences between accounting and tax values, and calculation of deferred tax / tax asset at year-end. The Company's deferred tax asset is reviewed for impairment. Deferred tax assets from tax loss carry-forward are expected to be offset against taxable income within a period of 7 years.

Basis for deferred tax	2019	2018
Non-current assets	19	18
Liabilities	16	-14
Tax position related to sold assets	38	48
Total temporary differences	**73**	**52**
Tax loss carryforward	-1 403	-1 331
Tax loss not included as deferred tax asset	926	443
Basis for calculating deferred tax / tax asset (-)	**-404**	**-836**
Total deferred tax / tax asset (-) recognised in the statement of financial position	**-89**	**-184**

DOF Subsea AS

Amounts in NOK million

7 Tangible assets

Tangible assets	2019	2018
Cost at 31.12	132	128
Implementation of IFRS 16	10	-
Cost 01.01	142	128
Additions	2	3
Cost at 31.12	**144**	**132**
Depreciation at 01.01	-123	-108
Depreciation for the year	-9	-15
Depreciation at 31.12	**-132**	**-123**
Book value at 31.12	**12**	**9**
Asset lifetime (years)	5-10	5-10
Depreciation schedule	Linear	Linear

IFRS16 has been implented during 2019 and is included in figures in the table above. The right of use asset in DOF Subsea AS per 31.12.2019 was NOK 8 million, with a depreciation of NOK 2 Million.

8 Receivables from Group companies and joint ventures

Non-current receivables from Group companies and joint ventures	Note	2019	2018
Non-current receivables from joint ventures	17	329	1 039
Non-current receivables from Group companies - basis		330	308
Non-current receivables from Group companies - impaiment	5	-71	-20
Total non-current receivables from Group companies and joint ventures at 31.12		**588**	**1 327**

Current receivables from Group companies and joint ventures	Note	2019	2018
Current receivables from joint ventures		225	31
Current receivables from Group companies - basis		1 076	911
Current receivables from Group companies - impairment	5	-917	-440
Total current receivables from Group companies and joint ventures at 31.12		**384**	**502**

9 Other current receivables

Other current receivables	2019	2018
Government tax receivables	1	2
Accrued interest income	1	3
Financial current derivatives	10	-
Total other current receivables at 31.12	**12**	**5**

DOF Subsea AS

Amounts in NOK million

10 Cash and cash equivalents

Cash and cash equivalents	2019	2018
Restricted cash	52	136
Unrestricted cash and cash equivalents	283	371
Total cash and cash equivalents at 31.12	335	507

A non-current loan has been provided by Eksportfinans and is invested as a restricted deposit. The repayment of the loan from Eksportfinans is equivalent to the reduction in the restricted cash, i.e. recognised in the financial statements on a gross basis. The loan is fully repaid in 2020. The cash deposit is included in restricted cash with a total value of NOK 52 million (NOK 136 million in 2018). The Company have an administrative cash pooling arrangement whereby cash surpluses and overdrafts residing in the Group Companies bank accounts are pooled together to create a net surplus. Liquidity is made available through the cash pooling for the Companies in the Group to meet their obligations. The bank accounts in the cash pool consists of accounts in various currencies that on a currency basis can be in surplus or overdraft. The total cash pool can never be in net overdraft. The cash pool is presented as unrestricted cash and cash equivalents. For further information about market-, credit- and liquidity risk see note 2 'Financial risk management'.

The significant weakening, in the range of 20%-30%, of NOK against other currencies in 2020, have had a significant negative impact on the Company's liquidity and available cash in the Group's cash pool. As a result, a short-term liquidity loan of NOK 100 million has been secured and the Company is also discussing a larger credit facility. The credit facility, together with waivers on interest payments and instalments, covers the Group's short-term liquidity needs.

See DOF Subsea Group note 16 'Cash and cash equivalents' for further information about cash pool arrangements.

The Group has a credit facility (RCF) of NOK 250 million at year-end NOK 250 million of the facility was utilised. For further information on cash and cash equivalents, please refer to note 32 'Accounting policies', paragraph G.

11 Interest-bearing debt

Non-current debt to credit institutions and bondholders has in accordance with IFRS been reclassified to current portion of debt as per December 31, 2019. The Board of Directors and the Management are working on a long-term financial solution for the Group. The discussion with the relevant stakeholders is constructive. The effect of not having a long-term financial solution in place or waivers covering more than 12 months after balance sheet date, has resulted in a reclassification of the Company's non-current debt to credit institutions as of 31 December 2019. The Group has a temporary deferral of payment of interest and instalments and waivers from covenants in order to reach a long-term solution.

In March 2020, the Group reported through a press release that the refinancing process has been delayed due to a sudden negative market development caused by Covid-19 and the sharp decline in oil price, in combination with extreme fluctuations in currency. Even though there is still uncertainty if a long-term financial solution will be achieved, the Board of Directors and the Management believes that a long-term financial solution is obtainable, but no assurance can be given.

For further information on interest-bearing debt and potential effect on going concern assumption, please refer to note 25 'Events occurring after period end' and note 1 'Corporate information and going concern'.

Debt

DOF Subsea AS had as per period end three bond loans, which mature in 2020,2022 and 2023. The trustee on behalf of the bond holders is Nordic Trustee ASA. Interest rates are both floating and fixed. No particular security has been provided for the loans, and DOF Subsea AS is free to acquire its own bonds. The Company has been in discussion with the bondholder in order to obtain a long-term financial solution. The solution includes adjustment of interest and deferral of repayments. In ordner to finalise the agreement, the Company has obtained waivers on repayments of instalments on the bond loans. The recent events require that the Company needs a robust solution with both the secured lenders and the bondholders. On 22 April 2020, the bondholders approved a waiver from and suspension of all payment obligations until 30 June 2020, with possibility to extend to 30 September 2020. The waiver period cannot be extended beyond 30 September 2020 without approval from the bondholdrs.

DOF Subsea AS

Amounts in NOK million

Non-current interest-bearing debt	2019	2018
Bond loans	-	2 480
Debt to credit institutions	-	50
Leasing debt	23	-
Total non-current interest-bearing debt	**23**	**2 530**
Current interest-bearing debt		
Bond loans	2 589	100
Debt to credit institutions	302	184
Leasing debt	7	-
Current debt to Group companies	308	451
Total current interest-bearing debt	**3 207**	**735**
Total non-current and current interest-bearing debt	**3 230**	**3 266**
Net interest-bearing debt		
Cash and cash equivalent	335	507
Interest bearing assets from Group companies	557	661
Total net interest-bearing debt	**2 337**	**2 097**

Current portion of debt in the statement of financial position includes accrued interest expenses. Accrued interest expenses are excluded in the figures above. The company's cash pooling system is included in the net interest-bearing debt.

Cash and non-cash changes in total borrowings

Changes in total borrowings over a period consists of both cash effects (disbursements and repayments) and non-cash effects (amortisations and currency translation effects). The following is the changes in the Company's borrowings:

2019			Cash changes		Non-cash changes		
Interest bearing debt	Balance 31.12.18	Implementation of IFRS 16 Leases	Cash flows	Proceed lease debt	Amortised loan expense	Currency adjustment	Balance 31.12.19
Bond loans	2 580	-	-	-	-5	14	2 590
Debt to credit institutions	234	-	66	-	2	-	302
Debt to Group companies	451	-	-145	-	-	2	308
Lease liabilities	-	36	-6	-	-	-	30
Total interest bearing debt	3 265	36	-85	-	-3	16	3 229

2018			Cash changes	Non-cash changes		
Interest bearing debt	Balance 31.12.17	IFRS 9 effect	Cash flows	Amortised loan expense	Currency adjustment	Balance 31.12.18
Bond loans	1 914	25	566	-7	81	2 580
Debt to credit institutions	220	-	13	1	-	234
Debt to Group companies	609	-	-153	-	-5	451
Total interest bearing debt	**2 743**	**25**	**427**	**-6**	**76**	**3 265**

DOF Subsea AS has applied IFRS 9 'Financial instruments' from 1 January 2018. IFRS 9 'Financial instruments' addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The implementation had a negative effect on the equity of NOK 25 million as of 1 January 2018, due to the modification of the remaining part of the DOFSUB07 bond loan in December 2017. The increased liability related to the DOFSUB07 bond loan will be amortised as reduced interest cost over the remaining time to maturity.

DOF Subsea AS

Amounts in NOK million

The table below summarises the repayment profile of the Company's financial liabilities, excluding interests, based on existing agreements:

Debt repayment profile	2020	2021	2022	2023	2024	Thereafter	Total
Bond loans	-467	-	-1 292	-840	-	-	-2 599
Debt to credit institutions	-302	-	-	-	-	-	-302
Debt to Group companies	-90	-	-	-	-	-	-90
Total repayment excluding leases	**-859**	**-**	**-1 292**	**-840**	**-**	**-**	**-2 991**
Lease liabilities	-7	-7	-8	-8	-	-	-30
Total repayment	**-866**	**-7**	**-1 300**	**-848**	**-**	**-**	**-3 021**

Amortised costs are not included in the repayment profile above.

The table below summarises the interest payment profile of the Company's financial liabilities based on existing agreements:

Interest repayment profile	2020	2021	2022	2023	2024	Thereafter	Total
Total interest repayment excluding leases	236	207	144	82	-	-	668

Interest repayment is based on current repayment profile on existing debt and the yield curve for the underlying market interest rates from Reuters as end of December 2019.

Liabilities secured by pledge	2019	2018
Liabilities to credit institutions	52	136
Book value of assets pledged as security	52	136
Average rate of interest	10.81%	8.8%

Average interest rate is excluded interests on lease liabilities, which in 2019 yielded an average in the range of 4%-6%.

Currency distribution non-current liabilities incl first year repayment	NOK	USD	Total
Bond loans	1 307	1 292	2 599
Debt to credit institutions	302	-	302
Total	**1 609**	**1 292**	**2 901**

Debt to credit institution in USD are revaluated to NOK using exchange rate as per 31 December 2019.

A mortgage loan of NOK 52 million (NOK 136 million in 2018) is secured by a cash deposit, see note 10 'Cash and cash equivalents'. Interest rate and derivative instruments on the cash deposit cover the debt repayment on the loan.

The price of the Company's bond loans as of period end were as follows:

		31.12.2019		31.12.2018	
Loan		Fair value rate	Book value	Fair value rate	Book value
DOF Subsea AS 13/20	DOFSUB07	67.5	467	100.50	467
DOF Subsea AS 17/22	DOFSUB08	80.38	1 292	99.25	1 278
DOF Subsea AS 18/23	DOFSUB09	75.50	840	100.00	840

In November 2018, the Company issued the new bond loan (DOFSUB09) of NOK 900 million with maturity date in November 2023. The Company acquired NOK 60 million of the bond loan. Net proceeds from the new bond issue will be used to refinance existing bonds and for general corporate purposes. In connection with the placement of the new bond issue, the Company has repurchased bonds with nominal value of NOK 40,1 million in the existing bond issue DOFSUB07 and USD 26 million in the existing bond issue DOFSUB08.

Other non-current liabilities, with exception of non-current loans, have nominal value equivalent to fair value of the liability.

DOF Subsea AS

Amounts in NOK million

Financial covenants

The loan agreements of the Company and the Group include the following covenants:

- The Group shall have available cash of at least NOK 500 million at all times (based on the proportionate consolidation method of accounting for joint ventures)
- The Group shall have value-adjusted equity to value-adjusted assets of at least 30%
- The Group shall have book equity of at least NOK 3 000 million at all times
- The Group shall have positive working capital at all times, excl. current portion of debt to credit institutions
- The fair value of the Group's vessels shall always be at least 110-130% of the outstanding loan amount

In addition to the above-mentioned financial covenants, the loan agreements are also subject to the following conditions:

- The Group's assets shall be fully insured
- There shall not be any change of classification, flag, management or ownership of the vessels without the prior written approval of the lenders
- DOF ASA shall be the principal shareholder in DOF Subsea AS, and own a minimum of 50.1% of the shares
- DOF Subsea AS shall not merge, demerge or divest activities without the prior written approval of the lenders
- DOF Subsea AS shall report financial information to the lenders and Oslo Stock Exchange on a regular basis
- The Group's vessels shall be operated in accordance with applicable laws and regulations

The Group has a temporary deferral of payment of interest and instalments with its secured lenders in order to reach a long-term financial solution. The Group is in compliance with financial covenants at period end. If waivers are not extended, it is a significant risk that the Group will be in breach of its covenants. Please refer to the consolidated financial statement note 17 'Interest-bearing debt'.

12 Trade payables

Trade payables	2019	2018
Trade payables at nominal value	9	5
Accrued expenses	8	2
Total trade payables at 31.12	**17**	**7**

13 Other current liabilities

Other current liabilities	2019	2018
Provision foreign tax	4	1
Public duties payables	3	2
Other current liabilities	4	4
Financial current derivatives	3	19
Total other current liabilities at 31.12	**14**	**25**

14 Fair value estimation

For those financial and tangible assets and liabilities, which have been recognised at fair value in the Statements of Financial Position, the measurement hierarchy and valuation methods described below have been applied. There have been no transfers between fair value levels.

Measurement level 1 (Quoted, unadjusted prices in active markets for identical assets and liabilities). Not in use for any assets or liabilities.

Measurement level 2 (Techniques for which all inputs which have significant effect on the recorded fair value are observable, directly and indirectly)

The fair value of forward exchange contracts is determined using the forward exchange rate at the end of the reporting period. The forward exchange rate is based on the relevant currency's interest rate curves. The fair value of interest swaps is determined by the present value of future cash flows, which is also dependent on the interest curves.

Measurement level 3 (Techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data)

DOF Subsea AS

Amounts in NOK million

15 Financial instruments and hedging activities

As of 31 December 2019 the Company had foreign exchange derivatives to hedge future sales to customers on behalf of subsidiaries. Foreign exchange derivatives are utilised to hedge foreign exchange risk related to projected future sales. Interest rate swaps are utilised to manage interest rate risk by converting from floating to fixed interest rates. The Company has not applied hedge accounting for any of the interest rate swap agreements.

The table below displays the fair value of financial derivatives as of 31 December:

			2019		2018
Non-current and current portion	Measurement level	Assets	Liabilities	Assets	Liabilities
Interest rate swaps - cash flow hedges	2	-	1	11	7
Foreign exchange contracts - cash flow hedges	2	10	1	-	17
Total non-current and current portion		**10**	**3**	**11**	**25**
Total non-current portion					
Interest rate swaps - cash flow hedges	2	-	-	11	6
Total non-current portion		**-**	**-**	**11**	**6**
Total current portion		**10**	**3**	**-**	**19**

As of 31 December the Company held the following interest rate derivatives:

Instruments	Fixed rate	Floating rate	Notional amount	Effective from	Maturity date
31.12.2019					
Interest rate swaps - cash flow hedges NOK	2.98%	NIBOR 3m	250	2014	2020
31.12.2018					
Interest rate swaps - cash flow hedges USD	1,43 %	USD LIBOR 3m	50	2016	2021
Interest rate swaps - cash flow hedges NOK	1,90-2,98%	NIBOR 3m - 6m	750	2014	2019-2020

As of 31 December the Company held the following foreign exchange rate derivatives:

Instrument	Committed	Amount
31.12.2019		
Foreign exchange contracts	NOK	572
31.12.2018		
Foreign exchange contracts	NOK	478

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Amounts in NOK million

16 Financial instruments - by category

This note gives an overview of the carrying value of the Company's financial instruments and the accounting treatment of these instruments. The table is the basis for further information regarding the Company's financial risk.

31.12.2019	Note	Financial instruments at fair value through profit and loss	Financial instruments measured at amortised cost	Total	Of which included in interest bearing debt
Assets					
Other non-current receivables	8	-	595	595	261
Other current receivables	8, 9, 15	-	386	386	296
Current derivatives	9, 15	10	-	10	-
Restricted cash	10	-	52	52	52
Unrestricted cash	10	-	283	283	283
Total financial assets		**10**	**1 317**	**1327**	**892**
Liabilities					
Interest-bearing non-current liabilities	11	-	23	23	23
Current portion of debt	11	-	2 957	2 957	2 898
Current derivatives	15	3	-	3	-
Trade payables and other current liabilities	12, 13	-	366	366	308
Total financial liabilities		**3**	**3 346**	**3 349**	**3 229**

31.12.2018	Note	Financial instruments at fair value through profit and loss	Financial instruments measured at amortised cost	Total	Of which included in interest bearing debt
Assets					
Non-current derivatives	15	11	-	11	-
Other non-current receivables	8	-	1 332	1 332	293
Trade receivables and other current assets	9, 15	-	507	507	373
Restricted cash	10	-	136	136	136
Unrestricted cash	10	-	371	371	371
Total financial assets		**11**	**2 346**	**2 358**	**1 173**
Liabilities					
Derivatives non-current	15	6	-	6	-
Interest-bearing non-current liabilities	11	-	2 530	2 530	2 530
Current portion of debt	11	-	339	339	284
Other non-current liabilities		-	8	8	-
Current derivatives	15	19	-	19	-
Trade payables and other current liabilities	12, 13	-	465	465	451
Total financial liabilities		**25**	**3 342**	**3 367**	**3 265**

The company's cash pooling system is included in the net interest-bearing debt.

The carrying amount of cash and cash equivalents is approximately equal to fair value since these instruments have a short term to maturity. Similarly, the carrying amount of trade receivables and trade payables are approximately equal to fair value since they are entered into at standard terms and conditions.

DOF Subsea AS

Amounts in NOK million

17 Related parties

Detailed description of related parties and DOF Subsea AS relationship to these

The Company is owned by DOF ASA as a sole shareholder with 100% ownership stake on 31 December 2019. All sales transactions are carried out in accordance with DOF Subsea policy.

Rental of office space

Part of the office space located at Thormøhlensgate 53 C, 5006 Bergen, rented by DOF Subsea AS, is used by DOF Management AS, DOF ASA, DOF Subsea Norway AS and Marin IT AS. The rental fee charged to DOF Management AS, DOF ASA, DOF Subsea Norway AS and Marin IT AS is determined at NOK 7 million per year.

Management services on behalf of subsidiaries and sales transactions

Management services and other deliveries on behalf of subsidiaries, see note 19 'Investment in subsidiaries', comprise NOK 77 million in 2019 (NOK 68 million). Revenues, including reimbursables, related to DOF ASA Group comprises NOK 12 million in 2019 (NOK 12 million), of which NOK 4 million in 2019 (NOK 3 million) relates to management services.

Guarantee agreement between DOF ASA and the Company

The Company has in June 2010 entered into a guarantee agreement with DOF ASA. DOF ASA has provided a parent company guarantee for obligations of DOF Subsea Brasil Serviços Ltda. and DOFCON Navegação Ltda. The outstanding loans guaranteed by DOF ASA amounts to USD 127 million at year end (USD 144 million as of 31 December 2018).

Non-current receivables against joint ventures

For information on non-current receivables against joint ventures, please see note 8 'Receivables from Group Companies and joint ventures'. Please also see note 26 'Investments in associates and joint ventures' in the consolidated financial statements.

18 Remuneration to Board of Directors, Executives and Auditor

The Board of Directors received no fees, nor compensation in fees for the year.

		2019		2018
Remuneration to Executives	**CEO**	**EVP**	**CEO**	**EVP**
Salaries	0.2	6.4	0,2	6,0
Management fee	5.1	-	5,7	0,0
Payment from DOF Subsea	**5.3**	**6.4**	**6,0**	**6,0**

CEO=Mons Aase, EVP=Jan Nore

Salaries include pension, bonuses and other compensations from the Company. Senior executives are included in the general Group's pension plan, see note 4 'Payroll expenses'.

Jan Nore held the position as EVP and CFO for the Group during the year. The EVP is entitled to a bonus based on the result of the company and personal performance.

The Company is part of the DOF ASA Group, see note 24 'Share capital and share information'. The contract with the CEO includes a 6 month termination period and 12 months termination compensation. The CEO's retirement compensation is based on 70% salary and the retirement age is set at 67 years. Cost related to CEO Mons Aase is included in the management fee between DOF ASA and DOF Subsea AS. Please refer to the DOF ASA annual report for further information of salary to CEO Mons Aase.

A loan of NOK 2.5 million was given to both the CEO and EVP in 2016. The annual interest on the loans are 2%. In 2019 the loan period was extended and the loans are to be repaid in 2022. There is sufficient security related to the loans. No other loans have been given to or any security provided for the members of the Board of Directors, members of the Group management or other employees or close relatives of the same group.

Specification of Auditor's fee	2019	2018
Fee for audit of financial statements	1.29	1.00
Fee for other attestation	-	0.01
Fee for other services	0.01	0.02
Total	**1.30**	**1.03**

DOF Subsea AS

Amounts in NOK million

19 Investments in subsidiaries

Subsidiary	Registered office	Proportion of ownership and votes	Cost price	Accumulated impairment	Booked value
DOF Installer ASA	Austevoll, Norway	85%	859	-	859
DOF Subsea Angola Lda	Luanda, Angola	100%	-	-	-
DOF Subsea Pte Ltd	Singapore	100%	678	-555	123
DOF Subsea Atlantic AS	Bergen, Norway	100%	128	-129	-
DOF Subsea Brasil Serviços Ltda	Macaé, Brasil	100%	705	-453	252
DOF Subsea Chartering AS	Bergen, Norway	100%	89	-89	-
DOF Subsea Congo S.A.	Pointe-Noire, Republice du Congo	55%	-	-	-
DOF Subsea Rederi AS	Bergen, Norway	100%	2 465	-	2 465
DOF Subsea Rederi III AS	Bergen, Norway	100%	486	-486	-
DOF Subsea ROV AS	Bergen, Norway	100%	330	-	330
DOF Subsea US Inc.	Houston, US	100%	345	-345	-0
Total			6 086	-2 056	4 030

For 2019 a total impairment loss of NOK 1 042 million is recognised in the statement of comprehensive income as financial expenses. Please refer to note 5 'Financial income and expenses'.

20 Investments in associates and joint ventures

For further information on associates and joint ventures, please see note 26 'Investments in associates and joint ventures' in the consolidated financial statements.

Name of entity	Place of business/ country of incorporation	% ownership interest	Cost price	Impairment	Booked value
DOFCON Brasil AS	Norway	50%	594	-	594
DOF Management AS	Norway	34%	16	-	16
Marin IT AS	Norway	35%	6	-	6
Master and Commander AS	Norway	20%	35	-5	30
Total at 31.12.2019			650	-5	645

21 Contingencies

The Company is not involved in any legal disputes or on-going legal matters involving potential losses, and therefore no provision has been made for possible claims arising from the same.

22 Guarantees

Guarantees	2019	2018
Parent company guarantees	10 521	10 113
Total	10 521	10 113

Parent company guarantees are given to subsidiaries in the Subsea/IMR Projects segment and the Long-term Chartering segment. The guarantees in the Subsea/IMR Projects segment are limited to the fulfilment of the construction contract and are released after delivery of the project. In some cases there is a warranty period after delivery of the project. Normally this warranty period will have a duration of 12-24 months.

In addition, the guarantees are given in relation to financing of vessels. The Company has a tax deduction guarantee of NOK 3 million. Furthermore, guarantees to suppliers are given for fulfilment of payments for deliveries of goods and services including vessels.

DOF Subsea AS

Amounts in NOK million

23 Earnings per share

Basis for calculating earnings per share	2019	2018
Profit / loss attributable to shareholders of the Company	-1 709	-547
Weighted average number of outstanding shares 31.12	167 352 762	167 352 762
Weighted average number of outstanding shares 31.12, diluted	167 352 762	167 352 762
Basic and diluted earnings per share (NOK)	**-10.21**	**-3.27**

24 Share capital and share information

Share capital

The share capital in DOF Subsea AS at 31.12.2019 was NOK 1 674 million comprising 167 352 762 shares, each with a nominal value of NOK 10.00.

Shareholder overview

Shareholders at 31.12.2019	No. of shares	Proportion of ownership	Share capital
DOF ASA	167 352 762	100%	100%
Total	**167 352 762**	**100%**	**100%**

Board of Directors	Title
Helge Møgster	Chairman
Helge Singelstad	Director
Hans Olav Lindal	Director
Hilde Drønen	Director
Kathryn Moore Baker	Director

Executives	Title
Mons S Aase	CEO
Jan Nore	CFO/EVP

The Company is a part of DOF ASA Group. Please refer to the DOF ASA annual report for shares held in DOF ASA by the management and the Board of Directors. The annual report is published at www.dof.com.

25 Events occurring after period end

In March 2020 the Group reported that the refinancing process has been delayed due to a sudden negative market development caused by Covid-19 and the sharp decline in oil price in combination of extreme currency fluctuations. A short-term liquidity loan of NOK 100 million to the Group was secured to cover the immediate short-term liquidity needs. However, the Group will also require (i) a new larger credit facility to cover the Groups short term liquidity needs, (ii) waivers from certain of the Group's covenants, including both the equity and liquidity covenants, as well as (iii) deferrals of interest payments and amortisations in order to establish a basis for a continued dialogue with its secured lenders and bondholders regarding a sustainable long term financing solution which also is sufficiently robust to cater for the additional uncertainties created by the developments in 2020. Even though there is still uncertainty if a long-term financial solution will be achieved, the Board of Directors believes that a long-term financial solution is obtainable, but no assurance can be given.

On 22 April 2020, the bondholders approved a waiver from and suspension of all payment obligations until 30 June 2020, with possibility to extend to 30 September 2020. The waiver period cannot be extended beyond 30 September 2020 without approval from the bondholdrs.

The disruptive events in 2020 including a significant wakening of the NOK will have a substantial negative impact on the Group's financial statements for the first quarter of 2020. In parallel, the collapse in the oil-price will result in a drop in vessel values, hence considerable impairments will be booked in first quarter 2020. As a consequence, it is expected that the Group's equity will be significant lower in the financial statements for first quarter 2020.

The Group declared a global Covid-19 crisis 27 February and established a global Emergency Response Team (ERT) consisting of executive managers. The ERT is working close with the regional ERT team to mitigate consequences of the crisis.

The Board of Directors recognises there is potential risk connected to the impact of Covid-19 virus disrupting operations of the Group. This might have an adverse effect on the Group's financial performance as a consequence of both internal and external factors. The Group has been able to

DOF Subsea AS

continue normal operations of its vessels even if replacement of crew has become, and is expected to remain, increasingly difficult. There is a general increased risk in the sector of postponements of offshore projects, which also could involve the Group`s vessels and assets. The Board of Directors will continuously monitor financial exposure, taking measure to mitigate the risks and ensure timely recognition of all relevant estimates in the Group's financial reporting.

For further information about events occurring after balance sheet date, please see note 31 'Events occurring after period end' in the consolidated financial statements.

26 Accounting policies

Summary of significant accounting principles

The financial statements of the Company have been prepared in accordance with the Norwegian Accounting Act § 3-9 and Finance Ministry's prescribed regulations from 21 January 2008 on simplified IFRS. Principally, this means that recognition and measurement comply with the International Financial Reporting Standards (IFRS) and presentation and note disclosures are in accordance with the Norwegian Accounting Act and generally accepted accounting principles. The financial statements have been prepared in accordance with the historical cost convention with the following exceptions: available-for-sale financial assets and financial instruments at fair value through profit or loss are subsequently carried at fair value. The fiscal year is the same as the calendar year.

Operating revenue

Operating revenue from management services is recognised when it is probable that transactions will generate future economic benefits that will flow to the Company, and the amount can be reliably estimated. Operating revenue is presented net of value added tax and discounts.

Investment in subsidiaries, joint ventures and associated companies

Investments in shares are based on the cost method.

Dividends

Dividends and Group contributions are accounted for according to IFRS. Dividends and Group contributions are recognised when approved by the General Assembly.

For further information, reference is made to the consolidated financial statements.

Confirmation from the Board of Directors and CEO

We confirm, to the best of our knowledge, that the financial statements for the period from 1 January to 31 December 2018 have been prepared in accordance with approved accounting standards, and give a true and fair view of the Group's and the Company's assets, liabilities, financial position and result of operations and that the report of the Board of Directors provides a true and fair view of the development and performance of the business and the position of the Group and the Company together with a description of the key risks and uncertainty factors that the Group and the Company are facing.

Bergen, 24 April 2020

The Board of Directors of DOF Subsea AS

Helge Møgster Chairman	Helge Singelstad Director	Kathryn M. Baker Director
Hilde Drønen Director	Hans Olav Lindal Director	Mons S. Aase CEO

To the General Meeting of DOF Subsea AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of DOF Subsea AS, which comprise:

- The financial statements of the parent company DOF Subsea AS (the Company), which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of DOF Subsea AS and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2019, statement of comprehensive income, statement of changes in equity 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 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 Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements and the Board of Directors' report, which indicates that the Group is dependent on a long-term solution with banks and bondholders to secure satisfactory financing and liquidity for the Group. As stated in Note 1 and the Board of Directors' report, these events or conditions, along with other matters as set forth in Note 2 and 31 and the Board of Directors' report, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. There is a risk that the Group will not reach an agreement with the lenders, and in such an event the Group could be forced to realise its assets at a significantly lower value than their carrying amount. Our opinion is not modified in respect of this matter.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Independent Auditor's Report - DOF Subsea AS

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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

The Group's business activities are largely unchanged compared to last year. *Impairment assessment of vessels and vessel related equipment* involves similar complexity and risks as previous years and have been considered as key audit matters also for 2019. As the majority of the immaterial assets related to goodwill and deferred tax assets have been impaired due to the challenging market situation, we do not consider this area a key audit matter per year end.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of vessel and vessel related equipment DOF Subsea AS Group has vessels and vessel related equipment with a carrying amount of NOK 10 542 million at 31 December 2019. In line with the Group's accounting policy for impairment of non-financial assets, the Board of Directors has assessed that there were impairment indicators present for the Group's vessels as of 31 December 2019. Consequently, they have carried out an impairment assessment. Based on the results of the impairment assessments, an impairment charge of NOK 545 million was recognised in 2019 resulting in the carrying amounts of certain vessels being written down to their recoverable amount. In addition, joint venture vessels have been impaired, whereas DOF Subsea AS 50% share represent NOK 219 million in 2019. We focused on this area because vessels and vessel related equipment constitute a significant share of the total assets in the Group, and because the assessment of the recoverable amount is complex and involves significant management judgement. Value-in-use ("VIU") for the vessels was estimated using discounted cash flows. Each individual vessel, together with associated contract, was assessed as a separate cash generating unit. Significant	We obtained management's impairment model and considered whether the model contained the elements and methodology IFRS require from such models. We found the model to be in accordance with our expectations. We challenged management's key assumptions such as the projected utilisation, charter hire rates, operating expenses and discount rates, and compared with historical performance, management's internal forecasts and long-term strategic plans that were approved by the Board of Directors. We also considered publicly available information about macroeconomic assumptions relevant to the industry and considered whether the assumptions where consistent with management assumptions and what we know about DOFs business. We found management's assumptions to be within a reasonable range. To consider the reliability of management forecast, we compared previous year's estimates to actual historical performance. We considered whether deviations from the budget had reasonable explanations. We assessed the discount rate by comparing the key components used with external market data. We considered that the discount rates were within an appropriate range. We evaluated the competence and objectivity of the external brokers used by the Group. The range of values derived from the two independent brokers were compared with the VIU estimates. We considered the appropriateness and reliability of the fair value estimates from the external brokers. We were able to conclude that the broker estimates were appropriate as audit evidence.

(2)

management judgement was related to key assumptions such as utilisation, charter hire rates, operating expenses and discount rates.

Fair value less costs to sell ("FVLCS"), was estimated by obtaining professional valuations for each vessel from two well-reputed and independent brokers, taken into account estimated sales commission.

The uncertainty related to valuation of the company's vessels and vessel related equipment are considered to be high due to the challenging market conditions.

We refer to Notes 3 and 32I for the Group's accounting policy for impairment of non-financial assets, and Note 11 where the Board of Directors explain their valuation process for the Group's tangible assets.

However, for some of the vessel categories we observed a larger spread in the broker estimates compared to previous years, which indicate that uncertainty in valuations may have increased.

We lastly evaluated the adequacy of the disclosures made on impairment of vessel and vessel related equipment, including those regarding the key assumptions and sensitivities and found that disclosures appropriately explained management's valuation process and the uncertainties inherent in some of managements assumptions.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except 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 of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the consolidated 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 and using 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.

Independent Auditor's Report - DOF Subsea AS

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 and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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Independent Auditor's Report - DOF Subsea AS

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 and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to 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, 24 April 2020

PricewaterhouseCoopers AS

Sturle Døsen

State Authorised Public Accountant

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