

# 2019

Annual Report

DOF ASA

An aerial photograph of an offshore oil or gas platform situated in a large, deep fjord. The platform is a complex structure with multiple levels, yellow and white hulls, and various industrial equipment. Two red supply vessels, both featuring the 'DOF' logo, are positioned in the water around the platform. One is closer to the viewer on the left, and the other is further out towards the right. The surrounding environment is a mix of deep blue water and rugged, forested mountains under a clear sky.

**Your innovative partner  
in offshore solutions.**





# 2019

DOF ASA ANNUAL REPORT



## WHAT WE OFFER &amp; THE DOF GROUP VISION

# We offer the world's energy innovators integrated offshore services.

## Our vision

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

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## Financial calendar 2020

Preliminary dates for the publishing of the results for DOF ASA are:

DATE	EVENT
15 May 2020	1 <sup>st</sup> quarter 2020
28 May 2020	Ordinary General Meeting
21 Aug 2020	2 <sup>nd</sup> quarter 2020
12 Nov 2020	3 <sup>rd</sup> quarter 2020
25 Feb 2021	4 <sup>th</sup> quarter 2020

The dates are subject to change.

## KEY FIGURES DOF GROUP

# Financial performance

## Key figures DOF Group

From the Profit or Loss	Management reporting		Financial reporting	
	2019	2018	2019	2018
Operating income	7 524	6 938	6 276	6 051
Operating expenses	-4 851	-4 871	-4 461	-4 422
Operating profit (loss) before depreciation and write downs - EBITDA	2 673	2 066	1 815	1 629
Depreciation	-1 314	-1 240	-1 071	-1 063
Impairment	-1 449	-737	-1 130	-691
Operating profit (loss) - EBIT	-90	89	-387	-125
Net finance costs	-1 486	-1 400	-1 165	-1 144
Unrealised currency gain (loss)	-880	-291	-862	-288
Net changes in gain (loss) on derivatives	117	-2	117	-2
Net financial items	-2 249	-1 693	-1 909	-1 435
Profit (loss) before taxes	-2 340	-1 604	-2 296	-1 560
Tax income (expenses)	-542	102	-585	57
Profit (loss) for the year	-2 881	-1 502	-2 881	-1 502
Non-controlling interests	-402	-235	-402	-235
<b>From the Balance sheet</b>				
Vessels and other non-current assets	24 896	26 572	20 273	22 815
Current assets	3 475	4 091	3 190	3 650
<b>Total assets</b>	<b>28 371</b>	<b>30 663</b>	<b>23 464</b>	<b>26 465</b>
Interest free debt	1 575	1 694	1 599	1 665
<b>Net financing of the entity</b>	<b>26 796</b>	<b>28 969</b>	<b>21 865</b>	<b>24 800</b>
Interest bearing debt	23 345	23 191	18 414	19 021
Equity	3 451	5 778	3 451	5 778
<b>Key Figures</b>				
Net cash flow	1)	1 186	667	650
Current ratio	2)	0.52	0.75	0.50
Equity ratio	3)	12%	19%	15%
Capex	4)	1 455	1 483	620
Operating margin	5)	36%	30%	29%
Return on equity ratio	6)	-83%	-26%	-83%
Earnings per share (NOK)	7)	-7.84	-4.09	-7.84
Diluted earnings per share (NOK)	8)	-7.84	-4.09	-7.84
Average number of shares in the period		316 456 168	309 817 198	316 456 168
Number of shares incl mandatorily convertible shares		316 456 168	316 456 168	316 456 168
Outstanding number of shares		307 762 779	293 237 779	307 762 779
1) Profit/loss before taxes + depreciation and write downs +/- unrealised gain/loss on currency +/- net changes in gain/loss on derivatives				
2) Current assets/Current liabilities				
3) Equity/Total assets				
4) Capex, see note 14				
5) Operating result before depreciation and impairment loss/Operating income				
6) Profit for the year/Booked equity				
7) Majority share of profit for the year/Average number of shares. See note 12				
8) Majority share of profit for the year/Potential average number of shares. See note 12				

1) Profit/loss before taxes + depreciation and write downs +/- unrealised gain/loss on currency +/- net changes in gain/loss on derivatives

2) Current assets/Current liabilities

3) Equity/Total assets

4) Capex, see note 14

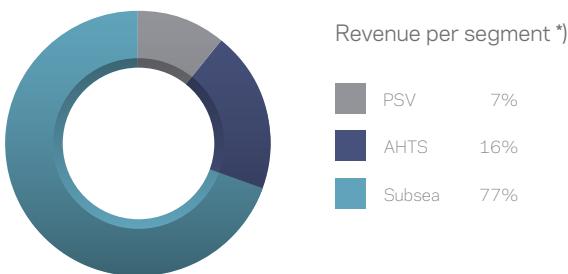
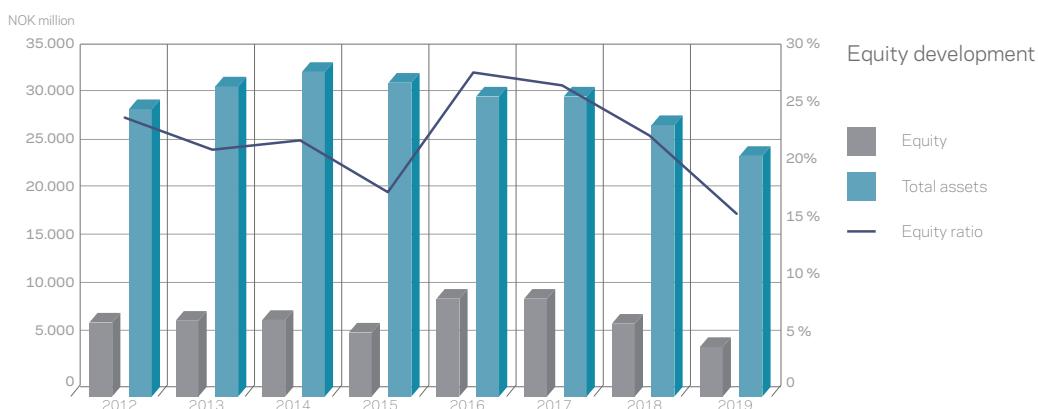
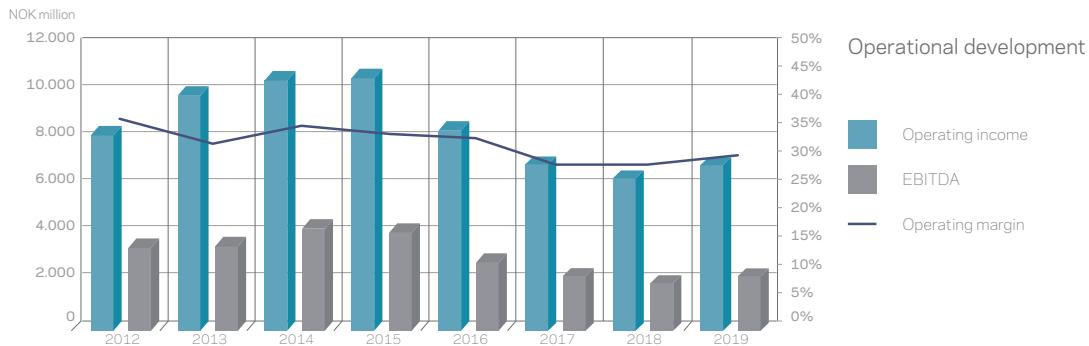
5) Operating result before depreciation and impairment loss/Operating income

6) Profit for the year/Booked equity

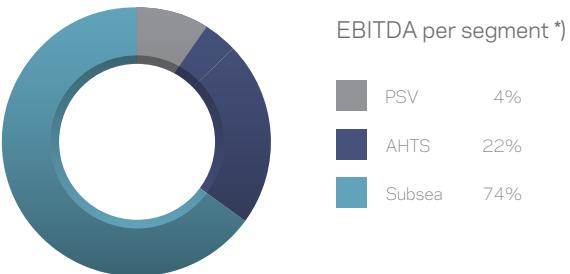
7) Majority share of profit for the year/Average number of shares. See note 12

8) Majority share of profit for the year/Potential average number of shares. See note 12

## KEY FIGURES DOF GROUP



\* Based on management reporting.



# This is DOF ASA

## Company overview

Ever since our beginning in Austevoll in 1981, DOF has continued a proud tradition of delivering safe and quality services to our customers. As of 31 December 2019, DOF has a global workforce of approximately 3,500 employees and a fleet comprising 67 vessels.

The Group operates in three segments of the offshore services market, strategically defined by activities and vessel types: PSV (Platform Supply Vessels), AHTS (Anchor Handling Tug Supply vessels) and Subsea (Subsea vessels and Subsea engineering services).

DOF is positioned as a solid player in the industry with our investment in a state-of-the-art fleet, combined with a strong safety culture and a flexible business model. Leveraging the long-term charter business with the subsea project business, DOF has the flexibility to maximise their market position in each region of operation. During the last decade the company has invested in key regions such as the Atlantic, South America, North America and Asia-Pacific.

No matter where DOF operates in the world, safety is held as the highest priority. DOF strives to be the leader in the fields of health, safety, environment and quality (HSEQ) and systematically promotes these areas in the execution of all activities and operations.

### Subsea Services

Integrated subsea services; wherever, whenever you need them

#### Field Abandonment

#### Field Production



## Positioned in major energy markets



Key takeaways:

**7.5** Billion

Total revenue (management reporting)

**77%**

Average fleet utilisation for 2019

**18.3** Billion

YTD contract backlog excluding options

All totals as of year-end 2019 and all figures in NOK.

## Our activities

Marine Services

Bringing award-winning capability  
to the offshore sector



### Asset overview\*

Subsea 31

AHTS 20

PSV 16

### Subsea equipment

ROV 72

AUV 2

### Regional overview

#### NORTH AMERICA

Subsea 3

USA, Canada

#### SOUTH AMERICA

Subsea 12

AHTS 12

Brazil, Argentina, Guyana

#### ATLANTIC

Subsea 10

AHTS 5

PSV 15

Norway, UK, Egypt,  
Angola, Ghana

#### ASIA-PACIFIC

Subsea 6

AHTS 3

PSV 1

Australia, Brunei,  
India, Indonesia,  
Philippines, Singapore

\* All fleet totals are as of report publication. Totals include two vessels owned less than 50%, three vessels on "management" with purchase options, and one hired in vessel.

## WORDS FROM CEO

## Words from the CEO

We started 2020 with cautious optimism and good reason to believe that the global trend of increased utilisation of our assets and people was set to continue. Given Q3 and Q4 2019 were the best performance for vessel utilisation and operational EBITDA we have delivered in years and with demand and prices for our services improving, we anticipated the worst of recent market challenges were behind us.

### COVID-19 crisis, oil demand, and oil price

2020 brought the unprecedented challenge of a global emergency and our outlook changed dramatically. Our immediate focus is on handling the COVID-19 crisis on a day-by-day basis, specifically the health and safety of our employees. I am proud to say our organisation responded to the situation quickly, and measures have been successful to date. The situation around the globe changes constantly and we monitor the changes to adjust our response accordingly.

In the wake of COVID-19 emergency response oil price recorded an 18 year low before recovering some ground, inventories have built-up and demand is low. Our customers are postponing or terminating projects, in part due to the COVID-19 restrictions and in part to save costs. This will influence our backlog and future earnings, but it is at this point of time too early to see the full impact of these factors. It is difficult to confidently plan longer term, however, we see a high risk of lower activity levels, lower utilisation of our assets and people, and lower pricing due to a reduced oil price.

### Our people are our most important asset

I am proud of our team and their response to COVID-19. We have focused on our values, shown respect for expert advice and guidance and observed restrictions globally. I am impressed by the flexibility and extreme hard work that the organisation has shown to keep people safe, reduce the risk of transmission, and maintain our operations. Our offshore employees have especially shown that they are willing to go the extra mile for DOF.

### 2019

As mentioned above, 2019 was a step in the right direction compared to 2018. Our underlaying EBITDA increased from NOK 2,246 million to NOK 2,861 million. Our fleet utilisation also improved, especially in second half, with an average

utilisation rate for the fleet of 77% in 2019. We ended the year with a firm backlog of approximately NOK 18.3 billion, whereof approximately NOK 5.7 billion was for execution in 2020.

During 2019, we won several important contracts. Some examples include:

- Skandi Feistein (PSV), 5-year contract with Esso Australia;
- MPSVs Skandi Hugen, Skandi Nova, and Skandi Marøy, all extended with five years with ConocoPhillips in Norway;
- Geoholm (Subsea) won a 2-year contract in the Red Sea;
- Skandi Acergy (Subsea) won a 2-year extension with Subsea 7 commencing in 2020.
- RSVs Skandi Chieftain, Skandi Olympia, and Skandi Commander all commenced 3-year contracts with Petrobras.

We also won several shorter contracts securing good utilisation through 2019 and a reasonably good start to 2020. Another highlight during 2019, and a milestone in a two-decade period for DOF, is the delivery of our last PLSV in the DOFCON JV, the Skandi Olinda, which commenced an 8-year contract with Petrobras immediately after delivery.

The Board and Management have since 2<sup>nd</sup> quarter 2019 been working on a long-term refinancing solution for the Group which includes discussions with the banks, the bondholders, and the main shareholders. As a consequence of the sudden and significant uncertainties caused by the recent developments, the ongoing refinancing of the Group will necessarily be delayed. The Group has, however, established a constructive dialogue with its secured lenders with the objective to facilitate a continued financing of the Group and continue its dialogue with the banks and bondholders to secure a long term financing solution, which also must be sufficiently robust after the recent developments. It is, however, currently too early to assess the length of the delay and the implications of these events on the refinancing process.



### Balancing risk & opportunity in a sustainable way

Globally, companies, industries and governments alike are increasingly tasked with greater accountability and transparency in our actions to reduce climate impacts, as well as integrate relevant UN Sustainable Development Goals (SDGs) into strategy and policy.

A decade ago, the DOF Group implemented its commitment to reduce and report greenhouse gas emissions. In 2010 we joined the Carbon Disclosure Project (CDP) where our governance and actions could be assessed by an independent third party and benchmarked against our peers, annually. The DOF Group has since then introduced a structured approach to measure and report our wider sustainability actions. First, by adopting Global Reporting Initiative reporting standards, producing an annual stand-alone report for six consecutive years; by embedding UN Global Compact principles in our policies and code of business conduct and by further aligning with relevant UN SDGs to focus our approach to sustainability.

In the intervening ten years we have also seen the focus on climate action and expectations for global citizenship grow, perhaps no more than in 2019. In the energy sector we see this clearly as energy majors, such as Equinor, align with the Paris agreement and state climate ambitions to reduce the absolute greenhouse gas emissions to near zero within a few decades. Against this backdrop, and given continued challenging market conditions, I am proud to say that DOF has continued its progress and strengthened its efforts and focus on sustainability in 2019. We balance our environmental, social and economic performance and for clarity we report actions towards sustainable operations against our key objectives.

Within this report, for the first time, we present our approach and highlights from the DOF Sustainability Report 2019. You can find the 2019 report, together with our five previous yearly reports, on our website.

### Outlook

My expectation for the coming year is that it will be tough. When we presented our Q4 2019 report, we expressed that we expected our operational EBTIDA for 2020 to be in line with or slightly better than 2019. In the situation our industry is in today it is very difficult to predict how the remainder of 2020 will look. We will need to continue to adapt to the new, temporary market conditions, while at the same time deliver best-in-class results.

I strongly believe that our global presence and our business model strengthens our position. Our focus will be to keep our people safe, win and execute contracts, and secure repeat business with our clients. The key to our success remains unchanged – our people. Lastly, during these times there have been increased challenges above and beyond the workplace and I want to say “Thank you” to every employee and contractor for their extra effort, stamina, and dedication shown while getting the job done.

*Mons S. Aase*  
Chief Executive Officer

## The Board of Directors



**HELGE ARVID MØGSTER**

*Chairman*

Born in 1953, Helge Arvid Møgster was appointed to the Board in 1988. He is one of the main owners and chairman in the Møgster family's holding company, Laco AS, the majority shareholder of Møgster Mohn Offshore AS (the Company's largest shareholder) and the main shareholder of Austevoll Seafood ASA. Mr. Møgster has long experience from both the offshore supply and fishing industry, and holds board positions in several companies, including the position as chairman of the Board of Directors of DOF Subsea AS. Mr. Møgster is a Norwegian citizen and resides in Norway.



**HELGE SINGELSTAD**

*Deputy Chairman*

Born in 1963, Helge Singelstad was appointed to the Board in 2008. He has extensive experience from various types of business such as oil and gas, ship equipment and the seafood sector. Mr. Singelstad chairs and serves on numerous boards of directors, including being the chairman of the Board of Directors in Austevoll Seafood ASA, Lerøy Seafood Group ASA, and Pelagia Holding AS, and is CEO in Laco AS. He holds a degree in computer engineering from Bergen Engineering College, a degree in Business Administration from the Norwegian School of Economics and Administration (NHH), and he has a first year degree from the law school at the University of Bergen (UiB). Mr. Singelstad is a Norwegian citizen and resides in Norway.



**HANS OLAV LINDAL**

*Director*

Born in 1962, Hans Olav Lindal was appointed to the Board in 2019. He is a Norwegian qualified corporate lawyer, admitted to the Supreme Court of Norway and partner of the law firm Advokatfirmaet Thommessen AS 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 Directors 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.



**KATHRYN MOORE BAKER**

*Director*

Born in 1964, Kathryn Moore Baker was appointed to the Board in 2016. 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.

**MARIANNE MØGSTER***Director*

Born in 1974. Marianne Møgster was appointed to the Board in 2016. She currently serves as Senior Vice President of Finance in DOF Subsea AS, and has experience from several other positions in DOF, StatoilHydro and Norsk Hydro. Ms. Møgster has experience as a board member both with the DOF Group and other listed companies such as Lerøy Seafood Group ASA and holds the position as a board member in the University of Bergen (UiB) and Norwegian Hull Club (NHC). She holds a degree in Economics and Business Administration from the Norwegian School of Economics and Administration (NHH). Ms. Møgster 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. He served as CFO and Deputy Managing Director before he became CEO of the Company in 2005, and in 2009, he also became CEO of DOF Subsea AS. 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.

## REPORT OF THE BOARD OF DIRECTORS

# Report of the Board of Directors

## Key notes

The market within the offshore industry has continued to be weak throughout the year. Some regions, like the North Sea, experienced increased activity in 2019, but there is still an oversupply of vessels globally and earnings are not at sustainable levels. A continuing weak market since 2014 has caused a substantial financial risk within the OSV industry, taking into account the dramatic oil price decrease in 2020 the risk has increased significantly. The DOF Group (“Group”) has, since September, been in discussions with its banks and bondholders to establish a sustainable refinancing solution for the Group. The negotiations are still ongoing. The Group is, however, dependent on new agreements with its lenders, which also provides for a sufficiently robust financing of the Group to address the impact of the dramatic developments in 2020. In 2019, the Group achieved an underlying EBITDA (management reporting) of NOK 2,861 million (NOK 2,246 million) and the average utilisation rate of the fleet was 77%. The Group result has, in 2019, been highly impacted by impairments of NOK 1,449 million. The net result before taxes (management reporting) was in 2019 negative with NOK -2,340 million (NOK -1,604 million). Since March 2020, the Energy markets have been significantly disrupted, initially from the COVID-19 driven impact on global oil demand and subsequently an unexpected collapse in the negotiations between OPEC and non-OPEC (incl. Russia) countries, which has generated a steep fall in the oil price. An imbalance between supply and demand will increase the risk of a continuing low oil price and reduced earnings within oil service going forward.

## Introduction

DOF ASA (“the Company”) is the parent company of several subsidiaries and corporations which provide essential offshore and subsea services to the global offshore industry, and own and operate a fleet of PSV (platform supply vessels), AHTS (anchor handling tug support vessels) and Subsea (construction and subsea vessels). Included in the subsea segment are engineering companies that provide services within the subsea project market. The supply vessels (AHTS and PSV) support fields in production as well as development and exploration activities, with the majority of the supply fleet servicing fields in production. The Group’s subsea fleet is a combination of vessels on term contracts and vessels utilised for subsea project activities. The subsea vessels on term contracts are serving the pipelaying market, IMR (Inspection, Maintenance & Repair) and the SURF (Subsea, Umbilicals, Risers & Flowlines) market. The Group’s subsea projects include survey, diving services, ROV operations, construction and IMR among others. The majority of the subsea fleet and all the subsea project activities are performed and owned by the subsidiary DOF Subsea AS.

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

The Group’s business concept is to engage in long-term and industrial offshore business and operate with a contract strategy which focuses on long-term contract coverage for the main share of the fleet. The nominal value of the Group’s contracts (including backlog from the joint ventures) was NOK 18 billion at year-end, but the sharp decline in the oil price, and the responses of the oil companies to this may cause attempts to re-negotiate existing contracts with the Group. The COVID-19 crisis together with the sharp decline in oil price have increased the risk for idle time, further drop in rates and consequently lower earnings.

The Group owns a diversified and advanced fleet of offshore vessels with an average age of approximately 11 years, and a fleet of ROVs (Remote Operated Vehicles) and AUVs (Autonomous Underwater Vehicles). As of 31 December 2019, the Group’s fleet comprised 67 vessels in operation, including vessels fully and partly owned and vessels on management for external parties:

- 16 platform supply vessels (PSV)
- 20 anchor handling tug supply vessels (AHTS)
- 31 subsea/construction vessels (Subsea)
- 72 ROVs and 2 AUVs

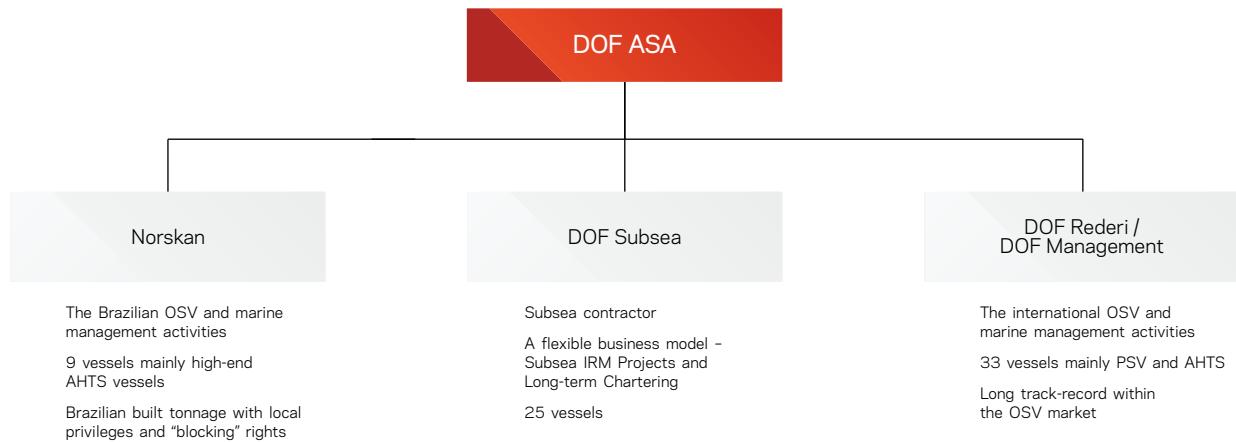
## Asset overview \*\*

	Subsea	31		ROV	72
	AHTS	20		AUV	2
	PSV	16			
	<b>Total</b>	<b>67</b>			

\*\* All fleet totals are as of report publication.  
Totals include vessels wholly and partly owned and vessels on “management” and one hired-in vessel.

The Group has offices on five continents and during the last decade the Group has invested in key regions such as the Atlantic, South America, North America, Asia-Pacific regions and West Africa.

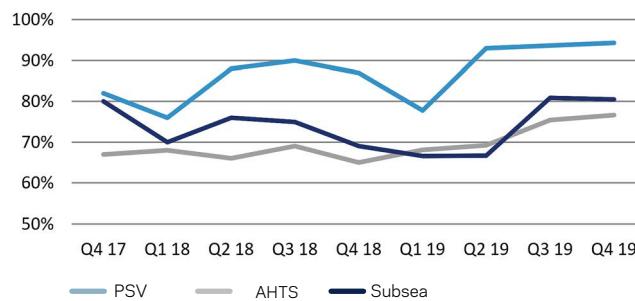
The head office is located at Storebø in Austevoll municipality in Norway.



## Operating segments in 2019

The markets in 2019 have continued to be weak, but in certain regions the activity has increased. The utilisation of the Group's fleet in 2019 was higher compared to previous year (77% versus 74%), and the earnings were higher in some of the segments. On average, the Group has had five vessels in lay-up, representing vessels within the AHTS and Subsea segments. The Group's last newbuilding was delivered in January and has, since delivery, operated on a long-term contract. The Group has until now achieved a higher utilisation rate of its fleet compared to peers and has continued its strategy to seek firm contracts for the fleet. The challenging market conditions caused by the dramatic developments in 2020 has, however, significantly increased the risk of lower utilisation and lower vessel rates going forward.

### Average utilisation of the Fleet



### The PSV & AHTS segment

The **PSV** fleet included by year-end 16 vessels of which one vessel is owned via a minority share. This fleet has, in 2019, achieved a utilisation rate of 90% (85%) and zero vessels in lay-up. The majority of the fleet has operated in the Atlantic region; mainly the North Sea and partly in the Mediterranean and in the Asia-Pacific region. During the second half of the year 2019, two vessels have operated on contracts in Guyana (Latin-America) which is a new area for the Group. The majority of the fleet is owned by the subsidiary DOF Rederi AS and one vessel is owned by the Company via a minority share. The technical and operational performance of the PSV fleet has been good throughout 2019, and the utilisation rate and earnings were better than in 2018. The Group has historically had a high utilisation of the PSV fleet and, by the end of December 2019 the backlog was 78% (68%). A continuing weak market has had a negative impact on the

Group's vessel values. Total booked impairment in 2019 was NOK 92 million (NOK 189 million).

The **AHTS** fleet includes 20 vessels of which two vessels are on management. In 2019, the AHTS fleet achieved a utilisation rate of 72% (67%) which is slightly better compared to the previous year. The AHTS fleet has operated in the South America region (Brazil and Argentina), in the Atlantic region (the North Sea, Mediterranean and West Africa) and in the Asia-Pacific region. The five AHTS vessels in the Atlantic region have mainly operated in the North Sea, and two vessels have partly operated in the Mediterranean and in West Africa during 2019. During the first half 2019, the utilisation in the North Sea spot market was impacted by high volatility for the fleet, but in the second half of 2019, both earnings and utilisation improved. By the end of the year, one vessel was reactivated from lay-up for a contract in the Mediterranean and one vessel arrived from another region for cold lay-up. The operation in South America includes 10 vessels operating in Brazil and one vessel operating in Argentina, however this contract was terminated in December. Ninety percent of the fleet in Brazil are protected by local regulations related to the Brazilian flag, and the backlog and utilisation rate have historically been high for this part of the fleet. However, contract renewals in 2019 have shown a drop in earnings, idle time between contracts and the earlier mentioned developments in 2020, will entail significant new challenges for this part of the fleet. In 2020, more than 50% of the AHTS fleet owned by Norskan have contracts where the firm period ends during the year and there is a high risk that it will be challenging to secure new sustainable contracts in the current environment.

The AHTS fleet is owned by the subsidiaries, Norskan Offshore Ltda. (Norskan) and DOF Rederi AS, and five vessels are owned via a 50/50 joint venture, DOF Deepwater, owned by the Company and Akastor AS. Two vessels are operated as management vessels for an external party. The total backlog for the AHTS fleet by year-end 2019 was approximately 33% (48%). The drop in fair market values has so far mainly had an impact on the oldest and the medium sized AHTS vessels. Total impairment was NOK 339 million (NOK 143 million).

### The Subsea segment

By year-end, the Group operated 31 vessels of which one vessel was hired in from an external party, and one vessel was on management. The majority of the subsea fleet (25 vessels) is owned and operated by the subsidiary DOF Subsea AS ("DOF Subsea").

## REPORT OF THE BOARD OF DIRECTORS

In November 2019, the Company entered into a share purchase agreement with two companies controlled by First Reserve to purchase their 35% stake in DOF Subsea. Upon completion of this acquisition, the Company is the sole shareholder of DOF Subsea.

The activity from the subsea operations includes operations from Subsea IMR project contracts and Long-term Chartering. During 2019, DOF Subsea has operated 18 vessels within the Subsea IMR projects and had by year-end approximately 1,200 employees. The Subsea IMR projects represented 42% of the Group's total revenue in 2019 (management reporting). The Subsea IMR project activities have been performed from four regions, the Atlantic region, the Asia-Pacific region, the North America region, and the South America region. The overall utilisation of the subsea project fleet during 2019 was 72% (68%). The Long-term Chartering comprises nine vessels of which six are PLSVs (pipe laying vessels) owned in a joint venture (DOFCON), 50/50 owned by DOF Subsea and TechnipFMC. Total backlog for the subsea vessels is approximately 72% for 2020 whereof the highest portion is from Long-term Chartering. Total booked impairment in 2019 was NOK 768 million (NOK 405 million) reflecting a drop in fair market values for the oldest part of the fleet and revised VIU (value in use) calculation for some of the vessels. In addition, goodwill and equipment have been impaired by NOK 250 million.

The Atlantic region includes operations in the North Sea, Mediterranean and West Africa where the activity in 2019 was within the IMR segment on existing infrastructure, FPSO installations and mooring projects. The performance from the fleet in the North Sea was weak and during the second half of 2019 three vessels have fully or partly been in lay-up. In West Africa, the activity increased in 2019, and DOF Subsea vessels have operated both on projects and on firm contracts in this region.

In the Asia-Pacific region various IMR frame agreements were the core activities, in addition to several mooring installations and some diving projects. Two vessels have been working on firm contracts with one in the Philippines

and one outside Australia. The remaining fleet has operated on short-term contracts where the utilisation was variable during the first half of 2019, but in the second half of 2019 the activity increased, improving both utilisation and earnings.

The North America region includes operations in Canada and in the US Gulf of Mexico. DOF Subsea has mainly performed survey and positioning and various vessel services from this region. One vessel has operated on a firm contract in Canada and two vessels have fully or partly operated in the US Gulf of Mexico and in Guyana.

The activities in South America represent operations in Brazil and include vessels and ROVs on firm contracts. The fleet comprises one state-of-the art vessel built in Brazil and the marine operation of six other subsea vessels of which one is owned by an external party. The marine operations are done by Norskan, and the ROV operations are done by DOF Subsea Brasil Servicos Limited.

A major activity within subsea in Brazil are the PLSVs (pipelaying vessels) contracts presented as Long-Term Chartering in DOF Subsea. These vessels are the most advanced vessels in the fleet and include contracts with an average remaining duration of 5.5 years. Six vessels (PLSVs) are owned by a joint venture, owned by DOF Subsea and TechnipFMC, whereof four vessels have been operating on long-term contracts with Petrobras. The two remaining vessels in the Brazilian PLSV fleet have partly been in lay-up or in operation during 2019. The remaining fleet within the Long-Term Chartering segment in DOF Subsea have operated on firm contracts.

Although parts of the market for the subsea segment showed some improvements in the second half of 2019, these markets have also been adversely impacted by the dramatic developments in 2020.

#### Marine management

The Group's management activities are performed by the

Amounts in NOK million	PSV		AHTS		Subsea		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Operating income	516	582	1 226	1 228	5 782	5 127	7 524	6 938
Operating result before depreciation and impairment - EBITDA	113	91	578	498	1 982	1 477	2 673	2 066
Depreciation	130	125	350	354	834	762	1 314	1 240
Impairment	92	189	339	143	1 018	405	1 449	737
Operation result - EBIT	-109	-223	-110	1	129	311	-90	89
EBITDA margin	22%	16%	47%	41%	34%	29%	36%	30%
EBIT margin	-21%	-38%	-9%	0%	2%	6%	-1%	1%

subsidiaries DOF Management AS (DOFMAN), and Norskan. DOFMAN's main office is in Norway and the company further controls the subsidiaries' branch offices in UK, Singapore, Australia, Argentina and Egypt. DOFMAN is responsible for the marine management of the Group's fleet with operations outside Brazil and is further responsible for project management of the Group's conversion projects. Norskan is responsible for marine management of the fleet operating in Brazil. The average number of vessels under marine management has been 67 vessels during 2019. By year-end in total approximately 2,300 persons were employed within the marine management activities.

## The market

The oil prices continued to be volatile throughout the year impacted by the uncertainty about the global demand, but with more stabilised prices compared to 2018. At the beginning of 2019, OPEC and non-OPEC oil producing countries (incl. Russia) had agreed to cut their oil production. Oil producer's cuts with unplanned outages supported oil prices to rebound above USD 60/bbl during the first quarter of 2019 and averaged around USD 60-65/bbl throughout the year which continued into the beginning of 2020. However, the subsequent developments in 2020 have led to a sharp decline in the oil price. This will have a negative impact on the Group's market conditions going forward.

The outlook for the offshore industry is now highly uncertain, after the fall in the oil price and the global spread of COVID-19 (giving a distinct shift from the cautious positivity in early 2020). Oil prices have fallen by 60% from start of the year to USD 25/bbl in early April 2020. Global oil consumption is now projected to fall in 2020 which is the first annual decrease of consumption since 2008. The spread of COVID-19 to Europe and the US is set to weaken global oil demand in 2020. After the collapse of the negotiations between OPEC and Russia in early March 2020, the global oil supply is currently projected to grow by 1.4% in 2020, to 101.9m bpd. However, as demand declines, it is becoming more likely that a production cut could be forced by physical storage reaching capacity by later 2020, whether or not OPEC and Russia agree on a production restraint in the coming months.

The outlook for the offshore sector in 2020 was initially cautiously positive, and initial expectations were that offshore markets would build on 2019's moderate rate and utilisation gains during 2020. This now seems unlikely given the recent events, and a more challenging path lies ahead. Numerous operators are scaling back 2020 E&P spending commitments with IOCs typically cutting by 20-30% or more.

Meanwhile, OSV markets remain oversupplied with 24% of all units laid-up as of early March 2020. The pace of supply-side change has continued to slow so far in 2020, reducing the OSV sector's ability to rebalance. Initial expectations for 2020 were for OSV day rates to continue to gradually improve, but this is unfortunately no longer the expectation. The

## Subsea project results in 2019

**3.2**  
BILLION

Subsea project total revenue in 2019

**3.2**  
BILLION

Subsea project firm backlog

**72%**

Utilisation of Subsea project fleet

## Time charter results in 2019

**4.3**  
BILLION

Time charter total revenue in 2019

**15**  
BILLION

Time charter firm backlog

**78%**

Utilisation of the Time charter fleet

## REPORT OF THE BOARD OF DIRECTORS

spread of COVID-19 and the breakdown of OPEC discussions have created major uncertainty and are now likely to be the primary drivers of the market conditions in 2020. The gradual improvements in OSV utilisation and day rates since the start of 2018 are likely to be placed under significant threat.

Large AHTS markets appear likely to be particularly affected by falling oil prices. The demand for towage of deepwater semi-sub rigs will likely be significantly reduced if the current oil price conditions sustain. On the other hand, some demand growth could be experienced for smaller AHTSs in 2020, as requirements for jack-up towage may be less affected in the short-term. The latter growth will, however, not compensate for the mentioned decline. The PSV sector may remain more resilient in the face of market challenges, servicing active fields as well as rigs. However, the PSV segment will be negatively impacted as existing production will be reduced with a continuing low oil price.

Within subsea, the Tier 1 companies experienced a strong order intake throughout 2019. However, the pressure on rates continued and therefore these companies have been reluctant to firm up subsea vessels on long-term contracts. An increased demand was expected for 2020, however with the uncertainty related to oil price, as explained above, several projects may be cancelled or postponed resulting in a decline in vessel demand as well as the risk for either termination or renegotiation of existing contracts.

## Sustainability

Having sustainable operations is important for DOF. The successful balance between social, environmental and economic elements allows the Group to develop 'Sustainable Operations'. This ensures that 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.

'Safe the RITE way' is the guiding philosophy by which the Group safeguards its people, external environment, vessels and subsea assets. 'Safe the RITE way' is the umbrella for the safety program which brings together core values and connects them to strategic areas for sustainable operations.

The Group is guided by the articles of association, the Corporate Governance and Group policies, combined with the Group's 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 Group's Sustainability Report on [www.dof.com](http://www.dof.com).

All DOF Group companies are certified to ISO 9001:2015 and ISO 14001: 2015, and are aligned towards ISO 45001:2018.

### Employees

The market conditions required the organisation to adapt its capacity and posed a threat to the Group's human capital. At the end of 2019, the headcount in the Group was 3,501 people, of which approximately 12% were women.

The market is still challenging with regards to contract terms and rates, and the Board of Directors is continuously monitoring the need for the Group to adapt its capacity. The aim going forward will be to keep the capability to maintain the Group's flexible workforce and to retain core competencies.

### *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 standards 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 DOF in the top six Norwegian companies with the best score related to human rights.

#### **Health, safety, and the working environment**

The Group strives to improve safety and environmental performance across all worksites, globally. The Group experienced five Lost Time Incidents (LTIs) in 2019, which resulted in a Lost Time Incident Frequency (LTIFC) of 0.55 LTIs per million man-hours. With 11 Medical Treatment Cases and four Restricted Workday Cases, the Total Recordable Frequency (TRFC) was 2.2 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 NOPSEMA.

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. The aim for 2019 was to continue to develop the safety program. Going forward, the program will be strengthened by establishing a Safe the RITE way Council, consisting of representatives from executive management and the workforce.

In 2019, absence due to illness has been 2.45 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**

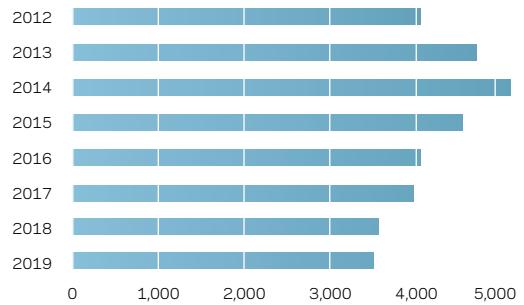
Integrity is the core of multiple aspects of the Group's business model, both from an internal and external perspective. As one of the governing core values, the Group has established integrity training throughout the organisation. This seeks to ensure sound business practices and decisions determined and executed in accordance with the 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 Ethics 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 communication with the reporters even if they prefer to be anonymous, which can be essential during investigations.

## **Human Resources overview**

It is the expertise and competencies of our people that will determine DOF's success.

Number of employees 2019



## **HSEQ overview in 2019**

Safety is our highest priority regardless of where DOF operates in the world.

Performance 2019

Man-hours	8,882,567
LTIs	7
Fatalities	0
Safety observations	25,917
Audits	564
Management visits	401
Lessons learned	708

## REPORT OF THE BOARD OF DIRECTORS

*Anti-corruption and anti-bribery*

The Group has a zero-tolerance policy for bribery and corruption. The Group's 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 desire of the Board of Directors that the Group shall be recognised by its high ethical standards. Anti-corruption and anti-bribery 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 with law*

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

*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 to the external environment and no spills that resulted in fines or other non-monetary sanctions from local governments.

*Climate change and emissions to the air*

The Group 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 our 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, the Group 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.

*Risk Management and Compliance*

The Group's risk management and internal control are based on the principles in the Norwegian Code of Practise for Corporate Governance. The Board of Director's view is that continuous improvement of the Group's operations in a systematic manner is a necessity in order to manage risks and realise opportunities to ensure efficient operations in line with the stakeholder's expectations.

The Group has established routines for weekly, monthly and quarterly reporting regarding operations, liquidity, financing, investments, HSEQ, HR, taxes and legal performance. Five-year financial forecasts including information on market assumptions are prepared on a regular basis. The Group carries out annually detailed budget processes at all levels. Due to generally challenging markets, the focus on liquidity, profit or loss forecast control and financial compliance control has been high during the year. The Board of Directors considers the Group's reporting procedures to be satisfactory and in compliance with the requirements on risk management and internal control.

The operational and financial processes are standardised, and the same reporting and control structures are in use for all companies in the Group. These processes are integrated in the Group's ERP system and supported by the Group's policies, guidelines and standards in the Business Management System (BMS).

The Group's due diligence processes have been strengthened in recent years and involve the global competence within legal, finance and CSR. The new vendor evaluation database allows 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 the UN's sustainability development goals.

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

## Shareholders & the Board

There have not been any significant changes in the share capital of the Company following the share capital reduction in October 2019 from NOK 1,504,438,895 to NOK 300,887,779 by way of reducing the nominal value of the shares from NOK 5 to NOK 1 and the conversion of bonds to new shares in December 2019.

By 31 December 2019 the Company equity consists of a share capital of NOK 307,762,779 divided into 307,762,779 shares each with a nominal value of NOK 1, and 86,933,885 outstanding bonds in the Subordinated Convertible bond established in August 2016. The bondholders may convert their bonds to shares in the Company at NOK 10 per share, and during 2019 a total of 145,250,000 bonds have been converted. The bondholders will be treated as shareholders in the event of a merger of the Company, split or consolidation of shares, de-merger or issue of convertible loans. The bondholders have equal rights as shareholders to receive dividend payments and other distributions to shareholders in the Company. The remainder of the Subordinated Convertible Bond will be converted to shares before July 2021.

The share price was NOK 1.57 by 31 December 2019. Møgster Mohn Offshore AS was the main shareholder and owned 48.95% and 47.6% on a fully diluted basis.

After Frederik W. Mohn stepped down from the Board with immediate effect in September 2019, Hans Olav Lindal was elected as a new board member in a Shareholders meeting in October 2019.

## Financial performance

Group revenue in 2019 totalled NOK 6,276 million (NOK 6,051 million), with an operating profit before depreciation and finance (EBITDA) of NOK 1,815 million (NOK 1,629 million). The increased revenue and EBITDA compared to 2018 is mainly related to more vessels in operation and higher utilisation of the fleet.

### Consolidated Statement of Profit or Loss

Amounts in NOK million	2019	2018	Change
Operating revenue	6 276	6 051	4 %
EBITDA	1 815	1 629	11 %
Depreciation and impairment	-2 202	-1 754	-26 %
EBIT	-387	-125	-209 %

Operating profit amounted to NOK -387 million (NOK -125 million) and has been impacted by depreciation and impairment of in total NOK 2,202 million (NOK 1,754 million). Total depreciation is NOK 1,071 million (NOK 1,063 million) and total impairment is NOK 1,130 million (NOK 691 million). In addition, NOK 350 million (NOK 50 million) has been booked in associated companies and joint ventures. The basis for the impairment is fair market values received from two independent brokers and value in use (VIU) calculations. The drop in the fair market values for the Group's fleet has been 3.1% in 2019. Based on increased financial risk for the Group, the assumptions for the VIU calculations have been evaluated resulting in impairments both of the assets, goodwill and deferred tax assets.

The Group has applied hedge accounting for parts of the revenues related to the Brazil operation. These operations are based on long-term charter contracts in USD secured with debt in corresponding currency. The hedge accounting was terminated in 2019.

Net financial items in 2019 totalled NOK -1,909 million (NOK -1,435 million), of which the net realised and unrealised loss amounted to NOK -982 million (NOK -631 million). Interest costs were NOK -1,024 million (NOK -925 million).

The Group reported a loss before tax for 2019 of NOK -2,296 million (NOK -1,560 million) and loss after tax of NOK -2,881 million (NOK -1,502 million). Adjusted for other comprehensive income the net result was NOK -2,307 million (NOK -1,705 million).

The consolidated balance sheet at year-end 2019 totalled NOK 23,464 million (NOK 26,465 million). Non-current assets mainly comprise vessels, subsea equipment and investments in associated companies and joint ventures totally NOK 20,273 million (NOK 22,815 million). The Group's deferred tax asset totalled NOK 13 million (NOK 898 million) and goodwill amounted to NOK 85 million (NOK 295 million).

### Consolidated Statement of Balance Sheet

Amounts in NOK million	31.12.2019	31.12.2018	Change
Non-current assets	20 273	22 815	-11 %
Cash and cash equivalents	1 395	1 932	-28 %
Equity	3 451	5 778	-40 %
Net interest bearing debt	16 888	17 089	-1 %

The Group reported net interest-bearing debt of NOK 16,888 million (NOK 17,089 million) as of 31 December 2019. The current portion of non-current liabilities due for payment in 2020 totals NOK 4,752 million (NOK 3,534 million), and represents a bond loan of NOK 467 million, scheduled amortisation the next 12 months of NOK 1,786 million, balloon payments of

## REPORT OF THE BOARD OF DIRECTORS

NOK 1,779 million, drawn credit facilities of NOK 550 million and other debt of NOK 170 million. In addition, NOK 9,298 million is reclassified from non-current to current liabilities due to the refinancing process not being concluded in 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 also is sufficiently robust to cater for the uncertainties created by such developments.

Cash flow from operating activities for the Group was NOK 1,874 million (NOK 1,637 million), which was in line with the operating result before depreciation and impairment. Net cash flow from operating activities including interest and taxes paid was NOK 919 million (NOK 701 million). Net cash flow from investing activities was NOK -1 million (NOK -511 million) and cash flow from financing activities was NOK -1,422 million (NOK -430 million).

Cash and cash equivalents for the Group at 31 December 2019 totalled NOK 1,395 million (NOK 1,932 million) of which NOK 216 million (NOK 316 million) is restricted cash. 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 to the subsidiary DOF Subsea has been secured and DOF Subsea is also discussing a larger credit facility. The credit facility, together with waivers on interest payments and instalments, are expected to cover the DOF Subsea'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 19 to the accounts.

**Parent company financial statements**

The parent company financial statements for 2019 show a revenue of NOK 29 million (NOK 22 million) and an operating profit of NOK -34 million (NOK -21 million). Net financial items are NOK -2,814 million (NOK -503 million) and are impacted by impairment on investments in subsidiaries, joint ventures and associates of in total NOK 2,783 million. Losses before taxes were NOK -2,848 million (NOK -524 million) and losses for the year were NOK -2,878 million (NOK -484 million).

The parent company's balance sheet as of 31 December 2019 totals NOK 3,956 million (NOK 6,770 million), of which booked equity totalled NOK 3,238 million (NOK 6,116 million). By year end 2019 the company has a drawn credit facility of NOK 300 million.

**Financing and capital structure**

The Group's operations are essentially financed via long-term loans secured with vessels and related equipment, unsecured bond loans and equity. At year end, the Group's bond debt represents 14% of the total external debt. Export credit funding, mainly GIEK/Export Credit Norway and BNDES (Brazilian Development Bank) represents 36%, and the remaining 50% is funded via reputable international banks.

The Group's vessels built in Brazil have been financed by BNDES, with tenor on average of 18 years, including a fixed interest rate for the duration of the loans. The vessels built in Norway are mainly financed by Export Credit Norway, with a maturity of 12 years, and with GIEK and commercial banks providing guarantees and via ordinary bank loans, all secured by mortgages.

The Board and Management have, since the second quarter of 2019, been working on a long-term refinancing solution for the Group which includes discussions with the banks, the bondholders, and the main shareholders.

The key terms of such refinancing discussions with the banks in DOF Subsea were to extend the bank facilities with four years including new financial covenants and a reduced amortisation profile with a step-up mechanism during the term of the facilities. In respect of DOF Subsea's three outstanding bonds, an extension of the maturities discussed including a reduced interest margin with a PIK structure. The DOFCON JV has not been part of the refinancing discussions and all debt is assumed served with original amortisation.

The above-mentioned refinancing solution was not finally agreed with the banks and bondholders prior to the significant adverse developments in 2020. Following these disruptive events, the Group will be required to reach a refinancing solution which is sufficiently robust to cater for the uncertainties created by such developments.

For the Group's bank facilities in Brazil (BNDES), a reduced amortisation profile applicable from the 1<sup>st</sup> of January 2020 has been approved and these refinancing agreements are in progress to be completed. For the remaining fleet (owned by DOF Rederi and DOF Deepwater JV), discussions have been ongoing to extend the facilities until the end of 2023, including a soft amortisation profile and amended financial covenants. However, such discussions and the solutions to be discussed will also need to take into account significant uncertainties resulting from the developments in 2020.

As part of the refinancing solution initially discussed, it was also contemplated to conduct a rights offering in DOF ASA. An equity injection will, however, necessarily require a refinancing solution for the entire Group which is sufficiently robust to cater for the uncertainties created by the developments in 2020.

The main part of the Group's long-term debt has, in accordance with IFRS, been classified as current debt as per 31 December 2019. The reclassification is based on standstill agreements

of debt service with the banks in certain subsidiaries where the covenant waiver periods are less than 12 months. The reclassification is also based on the assumption that the Group will not be able to honour its current debt service.

As part of the approved waivers for the DOF Group (excluding DOF Subsea), the minimum free liquidity is reduced from NOK 500 million to NOK 250 million. The minimum booked equity requirement of NOK 3,000 million and minimum LTV (Loan to value) of 100% are unchanged. For DOF Subsea, the main financial covenants are NOK 500 million in minimum free liquidity, and a minimum value adjusted equity ratio of 30% (based on management reporting).

A JV owned by the Company and Akastor AS has an agreement with its banks to waive the LTV clauses for the fleet until July 2020. The Company is the guarantor for 50% of the external debt in this JV.

The majority of the Group's vessels on long-term contracts are funded in corresponding currency, mainly USD. The Group's cash on these contracts is to a limited extent exposed, however, the Group's profit and loss accounts and balance sheets may be highly impacted by the fluctuation in currency.

The portion of long-term debt secured with fixed rate of interest is approximately 70% of total debt and includes the debt with fixed interest in BNDES.

The vessels and subsea assets (including the JVs) constitute 86% of the Group's total assets, hence the Group's balance sheet is exposed to fluctuations in the valuations of these assets. The Group receives on a quarterly basis valuation certificates from independent companies. However, there is still a general oversupply of vessels globally, and the impact of COVID-19 and the steep decline in the oil price has significantly increased the risk of an additional material drop in values.

## Risk

### Financial and liquidity risk

The Group is exposed to financial and liquidity risk through its operations and the requirement for refinancing and periodical maintenance of existing vessels.

Over the past years, the Group has executed a substantial newbuilding programme and has historically achieved satisfactory long-term financing of its newbuilding, mainly as the newer fleet has had high contract coverage and stable market values, and due to the long-term relationship with the Group's banks. A sustained weak market has, however, increased the refinancing risk for the Group significantly, and prior to the dramatic developments in 2020 the Group already experienced that regular refinancing was challenging. Following the sudden impacts from COVID-19 and the steep decline in the oil price, the financial and liquidity risk for the Group has increased significantly and a refinancing of the Group will now also have to take into account the uncertainties created thereby.

The Norwegian high yield bond market has been an important financing resource for the Group. However due to the depressed market and several debt-restructurings within the OSV segment, the bond market has practically closed.

### Currency risk

The Group operates globally and is exposed to foreign exchange risk arising from various currency exposures, basically with respect to USD, BRL, AUD, EUR, NOK and GBP. Foreign exchange risk arises from future commercial transactions, contractual obligations (assets), liabilities and investments in foreign operations. The Group aims to achieve a natural hedge between cash inflows and cash outflows and manages remaining foreign exchange risk arising from commercial transactions, through forward contracts and similar instruments as appropriate, or to secure the debt funding in equivalent currency as the committed earnings from the charter contracts. Currency fluctuations may have negative impacts on both the liquidity and the solidity for the Group. The currency fluctuations so far in 2020 have been extreme and at levels never experienced before. This situation has had a substantial negative impact both on the liquidity and solidity of the Group.

### Interest rate risk

The Group is exposed to changes in interest rates as parts of the Group's liabilities have a floating rate of interest. The Group has reduced its interest rate exposure by entering into interest rate swap agreements. Moreover, all vessels with financing via BNDES in Brazil are secured at a fixed rate of interest throughout the duration of the loan.

Of the Group's total long-term debt, 70% has a fixed rate of interest. This includes financing via BNDES and GIEK/Export Credit Norway.

### Credit risk

The Group's credit risk has historically been low as the Group's customers traditionally have had good financial capability to meet their obligations and have had high credit ratings. The sustained challenging market situation has resulted in changes to the credit ratings for some of the Group's customers, and thereby increased the credit risk. Historically, the portion of receivables not being collectable has been low, however during 2019 losses from receivables have increased compared to previous year. The impacts from COVID-19 and a low oil price is expected to increase the credit risk going forward.

### Market and price risk

The Group is exposed to cost increases in general, including conversions and maintenance of vessels. The majority of the Group's conversion contracts and class-dockings with the yards are based on fixed prices. The Group attempts to reduce price risk by signing contracts with suppliers with the necessary financial strength and expertise to complete projects in accordance with agreements.

The Group is exposed to market fluctuations which may result in lower utilisation and reduced earnings for the Group's vessels and services. Attempts are made to reduce

## REPORT OF THE BOARD OF DIRECTORS

this risk by entering into contracts that secure long-term charters for the main portion of the fleet, but the recent developments relating to the declined oil price has made such measures less effective.

The market has further deteriorated in all regions where the Group operates and has negatively impacted the earnings and utilisation of the Group's fleet. A continuing weak market will impact future earnings and utilisation of the Group's fleet going forward. Also, the counter-party risk has increased, and contracts may be cancelled or not renewed if a sustained challenging market situation continues.

**Tax risk**

The Group has a global organisation, operating vessels and delivering services in several different tax jurisdictions. 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 the 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. In general, attention from tax authorities is increasing, and the trend is that each individual country has increased focus on protecting their tax base. OECD and G20 countries' implementation of the Base Erosion and Profit Shifting (BEPS) reporting regime in 2016 is expected to give tax jurisdictions a better basis to evaluate profit for companies operating in a global market. The Group is in compliance with the BEPS reporting requirements.

**Going concern**

The annual accounts are prepared on the assumption of a going concern. However, the events in 2020 give rise to significant doubt on the Group's ability to continue as going concern. As a result of the continued challenging market situation, the Group already in the second quarter of 2019 experienced that regular rollover (or refinancing) of existing loan facilities was impossible. In the third quarter, the Group received temporary deferrals of instalment payments from its bondholders and main banks. The recent events after year-end related to extreme currency fluctuations combined with the sharp decline in the oil price and COVID-19 have had a material negative impact on key financial figures of the Group, related to both equity, solidity and liquidity.

As a consequence of the sudden and significant uncertainties caused by the recent developments, the ongoing refinancing of the Group has been delayed. The Group has, however, established a constructive dialogue with its lenders with the objective to facilitate a continued financing of the Group and will continue its dialogue with the banks and bondholders to secure both a short- and long-term financing solution.

Even though the dialogue with the creditors is constructive, there is a risk that the Group may not reach the required agreements with the creditors. In such event, the Group will not continue as a going concern.

**Profit & loss allocation**

The parent company financial statements have returned a loss of NOK 2,878 million. The Board of Directors proposes to allocate this figure against other reserves.

The consolidated financial statements have returned a loss of NOK 2,881 million, and total comprehensive loss of NOK -2,307 million, of which NOK -363 million is attributed to non-controlling interests, NOK -1,700 million is allocated to other reserves and NOK -244 million from share premium.

**Events after balance sheet date**

Several contracts have been awarded after balance date, see note 35 to the accounts.

In March 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 prices in combination with the extreme currency fluctuations. A short-term liquidity loan of NOK 100 million to the subsidiary DOF Subsea was secured to cover DOF Subsea's immediate short-term liquidity needs. However, the Group will also require (i) a new larger credit facility to cover the Group's 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.

In a Bondholders' meeting on 22<sup>nd</sup> April, the Bondholders in DOF Subsea AS approved a "Standstill Period" until 30 September 2020, upon certain conditions.

The disruptive events in 2020 including a significant weakening of the NOK have had a substantial negative impact on the Group's P&L and balance sheet during first quarter 2020. In parallel, the collapse in the oil price has resulted a drop in vessel values, hence considerable impairments will be booked in first quarter. As a consequence, it is expected the Group's equity will be close to zero by end March 2020.

## Outlook

The North Sea markets within supply (PSV and AHTS) continued to prove better utilisation at the start of the year, and in certain regions the Group experienced increased demand for subsea assets and services. However, the sudden recent developments in the world economy and oil price have resulted in postponement of several offshore projects from the IOCs with the consequence that contracts and tenders submitted have been cancelled or postponed.

The Group will maintain its strategy to secure the fleet on term contracts and the majority of the Group's high-end vessels are still committed on firm contracts and represent the largest portion of the Group's backlog. 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 vessel lay-ups going forward. A continuing weak market will further reduce the earnings and increase the liquidity risk for the Group significantly.

As reported, the Board and Management have been working on a long-term solution to secure satisfactory financing and liquidity for the Group throughout a continuing demanding period. The discussions with the relevant stakeholders are constructive, however no assurance can be given that the Group will be successful at this point of time. The effect of not having a long-term financial solution at the time of this report has affected the classification of debt (see note 22) and may also affect the 'going concern' assumption. If the Group no longer can be treated as a 'going concern', the valuation of the Group's assets must be further revised. Even though the risk has increased as to whether a long-term financial solution can be achieved, the Board of Directors still believe that a solution is obtainable for the Group. This is mainly based on good operational performance, utilisation of the fleet through a demanding period and that the backlog is still high for the Group.

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

Storebø, April 24<sup>th</sup>, 2020

The Board of Directors for DOF ASA



Helge Møgster  
Chairman



Helge Singelstad  
Deputy Chairman



Kathryn M. Baker  
Director



Hans Olav Lindal  
Director



Marianne Møgster  
Director



Mons S. Aase  
CEO

## SUSTAINABILITY

## DOF - Balancing risk & opportunity in a sustainable way.

### Safe the RITE way<sup>®</sup>

Safeguarding our people, the environment, and communities where we operate is our highest priority.

The Safe the RITE way programme is at the heart of our business. Our actions and decisions are always guided by and grounded in our values – Respect, Integrity, Teamwork, Excellence – above all we are Safe. We build sustainability by applying our values to define significance, guide our approach, assess our results and set the ambitions into our future.

It is in this way, we ensure we are honest, fair and equitable in all our dealings. We strive to be the leader in the field of health, safety and working environment, to deserve our reputation and continue to build our future.

The value icon (right) illustrates how the Group safeguards our people, environment, communities and operations. Safe is at the centre of the ICON. Safe is achieved as a result of operating to our values Respect, Integrity and Excellence – and the way they overlap. The Team embrace the values, hold them together and this is symbolised by people holding hands around the values.

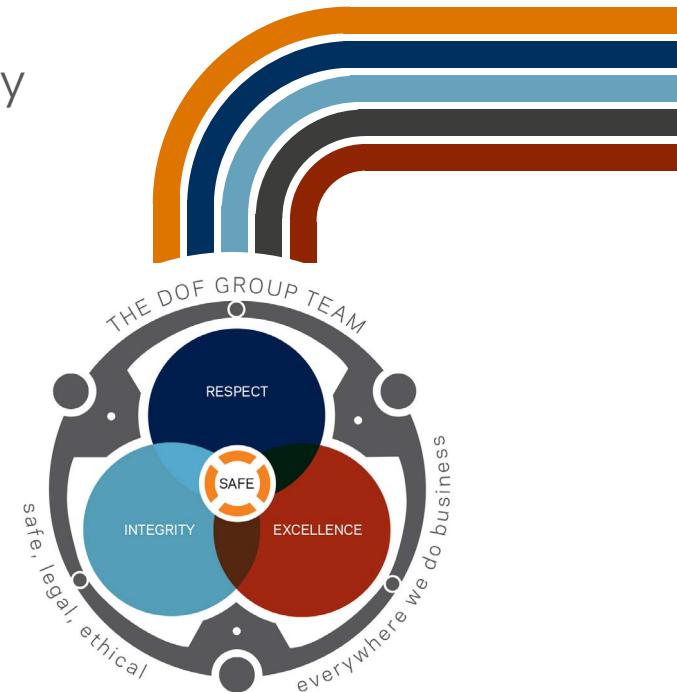
Each value represents a core area within DOF Sustainability context, and the entire report is built upon this to demonstrate compliance in the relevant GRI standards and material aspects assessment.

DOF Values and Material Aspects have been aligned to demonstrate that DOF is a value driven organisation with world-class safety, legal and ethical standards.

#### Ensuring our colleagues go home safely, unharmed

Respect, Integrity, Teamwork, Excellence and above all we are SAFE. Safe the RITE way is how our values interact with each other, shape our remarkable team and are embedded in our policies, our Code of Business Conduct and guide our strong safe and ethical culture. The way these values come together gives a consistent focus and emphasis towards a sustainable business.

Using our Values and our Safe Behaviours as a framework, we have identified key behaviours directly related to following DOF's processes and procedures in the workplace. These key actions can be found in the "Prioritised Critical Behaviours." The integration of these elements actively builds on our work culture to make our core value "above all, we are SAFE" a reality. Most important of all, the goal is to ensure that all of our colleagues go home safely, unharmed.



#### Sustainability highlights in numbers

*The following results are extracted from our fully assured DOF Sustainability Report 2019. Read the complete report at: [www.dof.com/sustainability](http://www.dof.com/sustainability)*

##### CO<sub>2</sub> emissions

Emissions per operational day:

**-8.8%**  
in 2019

##### Spills over 50 litres

Number of unrecovered spills:

**0**  
in 2019

##### ABC training

Number of employees completing Code of Conduct training:

**1,952**  
in 2019

##### Events registered

Events reported in the management system with potential for improvement:

**33,771**  
in 2019

##### Corruption Cases

There have been no corruption cases in 2019.

**0**  
in 2019

##### Fines

There has been no significant fines or non-monetary sanctions due to non-compliance.

**0**  
in 2019

## Sustainability highlights in words

*See more in our sustainability report:  
[www.dof.com/sustainability](http://www.dof.com/sustainability)*

### Safe

- Improvements focusing on simplification of the HSE toolbox, monitoring of risk factors and focus on safety in diving operations.
- New training tools will be implemented.

### Respect

- Improvements focusing on simplification of the HSE toolbox, monitoring of risk factors and focus on safety in diving operations.
- New training tools will be implemented.

### Integrity

- New communication packages will be launched including new tools.
- A new "Intelligent Efficiency" decision support system project started in 2019, development will continue to deliver energy efficiency.

### Teamwork

- Adjustment to Ethics Helpline after 2019 trend analysis to support and educate so concerns can be directed to appropriate channels and handled according to established procedures.
- Vendor evaluation process focusing on SDGs will continue into 2020.
- The DOF workbook roll out in which will renew focus on our code of conduct.

### Excellence

- As part of the new ownership structure, a global organisational development project will be undertaken in 2020.

The DOF Group is a global organisation, operating in a complex environment. Meeting stakeholder expectations and navigating daily challenges, large and small, requires a deep understanding of our values and clearly articulated priorities.

The framework provided by the GRI standard gives the DOF Group a structured approach to ensure vital drivers of sustainable operations are factored into decision making. Ultimately, reporting to the GRI standard provides stakeholders with a view of organisational performance in more than financial terms alone.

#### **Identifying material aspects and conducting a materiality assessment**

To deliver more sustainable operations, DOF must recognise and respond to the most significant aspects of its activities (also known as material aspects). The Group's material aspects were identified through an internal process which analysed internal reports, studies and customers' surveys to establish the most relevant economic, social and environmental topics on which to focus. As a result of the process, key stakeholders were identified through various analyses and consultations and a comprehensive list of material aspects captured. Stakeholder engagement is described later in this report.

#### **Stakeholder engagement**

Stakeholder engagement is a continuous and on-going process. Engagement has been conducted through key stakeholder group workshop sessions, as well as dialogue using existing channels and meeting places, for example, investor meetings, engagement surveys, processes with suppliers and customers. Other relevant opportunities for engagement have been used too, for example, advisory panels, public meetings, multi-stakeholder forums, focus groups, surveys, partnerships, etc.

#### **Validation analysis of the materiality matrix**

With support from DNV GL, a validation analysis of the Group's materiality matrix was conducted (see opposite page). The analysis used a standardised 'Materiality Tool' which consists of predefined external and internal criteria, by which every topic can be measured. These include a broad set of considerations such as financial criteria, sustainability context, DOF's strategy, peer pressure, etc. Each topic's relevance was tested, from low to strategic and where the topic could impact in the value chain, whether positive or negative.

## SUSTAINABILITY

# DOF values & priorities

## Materiality

### Safe

Above all we are SAFE

We are committed to protect the health and safety of our people and our environment.

### Respect

Underpins everything we do and every interaction we have. Respect for people: our colleagues, our customers, and our business partners.

As global citizens we are socially responsible, we respect the individual, the local customs and cultures of our various markets.

Acting with care and consideration is central to our well-being and safety and ensures we minimise our environmental impact.

#### MATERIAL ISSUES \*

##### Health, safety and working environment

- 403-1 Management systems
- 403-2 Hazards & Incidents
- 403-3 Occupational health services
- 403-4 Occupational health and safety engagement
- 403-5 Occupational health and safety training
- 403-6 Promotion of worker health
- 403-7 Occupational health and safety impacts
- 403-8 Occupational health and safety system coverage
- 403-9 Work-related injuries

##### Energy Efficiency & Climate Impact

- 305-1
- 305-2 Emissions
- 302-1 Energy Consumption
- 307-1 Compliance
- 306-3 Significant spills
- 201-2 Financial implication due to climate change

#### OUTSIDE THE ORGANISATION

Global: Employees, shareholders, customers, local communities, NGOs, policy makers, shareholders, suppliers

Global: Customers, civil society, policy makers, local communities, NGOs, shareholders

#### WITHIN THE ORGANISATION

Whole organisation: DOF's ambition is to be an incident-free organisation. We are highly committed to our core values - Safe the RITE way - and we work pro-actively to achieving them.

Safe is significant to DOF and is paramount to our ongoing success and sustainability, we work to ensure we are safe and our team returns safely, everywhere we do business.

Whole organisation: Defining and measuring environmental sustainability risks associated with our business activities is an important activity for the Group. DOF is actively working with its partners on finding energy efficient and CO2 reducing solutions as part of their own efforts to reduce carbon footprint.

#### UN SDG



Safeguarding our people is the overall objective in everything we do. Through the Safe the RITE way framework, DOF has ambition to ensure the good health and well-being of all employees. Measurable key performance indicators are used as part of this work, to monitor the effect of the activities performed within the area.

A new program was developed in 2019, to stimulate physical activity onboard the vessels. This will be an ongoing campaign throughout 2020.

The new Workbook includes a module on Physical, Social and Mental well-being, which puts the different aspects of health together in a holistic approach.

Our continuous efforts on simplification of our safety system and procedures aim to turn the focus from the industry's inbuilt bureaucracy, back to enhanced safe work practices.

The main source of DOF's climate impact is the fuel used by its vessels. DOF has various activities and programs to reduce its climate impact, including: Ship Energy Efficiency Plans (SEEMP), goal of 3% annual reduction (intensity target) in fuel consumption, installation of shore power capability, installation of battery packs on vessels, and participation in the Carbon Disclosure Project (CDP) for transparent environmental reporting.

Through an R&D project with Kongsberg, we aim to use digital solutions to reduce energy usage on our vessels, through Intelligent Efficiency. There is potential for 15%-30% reduction in fuel consumption, ultimately leading to significant reduction in emissions.

DOF also has other internal activities such as preparedness for acute pollution from vessels, using environmentally friendly products (for example non-hazardous hydraulic oil in ROVs) and environmental management plans.

\*Material issues identification is aligned with the GRI Standards

## Integrity

The very corner stone of our business. We behave ethically – always.

We are honest, fair and equitable in all our dealings. We are dedicated to good corporate governance.

We strive to do the right thing not because someone is checking, or looking, but purely because it is the right thing to do.

## Teamwork

Everything we achieve is as a result of teamwork.

Each of us is responsible and open in our professional relationships, cooperative and collaborative, treating one another with dignity and respect.

We do not blame, we find and share solutions and we learn from mistakes. From this platform we build diverse and global teams and strive for free exchange of ideas, experience and knowledge, worldwide.

## Excellence

In everything we do. We are resourceful and responsive to our customers' needs; innovative in the solutions we apply to everyday problems.

We safeguard our individuality and the qualities that set us apart from our competitors, protecting our reputation and the professional trust we have built, we do not walk away from our commitments.

### MATERIAL ISSUES \*

Business Integrity, ethics and payment transparency, Spill avoidance

205-1 Anti-corruption  
205-2 Anti-corruption  
205-3 Anti-corruption  
415-1 Anti-Competitive behaviour  
201-4 Financial assistance  
419-1 Compliance  
414-1 Supplier social screening  
308-1 Supplier environmental screening  
306-3 Significant spills

Our people;  
Labour rights and employee satisfaction

401-2 Employment  
402-1 Labour/Management Relations  
404-3 Performance and career development reviews  
406-1 Non-discrimination  
201-3 Benefit obligations

Product reliability and customer service, Innovation & Climate Resilience

DOF 1 Operational uptime  
DOF 2 Results of surveys measuring customer satisfaction

### OUTSIDE THE ORGANISATION

Global: Customers, civil society, shareholders, suppliers, policy makers, civil society

Global: Employees, shareholders, customers, local communities, NGOs, policy makers, shareholders, suppliers

Global: Employees, shareholders, customers, local communities, NGOs, policy makers, shareholders, suppliers

### WITHIN THE ORGANISATION

Whole organisation: For DOF, business integrity and ethics policy are of high priority and DOF expects their companies and employees to follow and adopt behaviours to protect and build the DOF's reputation, in all situations.

For DOF to be in compliance to law and to industry standards is of strategic priority. In all of the regions where DOF operates, it strictly follows all rules and regulations addressed by the national governments.

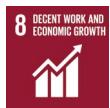
DOF acknowledges the importance for our customers of a reliable partner and that is why we are always seeking to obtain the highest industry standard certifications before accredited bodies.

Whole organisation: DOF understands that acting in accordance with its Code of Business Conduct towards their partners and employees is decisive in achieving the highest standards by which DOF conducts their business activities every day.

Whole organisation: DOF continues to acknowledge that achieving excellence in corporate and operational efficiencies across the organisation is the most important thing it can do that will protect long-term sustainability for the organisation.

Whole organisation: DOF is continuously defining and measuring its sustainability risks such as climate change through measurable and innovative control measures that are being applied within the business.

### UN SDG



By employing local content, DOF contributes to economic growth in the various areas of operation. DOF is also committed to operating responsibly and respecting local laws and regulations. Through its Tax Strategy, DOF ensures that tax is paid fairly to the countries where it operates.

DOF acts ethically and lawfully to protect our reputation and comply with applicable laws and regulations, wherever we do business.

Our Code of Business Conduct gives us clear rules and provides guidance for decision-making in ethical dilemmas. This is particularly important when operating in areas with high risk related to Anti-Bribery and Corruption.

DOF's focus towards Integrity is not limited to ourselves; we strive to ensure that our partners and suppliers operate according to the same standards, for example by assessing all suppliers towards the principles of the UN Global Compact.

DOF operates in many different areas around the world, and some of these areas lack a strong public education system. Either by direct contribution to employees or partnerships with other members of the industry, DOF contributes to quality education of children in challenge areas.

Within DOF, the new Workbook gives the foundation for training in the years to come. By delivering training modules on all aspects of how we work, we have established a unique way to engage training and development of our people.

The DOF Group strives to promote a workplace where all are treated fairly, accepted equally, without any exclusion - in a harassment-free workplace. As a Group, we benefit from the different talents, experiences and perspectives equality and diversity brings to the workplace and the individual contribution employees make. Our guiding principle is that everyone should be treated with dignity and respect at work.

Our industry is now experiencing substantial change, disrupting the way it has traditionally been working. New expectations and requirements appear rapidly, and affect all areas of business, from external environment to operational performance and business ethics.

DOF's Digital Transition strategy highlights different technology development that we expect to see over the next few years. There are many opportunities, but it is not possible to do everything at once. It will therefore be important for DOF to look at the opportunities and make strategic prioritisations of the digital transition and technology development.

In the recent years, DOF has entered into new markets with a developing industry. By bringing decades of experience and expertise, we work together with local stakeholders to facilitate sustainable and resilient infrastructure development.

## SUSTAINABILITY

# Key UN Sustainability Development Goals (SDG) activity in 2019

We conduct business ethically and with integrity, safeguarding people and maintaining the highest principles, wherever we do business.



Everything in place to uphold a culture of legal and regulatory compliance: the foundation for honest, ethical business.

## Strong Intuitions operate to universal principals and give stakeholders the resources to uphold them

In a complex world, safeguarding people and maintaining the highest principles, wherever we do business, is a modern business challenge. The Code of Business Conduct (COBC) is our own blueprint for conducting business fairly and responsibly as was relaunched in 2018.

In 2019 we launched The DOF Workbook, a foundation training program for all employees which builds on our values based “Safe the RITE way” program. The DOF Workbook not only incorporates core and enterprise management disciplines, the training program aims to promote company-wide understanding of the universal principles of sustainability, standards sustainable companies must satisfy and how these apply to the DOF Group activities.

Additionally, the DOF Workbook continues to build safety culture and develops competence in mental health and well-being and enhanced risk perception based on contemporary thinking. The effect will be to strengthen DOF as a values-driven organisation, with a culture shaped by a clear set of ground rules and guiding principles for decision-making, actions and a sense of community.

## Promoting Compliance and Governance and the DOF Watertight Integrity Test

The DOF Workbook and training program is designed to promote compliance and governance through education and understanding. There are specific modules and the theme of compliance runs through the whole workbook - “What we do is as important as the way in which we do it”.

The “DOF Watertight Integrity Test” was introduced in 2018 as a simple tool to support decision making in any situation and us all comply with all legal and regulatory obligations, worldwide.

## Awareness and training for complex issues like Anti-Bribery and Corruption

The COBC was rolled out globally along with comprehensive awareness training and a refreshed mandatory e-learning module. The global Compliance Awareness training program was conducted to promote understanding in this complex area of business. The DOF Workbook and training program covers Business Integrity and Ethics including Bribery and Corruption. The roll-out is a focus in 2020.

## Closing the ‘feedback loop’ with tools

### for transparency and accountability: The Ethics Helpline

The Group introduced the ‘DOF ethics helpline’ in 2018 to give stakeholders anonymity and a 24/7 accessible tool to report concerns. Of the total 48 reports in 2019, trend analysis has been undertaken. There were 35 unique cases, four of them serious, resulting in dismissals.

## Supporting the communities in which we operate

To develop and support the communities in which we work, we actively engage local businesses and offer career pathways and training for local communities. Other Corporate Social Responsibility activity supports early-life education, cultural and sporting programs.

The oceans: a vital natural resource and our workplace.



Climate Action and Life Below Water are key SDGs for the Group: as material aspects, and as a company harnessing our values, it is fundamental we protect the environment. Our actions apply to our ocean settings and our broader climate impacts.

## Reduce Greenhouse Gas emissions

The main source of DOF’s climate impact is fleet fuel consumption. We use a combination of technical solutions and an organisational approach through environmental management systems and strategy to meet our targets for Greenhouse Gas emissions reduction.

1. Environmental initiatives use technological developments and power innovations - The “Intelligent Efficiency” project started in 2019. Together with industry leaders including Kongsberg, DOF is developing a proactive, intelligent, and dynamic decision support system for optimal vessel



## DOF & CDP, since 2010

The DOF Group back all our initiatives up with transparent environmental reporting such as the CDP and GRI Standard - and have been doing so for years - it is the only reliable way to measure our progress and drive change.

The DOF Group has reported environmental performance through the Carbon Disclosure Project (CDP) since 2010. We have consistently ranked in the top 30 per cent, along with other companies judged to have more advanced environmental stewardship. In 2019, the DOF Group is back with a solid B score.

The DOF Group's actions to manage and report our Greenhouse Gas Emissions through the CDP link to our actions relating to relevant United Nations Sustainable Development Goals "17 Goals to transform the world: The Sustainable Development Goals are the blueprint to achieve a better and more sustainable future for all".

## Ethical business along our supply-chain

The new vendor evaluation is mandatory for all suppliers and will produce a master supplier database in our ERP system. The evaluation process will support quality control of approved vendors, and by 31.12.2019 approximately 300 suppliers had been through the qualification process.

Electronic vendor evaluation is designed to ensure universal principles are upheld along our supply chain. The online forms allow for degrees of scrutiny and corresponding requirements, depending on proof of pre-existing controls such as, third-party certification or, what measures the vendor has taken to protect against child labour. In this way Group ensures it has all checks and balances in place.



The DOF Workbook.

Read more at: [www.dof.com/workbook](http://www.dof.com/workbook)

operations, giving fuel and maintenance reductions. The system will inform marine operational decisions by providing more accurate, timely, and easy consumable information to decision makers. The project moved smoothly from steering committee ratification to a prototype onboard Skandi Africa and Skandi Vega. The "Intelligent Efficiency" system has the potential to reduce our vessel's fuel consumption by 15-30 per cent.

The MARESS system, deployed on 30 vessels, uses data models for ECO Speed curve and fuel statistics to drive efficiency and reduce emissions in the DOF fleet.

Our onshore power project continues, allowing for zero emission during vessel port stay where possible. Typically, vessels spend 25-35 per cent of annual operations in port. Six vessels are part of the project Skandi Vega, Skandi Iceman, Skandi Bergen, Skandi Hera, Skandi Flora, and Skandi Mongstad.

Other cleaner fuel initiatives include the introduction of dual powered LNG vessel, Skandi Gamma and energy storage through the installation of battery packs on Skandi Flora and Skandi Mongstad. All of which are aimed at having a positive impact on our climate impact.

**2. Design for efficiency** - Reducing emissions also involves fundamental design principles. Our starting point has been to employ the latest technology in ship design and fuel consumption. For example, vessel bow shape is optimised for eco-drive-in all-weather conditions and designed to minimise free-running fuel consumption in three sea state regimes. Additionally, we minimise fuel consumption by specific route optimisation planning, especially for Platform Supply operations.

**3. Substitute to non-hazardous products** - We have audited controls in place and are prepared to respond to pollution events, but we start with a fundamental 'substitute to environmentally friendly products' principle, for example, using non-hazardous hydraulic oil in ROVs as well as robust environmental management plans.

## CORPORATE GOVERNANCE

# 2019 Corporate Governance

*Adopted by the Board of Directors on 18 August 2017 and updated with effect from 17 October 2018*

## Background

DOF ASA ("DOF" or the "Company"), is the parent company in DOF's group of companies ("The Group"). It is established and registered in Norway and subject to Norwegian law, hereunder corporate law and other laws and regulations.

In 2006 the Company adopted its first formal Corporate Governance Policy. The Company is at all times obliged to act in compliance with laws and regulations as applicable from time to time in respect of handling and control of insider trading rules and information to the shareholders and the market. The latest revision to the Corporate Governance guidelines was published by Norwegian Committee for Corporate Governance (NUES) on 17 October 2018 ([www.nues.no](http://www.nues.no)), and the Company's current Corporate Governance Policy is effective as of that date. This fully reflects the Board's approval of these guidelines without reservation.

## 1 Governance principles

DOF ASA ("DOF" or the "Company") considers good corporate governance to be a prerequisite for value creation and trustworthiness, and for access to capital.

In order to secure strong and sustainable corporate governance, it is important that DOF ensures good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations across the Group.

DOF has governance documents setting out principles for how business should be conducted. These apply to all DOF entities. References to certain more specific policies are included in this corporate governance policy where relevant. DOF's governance regime is approved by the Board. For further information please visit DOF ASA's website [www.dof.com](http://www.dof.com).

## 2 Applicable rules and regulations

As a Norwegian public company listed on the Oslo Stock Exchange, the Company is subject to corporate governance regulations contained in the Public Limited Companies Act 1997 (asal), the Securities Trading Act 2007 (vhpl.), the Stock Exchange Act with regulations (børsreg) and other applicable legislation and regulations.

The Company endorses the Norwegian Code of Practice for Corporate Governance (Nw.: "Norsk anbefaling for eierstyring og selskapsledelse"), issued by the Norwegian Corporate

Governance Board, most recently revised on 17 October 2018 (the "Code").

The Code is based on "the comply or explain principle" whereby listed companies must comply with the Code or explain why they have chosen an alternative approach.

DOF will follow the Code, and any deviation from the Code are included in this corporate governance statement. A description of the most important corporate governance principles of the Company shall also be made available for external parties on the Company's website in accordance with the Company's IR-policy.

## 3 Main objectives for corporate governance in DOF

The Corporate Governance Policy of the Company is a governing document containing measures which are continuously implemented to secure efficient management and control of the activities of the Company.

DOF's corporate governance policy is based on the Code, and as such is designed to establish a basis for good corporate governance, to support achievement of the Company's core objectives on behalf of its shareholders, including the achievement of sustainable profitability for the shareholders of DOF. The manner in which DOF is governed is vital to the development of its value over time.

DOF believes good corporate governance involves openness and trustful cooperation between all parties involved in the Group: the shareholders, the Board and executive management, employees, customers, suppliers, public authorities and society in general.

By pursuing the principles of corporate governance, approved by the Board of DOF, the Board and management shall contribute to achieving the following objectives:

- **Openness.** Communication with the interest groups of DOF shall be based on openness in issues relevant to the evaluation of the development and position of the Company.
- **Independence.** The relationship between the Board, the management and the shareholders shall be based on independence. Independence shall ensure that decisions are made on an unbiased and neutral basis.
- **Equal treatment.** One of DOF's prime objectives is

- equal treatment and equal rights for all shareholders.
- **Control and management.** Good control and corporate governance mechanisms shall contribute to achieving predictability and reducing the level of risks for owners and other interest groups.

The development of, and improvements in, the Company's corporate governance principles are ongoing and important processes that the Board intends to focus on.

## 4 Business

The objective of the Company is to be engaged in trading and shipping business and other offshore related activity, including participation in other companies with the same or similar objects. This statement of objective is set out in §2 of the Company's Articles of Association.

The Board shall define clear objectives, strategies and risk profiles for the Company's business activities so that the Company creates value for shareholders. The Company shall also have guidelines for how it integrates considerations related to its surroundings and stakeholders into its value creation.

The Board shall evaluate these objectives, strategies and risk profiles at least yearly.

## 5 Equity and dividends

### 5.1 Capital adequacy

The Board is responsible for ensuring that the Group has a capital structure that is appropriate to the Company's objective, strategy and risk profile, and that the capital requirements set forth in laws and regulations are met. The Board shall continuously monitor the Group's capital situation and shall immediately take adequate steps should it be apparent at any time that the Company's equity or liquidity is less than adequate.

The DOF ASA share capital was per 31 December 2019 NOK 307,762,779 divided into 307,762,779 shares and the main shareholder Møgster Mohn Offshore AS currently owns 150,638,643 shares, representing approximately 48.95% of the shares or 47.6% on a fully diluted basis. In addition DOF ASA equity per 31 December 2019 consists of 86,933,885 outstanding bonds in the Subordinated Convertible bond established in August 2016. The Bondholders may convert

their bonds to shares in the Company at NOK 10 per share and as of 31 December 2019 a total of 145,250,000 bonds have been converted. The Bondholders will be treated as shareholders in the event of a merger of the Company, split or consolidation of shares, de-merger or issue of convertible loans. The Bondholders have equal rights as shareholders to receive dividend payments and other distributions to shareholders in the Company. The remainder of the Subordinated Convertible Bond will be converted to shares before July 2021.

The Board and Management have since 2<sup>nd</sup> quarter been working on a long-term refinancing solution for the Group which includes discussions with the banks, the bondholders, and the main shareholders.

Upon approval of the proposal by bondholders and approval by the banks of the term sheets for the refinancing, a rights offering with preferential rights for existing shareholders in the Company has been planned to be conducted, subject to satisfactory refinancing terms with the banks and bondholders in the Group. The largest indirect shareholder of the Company, Laco AS, has committed to indirectly subscribe for NOK 200 million in such rights offering. NOK 200 million in the rights issue is assumed to be injected in DOF Subsea AS. Further to the above, as a consequence of the sudden and significant uncertainties caused by the recent extreme currency fluctuations, the sharp decline in the oil price and COVID-19, the ongoing refinancing of the Group has been delayed. The Group has, however, established a constructive dialogue with its secured lenders with the objective to facilitate a continued financing of the Group and continue its dialogue with the banks and bondholders to secure a long-term financing solution, which also must be sufficiently robust after the recent developments.

### 5.2 Dividend policy

The Company shall, at all times, have a clear and predictable dividend policy established and disclosed by the Board. The background to any proposal for the Board to be given an authorisation to approve the distribution of dividends shall be explained.

### 5.3 Authorisations to the Board

Any authorisation granted to the Board to increase the Company's share capital or purchase treasury shares shall be restricted to defined purposes. When the general meeting is to pass resolutions on such authorisations to the Board for different purposes, each authorisation shall be considered and resolved separately by the general meeting. Authorisations

## CORPORATE GOVERNANCE

granted to the Board to increase the share capital or purchase treasury shares shall be limited in time, and shall in no event last longer than two years. However, it is recommended that an authorisation to increase the share capital or purchase of treasury shares does not last longer than until the Company's next annual general meeting and the Company will follow that recommendation.

## 6 Equal treatment of shareholders and transactions with close associates

### 6.1 Basic principles

All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

### 6.2 Share issues without pre-emption rights for existing shareholders

In the event of an increase in share capital through issuance of new shares, a decision to deviate from existing shareholders' pre-emptive rights to subscribe for shares shall be justified. Where the Board resolves to issue shares and deviate from the pre-emptive rights of existing shareholders pursuant to an authorisation granted to the Board by the general meeting, the justification will be publicly disclosed in a stock exchange announcement issued in connection with the share issuance.

### 6.3 Transactions in treasury shares

Any transactions carried out by the Company of treasury shares shall be carried out on Oslo Børs, and in any case at the prevailing stock exchange prices. In the event that there is limited liquidity in the Company's shares, the Company will consider other ways to ensure equal treatment of shareholders. Any transactions by the Company of treasury shares is subject to notification requirements, and shall be publicly disclosed in a stock exchange announcement.

### 6.4 Approval of agreements with shareholders and other close associates

In the event of transactions that are considered to be non-immaterial between the Company and its shareholders, a shareholder's parent company, members of the Board, executive personnel or close associates to any such party, the Board shall arrange for an independent third-party valuation. This will, however, not apply for transactions that are subject to the approval of the general meeting pursuant to the provisions in the Norwegian Public Limited Liability Companies Act. Independent valuations shall also be procured for transactions between companies within the Group if any of the companies involved have minority shareholders. Such transactions must be included in the Company's annual report.

## 7 Freely negotiable shares

The shares of the Company are freely negotiable and there are no limitations in any party's right to own, trade or vote for the shares in the Company.

## 8 General Meetings

### 8.1 General meetings

#### 8.1.1 Exercising rights

The Board shall ensure that the Company's shareholders can participate in the general meeting. The Board shall ensure that:

- the resolutions and any supporting documentation shall be sufficiently detailed, comprehensive and specific to allow shareholders to understand and form a view on all matters to be considered at the general meeting;
- deadlines for shareholders to give notice of their attendance at the general meeting shall be set as close to the date of the general meeting as practically possible. The time limit may not expire earlier than five days before the meeting;
- members of the Board shall be present at general meetings, while members of the nomination committee, the audit committee and the remuneration committee, as well as the auditor shall be present at general meetings where matters of relevance for such committees/persons are on the agenda; and
- that the general meeting is able to elect independent chairperson for the general meeting.

#### 8.1.2 Participation without being present

Shareholders should be able to vote on each individual matter, including on each individual candidate nominated for election. Shareholders who cannot attend the meeting in person should be given the opportunity to vote through proxy or advance voting. The Company should design the form for the appointment of a proxy to make voting on each individual matter possible and should nominate a person who can act as a proxy for shareholders.

#### 8.1.3 Notification

The annual general meeting is held each year no later than six months after the end of each financial year. The 2020 annual general meeting is scheduled for 28 May. Notification will be sent out within the deadlines in the Code of practice, and relevant documentation will be available on the Group's website at least 21 days prior to the general meeting. The financial calendar is published on the internet and through a notification to Oslo Stock Exchange.

### Participation:

It is possible to register by post, or e-mail. Shareholders who cannot attend the meeting can authorise a proxy, and the system facilitates the use of proxies on each individual item for discussion.

Due to the travel restrictions and other related limitations following the COVID-19 outbreak, the Company will to the extent necessary adopt the exemptions from arranging a physical annual general meeting as stated in the Regulation no. 464 dated 27 March 2020, to the Norwegian Public Limited Companies Act 1997. The Board will consider the annual general meeting to be held by video- and/or phone conference, participation by circulations of documents, electronical voting systems or other available alternatives.

## 9 Nomination committee

### 9.1 Composition

The Company shall have a nomination committee, cf. the Company's Articles of Association section 5. The Company's general meeting elects the members and the chairperson of the nomination committee, determines their remuneration and should stipulate guidelines for the duties of the nomination committee.

All the members of the nomination committee are independent from the Company's Board and executive management. No more than one member of the nomination committee may also be a member of the Board, in which case such member shall not be re-elected to the Board. The CEO and other executive management shall not be members of the nomination committee. The composition of the nomination committee should be such that the interests of shareholders in general are represented. The Company's guidelines for the nomination committee have established rules for rotation of the members.

The objectives, responsibilities and functions of the nomination committee shall be in compliance with rules and standards applicable to the Group and which are described in the Company's "Instructions for the nomination committee".

The nomination committee consist of the following members:

- **Roy Reite.** Mr. Reite is General Manager of Fjordlaks AS. He has previously served as CEO of VARD.
- **Kristine Herrebrøden.** Ms. Herrebrøden has in 2018 been appointed District Attorney for the county of Hordaland. She has served as attorney with the Bergen Municipal Attorney's office, and also has extensive experience in financial and corporate transactions and dispute resolution from private law firm practice.
- **Kristian Falnes** (under election). Mr. Falnes has

worked as Portfolio Manager in Skagen Funds for 17 years and has also served as Investment Director. He is currently managing his private investment company and serves as Board Member in companies in various industries.

Ms. Kristine Herrebrøden has been elected for the period ending in 2020 and Mr. Kristian Falnes is up for election for a period of two years, in substitution of Mr. Harald Eikesdal who passed away in December 2019. Mr. Roy Reite is up for election as Chairman of the nomination committee.

### 9.2 Tasks

The nomination committee shall recommend candidates for the election of members and chairman of the Board, candidates for the election of members and chairperson of the nomination committee, and remuneration of the members of the Board and the nomination committee.

The nomination committee's recommendation of candidates to the nomination committee shall ensure that they represent a broad group of the Company's shareholders. The nomination committee's recommendation of candidates to the Board shall ensure that the Board is composed to comply with legal requirements and principles of corporate governance (cf. clause 10 below).

The proposals from the nomination committee shall include a reasoning for its proposal of each candidate, as well as provide a statement of how it has carried out its work. The nomination committee's proposal shall include information about the candidates, and shall be made available in accordance with the 21 days' notice to call for a general meeting. Shareholders shall be given the opportunity to submit proposals to the nomination committee for candidates for election to the Board and other appointments in a simple and easy manner. A date shall be communicated prior to which such proposals must be submitted to be considered by the nomination committee.

## 10 Board; composition and independence

The composition of the Board should consider expertise, capacity and diversity appropriate to attend to the Company's goals, main challenges and the common interests of all shareholders. Each board member should have sufficient time available to devote to his or her appointment as a board member. The number of board members should be decided on this basis, and shall consist of minimum four board members. Further, individuals of the Board shall be willing and able to work as a team, resulting in the Board working effectively as a collegiate body.

The Board shall be composed so that it can act independently of any special interests. A majority of the shareholder-elected

## CORPORATE GOVERNANCE

members of the Board shall be independent of the executive management and material business connections of the Company. Further, at least two of the members of the Board shall be independent of the Company's major shareholder(s). For the purposes of this corporate governance policy, a major shareholder shall constitute a shareholder that owns or controls 10% or more of the Company's shares or votes, and independence shall entail that there are no circumstances or relations that may be expected to be able to influence independent assessments of the person in question.

The Company is in compliance with the regulation to have at least two board members who are independent of a main shareholder (shareholders holding more than 10% of the shares in the Company).

The members of the Board and the chairman of the Board shall be elected by the Company's general meeting. No member of the Company's executive management shall be members of the Board. The general manager is prohibited from being a member of the Board.

At least half of the members in the Company's Board shall reside in Norway or another EEA country unless the Ministry of Finance grants a specific exemption from the statutory residency requirement. Both genders shall be represented at the Board with a minimum of 40% representation each. The term of office for the board members shall not be longer than two years at a time. Members of the Board may be re-elected. The election of the members of the Board should be phased so that the entire Board is not replaced at the same time.

The Company's annual report will provide information regarding the expertise, experience and independence of the members of the Board, as well as information on their history of attendance at board meetings. Further, the annual report will identify the members of the Board that are considered to be independent. Detailed information on candidates for the Board (both appointments and re-elections) shall be made available within the 21 days' notice period for calling a general meeting.

Members of the Board are encouraged to own shares in the Company. However, caution should be taken not to let this

Shares controlled directly and indirectly by Board of Directors

		2019	
		No of shares	Shareholding
<b>Board of Directors</b>			
Helge Møgster (Lafjord AS)	Chairman of the Board	17 755 805	6,06%
Helge Singelstad	Deputy Chairman	417 867	0,14%
Marianne Møgster (Lafjord AS)	Board member	5 684 577	1,94%
Kathryn M. Baker	Board member	-	0,00%
Hans Olav Lindal	Board member	-	0,00%

Via Laco AS, the Møgster family, including Helge Møgster and Marianne Møgster, have indirect control of 66,39% of the shares in Møgster Mohn Offshore AS, the main shareholder of DOF ASA. Lafjord AS is one of the owners in Laco AS. Frederik Mohn (Perestroika AS) owns 33,61% of the shares in Møgster Mohn Offshore AS.

encourage a short-term approach which is not in the best interests of the Company and its shareholders over the longer term.

Board members' shares in the Company (*see table below*).

## 11 The work of the Board

### 11.1 General

The Board will implement instructions for the Board and the executive management, focusing on determining allocation of internal responsibilities and duties. The Board should ensure that members of the Board and executive personnel make the Company aware of any material interests that they may have in items to be considered by the Board. The objectives, responsibilities and functions of the Board and the CEO shall be in compliance with rules and standards applicable to the Group and are described in the Company's "Instructions for the Board of DOF".

In total sixteen board meetings have been arranged during 2019.

### 11.2 Committees

The Board are encouraged to appoint board committees as such may yield efficiency in the Board's work, as well as secure a more thorough and independent handling of matters under the responsibility of the Board. In accordance with Norwegian law, the members of the Board, as a collegial body, are jointly responsible for making decisions. This means that no part of the decision-making responsibility can be delegated to board committees, thus making the role of appointed board committees preparatory for the final decision to be made by the Board as a whole. Where board committees are appointed, the Board shall issue specific instructions for their work. Furthermore, the board committees shall have the ability to make use of resources available in the Company or be able to seek advice and recommendations from sources outside of the Company.

#### 11.2.1 Audit committee

The Company has an audit committee pursuant to the Norwegian Public Limited Companies Act.

The duties and composition of the audit committee shall be in compliance with the Norwegian Public Limited Companies Act. The committee is a working committee for the Board, preparing matters and acting in an advisory capacity.

The members of the audit committee are elected by and amongst the members of the Board for a term of up to two years. The committee members must have the overall competence required to fulfil their duties based on the organisation and operations of the Company. The entire Board shall not act as the Company's audit committee. At least one member of the audit committee should be competent in respect of finance and audit and one be independent of the Company.

The current audit committee consists of Helge Singelstad and Kathryn M. Baker.

The objectives, responsibilities and functions of the audit committee shall be in compliance with rules and standards applicable to the Company, as described in the Company's "Instructions for the audit committee".

### **11.3 Annual evaluations**

The Board shall annually evaluate its performance and expertise for the previous year. This evaluation shall include the composition of the Board and the manner in which its member functions, both individually and as a group, in relation to the objectives set out for its work. The report shall be made available to the nomination committee.

## **12 Risk management and internal control**

### **12.1 General**

It is the Board who has the responsibility to ensure that the Company has sound and appropriate internal control systems and systems for risk management, and that these are proportionate to and reflect the extent and nature of the Company's activities. Having effective internal control systems and systems for risk management in place may prevent the Group from situations that can damage its reputation or financial standing. Furthermore, effective and proper internal control and risk management are important factors when building and maintaining trust, to reach the Company's objectives, and ultimately create value.

Having in place an effective internal control system means that the Company is better suited to manage commercial risk, operational risk, the risk of breaching legislation and regulations as well as other forms of risk that may be material to the Company. As such, there is a correlation between the Company's internal control systems and effective risk management. The internal control system shall also address the organisation and execution of the Company's financial reporting, as well as cover the Company's guidelines etc. for

how it integrates considerations related to stakeholders into its creation of value.

DOF shall comply with all laws and regulations that apply to the Group's business activities. The Group's code of conduct describes the main principles for compliance and how the compliance function is organised.

### **12.2 Policies**

The Company shall have a comprehensive set of relevant corporate manuals and procedures, which shall provide detailed descriptions of procedures covering all aspects of managing the Company's operational business. These procedures and manuals shall continually be revised to reflect the best practice derived from experience or adopted through regulations.

### **12.3 Annual review and risk management in the annual report**

The Board shall annually review the Company's most important areas of risk exposure and the internal control arrangement in place for such areas. The review shall pay attention to any material shortcomings or weaknesses in the Company's internal control and how risks are being managed.

In the annual report, the Board shall describe the main features of the Company's internal control and risk management systems as they are connected to the Company's financial reporting. This shall cover the control environment in the Company, risk assessment, control activities and information, communication and follow-up. The Board is obligated to ensure that it is updated on the Company's financial situation, and shall continually evaluate whether the Company's equity and liquidity are adequate in relation to the risk from the Company's activities, and take immediate action if the Company's equity or liquidity at any time is shown to be inadequate. The Company's management shall focus on frequent and relevant reporting of both operational and financial matters to the Board, where the purpose is to ensure that the Board has sufficient information for decision-making and is able to respond quickly to changing conditions. Board meetings shall be held frequently, and management reports shall be provided to the board as a minimum on a monthly basis. Financial performance shall be reported on a quarterly basis.

## **13 Remuneration of the Board of Directors**

The remuneration of the Board is determined by the shareholders at the Company's annual general meeting, based on the proposal from the nomination committee. The remuneration of the Board shall reflect the Board's responsibility, expertise, the complexity of the Company and its business, as well as time spent and the level of activity in the Board and any board committee members of the Board participate in.

The remuneration of the Board is not linked to the Company's

## CORPORATE GOVERNANCE

performance and share options shall not be granted to members of the Board. The remuneration to the Board shall be such that their independence is protected.

Members of the Board, or companies associated with a board member, shall not engage in specific assignments for the Company in addition to their appointment as members of the Board. If a board member nonetheless does take on any such assignment the entire Board must be informed and the consideration for such additional duties is subject to approval by the Board.

The annual report shall provide details of all elements of the remuneration and benefits of each member of the Board, which includes a specification of any consideration paid to members of the Board in addition to their board remuneration.

## 14 Remuneration of executive management

The Company's guidelines for determining remunerations to the CEO and other executive personnel should at all times support prevailing strategy and values in the Company. These guidelines shall be communicated to the annual general meeting, and shall include the main principles for the Company's remuneration policy as well as contribute to align the interests of shareholders and executive personnel. Performance-related remuneration of the executive management shall be linked to value creation for shareholders or to the Company's profit over time. Such arrangements are meant to incentivise performance and shall be based on quantifiable factors the employee may influence, and then be rewarded accordingly. There should be a cap on performance-related remuneration.

The salary and remuneration of the CEO is determined by the Board in a board meeting. Based on the guidelines communicated to the annual general meeting, the Board shall produce a statement in the Company's report on corporate governance on how the salary and remuneration of the Company's CEO is determined in addition to the remuneration strategy of the executive management, as well as provide an account of the Company's remuneration policy the previous financial year. This statement shall be considered by the Company's annual general meeting before a final resolution is made by the Board.

## 15 Information and communications

### 15.1 General information

The Company shall establish guidelines for its reporting of financial and other information based on openness and taking into account the requirement of equal treatment in the securities market. The Company is obliged to continually provide its shareholders, the Oslo stock exchange and the securities market and financial market in general with timely

and precise information about the Company and its operations. This information shall be published in accordance with the Oslo stock exchange's information system.

Relevant information will be given in the form of annual reports, quarterly reports, press releases, notices to the stock exchange and through published investor presentations in accordance with what is deemed appropriate and required at any given time. Such information shall be published through Oslo Børs' information system and/or be published at the Company's website. The Company shall clarify its long-term potential, including strategies, value drivers and risk factors. The Company shall maintain an open and proactive policy for investor relations, a website designed to incorporate "sound practices", and shall give regular presentations in connection with annual and provisional results.

Unless there are applicable exemptions, and these are invoked, DOF shall promptly disclose all inside information (as defined by the Norwegian Securities Trading Act). In any event, DOF will provide information about certain events, e.g. by the Board and the general meeting concerning dividends, amalgamations, mergers/demergers or changes to the share capital, the issuing of subscription rights, convertible loans and all agreements of major importance that are entered into by DOF and related parties.

Separate guidelines have been drawn up for handling of inside information, see "Instructions for handling of inside information" and "Instructions for primary insiders" ([www.dof.com](http://www.dof.com)). The Company shall also have in place a policy on whom in the Board who is entitled to publicly speak on behalf of the Company on various subjects. Further, the Company should have a contingency plan on how to respond to events of a particular character of interest.

### 15.2 Information to shareholders

In addition to the Boards' dialogue with the Company's shareholders at the general meetings, the Board should make suitable arrangements for shareholders to communicate with the Company at other times. This will enable the Board to develop an understanding of the matters regarding the Company that are of a particular concern or interest to its shareholders. Communications with the shareholders should always be in compliance with the provisions of applicable laws and regulations and in accordance with the principle of equal treatment of the Company's shareholders.

All information distributed to the Company's shareholders will be published on the Company's website at the same time as it is sent to shareholders.

## 16 Takeovers

### 16.1 General

The Board shall have established the main principles for its actions in the event of a takeover offer.

In a takeover process, the Board and executive management each have independent responsibilities to ensure that the Company's shareholders are treated equally and that there are no unnecessary interruptions to the Company's business activities. The Board has a particular responsibility to ensure that the shareholders are given sufficient information and time to assess the offer.

### 16.2 Main principles for action in the event of a takeover offer

In the event of a takeover process, the Board shall abide by the principles of the Code, and ensure that the following take place:

- the Board shall not seek to hinder or obstruct any takeover offer for the Company's operations or shares unless they have valid and particular reasons for doing so;
- the Board shall not exercise mandates or pass any resolutions with the intention of obstructing the takeover offer unless this is approved by the general meeting following announcement of the bid;
- the Board shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the Company;
- the Board shall not enter an agreement with any offeror that limits the Company's ability to arrange other offers for the Company's shares, unless it is self-evident that such an agreement is in the common interest of the Company and its shareholders;
- the Board and executive management shall not institute measures with the intention of protecting their own personal interests at the expense of the interests of shareholders; and
- the Board must be aware of the particular duty it has for ensuring that the values and interests of the shareholders are protected.

In the event of a takeover offer, the Board shall, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Code. This includes obtaining a valuation from an independent expert. On this basis, the Board will make a recommendation as to whether or not the shareholders should accept the offer.

A takeover process gives rise to a particular duty of care to disclose information, where openness is an important tool for the Board to ensure equal treatment of all shareholders. The Board shall strive to ensure that neither inside information about the Company, nor any other information that must be assumed to be relevant for shareholders in a bidding process, remains unpublished.

There are no other written guidelines for procedures to be followed in the event of a takeover offer. The Company has not found it appropriate to draw up any explicit basic principles for DOF's conduct in the event of a takeover offer, other than the actions described above. The Board concurs with what is stated in the Code regarding this issue.

## 17 Statutory auditor

The Board shall ensure that the Company's auditor annually submits the main features of the plan for the audit of the Company to the audit committee annually.

The auditor shall also provide the audit committee with the following:

- an annual written confirmation of its independence;
- information on services other than statutory audit provided to the Company during the course of the financial year; and
- inform about any threats to the auditor's independence, and provide evidentiary documentation of the measures implemented to combat such threats.

The Board shall invite the auditor to meetings that deal with the annual accounts. At these meetings the auditor should report on any material changes in the Company's accounting principles and key aspects of the audit, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the executive management of the Company.

The Board shall at least once a year review the Company's internal control procedures with the auditor, including identification of weaknesses identified by the auditor and proposals for improvement.

In order to strengthen the Board's work on financial reporting and internal control, the auditor shall provide a report to the audit committee on the main features of the audit in respect to the previous financial year, and especially mention any material weaknesses identified in the internal control relating to the financial reporting process.

The Board shall establish guidelines in respect of the executive management's use of the auditor for other purposes than auditing. The auditor shall attend the general meeting if the matters to be dealt with are of such nature that his or her presence is deemed necessary. However, the auditor is in any case entitled to participate in the general meeting.

## DOF GROUP

# Financial Statements DOF Group

## Consolidated Statement of Profit or Loss

Amounts in NOK million	Note	2019	2018
<b>Operating income</b>	5, 6, 7, 15	6 276	6 051
Payroll expenses	8, 30	-2 870	-2 860
Other operating expenses	9, 15, 29, 30	-1 647	-1 840
Share of net profit of joint ventures and associates	32	52	277
Net gain (loss) on sale of tangible assets	14	4	2
<b>Operating expenses</b>		-4 461	-4 422
<b>Operating profit before depreciation and impairment - EBITDA</b>		1 815	1 629
Depreciation	4, 14	-1 071	-1 063
Impairment	4, 13, 14	-1 130	-691
<b>Operating profit - EBIT</b>		-387	-125
Finance income	10	97	121
Finance costs	10	-1 024	-925
Realised currency gain (loss)	10	-237	-341
Unrealised currency gain (loss)	10	-862	-288
Net change in unrealised gain (loss) on derivatives	10	117	-2
<b>Net financial items</b>		-1 909	-1 435
<b>Profit (loss) before taxes</b>		-2 296	-1 560
Tax income (cost)	11	-585	57
<b>Profit (loss) for the year</b>		-2 881	-1 502
Attributable to:			
Non-controlling interest		-402	-235
Controlling interest		-2 480	-1 267
Earnings per share (NOK)	12	-7.84	-4.09
Diluted earnings per share (NOK)	12	-7.84	-4.09

## Consolidated Statement of Comprehensive Income

<b>Profit (loss) for the year</b>		-2 881	-1 502
Other comprehensive income, net of tax			
<b>Items that may be reclassified to profit or loss</b>			
Currency translation differences			
Cash flow hedge	11, 26	712	-260
Cash flow hedge - impairment deferred tax		-240	-
Share of other comprehensive income of joint ventures and associates	32	66	123
<b>Total</b>		562	-205
<b>Items that not will be reclassified to profit or loss</b>			
Defined benefit plan actuarial gain (loss)	8	12	3
<b>Total</b>		12	3
<b>Total other comprehensive income for the year, net of tax</b>		574	-202
<b>Total comprehensive income for the year net of tax</b>		-2 307	-1 705
Attributable to:			
Non-controlling interest		-363	-198
Controlling interest		-1 945	-1 506

## DOF GROUP

## Consolidated Statement of Balance Sheet

Amounts in NOK million	Note	31.12.2019	31.12.2018
<b>Assets</b>			
Tangible assets	14, 15, 22	17 765	18 898
Goodwill	13	85	295
Deferred tax assets	11	13	898
Investments in joint ventures and associated companies	10, 32	1 806	1 547
Non-current receivables	16, 27	604	1 177
<b>Total non-current assets</b>		<b>20 273</b>	<b>22 815</b>
Trade receivables	17, 27	1 200	1 312
Other current assets	18, 26, 27	595	406
<b>Current assets</b>		<b>1 795</b>	<b>1 718</b>
Restricted deposits		216	316
Cash and cash equivalents		1 179	1 616
<b>Cash and cash equivalents included restricted deposits</b>	<b>19, 27</b>	<b>1 395</b>	<b>1 932</b>
<b>Total current assets</b>		<b>3 190</b>	<b>3 650</b>
<b>Total assets</b>		<b>23 464</b>	<b>26 465</b>

# Consolidated Statement of Balance Sheet

Amounts in NOK million	Note	31.12.2019	31.12.2018
<b>Equity and liabilities</b>			
Paid-in equity	20	3 194	3 277
Other equity		87	232
Non-controlling interests	21	170	2 269
<b>Total equity</b>	<b>20</b>	<b>3 451</b>	<b>5 778</b>
Bond loan	22, 27	-	2 480
Debt to credit institutions	15, 22, 27	3 994	13 007
Lease debt		370	-
Other non-current liabilities	8, 11, 23, 26, 27	33	90
<b>Non-current liabilities</b>		<b>4 396</b>	<b>15 578</b>
Current bond loan and debt to credit institution	22, 27	14 198	3 678
Trade payables	24, 27	759	808
Other current liabilities	25, 26, 27	660	623
<b>Current liabilities</b>		<b>15 617</b>	<b>5 110</b>
<b>Total liabilities</b>		<b>20 013</b>	<b>20 687</b>
<b>Total equity and liabilities</b>		<b>23 464</b>	<b>26 465</b>

Storebø, April 24<sup>th</sup>, 2020  
The Board of Directors for DOF ASA



Helge Møgster  
Chairman



Helge Singelstad  
Deputy Chairman



Kathryn M. Baker  
Director



Hans Olav Lindal  
Director



Marianne Møgster  
Director



Mons S. Aase  
CEO

## DOF GROUP

## Consolidated Statement of Changes in Equity

Amounts in NOK million	Paid-in equity			Other equity				Non-controlling interest	Total equity
	Share capital	Share premium	Paid-in equity	Contributed capital	Retained earnings	Currency translation differences	Cash flow hedge		
Balance at 01.01.2019	1 466	1 811	3 277	232	544	196	-740	232	2 269 5 778
Profit (loss) for the year		-244	-244		-2 235	-	-	-2 235	-402 -2 881
Other comprehensive income net of tax				-	40	24	472	535	39 575
Reclassification between CTA and cash flow hedge				-	-	-14	14	-	-
Total comprehensive income for the year	-	-244	-244	-	-2 196	10	486	-1 700	-363 -2 307
Converted bond	45	100	145	-145	-			-145	-
Reduction of nominal value of the shares	-1 204	1 204	-	-	-			-	-
Reclassification		17	17					-	-17 -
Changes in non-controlling interest				-	1 700			1 700	-1 720 -20
Total transactions	-1 158	1 320	162	-145	1 700	-	-	1 555	-1 737 -20
Balance at 31.12.2019	308	2 887	3 194	87	48	206	-254	87	170 3 451
Balance at 01.01.2018	1 276	2 117	3 393	276	1 473	232	-537	1 444	2 505 7 342
Profit (loss) for the year		-362	-362		-906	-	-	-906	-235 -1 502
Other comprehensive income net of tax				-	20	-260	-239	37	-202
Reclassification between CTA and cash flow hedge			-	-	-57	57	-	-	-
Total comprehensive income for the year	-362	-362		-905	-36	-203	-1 145	-198	-1 705
Converted bond	22	22	43	-43	-			-43	-
Share issue settled in cash	168	34	202		-11			-11	191
Dividends	-	-	-	-	-			-	-31 -31
IFRS 9 implementation effect				-	-17			-17	-9 -25
Adjustment of merger effect in subsidiary	-	-	-	-	4			4	2 6
Total transactions with owners	190	55	245	-43	-24	-	-	-67	-38 141
Balance at 31.12.2018	1 466	1 811	3 277	232	544	196	-740	232	2 269 5 778

**Non-controlling interest**

In November 2019, DOF ASA increased their share in DOF Subsea AS from 65% to 100%. The reduced non-controlling interest is reflected in the equity. Please see note 21 for more information about non-controlling interest.

**Convertible bond loan**

Convertible bond loan is classified as contributed capital. Please see note 22 for more information about the convertible bond.

# Consolidated Statement of Cash Flows

Amounts in NOK million	Note	2019	2018
Operating profit		-387	-125
Depreciation and impairment	14	2 202	1 754
Profit (loss) on disposal of tangible assets	14	-4	-2
Share of net income of associates and joint ventures	32	-52	-277
Change in trade receivables	17	112	267
Change in trade payables	24	-50	-65
Change in other working capital		204	201
Exchange rate effect on operating activities		-152	-116
<b>Cash from operating activities</b>		<b>1 874</b>	<b>1 637</b>
Interest received		69	19
Interest paid		-980	-920
Tax paid		-44	-34
<b>Net cash from operating activities</b>		<b>919</b>	<b>701</b>
Payments received for sale of tangible assets	14	6	2
Purchase of tangible assets	14	-510	-510
Purchase of shares		-4	-22
Received dividends		2	-
Net cash flow from other non-current receivables		506	20
<b>Net cash used in investing activities</b>		<b>-1</b>	<b>-511</b>
Proceeds from borrowings	22	-	1 629
Repayment of borrowings	22	-1 403	-2 219
Share issue	12, 20	-	191
Non-controlling interest	21	-20	-31
<b>Net cash flow from financing activities</b>		<b>-1 422</b>	<b>-430</b>
<b>Net changes in cash and cash equivalents</b>		<b>-504</b>	<b>-239</b>
<b>Cash included restricted cash at the start of the period</b>	19	<b>1 932</b>	<b>2 238</b>
Exchange gain (loss) on cash and cash equivalents		-33	-67
<b>Cash included restricted cash at the end of the period</b>	19	<b>1 395</b>	<b>1 932</b>

Restricted cash amounts to NOK 216 million (NOK 316 million) and is included in the cash. Changes in restricted cash is reflected in the cash flow. For further information, please refer to note 19 'Cash and cash equivalents'.

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# Notes to the Consolidated Financial Statements

## 1 General

DOF ASA is a public limited company registered in Norway. The head office is located at Storebø in the municipality of Austevoll, Norway.

DOF is involved in business of industrial offshore activities as owner and operator of modern offshore vessels.

DOF ASA is the parent company of a number of companies, as specified in note 31.

The Group's activities comprise three segments, as specified in note 6.

The Annual Accounts were approved for publication by the Board of Directors on 24<sup>th</sup> of April 2020.

The financial report is divided in the Group accounts and the parent company account. The report starts with the Group accounts.

If not stated otherwise all amounts in the notes are in NOK million.

## 2 Summary of significant accounting principles

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

The consolidated financial statements have been prepared in accordance with the historical cost convention with the following exceptions: financial instruments at fair value through profit or loss and non-derivative instruments designated as hedging instruments are subsequently carried at fair value.

### Going concern

The consolidated financial statements and the Parent Company's financial statements are prepared on the assumption of a going concern. However, the events described below give rise to significant doubt on the Group's ability to continue as going concern. As a result of the continued challenging market situation, the Group in 2<sup>nd</sup> quarter 2019 experienced that regular rollover (or refinancing) of existing loan facilities was challenging. In 3<sup>rd</sup> quarter the Group received temporary deferrals of instalment payment from its bondholders and main banks. The recent events after year end related to extreme currency fluctuations combined with the sharp decline in the oil price and COVID-19 have had a material negative impact on key financial figures of the Group, related to both equity, solidity and liquidity.

As a consequence of the sudden and significant uncertainties caused by the recent developments, the ongoing refinancing of the Group has been delayed. The Group has, however, established a constructive dialogue with its lenders with the objective to facilitate a continued financing of the Group and will continue its dialogue with the banks and bondholders to secure both a short- and long-term financing solution. Even though the dialogue with the creditors is constructive, there is a risk that the Group may not reach an agreement with the lenders, and in such event the Group could be forced to realise its assets at a significantly lower value than their carrying amount.

### Consolidation principles

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 have the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method for business combinations. The consideration transferred for the acquisition of a business is the fair values of the assets transferred, the liabilities assumed and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration classified asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not re-measured.

Goodwill is measured as the excess of consideration transferred plus the amount of non-controlling interest 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 differences is recognised in profit or loss.

Inter-company 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.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary 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.

### 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 Group has assessed the nature of its jointly controlled companies and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

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 using the equity method of accounting.

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Under the equity method of accounting, interests are initially recognised at cost and adjusted thereafter to recognise the Group's share of post-acquisition profit or loss and movements in other comprehensive income. 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 investments in the investee), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the investee.

Unrealised gains on transactions between the Group and its investee 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 investee has been impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investee and its carrying value, recognising the amount in 'share of income of associates and joint ventures' in the profit or loss.

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

#### Segment reporting

The Group's reporting format is determined by business segment, and the Group operates within three business segments:

- 1) PSV (Platform Supply vessel)
- 2) AHTS (Anchor Handling Tug Supply Vessel)
- 3) Subsea (Subsea vessel and subsea engineering )

The segment reporting 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 in the note 5.

#### Conversion of foreign currency

##### a) 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, BRL, GBP and AUD. The consolidated financial statements are presented in Norwegian Krone (NOK).

##### b) 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as unrealised currency gain/loss.

##### c) Group companies

Group entities that have a functional currency which differs from the presentation currency are converted into the presentation currency as follows:

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

When the entire interest in a foreign entity is disposed of or control is lost, the cumulative exchange differences relating to that foreign entity are reclassified to profit or loss.

#### Classification of assets and liabilities

Assets are classified as current assets when:

- the asset forms part of the entity's service 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.

All other assets are classified as non-current assets.

Liabilities are classified as current when:

- the liability forms part of the entity's service cycle, and is expected to be settled in the course of normal production time; 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.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at 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.

#### Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business and classified as current assets. In addition to invoiced amounts, trade receivable also includes accrued, not invoiced revenues when the amounts are independent on future performance. Accrued revenue under lump sum contracts are normally classified as contract assets. These are presented together with trade receivables and specified in the notes.

Trade receivable for which there are no significant financing component are recognised at nominal amounts less expected credit losses. The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivable and contract assets.

### Tangible Assets

Tangible assets are recognised at cost less accumulated depreciation and accumulated impairment losses. The cost of tangible asset 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 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 use. The useful life of tangible asset 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 the estimated fair value today as if the asset was at the end of its useful life. The Group's accounting policy for residual values vessels in the PSV, AHTS and Subsea segments are described in note 4.

Contract costs and ordinary costs related to mobilisation are capitalised and amortised over the contract period. Contract period is based on best estimates taken into consideration normally initial agreed period and 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 installments are due to the yard. 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 vessels. The capitalisation of borrowing costs cease when the vessel is substantially ready for their intended use. Assets under construction are not depreciated before the tangible asset is in 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 4 'accounting estimates and assessments'.

### Periodic maintenance

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

The cost of major modernisation, upgrading and replacement of parts of tangible assets are included in the asset's carrying amount when it is probable that the Group will derive future financial benefits from upgrading the assets. See note 4 for further discussion of periodic maintenance.

### Leases

Implementation of IFRS 16 'Leases' has changed its accounting policy for leases where the Group is the lessee. The effect of the changes is described in separate section at the end of the note and the impact of the change in note 36.

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 profit or loss statement.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were 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 in income on a straightline 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.

### Goodwill

Goodwill is measured as the excess of consideration transferred plus the amount of non-controlling interest and fair value of any previously held equity interest less the fair value of the identifiable net assets acquired in the business combination. When the 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.

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

### Debt

Debt is recognised initially at fair value, net of transaction costs incurred. Debt is subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the

## DOF GROUP

redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

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

Debt is classified as current liability unless the borrowing involves an unconditional right to postpone payment of the liabilities for more than 12 months from the reporting period. The current portion of such debt includes undiscounted instalments due within the next 12 months.

#### Provisions

Provisions are recognised when, and only when, the Group faces an obligation (legal or constructive) as a result of a past event and 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.

#### Contingent assets and liabilities:

Contingent assets are not recognised in the accounts, but is disclosed in the notes to the accounts if there is a certain degree of probability 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 on the accounts because it is improbable that the commitment will result in an outflow of resources;
- liabilities which cannot be measured to a sufficient degree of reliability.

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

#### Equity

Ordinary shares are classified as equity.

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

#### 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 consolidated statement of changes in equity. Gains or losses on disposals to non-controlling interests are also recorded in consolidated statement of changes in equity.

#### 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.

##### *a) 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 service utilised on 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/IRM 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 determining the amount of revenue to recognise is assessed based on input or an 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. When the vessel is off-hire, expenses may be incurred and paid by the Group.

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.

##### *b) 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 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 balance sheet.

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.

#### **c) 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.

#### **d) Mobilisation**

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

#### **e) Dividend income**

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

#### **f) Interest income**

Interest income is recognised using the effective interest method.

#### **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 end of the reporting 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 of the Group's vessels amount operating 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 positions taken in tax returns with respect to situations in which applicable tax regulation is subject to

interpretation and establishes provisions where appropriate 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 accounts. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, see note 4.

Deferred income tax assets are recognised on the balance sheet to the extent it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is calculated on the basis of temporary differences related to investments in subsidiaries and associated companies, except when the company has control of the timing of the reversal of the temporary differences, and it is probable that reversal will not take place in the foreseeable future.

Both tax payable and deferred tax are recognised directly in equity, to the extent they relate to items recognised directly 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 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 ongoing 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.

#### **Employee benefits**

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

##### **(a) 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 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.

##### **(b) 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 balance sheet 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

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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 experience adjustments and changes in actuarial assumptions are charged or credited to equity through other comprehensive income in the period in which they arise.

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

#### Financial assets

From 1 January 2018 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 27). 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;
- \* prepayment and extension features; and
- \* terms that limit the Group's claim to cash flows from specified assets

#### *a) 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. However, see note 26, for derivatives designated as hedging instruments.

#### *b) 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.

#### *c) 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.

#### *d) 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.

#### *e) 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 the separate paragraph in this note regarding trade receivables.

#### Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured on a continuous basis at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has various types of hedging relationships that are not documented as hedge accounting and measured at fair value with the resulting gain or loss recognised immediately in the profit or loss.

The whole carrying amount of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged 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 a current asset or liability.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 26.

#### Hedge accounting

The Group applies hedge accounting hedging of USD/BRL spot exchange rate risk arising from highly probable income denominated in USD.

Movements on the hedging reserve are shown in the consolidated statement of changes in equity and also recognised in other comprehensive income, and the carrying amount of the hedging instrument, net present value of the hedge items, the effective portion of the cash flow hedges and the gain (losses) on hedges are disclosed in note 26.

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

When the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is reclassified when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

#### Subsequent events

New information and other events that provide evidence of conditions that existed at 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 to the accounts.

#### 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 higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4. Changes in accounting estimates are recognised in profit or loss for the period in which they occurred. If the changes also apply to future periods, the effect of the change is distributed over current and future periods.

#### Consolidated statement of cash flows

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

#### Government grants

The Group recognises grants when it is reasonably secured that it will comply with the required conditions for the grant and the grant will be received. The Group receive grants related to the net salary scheme for vessel. These government grants are presented as a deduction in the Payroll expenses in the profit or loss.

#### New standards, amendments and interpretations adopted by the Group

The Group applied IFRS 16 'Leases' from 1 January 2019. The nature and effect of the changes resulting from the adoption of the new accounting standard are described below. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective

IFRS 16 Leases has replaced the current standard IAS 17 Leases and related interpretations. IFRS 16 Leases has removed 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.

Lessor accounting under IFRS 16 Leases is substantially unchanged from previous accounting under IAS 17 Leases. Lessors will continue to classify all leases using the same classification principle as in IAS 17 Leases and distinguish between two types of leases: operating and finance leases.

The Group has adopted the standard at its mandatory date 1 January 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 2 'Accounting policies' and note 36 'Adoption of IFRS 16 as from 1 January 2019' 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.

IFRS 16 Leases redefines financial key figures such as debt ratio and EBITDA. The standard has affected primarily the accounting for the Group's operating leases. The Group has not had any significant impact on the financial statements for leases in which the Group is a lessor, expect for sub-leases. The impact of the IFRS 16 Leases as per the transitional date 1 January 2019 is presented in note 36.

In addition note 36 includes the main policy choices made and form the basis for the Groups IFRS 16 Leases implementation and application work.

## 3 Financial risk management

#### Financial risk factors

The Group 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 -and liquidity risk, capital structure risk and tax risk. The Group's overall risk management seeks to minimise potential adverse effects of the Group's financial performance.

The financial risk management program for the Group is carried out by the Treasury department under policies approved by the Board of Directors. Treasury identifies, evaluates and hedges financial risks in co-operation with the various operating units within the Group. The Board approves the principles of overall risk management as well as policies covering specific areas, such as currency exchange risk, interest risk and credit risk.

#### Market risk

##### Foreign exchange risk

The Group operates globally and is exposed to foreign exchange risk arising from various currency exposures, basically with respect to USD, BRL, AUD, EUR and GBP. The Group's presentation currency is NOK. Foreign exchange risk arises when future commercial transactions, contractual obligations (assets), liabilities and investments are in different currencies than the presentation currency. The Group aims to achieve a natural

## DOF GROUP

hedge between cash inflows and cash outflows and manages remaining foreign exchange risk through forward contracts and similar instruments as appropriate.

Hedging of foreign exchange exposure is executed on a net basis and foreign exchange contracts with third parties are generated at Group level. The Group has used hedge accounting for parts of the revenues (in Brazil) with the objective to reduce the volatility in operational and financial result due to foreign exchange risk. At year-end 2019 the hedge is ineffective, and the hedge accounting is terminated.

Foreign exchange rate changes in receivables, liabilities and currency swaps are recognised as a financial income/expense in the profit or loss statement. Fluctuation in foreign exchange rates will therefore have an effect on the future results and balances.

The Group has a significant amount of liabilities denominated in USD. In conducting the foreign exchange rate sensitivity analysis, a hypothetical change in exchange rates of 10%, 20% and 30% against NOK has been used. Included in 'Liabilities' below are USD debt to financial institutions and bondholders, CAD debt to financial institutions, and any negative foreign currency balances on Cash Pool accounts. The Group has subsidiaries with USD debt, where the subsidiary's functional currency is BRL. The effect of change in BRL to USD is included in the sensitivity analysis below. As the Group has a material investment in a joint venture company which has USD as functional currency, this is included in the sensitivity analysis.

Appreciation			
	10%	20%	30%
Liabilities	1 111	2 224	3 334
Derivative financial instruments <sup>1)</sup>	158	335	512
Investment in joint ventures	-177	-355	-532
Net effect	1 092	2 204	3 314

Depreciation			
	10%	20%	30%
Liabilities	-1 111	-2 224	-3 334
Derivative financial instruments <sup>1)</sup>	-170	-347	-524
Investment in joint ventures	177	355	532
Net effect	-1 104	-2 216	-3 326

1) The change in MTM (market-to- market) recognised in financial derivatives.

Currency effects on current items excluding current portion of long-term liabilities are not included in the above sensitivity analysis. A significant portion of the Group's operating income is denominated in USD. A depreciation of NOK against USD will over a longer period have a positive impact on the Group's future earnings and cash in NOK. Current receivables and liabilities excluding short portion of long-term debt are often in the same currency and are normally due within 30 - 60 days. Over the last year the Group has experienced that payment terms on some receivables have been extended.

Currency fluctuations may have negative impacts on both the liquidity and the solidity of the Group. The currency fluctuations so far in 2020 has been extreme and at levels never experienced before. This situation

has had a substantially negative impact both on the liquidity and solidity for the Group.

#### Interest rate risk

The Group's existing debt arrangements are long-term liabilities at floating or fixed interest rates. Movements in interest rates will have effects on the Group's cash flow and financial condition. The Group's policy is to maintain parts of its debt at fixed interest rates.

The Group manages its cash flow interest risk by using floating-to-fixed interest rate swaps. Such interest swaps have the economic effect of conversion from floating interest rates to fixed interest rates. Through interest rate swaps, the Group 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.

The long-term funding of the Group's vessels built in Brazil are mainly secured at fixed interest rates for the entire duration of the loans. The portion of long term debt secured with fixed rate of interest is 70% per year-end and this includes financing via BNDES and GIEK/Export Credit Norway.

The Group has an interest risk in the change in value for the interest rates swaps. In accordance with IFRS, the Group provides information about the potential risk with a sensitivity analysis. The table below shows the change in market-to-market (MTM) on interest rate swaps at year-end with an increase and decrease of 100bps in 2019. Interest rates are not reduced to less than zero.

Amounts in NOK million	+ 100BPS		- 100BPS	
	USD	NOK	USD	NOK
Interest rate swaps	-	95	-	-65

#### Price risk

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

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

The Group attempts to reduce price risk by signing contracts with suppliers with the necessary financial strength and expertise to complete projects in accordance with agreements.

The Group is exposed to market fluctuations which may result in lower utilisation and reduced earnings for the Group's vessels and services. Attempts are made to reduce this risk by entering into contracts that secure long-term charters for the main portion of the fleet. The market has further deteriorated in all regions where the Group operates and has negatively impacted the earnings and utilisation of the Group's fleet. Also, the counter-party risk has increased and contracts may be cancelled or not renewed if a sustained challenging market situation continues.

#### Credit and Liquidity risk

Credit and liquidity risk arise from cash and cash equivalents, derivatives, financial instruments and deposit with banks as well as payment terms towards clients and suppliers. Liquidity risk management implies

maintaining sufficient cash and marketable securities, and to maintain available funding through committed credit facilities. The Group has a policy of limiting the credit exposure to any single financial institution, and actively manages its exposure in order to achieve this. To have available liquidity in all subsidiaries at all times might be challenging due to challenging market conditions, and inter-company debt may be put in place to secure satisfactory operations in all regions.

The Group's credit risk has historically been low as the Group's customers traditionally have had good financial capability to meet their obligations and have had high credit ratings. The sustained challenging market situation has resulted in changes to the credit ratings for some of the Group's customers, and thereby increased the credit risk. Historically, the portion of receivables not being collectable has been low, however during 2019 losses from receivables have increased compared to previous year. The impacts from COVID-19 and a low oil price may increase the credit risk going forward.

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

The following table shows the maturity of the Group's financial obligations based on contractual, undiscounted cash flows.

Repayments for loans	2020	2021	2022	2023	2024->	Total
Bond loans	467	-	1 292	840	-	2 599
Other interest bearing liabilities	4 193	3 648	1 285	1 786	4 486	15 399
Calculated interest	812	645	435	322	577	2 792
Total	5 472	4 293	3 012	2 949	5 063	20 789

#### Capital structure and equity

The main objective when managing the Group's capital structure is to ensure that the Group is able to sustain an acceptable credit rating and thereby achieve favorable terms and conditions for long term funding which is suitable for the Group's operation and growth. The Group manages its own capital structure and carries out all necessary amendments to the capital structure, based on continuous assessments of the economic conditions under which the operations take place and the short and medium to long-term outlook.

The Group's business is capital intensive and the Group needs to raise funding through bank financing or equity financing to execute the Group's strategy and fund capital expenditures. Over the past years, the Group has executed a substantial newbuilding program and has historically achieved satisfactory long-term financing for its newbuilds, mainly as the newer fleet has had high contract coverage and stable market values, and due to the long-term relationship with the Group's banks. The Norwegian high yield bond market has historically been an important financing recourse for the Group. However, due to the depressed market and several debt-restructurings within the OSV segment, the bond market is currently closed.

The Board and Management have, since second quarter of 2019, been working on a long-term refinancing solution for the Group, which includes discussions with the banks, the bondholders and the main shareholders. A sustained weak market has, however, increased the refinancing risk for the Group significantly, and prior to the dramatic development in 2020 the Group already experienced that

regular refinancing was challenging. Following the sudden impacts from COVID-19 and the steep decline in the oil price, the financial and liquidity risk for the Group has increased significantly and a refinancing of the Group will now also have to take into account the uncertainties created thereby.

The NOK exchange rate has depreciated sharply due to the uncertainty associated with the corona virus and the sharp fall in oil prices. NOK has weakened to historical low levels. Not only are the levels weak, but the weakening has also gone very fast. Neither the development during the financial crisis nor the oil crisis can compare with what has happened since March 2020, and this underlines the seriousness of the situation the industry is in.

The main part of the Group's long-term debt has, in accordance with IFRS, been classified as current debt as per 31 December 2019. The reclassification is based on standstill agreements of debt service with the banks in certain subsidiaries where the covenant waiver periods are less than 12 months. The reclassification is also based on the assumption that the Group will not be able to honour its current debt service.

As a consequence, the amount of current debt has increased with NOK 9.3 billion 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 events after year-end have also made it necessary for DOF to re-assess the current refinancing proposals which are being negotiated with its creditors.

The majority of the Group's vessels on long-term contracts are funded in corresponding currency, mainly USD. The Group's cash on these contracts is to a limited extent exposed, however, the Group's profit or loss accounts and balance sheets may be highly impacted by the fluctuation in currency.

Debt ratio	2019	2018
Interest-bearing debt	18 414	19 021
Interest bearing asset (sub-lease)	131	-
Restricted deposits	216	316
Cash	1 179	1 616
Net interest bearing debt	16 888	17 089
Total equity	3 451	5 778
Total equity and net debt	20 339	22 867
Debt ratio	83%	75%

As part of the approved waivers for the DOF Group (excluding DOF Subsea), the minimum free liquidity is reduced from NOK 500 million to NOK 250 million. The minimum booked equity requirement of NOK 3,000 million and minimum LTV (Loan to value) of 100% are unchanged. For DOF Subsea, the main financial covenants are NOK 500 million in minimum free liquidity, and a minimum value adjusted equity ratio of 30% (based on management reporting).

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## 4 Accounting estimates and assessments

When preparing the annual accounts in accordance with IFRS, the Group management has applied estimates based on best judgement and conditions considered to be realistic. Situations or changes may occur in the markets which may result in changes to the estimates, thereby impacting the Group's assets, liabilities, equity and result.

Assessments, estimates and assumptions which have a significant effect on the accounts are summarised below:

### Vessels

The carrying amount of the Group's vessels represents 70% of the total balance. Consequently, policies and estimates linked to the vessels have a significant impact on the Group's financial statements. Depreciation is calculated on a straight-line basis over the useful life of the asset. Depreciable amount equals historical cost less residual value.

#### *Useful life of vessels*

The level of depreciation depends on the vessels estimated useful lives. The Group has from 01.01.2018 changed the period of useful life for the PSV and AHTS, due to the market expectation for these vessels. Useful life for these vessels are 30 years. Estimated useful life for subsea vessel is 20 years based on strategy, past experience and knowledge of the types of vessels the Group owns. Useful life of older vessels is individually assessed. There will always be a certain risk of events like breakdown, obsolescence e.g. with older vessels, which may result in a shorter useful life than anticipated.

#### *Residual value of vessels*

The level of depreciation depends on the calculated residual value. Assumptions concerning residual value for Subsea vessels are made on the basis of knowledge of the market for second hand vessels. The estimate of residual value is based on a market value of a charter free vessel, and today's fair value forms a basis for the estimate. Fair values are adjusted to reflect the value of the vessels as if it had been of an age and in the condition expected at the end of the useful life. Residual value for PSV and AHTS vessels have been changed as from 1 January 2018 and are estimated based upon the latest available steel-price and the lightweight of the vessels.

#### *Useful life of investments related to periodical maintenance*

Periodic maintenance is related to major inspections and overhaul costs which occur at regular intervals over the life of an asset. The expenditure is capitalised and depreciated until the vessel enters the next periodical maintenance. Estimated life of each periodical maintenance program is normally 5 years. When new vessels are acquired, a portion of the cost price is classified as periodic maintenance based on best estimates.

### Impairment of assets

#### *Vessels*

For the purposes of assessing impairment for 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 the brokers' estimates, taken into account sales commission. For vessels

older than 10 years within the PSV and AHTS segment the Group has used the lower value in the range of broker estimates. 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 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.

After the evaluation, the Group has concluded that the broker estimates are 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 income rates, utilisation, operational and capital expenditure.

For vessels fixed on firm long-term contracts, the assumption is that the contracts run up until expiry of the contracts. Options held by the customers are not assumed to be exercised, unless the options are at or below current market rates. For vessels without 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 for the next 1-2 years, and gradually normalised to historical average levels thereafter. Due to the current market situation there is a high level of uncertainty related to the estimates.

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. The nominal WACC used in the value in use calculations are ranging from 8.4%-9.3%.

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

The Group performs impairment testing of the assets on a quarterly basis, and by year the principles for impairment was evaluated, including a comparison of impairment booked among peers. The drop in vessel values has since 2014 been impacted by the age of the fleet and the mix of vessel segments, hence a smaller drop within the Subsea segment compared with the AHTS and PSV segment. The Group has further

benefitted by a high backlog and a historical high utilisation of the fleet, and been privileged by high local content in certain countries (i.e. Brazil).

#### **ROVs**

The Group has divided all ROVs into two pools of ROVs. Each pool of ROVs is identified as a separate cash generating unit. Value in use calculation is performed for each pools 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 which the goodwill is monitored. Each operational segment consists of several cash generating units (CGU).

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 the Subsea segment, goodwill is supported by value in use based on cash flow from both subsea engineering and subsea vessel in the 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. Cash flows are based on budgets and forecast presented to the Board covering five years. Management has used the same expectation about market development as for the impairment test of vessels. The impairment test demonstrated that recoverable amount on the subsea engineering was lower than carrying amount, and all goodwill allocated to the subsea engineering was impaired. For the subsea vessel, the value in use was higher than carrying amount of NOK 85 million and no further impairment was required. Reference are made to note 13 Goodwill and note 14 Tangible assets for further information about assumptions and sensitivities.

#### **Tax**

Changes in tax regimes may adversely affect the Group's cash flow and financial conditions. Certain companies in the Group are subject to special tax rules for ship owners in different jurisdictions. 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. The Group is also subject to transfer pricing regulations in various jurisdictions which might impose the tax risk for 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 accounts per IAS 12.

Deferred tax assets are recorded in the consolidated statement of balance sheet on the basis of unused tax losses carried forward or deductible temporary differences to the extent that it is probable that there will be sufficient future earnings available against which the loss 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 872 million related to change in deferred tax asset.

For further information about deferred tax assets and tax loss carried forward, please refer to note 11 '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 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 year-end either in an administrative or legal process with local tax authorities. Tax claims are disputed, and the Group considers the risk of negative outcomes of the tax claims to be lower than 50% and has not recognised any liability regarding tax claims.

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 11 '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 the 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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## 5 Management reporting

The reporting below is presented according to internal management reporting, based on the proportional consolidation method of accounting of jointly controlled companies. The bridge between the management reporting and the figures reported in the financial statement is presented below.

	Statement of Profit or Loss		2019		2018	
	Management reporting	Reconciliation to equity method	Financial reporting	Management reporting	Reconciliation to equity method	Financial reporting
Operating income	7 524	-1 248	6 276	6 938	-887	6 051
Operating expenses	-4 808	291	-4 517	-4 868	168	-4 700
Net profit from associated and joint ventures	-47	99	52	-5	282	277
Net gain on sale of tangible assets	4	-	4	2	-	2
<b>Operating profit before depreciation EBITDA</b>	<b>2 673</b>	<b>-858</b>	<b>1 815</b>	<b>2 066</b>	<b>-437</b>	<b>1 629</b>
Depreciation	-1 314	242	-1 071	-1 240	177	-1 063
Impairment	-1 449	319	-1 130	-737	46	-691
<b>Operating profit - EBIT</b>	<b>-90</b>	<b>-296</b>	<b>-387</b>	<b>89</b>	<b>-214</b>	<b>-125</b>
Financial income	42	54	97	51	70	121
Financial costs	-1 273	249	-1 024	-1 099	174	-925
Net realised currency gain (loss)	-255	18	-237	-352	12	-341
Net unrealised currency gain (loss)	-880	18	-862	-291	3	-288
Net changes in fair value of financial instruments	117	-	117	-2	-	-2
<b>Net financial costs</b>	<b>-2 249</b>	<b>340</b>	<b>-1 909</b>	<b>-1 693</b>	<b>259</b>	<b>-1 435</b>
<b>Profit (loss) before taxes</b>	<b>-2 340</b>	<b>44</b>	<b>-2 296</b>	<b>-1 604</b>	<b>44</b>	<b>-1 560</b>
Taxes	-542	-44	-585	102	-44	57
<b>Profit (loss)</b>	<b>-2 881</b>	<b>-</b>	<b>-2 881</b>	<b>-1 502</b>	<b>-</b>	<b>-1 502</b>
Statement of Balance sheet		Balance 31.12.2019		Balance 31.12.2018		
	Management reporting	Reconciliation to equity method	Financial reporting	Management reporting	Reconciliation to equity method	Financial reporting
<b>ASSETS</b>						
Tangible assets	24 303	-6 537	17 765	25 074	-6 175	18 898
Goodwill	85	-	85	295	-	295
Deferred taxes	200	-187	13	1 006	-108	898
Investments in joint ventures and associated companies	45	1 760	1 806	89	1 458	1 547
Other non-current receivables	263	341	604	109	1 069	1 177
<b>Total non-current assets</b>	<b>24 896</b>	<b>-4 623</b>	<b>20 273</b>	<b>26 572</b>	<b>-3 757</b>	<b>22 815</b>
Receivables	1 761	35	1 795	1 851	-134	1 718
Cash and cash equivalents	1 715	-320	1 395	2 240	-308	1 932
<b>Total current assets</b>	<b>3 475</b>	<b>-285</b>	<b>3 190</b>	<b>4 091</b>	<b>-441</b>	<b>3 650</b>
<b>Total assets</b>	<b>28 371</b>	<b>-4 908</b>	<b>23 464</b>	<b>30 663</b>	<b>-4 198</b>	<b>26 465</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity</b>	<b>3 451</b>	<b>-</b>	<b>3 451</b>	<b>5 778</b>	<b>-</b>	<b>5 778</b>
Non-current liabilities	8 422	-4 026	4 396	19 406	-3 828	15 578
Current liabilities	16 498	-882	15 617	5 479	-370	5 110
<b>Total liabilities</b>	<b>24 920</b>	<b>-4 908</b>	<b>20 013</b>	<b>24 885</b>	<b>-4 198</b>	<b>20 687</b>
<b>Total equity and liabilities</b>	<b>28 371</b>	<b>-4 908</b>	<b>23 464</b>	<b>30 663</b>	<b>-4 198</b>	<b>26 465</b>

## 6 Segment information

The segment reporting is based on the management reporting. See note 5 for description about accounting policies used for management and segment reporting, as well as reconciliation to the financial statements.

### Business segment

The DOF Group operates within three business segments in terms of strategic areas of operation and vessel types. The three different business segments are: PSV (Platform Supply Vessel), AHTS (Anchor Handling Tug Supply Vessel) and Subsea (Subsea vessel and subsea engineering). The subsidiary DOF Subsea is represented as a part of the Subsea segment.

Business segment	2019			Total
	PSV	AHTS	Subsea	
Operating income	516	1 226	5 782	7 524
EBITDA	113	578	1 982	2 673
Depreciation	-130	-350	-834	-1 314
Impairment	-92	-339	-1 018	-1 449
EBIT	-109	-110	129	-90
Net financial items	-255	-925	-1 069	-2 249
<b>Profit (loss) before taxes</b>	<b>-364</b>	<b>-1 036</b>	<b>-940</b>	<b>-2 340</b>
<b>Balance</b>				
Assets	1 934	5 776	13 349	21 058
Jointly controlled companies	-	365	6 948	7 313
<b>Total assets</b>	<b>1 934</b>	<b>6 141</b>	<b>20 297</b>	<b>28 371</b>
Additions	147	115	1 546	1 808
<b>Liabilities</b>	<b>2 010</b>	<b>7 081</b>	<b>15 829</b>	<b>24 920</b>
2018				
Business segment	PSV	AHTS	Subsea	Total
Operating income	582	1 228	5 127	6 938
EBITDA	91	498	1 477	2 066
Depreciation	-125	-354	-762	-1 240
Impairment	-189	-143	-405	-737
EBIT	-223	1	311	89
Net financial items	-125	-501	-1 067	-1 693
<b>Profit (loss) before taxes</b>	<b>-347</b>	<b>-500</b>	<b>-757</b>	<b>-1 604</b>
<b>Balance</b>				
Assets	2 115	6 840	14 887	23 842
Jointly controlled companies	-	423	6 398	6 821
<b>Total assets</b>	<b>2 115</b>	<b>7 263</b>	<b>21 285</b>	<b>30 663</b>
Additions	55	170	1 257	1 483
<b>Liabilities</b>	<b>1 982</b>	<b>7 534</b>	<b>15 370</b>	<b>24 885</b>

## DOF GROUP

## 7 Operating income

	2019	2018
Revenue from lump sum contracts	357	125
Revenue from contract with "day rate"	5 919	5 926
Total	6 276	6 051

Turnover:	2019		2018	
	NOK	Ratio %	NOK	Ratio %
Brazil	2 234	36%	1 925	32%
United Kingdom	1 034	16%	1 097	18%
Australia	622	10%	706	12%
Norway	784	12%	525	9%
Canada	244	4%	228	4%
United States	233	4%	386	6%
Guyana	203	3%	-	0%
Philippines	156	2%	146	2%
Angola	152	2%	214	4%
Argentina	141	2%	253	4%
Other	473	8%	573	9%
Total	6 276	100%	6 051	100%

Geographical distribution of revenue from contracts with customers is based on the location of clients.

In 2019, one client accounted for more than 10% of the Group's revenue. The segments AHTS and Subsea have revenue from this client.

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.

## 8 Payroll expenses

	2019	2018
Salary and holiday pay	-2 067	-2 100
Hired personnel	-241	-226
Employer's national insurance contributions	-319	-258
Pensions costs	-81	-88
Other personnel costs	-163	-189
<b>Total</b>	<b>-2 870</b>	<b>-2 860</b>
No. man-years employed in financial year	3 553	3 714

Government grants related to the net salary scheme for vessels are reported as a reduction in payroll costs of NOK 49 million (NOK 49 million).

Pension cost above include defined benefit pension plan and defined contribution pension plan. Both the benefit pension plan and the contribution plan are with an external life insurance company.

### Defined benefit pension

DOF Group has a company pension scheme with life insurance companies. As of 31 December 2019, the Group defined pension benefit plan covered total 609 (665) active members and 67 (75) pensioners.

The pension funds are placed in a portfolio of investments by insurance companies. The insurance company managers all transactions related to the pension scheme. Estimated return of pension funds is based on market prices on balance sheet date and projected development during the period in which the pension scheme is valid.

The calculation of pension liabilities is based on assumptions in line with the recommendations. Actuarial gains and losses are presented as part of other comprehensive income.

Pension obligation as of 31 December 2019 was NOK 24 million (NOK 39 million). The pension obligations are included in other non-current liabilities.

## 9 Other operating expenses

	2019	2018
Technical costs vessel	-480	-568
Short term lease of vessels	-117	-185
Bunkers	-176	-156
Equipment rental	-400	-386
Other operating expenses	-474	-545
<b>Total</b>	<b>-1 647</b>	<b>-1 840</b>

## DOF GROUP

## 10 Financial income and expenses

	2019	2018
Interest income	80	97
Other financial income	16	25
<b>Financial income</b>	<b>97</b>	<b>121</b>
Interest expenses	-975	-880
Impairment shares and loans	-2	-
Other financial expenses	-47	-45
<b>Financial costs</b>	<b>-1 024</b>	<b>-925</b>
Net gain (loss) on currency derivatives	-122	-47
Net gain (loss) on non-current debt	-84	-222
Net gain (loss) on working capital	-31	-71
<b>Net realised currency gain (loss)</b>	<b>-237</b>	<b>-341</b>
Net unrealised gain (loss) on non-current debt	-826	-253
Net unrealised gain (loss) on working capital	-36	-35
<b>Net unrealised currency gain (loss)</b>	<b>-862</b>	<b>-288</b>
Net change in unrealised gain (loss) on interest swap	12	54
Net change in unrealised gain (loss) on currency derivatives	104	-56
<b>Net change in unrealised gain (loss) on derivatives</b>	<b>117</b>	<b>-2</b>
<b>Total</b>	<b>-1 909</b>	<b>-1 435</b>

In 2018 and 2019, there has been no capitalisation of interest cost as newbuilds, ref note 14.

## 11 Tax

Tax income (expense) comprises;	2019	2018
Current tax on profit for the year	-103	-36
Adjustments in respect of prior years	-2	-2
Change in deferred taxes	-480	102
Impact on change in tax rate on deferred tax	-	-6
<b>Tax income (expense)</b>	<b>-585</b>	<b>57</b>

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 4 '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 subsidiaries as follows;

Reconciliation of nominal and effective tax rate	2019	2018
Profit (loss) before tax	-2 296	-1 560
Tax calculated at domestic tax rates applicable to profits in the respective countries *)	637	395
 Tax effect of:		
Expenses not deductible for tax purposes	13	-37
Unrecognised tax losses and temporary differences	-1 049	-258
Adjustment in respect to previous years	-39	1
Impact of changes in tax rate	-	-6
Withholding tax and effect of different tax regime	-88	-21
Associates and joint ventures result reported net of tax	-59	-17
<b>Total tax income (expense)</b>	<b>-585</b>	<b>57</b>

\* Domestic tax rates applicable to the Group varies between 0% to 35%.

The tax relating to components of other comprehensive income is as follows;

2019	Before tax	Tax (charge)/ credit	After tax
Currency translation differences	41	-17	24
Cash flow hedges	844	-132	712
Cash flow hedges - impairment deferred tax assets	-	-240	-240
Share of other comprehensive income of joint ventures and associates	66	-	66
Remeasurements of post employment benefit liabilities	15	-3	12
Other comprehensive income	966	-392	574
2018	Before tax	Tax (charge)/ credit	After tax
Currency translation differences	-26	-42	-68
Cash flow hedges	-393	134	-260
Share of other comprehensive income of joint ventures and associates	123	-	123
Remeasurements of post employment benefit liabilities	3	-1	3
Other comprehensive income	-293	91	-202

The gross movement on the deferred tax (deferred tax assets) is as follows;

	2019	2018
At 1 January	-885	-699
Income statement charge	480	-95
Tax charge (credit) relating to components of other comprehensive income	392	-91
At 31 December	-13	-885

## DOF GROUP

## 11 Tax (continued)

## Deferred tax

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

Basis of deferred tax	2019	2018
Non-current assets	927	1 409
Current assets	217	9
Liabilities	-2 891	-2 876
Tax position related to sold assets	61	-16
Other differences	-60	-17
<b>Total temporary differences</b>	<b>-1 747</b>	<b>-1 492</b>
 Tax loss carried forward	 -5 196	 -4 824
<b>Total temporary differences and losses carried forward</b>	<b>-6 943</b>	<b>-6 316</b>
 Temporary differences not included as deferred tax asset (+)	 2 138	 158
Tax deficit not included in basis for calculation of deferred tax/deferred tax assets	4 750	3 210
<b>Basis for calculation of deferred tax/deferred tax assets (-)</b>	<b>-55</b>	<b>-2 947</b>
 <b>Total deferred tax/deferred tax assets (-)</b>	 <b>-13</b>	 <b>-885</b>
 Gross deferred tax	 -	 13
Gross deferred tax asset	-13	-898
<b>Total deferred tax/deferred tax assets (-) recognised in balance sheet</b>	<b>-13</b>	<b>-885</b>

Deferred tax assets are recorded in the balance sheet on the basis of unused tax losses carried forward or deductible temporary differences to the extent that it is probable that there will be sufficient future earnings available against which the loss or deductible can be utilised. For more information see note 4 'Accounting estimates and assessments'.

## Deferred tax asset per jurisdiction

Country	Tax rate	Temporary differences	Tax loss carried forward	Deferred tax assets
Norway	22%	26	14	9
Australia	30%	13	-	4
<b>Total</b>		<b>39</b>	<b>14</b>	<b>13</b>

## 12 Earnings per share

Earnings per share are calculated based on the annual result for the year to the shareholders and the weighted average number of shares throughout the financial year.

Diluted earnings per share are calculated based on the annual result as the relationship between the annual result for the year to the shareholders and the weighted potential average number of shares throughout the financial year.

Basis for calculation of earning per share	Date	2019	2018
Profit (loss) for the year after non-controlling interest (NOK million)		-2 480	-1 267
Earnings per share for parent company shareholders (NOK)		-7.84	-4.09
Diluted earnings per share for parent company shareholders (NOK)		-7.84	-4.09
Number of shares 01.01.		293 237 779	2 552 312 512
Share issue	21.02.2018	336 666 667	
Conversion of bond loan to shares	22.05.2018	15 250 000	
Share issue	24.05.2018	1	
Number of shares - before consolidation of shares 10:1		2 904 229 180	
Consolidation of shares 10:1	24.05.2018	290 422 918	
Conversion of bond loan to shares	11.06.2018	2 814 861	
Conversion of bond loan to shares	03.07.2019	5 550 000	
Conversion of bond loan to shares	30.07.2019	2 100 000	
Conversion of bond loan to shares	20.12.2019	6 875 000	
Number of shares 31.12.		307 762 779	293 237 779
Outstanding mandatorily convertible bond loan *			
Outstanding number of shares 01.01		23 218 389	275 582 503
Converted bond loan to shares		-15 250 000	
Outstanding number of shares - before consolidation of shares 10:1		260 332 503	
Consolidation of shares 10:1		26 033 250	
Converted bond loan to shares		-14 525 000	-2 814 861
Outstanding number of shares 31.12.		8 693 389	23 218 389
Total number of shares 31.12. incl mandatorily convertible shares		316 456 168	316 456 168
Average number of shares in the period *)		316 456 168	309 817 198

\*) As the convertible bond is mandatory converted to ordinary shares at a future date, the number of shares are included in the outstanding shares for the computation of basic earnings per share. There are no other dilutive instruments.

\*\*) The shares in DOF ASA has been consolidated in the ratio of 10:1 in May 2018. Comparable figures are revised.

## DOF GROUP

## 13 Goodwill

	2019				2018			
	PSV	AHTS	Subsea	Total	PSV	AHTS	Subsea	Total
Acquisition cost at 01.01	3	3	433	439	3	3	442	448
Additions			-	-			-	-
Disposals			-	-			-	-
Currency translation differences			-0	-			-9	-9
<b>Acquisition cost at 31.12</b>	<b>3</b>	<b>3</b>	<b>433</b>	<b>439</b>	<b>3</b>	<b>3</b>	<b>433</b>	<b>439</b>
Adjustment at 01.01	-	-	-144	-144			-124	-124
Impairment loss	-3	-3	-203	-209			-27	-27
Currency translation differences			-	-			6	6
Adjustment 31.12.	-3	-3	-347	-353	-	-	-144	-144
<b>Book value 31.12.</b>	<b>-</b>	<b>-</b>	<b>85</b>	<b>85</b>	<b>3</b>	<b>3</b>	<b>289</b>	<b>295</b>

Goodwill relates to the acquisition of subsidiaries. Goodwill comprises the difference between nominal and discounted amounts in terms of deferred tax, synergy effects, organisational value, brand name and key personnel and their expertise. Goodwill is allocated to groups of cash-generating units identified according to be the Group's operating segments.

Continued challenging market situation, low utilisation on vessels, equipment and personnel has resulted in lower earnings and higher risk 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 209 million has been recognised. After impairment a goodwill of NOK 85 million allocated to the Subsea segment is recognised. Impairment losses on goodwill cannot be reversed.

Impairment testing of goodwill is carried out according to the description given in note 4 "Accounting estimates and assessments". The Group has used a nominal WACC after tax of 9.3% for the impairment calculations. Minor negative changes in key assumptions such as EBITDA margin and discount rate will have a negative impact on value in use calculations, which might result in an impairment for all or parts of the goodwill. However, the assessment of recoverable amount for goodwill takes into consideration both value in use and fair value less cost to sell for the vessels and vessel related equipment allocated to the Subsea segment.

Negative changes in EBITDA with 20% or negative changes in WACC with 300 basis points will result in impairment of NOK 85 million. The EBITDA margin used in the impairment test is in line with average margin in 2019 adjusted for effects of expected new contracts in 2020. A drop in the broker estimates of the vessels will result in impairment of NOK 85 million.

## 14 Tangible assets

2019	Vessels	Periodic maintenance	ROV	Operating equipment	Right-of-use assets	Total
Acquisition cost as of 01.01.2019	26 478	1 714	1 749	1 277	-	31 219
Implementation of IFRS 16 Leases	-	-	-	-	353	353
Additions	250	191	110	49	19	620
Reallocation	-	-	5	19	-	24
Disposals	-10	-7	-	-	-1	-18
Currency translation differences	-136	-13	-1	1	4	-146
<b>Acquisition cost as of 31.12.2019</b>	<b>26 583</b>	<b>1 885</b>	<b>1 863</b>	<b>1 347</b>	<b>374</b>	<b>32 053</b>
Depreciation as of 01.01.2019	5 620	1 046	1 027	853	-	8 546
Depreciation for the year	508	259	158	90	56	1 071
Reallocation	-	-	5	19	-	24
Depreciation on disposals	-10	-7	-	-	-	-17
Currency translation differences	-24	-10	-2	-	-	-35
<b>Depreciation 31.12.2019</b>	<b>6 095</b>	<b>1 289</b>	<b>1 188</b>	<b>962</b>	<b>56</b>	<b>9 590</b>
Impairment 01.01.2019	3 738	-	14	22	-	3 775
Impairment	873	-	-	20	27	921
Currency translation differences	2	-	-	-	-	1
<b>Impairment 31.12.2019</b>	<b>4 614</b>	<b>-</b>	<b>14</b>	<b>43</b>	<b>26</b>	<b>4 697</b>
<b>Book value 31.12.2019</b>	<b>15 875</b>	<b>596</b>	<b>660</b>	<b>342</b>	<b>292</b>	<b>17 766</b>
<b>Lease assets (included in book value) **)</b>			<b>437</b>	<b>18</b>	<b>292</b>	<b>746</b>
Depreciation period	20-30 years *)	30-60 months	5-12 years	5-15 years	1-11 years	
Depreciation method	Linear *)	Linear	Linear	Linear	Linear	
2018	Vessels	Periodic maintenance	ROV	Newbuildings	Operating equipment	Total
Acquisition cost as of 01.01.2018	26 876	1 886	1 753	11	1 224	31 749
Additions	211	224	8	5	78	527
Reallocation	4	-4	18	-16	-4	-1
Disposals	-	-347	-19	-	-9	-376
Currency translation differences	-612	-46	-11	-	-11	-680
<b>Acquisition cost as of 31.12.2018</b>	<b>26 478</b>	<b>1 714</b>	<b>1 749</b>	<b>-</b>	<b>1 277</b>	<b>31 219</b>
Depreciation as of 01.01.2018	5 135	1 173	898	-	758	7 964
Depreciation for the year	554	240	159	-	110	1 063
Reallocation	-	1	-2	-	2	1
Depreciation on disposals	-	-347	-19	-	-9	-375
Currency translation differences	-69	-20	-9	-	-8	-106
<b>Depreciation 31.12.2018</b>	<b>5 620</b>	<b>1 046</b>	<b>1 027</b>	<b>-</b>	<b>853</b>	<b>8 546</b>
Impairment 01.01.2018	3 086	-	11	-	22	3 119
Impairment	661	-	3	-	1	665
Currency translation differences	-9	-	-	-	-	-9
<b>Impairment 31.12.2018</b>	<b>3 738</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>22</b>	<b>3 775</b>
<b>Book value 31.12.2018</b>	<b>17 120</b>	<b>667</b>	<b>708</b>	<b>-</b>	<b>402</b>	<b>18 899</b>
<b>Lease assets (included in book value) **)</b>			<b>497</b>	<b>-</b>	<b>26</b>	<b>522</b>
Depreciation period	20-30 years *)	30-60 months	5-12 years	5-15 years		
Depreciation method	Linear *)	Linear	Linear	Linear		

\*) Residual value and depreciation period are described in note 4 Accounting estimates and assessments.

The tangible assets are pledged against debt to credit institution, see note 22.

## DOF GROUP

## 14 Tangible assets (continued)

## Newbuildings

The balance at year end 2018 on newbuilds relates to subsea equipment under construction. For presentation purposes the newbuild balance has been allocated to the related asset group in 2019, this also includes the opening balance of newbuilding that was allocated to ROV's and operating equipments.

## Lease assets \*\*)

The Group's leases ROV's, IT equipment, various offices, cars and vessels. In the previous year, the Group only recognised lease assets and lease debt in relation to leases that was classified as financial leases under IAS 17 Leases. The assets were presented as tangible assets and the debt as part of the Group's borrowings.

On long-term contracts with low residual value, the Group has assumed an expectation of purchase of the asset. These contracts are classified as ROV and operating equipment. Other contracts are classified as right-of-use assets and is mainly related to lease of offices.

For more information please see note 15 Leases and note 36 Adoption of IFRS 16 as from 1 January 2019.

## Disposals

The Group has not sold any vessels in 2019. Gain on sale of non-current assets in the consolidated income statement is mainly related to sale of operating equipment.

## Impairment

The continued weak market during the year has had a negative impact on both earnings and utilisation of the Group's fleet, in addition to vessel values. The weakening market has resulted in impairment of vessels and equipment is NOK 921 million in 2019 (NOK 665 million).

For the Group 34 vessels (31 vessels) have been impaired during the year which is divided in the following segments;

Age	Number of vessel impaired in 2019			Book value 31.12.2019 impaired vessels			Impairment 2019			
	PSV	AHTS	Subsea	PSV	AHTS	Subsea	PSV	AHTS	Subsea	Total
0-10 years	4	4	4	514	226	2 230	51	89	158	298
11-15 years	2	1	6	212	801	2 432	24	82	214	320
15+ years	2	2	4	105	37	519	16	113	127	256
Total	8	7	14	830	1 064	5 182	91	284	499	873

Age	Number of vessel impaired in 2018			Book value 31.12.2018 impaired vessels			Impairment 2018			
	PSV	AHTS	Subsea	PSV	AHTS	Subsea	PSV	AHTS	Subsea	Total
0-10 years	5		8	947		4 219	116		213	329
11-15 years	5		3	251		464	32		34	66
15+ years	3	3	4	202	168	782	40	98	128	266
Total	13	3	15	1 400	168	5 465	189	98	375	661

The vessels impaired in 2019 and 2018 have mainly short term contracts with duration up to 12 months.

Impairment	2019	2018
Vessel	873	661
Operating equipment	20	4
Right-of-use assets		28
Goodwill	209	27
Total impairment	1 130	691

## 14 Tangible assets (continued)

### Impairment (continued)

Impairment tests have in addition resulted in impairment of vessel in joint ventures with NOK 318 million (NOK 46 million). The impairments are divided on 7 vessels, owned by DOF Deepwater AS and DOF CON Brasil Group. DOF's 50% share of the impairment is as follows;

Age	Number of vessel impaired			Book value 31.12.2019 impaired vessels			Impairment 2019			
	PSV	AHTS	Subsea	PSV	AHTS	Subsea	PSV	AHTS	Subsea	Total
0-10 years		5	2		296	1 007		49	269	318
Total	-	5	2	-	296	1 007	-	49	269	318

Age	Number of vessel impaired			Book value 31.12.2018 impaired vessels			Impairment 2018			
	PSV	AHTS	Subsea	PSV	AHTS	Subsea	PSV	AHTS	Subsea	Total
0-10 years		5			360			46		46
Total	-	5	-	-	360	-	-	46	-	46

In addition vessel in associates has been impaired with NOK 32 million in 2019 (NOK 4 million in 2018). The impairment is reflected in Share of income of associates and joint ventures in the Income statement.

For further information see note 4 Accounting estimates and assessments.

For further information about joint ventures please see note 32 'Investment in jointly controlled companies and associated companies'.

For further information about measurement level see note 26 'Hedging activities'.

### Sensitivity analysis of impairment

A 10% drop in broker estimates as per 31 December 2019 will bring broker value below book value by additional NOK 937 million. In total this will affect 34 of the Group's vessels. This effect might result in an additional impairment loss for the Group.

While testing the reasonableness of the broker estimates the Group has applied a nominal WACC after tax in the range of 8.4 - 9.3 %. Negative changes in WACC with 50 basis points will result in an additional impairment of the vessels with NOK 240 million. Negative effect on net future cash flows with 20% will result in an additional impairment of the vessels with approx NOK 2,2 billion.

DOF Group has a relatively new fleet of vessels (average age approximately 11 years) and as a result future cash flows for a long period of time. The key assumptions in a discounted cash flow calculation for vessels are utilisation and charter rates. Changes in these assumptions would have considerable effects on the net present value of the vessels in a value in use calculation.

## 15 Leases

### Lease income - the Group as lessor

Parts of the Group's operational fleet are leased out on time charter. The Group has concluded that a time charter (TC) represents the lease of an asset and consequently is covered by IFRS 16. Lease income from lease of vessels is therefore reported to the profit or loss account on a straight line basis for the duration of the lease period. The lease period starts from the time the vessel is put at the disposal of the lessee and terminates on the agreed date for return of the vessel.

The table below shows the minimum future lease payments arising from contracts on vessels at year-end 2019 (TC contracts). The amounts are nominal and stated in NOK million.

Overview of future minimum lease:	Within 1 year	2-5 years	After 5 years	Total
Minimum operating lease revenue	2 595	3 991	410	6 996
Minimum operating lease revenue including joint ventures	4 036	9 247	1 652	14 935

Total future minimum operating lease revenues include firm contracts from DOF Group vessels and the Group's share of vessels in the joint ventures.

Joint ventures are consolidated using equity method, see notes 5, 6 and 32 for further information.

## DOF GROUP

## 15 Leases (continued)

Lease - the Group as lessee

**Lease liabilities**

The Group's leases ROV's, IT equipment, various offices, cars and vessels. In the previous year, the Group only recognised lease assets and lease debt in relation to leases that was classified as financial leases under IAS 17 Leases. The assets were presented as tangible assets and the debt as part of the Group's borrowings. For adoption recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 36.

The balance sheet shows the following amounts related to leases:

Amounts in NOK million	31.12.2019	1 January 2019	31.12.2018
Tangible assets - ROV	437	497	497
Tangible assets - Operating equipment	18	26	26
Tangible assets - Right-of-use assets	292	353	
Tangible assets	746	875	522
Non-current receivables sub-lease	131	172	
<b>Total assets</b>	<b>877</b>	<b>1 047</b>	<b>522</b>
Non-current debt to credit institution	-	178	178
Current debt to credit institution	259	97	97
Non-current lease - right of use	370	441	
Current lease - right of use	91	84	
<b>Total debt</b>	<b>720</b>	<b>800</b>	<b>275</b>

On long-term contracts with low residual value, the Group has assumed an expectation of purchase of the asset. These contracts are classified as ROV and operating equipment. Other contracts are classified as right-of-use assets and is mainly related to lease of offices. In addition the bare-boat contract of Skandi Darwin is classified as a sub-lease.

The debt related to lease where we assumed to purchase the asset are classified as debt to credit institution. Debt related to right-of-use assets and sub-lease is classified as lease debt.

The profit or loss shows the following amounts related to leases:

Amounts in NOK million	2019
Short term leases	-117
Depreciation ROV	-54
Depreciation Operating equipment	-13
Depreciation Right-of-use assets	-56
Impairment Right-of-use assets	-27
<b>Total depreciation and impairment</b>	<b>-150</b>
Interest income	7
Interest expenses	-24
<b>Net finance</b>	<b>-17</b>
<b>Total net expenses in the Profit or Loss</b>	<b>-284</b>

## 15 Leases (continued)

The tangible assets shows the following amounts related to leases:

Lease assets	2019	2018
Cost at 01.01.	776	754
Implementation of IFRS 16	353	
Additions	106	22
Disposals	-135	-
Currency translation differences	4	-
<b>Cost at 31.12.</b>	<b>1 104</b>	<b>776</b>
Depreciation at 01.01.	250	181
Depreciation for the year	123	70
Depreciation disposal	-46	-
Currency translation differences	-	-
<b>Depreciation at 31.12.</b>	<b>328</b>	<b>250</b>
Impairment 01.01	3	3
Impairment for the year	27	-
Currency translation differences	-	-
<b>Impairment 31.12</b>	<b>29</b>	<b>3</b>
<b>Book value at 31.12.</b>	<b>746</b>	<b>522</b>

For information on repayment of lease debt, please refer to note 22.

## 16 Non-current receivables

	Note	2019	2018
Non-current receivables from joint ventures		347	1 073
Non-current derivatives	26, 27	25	34
Non-current receivables sub-lease		131	-
Other non-current receivables	27	101	71
<b>Total</b>		<b>604</b>	<b>1 177</b>

Non-current receivable sub-lease is mainly related to bareboat contract for Skandi Darwin on operation in APAC region. The existing contract expire in 2022. For furter information about lease please refer to note 15.

## DOF GROUP

## 17 Trade receivable

	2019	2018
Trade receivable at nominal value	763	841
Uninvoiced revenue	503	480
Provision for bad debts	-66	-9
<b>Total</b>	<b>1 200</b>	<b>1 312</b>

The Group's credit exposure is mainly towards customers who historically have had good financial capability to meet their obligations and have had high credit rating. A sustained challenging market situation has resulted in changes to the credit ratings for some customers, and thereby increased the credit risk. Historically, the portion of receivables not being collectable has been low. General allowance for expected credit losses 31 December and 31 December 2018 are based on historical losses and updated view on general risk in the Group's industry. Loss allowance for a specific contract are based on expectation of recovery of outstanding amount.

As of 31.12, the Group had the following accounts receivable which had matured, but not been paid.

	Total	Not matured	<30d	30-60d	60-90d	>90d
2019	763	491	73	18	29	150
Receivable not included in provision for bad debt						60
Expected credit loss rate		0.2 %	2.5 %	3.0 %	7.0 %	14.0 %
Loss allowance	18	1	2	1	2	13
Loss allowance specific contract	48					
<b>Total loss allowance</b>	<b>66</b>					
	Total	Not matured	<30d	30-60d	60-90d	>90d
2018	841	631	123	9	2	77
Receivable not included in provision for bad debt						38
Expected credit loss rate		0.2 %	2.5 %	3.0 %	7.0 %	10.0 %
Loss allowance	9	1	3	-	-	4

## Trade receivable divided on currencies:

	Currency	2019		2018		
		NOK	Ratio %	NOK	Ratio %	
USD	43	376	31%	39	336	26%
BRL	183	401	33%	192	429	33%
AUD	36	220	18%	37	230	18%
NOK	127	127	11%	-	183	14%
GBP	3	31	3%	5	54	4%
Other currencies		45	4%		80	6%
<b>Total</b>		<b>1 200</b>	<b>100%</b>		<b>1 312</b>	<b>100%</b>

## 18 Other current assets

	Note	2019	2018
Current receivables from joint ventures		224	-
Pre-paid expenses		138	136
Accrued interest income		2	4
Government taxes (VAT)		66	73
Current derivatives		23	2
Fuel reserves and other inventory		96	91
Other current receivables		47	99
<b>Total</b>		<b>595</b>	<b>406</b>

## 19 Cash and cash equivalents

		2019	2018
Restricted deposits		216	316
Bank deposits		1 179	1 616
<b>Cash and cash equivalents at 31.12.</b>		<b>1 395</b>	<b>1 932</b>

Loans have been provided by Eksportfinans and are invested as restricted deposits. The repayment terms on the loans are equivalent with the reduction on the deposits. The loans are fully repaid in 2021. The cash deposits are included in Restricted deposits with a total of NOK 77 million (NOK 178 million). In addition NOK 112 million (NOK 115 million) of restricted cash are deposits pledged as security for loans and bank guarantee.

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. The bank accounts in the cash pool consists of accounts in various currencies that on a currency basis can be in surplus or overdraft. Only the master accounts, (ominated in NOK) in each of the cash pools hierarchies are classified as bank deposits and included in the table above. The total cash pool can never be in net overdraft. No overdraft facilities are connected to the cash pools. Currency positions in the cash pool at year end are negatively exposed to exchange rate changes where NOK depreciates against the foreign currency. The significant weakening, in the range of 20%-30%, of NOK against other currencies in 2020 has 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 to the subsidiary DOF Subsea has been secured and DOF Subsea is also discussing a larger credit facility. The credit facility, together with waivers on interest payments and instalments, covers the DOF Subsea'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 be available for the rest of the Group through loans or dividends. Total cash in these subsidiaries are NOK 357 million and are included in unrestricted cash and cash equivalents.

For further information about market-, credit- and liquidity risk see note 3 'Financial risk management' and note 35 'Subsequent events' for description of the effect of the COVID-19 virus.

	Currency	Currency amount	Balance 31.12.2019	Currency	Balance 31.12.2018
Cash pool arrangement 1	NOK	538	538	648	648
Cash pool arrangement 2	NOK	1 216	1 216	901	901
Cash pool arrangement 1	USD	-21	-189	-21	-186
Cash pool arrangement 2	USD	-75	-659	-70	-606
Cash pool arrangement 1	GBP	-	5	10	106
Cash pool arrangement 2	GBP	-6	-72	-4	-46
Cash pool arrangement 1	EUR	-12	-116	-8	-80
Cash pool arrangement 2	EUR	-	4	6	58
Cash pool arrangement 1	AUD	-8	-47	-1	-4
Cash pool arrangement 2	AUD	-17	-105	4	26
Cash pool arrangement 1	SGD	-2	-13	-1	-8
Cash pool arrangement 2	SGD	-17	-111	-3	-19
Cash pool arrangement 1	CAD	-	-2	1	5
Cash pool arrangement 2	CAD	1	6	9	55
<b>Total net cash pool</b>			<b>454</b>		<b>850</b>
 Total surpluses			1 768		1 799
 Total overdrafts			-1 315		-950

The Group has total credit facilities of NOK 550 million at period end, of which all was utilised. For further information about market-, credit- and liquidity risk see note 3.

## DOF GROUP

## 20 Share capital and share information

**Share capital:** The share capital in DOF ASA as of 31 December 2019 was NOK 307,762,779 distributed between 307,762,779 shares, each with a nominal value of NOK 1.00.

**Nominal value of the shares:** In the Extraordinary General Meeting at 30 October 2019 it was decided to reduce the shares capital by reducing the nominal value from NOK 5.00 per share NOK 1.00 per share.

**Share issues in 2019:** There has been three share issues during 2019. All issues were related to converted bond loan with increase of 14,525,000 shares.

**Share issue authorisation:** The Board of Directors has in the General Meeting 24 May 2019 been granted an authorisation to increase the Company's share capital by NOK 366,547,225. The Board of Directors has not used the authorisation.

**Convertible bond:** An Extraordinary General Meeting on 6 July 2016 has allocated authorisation to the Board of Directors for a capital increase of up to 823,640,482 shares at a nominal value of NOK 0.50 related to a Subordinated Convertible Bond. Remaining authorisation is 8,693,389 shares.

**Shareholders:** The 20 largest shareholders of DOF ASA and shares owned by management and board members including shareholdings held by closely related persons and companies at 31 December 2019 were as follows:

Shareholders at 31.12.	2019		2018	
	No of shares *)	Shareholding	No of shares	Shareholding
MØGSTER MOHN OFFSHORE AS	150 638 643	48.95%	150 638 643	51.37%
BNP PARIBAS SECURITIES SERVICES	9 570 169	3.11%	9 570 169	3.26%
FOLKETRYGDFONDET	6 100 000	1.98%		
Nordnet Bank AB	2 610 818	0.85%	2 606 748	0.89%
DRAGESUND INVEST AS	2 360 000	0.77%	2 360 000	0.80%
JIM ØYSTEIN HOLDEN	2 004 885	0.65%		
RBC INVESTOR SERVICES BANK SA	2 000 000	0.65%		
MOCO AS	1 984 419	0.64%	1 984 419	0.68%
AS NAVÉ	1 832 338	0.60%	2 000 000	0.68%
BERGEN KOMMUNALE PENSJONSKASSE	1 800 000	0.58%		
SKANDINAVISKA ENSKILDA BANKEN AB	1 612 201	0.52%	1 649 201	0.56%
State Street Bank and Trust Comp	1 605 497	0.52%		
STAVERN HELSE OG FORVALTNING as	1 500 000	0.49%	1 500 000	0.51%
DP HOLDING AS	1 262 500	0.41%		
LAWO INVEST AS	1 173 377	0.38%		
CITIBANK N.A.	1 053 396	0.34%		
AKERSHUS FYLKESKOMM. PENSJONSKASSE	1 000 000	0.32%	1 000 000	0.34%
SOURCE INVEST AS	1 000 000	0.32%		
EBB HOLDING AS	949 097	0.31%		
SIGFISK AS	850 000	0.28%		
<b>Total</b>	<b>192 907 340</b>	<b>62.68%</b>	<b>173 309 180</b>	<b>59.10%</b>
<b>Other shareholders</b>	<b>114 855 439</b>	<b>37.32%</b>	<b>119 928 599</b>	<b>40.90%</b>
<b>Total</b>	<b>307 762 779</b>	<b>100.00%</b>	<b>293 237 779</b>	<b>100.00%</b>

Shares controlled directly and indirectly by Board of Directors and Management	2019		2018	
	No of shares *)	Shareholding	No of shares	Shareholding
<b>Board of Directors</b>				
Helge Møgster (Lafjord AS)	Chairman of the Board	17 755 805	5.77%	17 755 805
Helge Singelstad	Deputy Chairman	417 867	0.14%	417 867
Marianne Møgster (Lafjord AS)	Board member	5 684 577	1.85%	5 684 577
Kathryn M. Baker	Board member	-	0.00%	-
Hans Olav Lindal	Board member from 10 October 2019	-	0.00%	-
Frederik Mohn (Perestroika AS)	Board member until 9 September 2019	50 631 154	16.45%	50 631 154
<b>Total</b>	<b>76 923 157</b>	<b>24.99%</b>	<b>76 923 157</b>	<b>26.23%</b>
<b>Management group</b>				
Mons S. Aase (Moco AS)	CEO	1 984 419	0.64%	1 984 419
Hilde Drønen (Djupedalen AS)	CFO	449 335	0.15%	449 335
<b>Total</b>	<b>76 923 157</b>	<b>24.99%</b>	<b>76 923 157</b>	<b>26.23%</b>

\*) The shares in DOF ASA has been consolidated in the ratio of 10:1 in May 2018.

## 21 Non-controlling interest

Non-controlling interest represents external interest in subsidiaries and daughter subsidiaries.

Non-controlling's share of profit (loss) and financial position are as follows:

	DOF Subsea AS	Other	2019	DOF Subsea AS	Other	2018
Ownership share of non-controlling interest	35% *)			35%		
Non-controlling share of;						
Operating income	1 177	133	1 311	1 313	154	1 468
EBITDA	343	32	376	381	24	405
Depreciation and impairment	-397	-35	-432	-318	-20	-338
Operating result	-53	-3	-56	62	4	67
Profit (loss) before taxes	-313	-17	-330	-216	-3	-220
Taxes	-75	3	-72	-16	-	-16
Profit (loss) for the year	-388	-14	-402	-232	-3	-235
Financial position						
Tangible assets	-	296	296	3 787	326	4 113
Financial assets	-	1	1	1 163	3	1 166
Non-current debt	-	5	5	2 668	204	2 872
Current portion of non-current debt	-	211	211	755	35	790
Changes in non-controlling interest;						
Non-controlling interest 1.1.	2 060	208	2 269	2 263	242	2 505
Non-controlling interest share of result	-388	-14	-402	-232	-3	-235
Non-controlling interest share of result OCI	39	-	39	37	-	37
Dividends to non-controlling interest	-	-	-	-	-31	-31
IFRS 9 implementation effect	-	-	-	-9	-	-9
Other effects	8	-25	-17	2	-	2
Reduced non-controlling interest	-1 720	-	-1 720	-	-	-
<b>Non-controlling interest 31.12.</b>	<b>-</b>	<b>170</b>	<b>170</b>	<b>2 060</b>	<b>208</b>	<b>2 269</b>

\*) In November 2019, DOF ASA increased their share in DOF Subsea AS from 65% to 100%. Non-controlling interest share of the profit is related to the period January to October 2019. The reduced non-controlling interest is reflected in the equity at year end 2019.

Please see note 31 for more information about the subsidiaries.

## DOF GROUP

## 22 Interest bearing debt

## Financing

The Board and Management have since second quarter been working on a long-term refinancing solution for the Group which include a discussions with the banks, the bondholders and the main shareholders. In parallel the Group has agreed waivers, including deferral of instalments and amendments of financial covenants. The refinancing has taken longer time than expected and in parallel COVID-19 and the sharp decline in the oil price have increased the risk to complete a sustainable refinancing of the Group based on terms as described above significantly. Following these disruptive events, the Group will be required to reach a refinancing solution which is sufficiently robust to cater the uncertainties created by such developments. Even though the risk has increased as to whether a long-term financial solution can be achieved, the Board and Management still believes that a solution is obtainable for the Group, however no assurance can be given at this time. The effect of not being able to obtain a long-term financial solution has affected the classification of debt and may also affect the 'going concern' assumption. If the Group cannot be treated as 'going concern', the valuation of the Group's assets must be further revised.

The effect of not being able to obtain a long-term financial solution within the date of this report has resulted in a reclassification of the Group's non-current debt to credit institutions and bond loans from non-current debt to current debt with NOK 9.3 billion as of 31 December 2019. Debt to credit institutions classified as non-current are related to Norskan Offshore Ltda and DOF Subsea Brasil Ltda.

## Bond loans

DOF ASA's subsidiary DOF Subsea AS has three bond loans outstanding, DOFSUB07 (13/20), DOFSUB08 (17/22) and DOFSUB09 (18/23), see figures next page. The trustee on behalf of the bond holders is Nordic Trustee ASA. Interest rates are both floating and fixed, and the bonds are unsecured. Maturity dates of the bond loans per 31.12.2019 are 22.05.2020, 14.03.2022 and 27.11.2023 respectively. DOF Subsea has been in discussion with the bondholder in order to obtain a long-term financial solution, including reduced interest margins and a PIK structure. The recent events require that the Group needs a robust solution with both the secured lenders and the bondholders. In a Bondholders' meeting on 22nd April, the Bondholders in DOF Subsea AS approved a "Standstill Period" (no installment and no interest payments) until 30 September 2020, upon certain conditions.

DOF ASA has a 5-year convertible bond with zero coupon and no financial covenants; DOF12 (DOF ASA 16/21 0% SUB CONV). The bond loan is classified as other equity, and the bondholders may convert their bonds to shares at NOK 1 per share through the tenor of the loan. On the final maturity date remaining bonds will be converted to shares. The initial value of the bond loan was NOK 1,032.5 million and outstanding by 31.12.2019 is NOK 87 million.

## Non-current liabilities to credit institutions

The main share of the Group's fleet is financed via mortgaged loans. A set of covenants has been established for the mortgaged loans in DOF Group and DOF Subsea Group. Certain waivers of financial covenants have been approved as per 31.12.2019.

For DOF ASA, the most important financial covenants are as follows:

- The Group shall on a consolidated basis have a book equity of at least NOK 3,000 million.
- The Group (excluding DOF Subsea AS and its subsidiaries) shall at all times have available liquidity of at least NOK 250 million, (reduced from NOK 500 million).
- The fair market value of the vessels shall at all times to be at least 100% of the outstanding debt.
- Certain change of control clauses related to Møgster Mohn Offshore AS' ownership in DOF ASA.
- DOF ASA shall be listed on the Oslo Stock Exchange.

The most important financial covenants for DOF Subsea AS' fleet are as follows:

- DOF Subsea AS consolidated shall have a book equity of at least NOK 3,000 million, and value adjusted equity ratio of at least 30% (latter is based proportionate method of accounting for joint ventures).
- DOF Subsea AS consolidated shall have available cash of at least NOK 500 million at all times (based on proportionate method of accounting for joint ventures).
- DOF Subsea AS consolidated shall have positive working capital at all times, (excl. current portion of debt to credit institutions).
- The fair market value of vessels shall be at least 100% - 130% of outstanding debt.
- DOF ASA shall be the principal shareholder in DOF Subsea AS, and own a minimum of 50.1% of the shares.

In addition, normal terms and conditions for this type of loans apply, such as full insurance of the Group's vessels and restrictions regarding changes of classification, management and ownership of the vessels.

## 22 Interest bearing debt (continued)

	Note	2019	2018
Non current interest bearing liabilities			
Bond loans		-	2 480
Debt to credit institutions		3 994	13 007
Lease liabilities		370	-
<b>Total non current interest bearing liabilities</b>		<b>4 363</b>	<b>15 487</b>
Current interest bearing liabilities			
Bond loans		2 589	100
Debt to credit institutions		11 291	3 374
Lease liabilities		91	-
Overdraft facilities		78	59
<b>Total current interest bearing liabilities *)</b>		<b>14 050</b>	<b>3 534</b>
<b>Total non-current and current interest bearing liabilities</b>		<b>18 414</b>	<b>19 021</b>
Other interest bearing assets non-current (sublease IFRS 16)		131	-
Cash and cash equivalents		19	1 395
<b>Net Interest-bearing debt</b>		<b>16 888</b>	<b>17 089</b>
Average rate of interest		5.22%	4.77%

\*) Current interest bearing debt amounts to NOK 14,050 million includes reclassification of debt from non-current to current of NOK 9,298 million due to refinancing process not concluded.

Current interest bearing debt in the statement of balance sheet includes accrued interest expenses NOK 148 million. Accrued interest expenses are excluded in the figures above.

The following table shows the maturity of the Group's financial obligations based on contractual, undiscounted cash flows.

Instalments, balloons and interest profile	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020	2021	2022	2023	2024	Subse- quent	Total
Bond loans	-	467	-	-	467	-	1 292	840	-	-	2 599
Balloons	1 263	-	516	-	1 779	2 435	166	756	-	-	5 136
Debt to credit institutions	855	651	396	434	2 336	1 213	1 119	1 030	865	3 620	10 184
Overdraft facilities	78	-	-	-	78	-	-	-	-	-	78
<b>Total instalments and balloon</b>	<b>2 196</b>	<b>1 118</b>	<b>912</b>	<b>434</b>	<b>4 661</b>	<b>3 648</b>	<b>2 577</b>	<b>2 626</b>	<b>865</b>	<b>3 620</b>	<b>17 998</b>
Calculated interest profile	263	173	212	164	812	645	435	322	166	411	2 792
<b>Total instalments, balloons and interest</b>	<b>2 459</b>	<b>1 292</b>	<b>1 123</b>	<b>598</b>	<b>5 472</b>	<b>4 293</b>	<b>3 012</b>	<b>2 949</b>	<b>1 032</b>	<b>4 032</b>	<b>20 789</b>

First year payment profile of debt to credit institutions of NOK 2,336 million consist of ordinary installment of NOK 1,786 million and drawn credit facilities of NOK 550 million.

Interest repayment is based on current repayment profile and the yield curve for the underlying interests from Reuters as of December 2019.

## DOF GROUP

## 22 Interest bearing debt (continued)

*Lease liabilities*

Lease liabilities related to ROV and IT equipment were the Group expect to purchase the asset are included in debt to credit institutions. Repayment profile for debt to credit institutions includes repayment of this lease debt. The liability amounts to NOK 259 million as of 31 December 2019, of which NOK 86 million are planned repaid in 2020. The lease are repaid on a monthly basis with maturity from 3-10 years. Lease debt - right of use is not included in the repayment profile.

Lease debt related to right-of-use assets and sub-leases are not include in the above profile and are as follows:

	2020	2021	2022	2023	2024	Subsequent	Total
Lease liabilities - right-of-use assets and sub-lease	91	90	82	39	33	126	461
<hr/>							
Liabilities secured by mortgage						2019	2018
Debt to credit institutions						15 059	15 982
Total liabilities						15 059	15 982
<hr/>							
Assets provided as security							
Tangible assets						17 004	18 389
Investment in subsidiary/Net asset pledged consolidated *)						-	2 218
Total assets provided as security						17 004	20 607

\*) Shares in Norskan Offshore SA pledged against credit facility in DOF ASA.

For loans issued directly to ship-owning subsidiaries of DOF ASA and DOF Subsea AS, a parent company guarantee has been issued from DOF ASA and DOF Subsea AS respectively, for the nominal amount of the loans in addition to interest accrued at any given time.

Interest-bearing liabilities, divided by currency:	Currency	2019			2018		
		NOK	Ratio %	Currency	NOK	Ratio %	
USD	1 074	9 443	52%	1 173	10 182	53%	
NOK	8 075	8 075	2%	8 413	8 413	44%	
CAD	57	383	45%	60	379	2%	
BRL	44	97	1%	49	109	1%	
Total		17 998	100%		19 083	100%	

## Fair value of non-current loans

The fair value of the company's bond loan at 31.12.2019 was as follows:

Loan	Due date	Coupon rate	Price *) 31.12.2019	Outstanding amount 31.12.2019	Initial amount 31.12.2019	Price *) 31.12.2018	Outstanding amount 31.12.2018	
							Initial amount 31.12.2018	Outstanding amount 31.12.2018
DOFSUB07	22.05.2020	8.83%	67.50	467	1 300	100.50	467	1 300
DOFSUB08	14.03.2022	9.50%	80.38	1 292	1 489	99.25	1 278	1 489
DOFSUB09	27.11.2023	9.85%	75.50	840	900	100.00	840	900
Total				2 599	3 689		2 585	3 689

\*) Price at par price.

\*\*) Please see comments related to the bond loans in a separate section in the note.

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

## 22 Interest bearing debt (continued)

### Reconciliation of changes in liabilities 2019

	Balance 31.12.2018	Cash flows	Non-cash changes				Balance 31.12.2019
			Implementation IFRS 16 Leases	Proceeds lease debt	Amortised loan expenses	Currency adjustment	
<b>Current interest bearing liabilities</b>							
Bond loans	2 580				-5	14	2 589
Debt to credit institutions	16 382	-1 339		87	21	134	15 285
Lease liabilities		-84	525	15		5	461
Overdraft facilities	59	20				-1	78
<b>Total non current interest bearing liabilities</b>	<b>19 021</b>	<b>-1 403</b>	<b>525</b>	<b>102</b>	<b>16</b>	<b>152</b>	<b>18 414</b>

### Reconciliation of changes in liabilities 2018

	Balance 31.12.2017	Cash flows	Non-cash changes				Balance 31.12.2018
			Acquisition	Proceeds lease debt	Amortised loan expenses	Currency adjustment	
<b>Non current interest bearing liabilities</b>							
Bond loans	1 914	566	25		-7	81	2 580
Debt to credit institutions	16 716	-806		16	23	433	16 382
Overdraft facilities	410	-350				-1	59
<b>Total non current interest bearing liabilities</b>	<b>19 040</b>	<b>-590</b>	<b>25</b>	<b>16</b>	<b>16</b>	<b>513</b>	<b>19 021</b>

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.

## 23 Other non-current liabilities

	Note	2019	2018
Pension		24	39
Derivatives	26	5	29
Deferred tax	11	-	13
Other non-current liabilities		4	9
<b>Total</b>		<b>33</b>	<b>90</b>

## 24 Trade payables

	2019	2018
Trade payables	759	808
<b>Total</b>	<b>759</b>	<b>808</b>

Trade payable has the following currency split:

	2019			2018		
	Currency	NOK	Ratio %	Currency	NOK	Ratio %
USD	25	218	29%	37	318	39%
NOK		154	20%		115	14%
BRL	105	229	30%	58	130	16%
AUD	5	34	4%	16	98	12%
GBP	7	83	11%	6	69	9%
Other currencies	-	40	5%	-	78	10%
<b>Total</b>		<b>759</b>	<b>100%</b>		<b>808</b>	<b>100%</b>

## DOF GROUP

## 25 Other current liabilities

	Note	2019	2018
Public duties payable		121	170
Tax payables		67	23
Prepayments from customers		5	8
Fair value forward contracts	26	23	105
Accruals guarantee related to joint ventures	28	188	126
Other current liabilities		257	191
<b>Total</b>		<b>660</b>	<b>623</b>

## 26 Hedging activities

## Derivatives

As of 31 December 2019, the Group has foreign exchange swaps to hedge future sales to customers in USD and EUR. Forward exchange derivatives are utilised to hedge currency 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 Group has not applied hedge accounting for any of the interest rate swap agreements entered into in 2019.

The table below displays the fair value of derivative financial instruments as of 31 December 2019.

Measurement level	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	2	25	5	32
Foreign exchange contracts	2	23	21	4
<b>Total</b>	<b>48</b>	<b>27</b>	<b>36</b>	<b>134</b>
Non-current portion				
Interest rate swaps	2	25	4	32
Foreign exchange contracts	2	-	-	2
<b>Non-current portion</b>	<b>25</b>	<b>4</b>	<b>34</b>	<b>29</b>
Current portion				
	<b>23</b>	<b>23</b>	<b>2</b>	<b>105</b>

Derivatives are classified as a current asset or liability if not designated as a hedge instruments. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

## Measurements of financial instruments

The Group uses the following hierarchy when determining and disclosing the fair value of financial instruments.

## Total measurement level 1

Quoted, unadjusted prices in active markets for identical assets and liabilities.

Fair value of interest-bearing debt is disclosed face value of the bank loans and market value of bonds.

## Total measurement level 2

Quoted 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 balance sheet date. The forward exchange rate is based on the relevant currency's interest rate curves. The fair value of currency swaps is determined by the present value of future cash flows, which is also dependent on the interest curves.

## Total measurement level 3

Techniques which use inputs which have significant effect on the recorded fair value that are not based on observable marked data.

## 26 Hedging activities (continued)

### Interest rate derivatives

As of 31.12 the Group held the following interest rate derivative contracts, not qualified for hedge accounting.

Instrument	Fixed rate	Floating rate	Notional amount	Effective from	Maturity date
<b>31.12.2019</b>					
Interest rate swaps - NOK	0.85% - 2.98%	Nibor 3m - 6m	4 413	2014-2018	2020-2023
<b>31.12.2018</b>					
Interest rate swaps - USD	1.43%	Libor 3m	50	2016	2021
Interest rate swaps - NOK	0.85% - 4.12%	Nibor 3m - 6m	5 299	2013-2018	2019-2023

### Foreign exchange derivatives

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

Instrument	Committed	Amount	Remaining term to maturity
<b>31.12.2019</b>			
Foreign exchange forwards	NOK/EUR	500	< 1 year
Foreign exchange forwards	NOK/USD	1 132	< 1 year
Foreign exchange options	USD/NOK	146	< 1 year
<b>31.12.2018</b>			
Foreign exchange forwards	NOK/EUR	478	< 1 year
Foreign exchange forwards	NOK/USD	1 767	< 1 year
Foreign exchange options	USD/NOK	130	> 1 year

The Group has committed to sell foreign currencies against NOK on forward contracts. The Group has also entered into risk reversal options.

Derivatives are settled at various dates during the next 12 months. Gains and losses recognised in the forward foreign exchange contracts and interest rate swaps as of 31 December 2019 are recognised in the income statement in the period or periods during which the transaction affects the profit or loss.

### Hedge accounting

The Group use cash flow hedge accounting related to foreign exchange rate risk on expected highly probable income in USD, using a non derivative financial hedging instrument. The hedge is terminated at year end 2019. The hedging relationship is described below.

#### *Cash flow hedge involving future highly probable revenue*

The cash flow hedges hedge a portion of the foreign currency risk arising from highly probable revenues in USD relating to time charter contracts on vessels owned by Norskan Offshore Ltda.

The hedging instruments are portions of the companies' long term debt denominated in USD. The risk being hedged in each hedging relationship is the spot element of the forward currency rate of USD/BRL. The future highly probable income has a significant exposure to the spot element as the spot element is the main part of the forward rate. The long term debt is translated from USD to BRL at spot rate on the balance sheet date every reporting period.

At 31 December the cash flow hedge is ineffective and the ineffective portion (loss) is recognised in the finance result with NOK -817 million and in other comprehensive income with NOK -240 million in 2019. Remaining hedge recognised as other comprehensive income in the equity at 31 December 2019 amounts to NOK -254 million and will be circulated to the profit or loss over the remaining hedge period.

## DOF GROUP

## 26 Hedging activities (continued)

	Effective portion of cash flow hedges recognised in other comprehensive income	Gains (losses) reclassified from accumulated other comprehensive income to income statement			
		2019	2018	2019	2018
Non-derivative financial instruments, pre-tax	-656	573	-188	-180	

Gains (losses) to be reclassified from accumulated other comprehensive income to income statement as follows:

	2020	2021	2022	2023	After
Non-derivative financial instruments, pre-tax	70	59	31	29	66

## 27 Financial assets and liabilities: Information on the balance sheet

This note gives an overview of the carrying and fair 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. The table also shows the level of objectivity in the measurement hierarchy of each method of measuring the fair value of the Group's financial instruments.

31.12.2019	Financial instruments at fair value through profit or loss	Financial instruments measured at amortised cost	Total	Of this included interest bearing debt	Fair value
<b>Assets</b>					
Non-current derivatives	25	-	25		25
Other non-current receivables		101	101		101
Current derivatives	23	-	23	-	23
Trade receivable and other current receivables		1 539	1 539		1 539
Restricted deposits		216	216	216	216
Cash and cash equivalents		1 179	1 179	1 179	1 179
<b>Total financial assets</b>	<b>48</b>	<b>3 035</b>	<b>3 083</b>	<b>1 395</b>	<b>3 083</b>
<b>Liabilities</b>					
Non-current bond loans, debt to credit institution and lease debt		4 363	4 363	4 363	4 363
Current bond loans and debt to credit institution		14 198	14 198	14 050	13 587
Non-current derivatives	5	-	5		5
Other non-current derivatives	-	4	4		4
Current derivatives	23	-	23		23
Trade payable and other current liabilities		1 204	1 204		1 204
<b>Total financial liabilities</b>	<b>28</b>	<b>19 769</b>	<b>19 796</b>	<b>18 414</b>	<b>19 185</b>
<b>Total financial instruments</b>	<b>21</b>	<b>-16 734</b>	<b>-16 713</b>	<b>-17 019</b>	<b>-16 102</b>

## 27 Financial assets and liabilities: Information on the balance sheet (continued)

31.12.2018	Financial instruments at fair value through profit or loss	Financial instruments measured at amortised cost	Total	Of this included interest bearing debt	Fair value
<b>Assets</b>					
Non-current derivatives	34	-	34		34
Non-current receivables	-	71	71		71
Current derivatives	2	-	2		2
Trade receivable and other current receivables		1 488	1 488		1 488
Restricted deposits		316	316	316	316
Cash and cash equivalents		1 616	1 616	1 616	1 616
<b>Total financial assets</b>	<b>36</b>	<b>3 491</b>	<b>3 527</b>	<b>1 932</b>	<b>3 527</b>
<b>Liabilities</b>					
Non-current bond loans and debt to credit institution		15 487	15 487	15 487	15 480
Current bond loans and debt to credit institution		3 678	3 678	3 534	3 678
Non-current derivatives	29	-	29		29
Other non-current liabilities		9	9		9
Current derivatives	105	-	105		105
Trade payable and other current liabilities		1 206	1 206		1 206
<b>Total financial liabilities</b>	<b>134</b>	<b>20 380</b>	<b>20 515</b>	<b>19 021</b>	<b>20 507</b>
<b>Total financial instruments</b>	<b>-98</b>	<b>-16 889</b>	<b>-16 987</b>	<b>-17 089</b>	<b>-16 980</b>

Prepayments and non-financial liabilities are excluded from the disclosures above.

The following of the Group's financial instruments are measured at amortised cost: cash and cash equivalents, trade receivables, other current receivables, overdraft facilities and all interest bearing debt.

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.

The fair value of the interest-bearing debt is the disclosed face value of the bank loans and market value of bonds.

## DOF GROUP

## 28 Guarantee

The Group has commitments to clients to ensure proper performance under contracts. These commitments are mainly parent company guarantees from DOF Subsea AS on behalf of subsidiaries or counter guarantees in favor of banks for the issuance of bank guarantees and performance bonds. The guarantees are limited to fulfillment the contract and are released after delivery of the project. 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.

Guarantees are given to suppliers for fulfillment of payments for deliveries of goods and services including vessels.

The Group has guarantee commitments on behalf of non-consolidated companies as per 31.12.2019:

- DOFCON Brasil Group (50% owned): Guarantees in favor of credit institutions in the total amount of USD 384 million.
- DOF Deepwater AS (50% owned): Guarantee in favor of credit institutions in the total amount of NOK 497 million, of which NOK 188 million has been accrued for at year end 2019. See note 32 for more information.
- Iceman AS (34.5% owned): Guarantee in favor of credit institutions in the total amount NOK 403 million. 50% of the commitment is counter guaranteed by Vard Group.
- LOS Shipping I and LOS Shipping II AS: Agreements whereby DOF ASA guarantees coverage of opex and interest for a period of time, in return for a purchase options. The agreement with LOS Shipping I AS is in process to be renegotiated.

Guarantee income is classified as other financial income in the income statement.

## 29 Related parties

Board members and management of DOF ASA and its subsidiaries will be regarded as related parties.

Below is a detailed description of significant transactions between related parties:

## Long-term agreements:

Møgster Mohn Offshore AS owns 48.95% of the shares in DOF ASA. Laco AS is the main shareholder of Møgster Mohn Offshore AS.

Møgster Management AS provides administrative shared services to DOF ASA. Møgster Management AS is owned by Laco AS. Total administrative fee for 2019 is NOK 6 million (NOK 7 million).

Austevoll Eiendom AS is a subsidiary of Austevoll Seafood ASA, which in turn is a subsidiary of Laco AS. DOF Management AS and Marin IT AS leases premises from Austevoll Eiendom AS. Total leases premises in 2019 are NOK 5 million (NOK 5 million).

## Individual transactions:

## Group

The Group has used the shipyard Fitjar Mekaniske Verksted AS to do maintenance and repairs on the vessels. Total costs in 2019 are NOK 9.6 million (NOK 6.7 million) and was at market terms. In addition the Group has paid NOK 2.8 million (NOK 1.3 million) for rent of quay from Brdr Birkeland AS. Both companies are part of the Laco AS Group.

## Loans to joint ventures

Loans to joint ventures DOFCON Brasil Group and DOF Iceman AS are booked at NOK 571 million (NOK 1,073 million) per year end. For further information on joint ventures see note 32.

## Guarantee

DOF ASA has issued a guarantee in the maximum amount of NOK 403 million on behalf of Iceman AS in favor of DNB ASA. Guarantee income in 2019 was NOK 3.6 million (NOK 4.5 million). Iceman AS is owned with 40% by DOF Iceman AS. DOF ASA and Vard Group ASA are owners with 50% each in DOF Iceman AS, and Vard has issued a counter-guarantee for 50% of the amount. In addition DOF ASA owns 14.5% in Iceman AS.

LACO AS has issued a loan guarantee to DOF ASA amounting NOK 20 million. The guarantee is related to DOF ASA's share purchase agreement with two companies controlled by First Reserve to purchase 35.1% stake in DOF Subsea AS. The loan from LACO AS was fully drawn by year end 2019.

## 30 Remuneration to executives, Board of Directors and auditor

Total payments for salary, pension premium and other remuneration to CEO and CFO;

Amount in TNOK	Year 2019			Year 2018		
	CEO	CFO	Total	CEO	CFO	Total
Salary incl bonus	7 246	4 525	11 771	7 691	4 202	11 893
Pension premium	264	337	601	254	332	586
Other remuneration	188	127	316	17	122	138
<b>Total</b>	<b>7 699</b>	<b>4 989</b>	<b>12 688</b>	<b>7 962</b>	<b>4 656</b>	<b>12 618</b>

CEO = Mons Aase, CFO = Hilde Drønen

The CEO has the right to a bonus payment of 0.5% of the Group's annual result. In addition the CEO can be granted a discretionary bonus. The term of notice for the CEO is 6 months. If the CEO resigns from his position, he has the right to an extra compensation corresponding to 12 months' salary. Retirement age is 67 years with a pension of up to 70% of salary (12 times the National Insurance base amount) upon retirement.

In addition, the executive vice president (EVP) in DOF Subsea is entitled to a bonus based on the result of DOF Subsea and personal performance.

A loan of NOK 2.5 million has been given to each of the CEO and the EVP in DOF Subsea. The annual interest on the loans is 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.

Board fees granted on the General annual meeting as of 24<sup>th</sup> of May 2019 totalled NOK 1,500,000 (NOK 1,500,000) and comprises NOK 300,000 (NOK 300,000) to the Chairman of the Board and NOK 300,000 (NOK 300,000) each to the board members. Compensation for meetings have been paid to the Audit Committee (NOK 120,800) and the Election Committee (NOK 75,000).

Specification of auditor's fee (amount in TNOK):	2019	2018
Audit	9 528	8 278
Fee for other confirmatory services	340	380
Tax consultation	540	201
Fee for other services	170	55
<b>Total</b>	<b>10 578</b>	<b>8 914</b>

All amounts in the table are excl VAT.

### Guidelines for determination of salary and other remuneration to the CEO and senior employees of DOF in 2019

The guiding principle of DOF ASA's senior management salary policy is to offer senior employees terms of employment that are competitive in relation to salary, benefits in kind, bonus and pension scheme, taken together. The company shall offer a salary level that is comparable with corresponding companies and activities, and taking account of the company's need to have well qualified personnel at all levels.

The determination of salary and other remuneration to senior employees at any given time shall be in accordance with the above guiding principle.

Senior employees shall only receive remuneration in addition to the basic salary in the form of a bonus. The amount of any bonus to the CEO shall be approved by the Board. The bonus to other senior employees shall be set by the CEO in consultation with the Chairman of the Board.

DOF ASA has no schemes for the allocation of options for the purchase of shares in the company.

The senior employees are members of the company's Group pension schemes which guarantee pension benefits not exceeding 12 times the national insurance base amount per year.

Senior employees have agreements whereby they are entitled to a free car and free business telephone. Apart from this, there are no other benefits in kind.

Where the employment of senior employees is terminated by the company, they have no agreements entitling them to severance pay except for salary in the period of notice for the number of months provided for in the Working Environment Act. The contract of employment of 2005 for the CEO contains provisions providing for severance pay.

## DOF GROUP

## 31 Companies within the Group

Investments in subsidiaries	Owner	Registered office	Nationality	Ownership and voting share
DOF Subsea AS	DOF ASA	Bergen	Norway	100%
DOF Rederi AS	DOF ASA	Austevoll	Norway	100%
DOF Rederi III AS	DOF ASA	Austevoll	Norway	100%
DOF UK Ltd	DOF ASA	Aberdeen	UK	100%
Norskan AS	DOF ASA	Austevoll	Norway	100%
DOF Management AS	DOF ASA/DOF Subsea AS	Austevoll	Norway	100%
Marin IT AS	DOF ASA/DOF Subsea AS	Austevoll	Norway	75%
DOF Subsea Chartering 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%
DOF Subsea Norway AS	DOF Subsea Atlantic AS	Bergen	Norway	100%
DOF Subsea Atlantic AS	DOF Subsea AS	Bergen	Norway	100%
DOF Subsea ROV AS	DOF Subsea AS	Bergen	Norway	100%
DOF Installer ASA	DOF Subsea AS	Austevoll	Norway	84.9 %
Semar AS	DOF Subsea AS	Oslo	Norway	50%
DOF Subsea US Inc	DOF Subsea AS	Houston	US	100%
DOF Subsea Brasil Servicos 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 Angola Lda	DOF Subsea AS	Luanda	Angola	100%
DOF Subsea Asia Pacific Pte. Ltd.	DOF Subsea AS	Singapore	Singapore	100%
PT DOF Subsea Indonesia	DOF Subsea Asia Pacific Pte Ltd	Jakarta	Indonesia	95%
DOF Subsea Australia Pty.	DOF Subsea Asia Pacific Pte Ltd	Perth	Australia	100%
DOF Subsea Labuan (L) Bhd	DOF Subsea Asia Pacific Pte Ltd	Labuan	Malaysia	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	Singapore	100%
DOF Subsea Asia Pacific Pte. Ltd, Philippine Branch	DOF Subsea Asia Pacific Pte Ltd	Muntinlupa City	Philippines	100%
Mashoor DOF Subsea Sdn	DOF Subsea Australian Pty.	Negara Brunei	Darussalam	50%
DOF Subsea Canada Corp	DOF Subsea US Inc.	St. Johns	Canada	100%
Norskan Offshore SA	Norskan AS	Rio	Brazil	100%
Norskan Offshore Ltda.	Norskan Offshore SA	Rio	Brazil	100%
DOF Argentina	DOF Management AS	Buenos Aires	Argentina	95%
DOF Sjø AS	DOF Management AS	Austevoll	Norway	100%
DOF Management Pte.	DOF Management AS	Singapore	Singapore	100%
DOF Management Australia Pty	DOF Management AS	Perth	Australia	100%
DOF Management Egypt Branch	DOF Management AS	Cairo	Egypt	100%
Poseidon Management AS	DOF Management AS	Austevoll	Norway	100%
DOF Offshore India Private Ltd	DOF ASA	Mumbai	India	100%
DOF Subsea Congo SA	DOF ASA /DOF Subsea AS	Pointe-Noire	Congo	100%

### 32 Investments in jointly controlled companies and associated companies

2019	DOFCON Brasil Group	DOF Deepwater AS	Associates	Total
Booked value of investments 01.01.	1 479	-	68	1 547
Addition	-	-	4	4
Profit (loss) for the period	226	-124	-50	52
Other comprehensive income	66	-	-	66
Dividend	-	-	-2	-2
Reclassified as impairment on receivables	-	62	15	76
Reclassified as liabilities *)	-	62	-	62
<b>Booked value of investments 31.12.</b>	<b>1 772</b>	<b>-</b>	<b>34</b>	<b>1 806</b>

\*) Reclassified due to guarantee, ref note 28.

#### 2018

Booked value of investments 01.01.	971	-	50	1 021
Addition	-	-	22	22
Profit (loss) for the period *)	386	-102	-8	277
Other comprehensive income	123	-	-	123
Reclassified as impairment on receivables	-	-	3	3
Reclassified as liabilities *)	-	102	-	102
<b>Booked value of investments 31.12.</b>	<b>1 479</b>	<b>-</b>	<b>68</b>	<b>1 547</b>

\*) NOK 4 million of the result is classified as other financial cost.

Name of entity	Place of business/country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
DOFCON Brasil Group	Norway	50%	Note 1	Equity
DOF Deepwater AS	Norway	50%	Note 2	Equity
DOF Iceman AS (owner of 40% in Iceman AS)	Norway	50%	Note 3	Equity
Iceman AS	Norway	14.5 %	Note 3	Equity
Skandi Aukra AS	Norway	34%	Note 3	Equity
Master and Commander	Norway	20%	Note 3	Equity
DOF OSM Marine Services AS	Norway	50%	Note 3	Equity

## DOF GROUP

## 32 Investments in jointly controlled companies and associated companies (continued)

**Note 1** DOFCON Brasil Group consists of DOFCON Brasil AS, TechDOF Brasil AS and DOFCON Navegacao Ltda. DOFCON Brasil AS is a holding company located in Bergen and jointly owned by DOF Subsea AS and Technip Coflexip Norge AS with 50% each. DOFCON Brasil AS owns TechDOF Brasil AS and DOFCON Navegacao Ltda. DOFCON Brasil Group owns six vessels. DOFCON Navegacao Ltda owns and operates Skandi Niteroi, Skandi Vitoria, Skandi Recife and Skandi Olinda. TechDOF Brasil AS owns and operates Skandi Acu and Skandi Buzios.

DOFCON Navegacão Ltda applied from 2013 hedge accounting related to foreign exchange risk on the portion of the company's highly probable revenue in USD by using the company's debt in USD. As of January 2017 DOFCON, Navegacão Ltda, changed its functional currency from BRL to USD. The change in the functional currency extinguished 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 equity 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 million (NOK 40 million). The cost is included in the Share of net income from associates and joint ventures.

The Group has guarantee commitments on behalf of DOFCON Brasil Group (50% owned). The guarantees are in favor of credit institutions in the total amount of USD 384 million.

**Note 2** DOF Deepwater AS is owned by DOF ASA and Akastor AS where each party owns 50% each of the liable capital. The company owns five AHTS vessels.

DOF Deepwater signed in June 2016 a restructuring agreement with its shareholders and secured lenders until June 2019. The refinancing included contribution from the shareholders, reduced instalments on secured debt and amended financial covenants in existing loan facilities. The restructuring period was in 2018 extended to September 2021. Minimum value clauses applies from 30 June 2020.

The Group has guarantee commitments on behalf of DOF Deepwater AS (50% owned). The guarantees are in favor of credit institution in the total amount of NOK 497 million, of which NOK 188 million has been accrued for at year end 2019. See note 28 for further information.

**Note 3**

- a) DOF Iceman is owned by DOF ASA and Vard Group ASA where each part owns 50% each of the liable capital. DOF Iceman AS owns 40% in Iceman IS. In addition DOF ASA owns 14.5% in Iceman IS. The Group has guarantee commitments on behalf of Iceman AS. The guarantee is in favour of credit institutions in the total amount of NOK 403 million. 50% of the commitment is counter guaranteed by Vard Group. See note 28 for further information.
- b) Skandi Aukra AS; DOF ASA is shareholder with 34.25%.
- c) Master and Commander AS; DOF Subsea AS is shareholders with 20%.
- d) DOF OSM Marine Services AS; DOF Management is shareholder with 50%.

## 32 Investments in jointly controlled companies and associated companies (continued)

## Jointly controlled companies

	DOFCON Brasil Group	DOF Deepwater AS	DOFCON Brasil Group	DOF Deepwater AS
	2019	2019	2018	2018
Profit or Loss and other comprehensive income				
Operating income	2 403	166	1 731	152
Operating costs	-464	-192	-318	-127
Operating result before depreciation (EBITDA)	1 939	-26	1 412	25
Depreciation	-399	-49	-294	-50
Impairment	-437	-98	-	-92
Operating result (EBIT)	1 103	-174	1 118	-117
Net financial result	-599	-74	-426	-86
Profit (loss) before tax	504	-248	692	-203
Tax income (expenses)	40	-	86	-
Profit (loss) for the year	544	-248	778	-203
Other comprehensive income, net of tax	131	-	245	-
Total comprehensive income, net of tax	675	-248	1 024	-203
Balance sheet	31.12.2019	31.12.2019	31.12.2018	31.12.2018
Tangible assets	12 483	592	11 493	719
Deferred tax assets	373	-	263	-
Total non-current assets	12 856	592	11 755	719
Current receivables	433	106	395	89
Cash and cash equivalents	606	32	577	38
Total current assets	1 039	139	971	128
Total assets	13 895	731	12 727	847
Total equity	3 544	-551	2 869	-303
Non-current liabilities	8 701	195	8 754	1 046
Current liabilities	1 650	1 087	1 103	104
Total liabilities	10 351	1 282	9 858	1 150
Total equity and liabilities	13 895	731	12 727	847
Reconciliation of summarised financial information	DOFCON Brasil Group	DOF Deepwater AS	DOFCON Brasil Group	DOF Deepwater AS
31.12.2019	31.12.2019	31.12.2018	31.12.2018	
Group's interest in the joint venture at 50%	1 772	-275	1 435	-152
Excess values booked in DOF Group	-		46	
Negative equity recognised *)		275		152
Group's carrying amount of the investment	1 772	-	1 480	-

\*) Negative equity recognised as loss on non-current receivables with NOK 87 million and accruals guarantee NOK 188 million.

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

Excess values recognised in the DOF Group are identified based on purchase price allocation and are related to vessels and deferred tax.

## DOF GROUP

## 32 Investments in jointly controlled companies and associated companies (continued)

## Associated companies

2019	Master and Commander AS	DOF Iceman AS	Skandi Aukra AS	DOF OSM Marine Services AS	Other	Total
Carrying amount 01.01.2019	57	2	4	3	-	68
Additions/disposals	-	4	-	-	-	4
Share of result	-28	-21	-1	-	-	-50
Dividend	-	-	-	-2	-	-2
Reclassified to non-current receivables and liabilities	-	15	-	-	-	15
Carrying amount 31.12.2019	30	-	3	1	-	34
Carrying amount 01.01.2018	43	-2	6	3	-	50
Additions/disposals	-	22	-	-	-	22
Share of result	14	-20	-2	-	-	-8
Reclassified to non-current receivables and liabilities	-	3	-	-	-	3
Carrying amount 31.12.2018	57	2	4	3	-	68

## Summarise financial information for associates (100%):

Name	Registered office	Ownership	Assets	Liabilities	Turnover	Result
<b>2019</b>						
Master and Commander AS	Oslo	20.0 %	150	-	23	-140
Iceman AS	Oslo	34.5 %	513	417	80	-53
Skandi Aukra AS	Oslo	34.25%	121	109	33	-1
<b>2018</b>						
Master and Commander AS	Oslo	20.0 %	310	25	88	35
Iceman AS	Oslo	34.5 %	563	432	57	-83
Skandi Aukra AS	Oslo	34.25%	123	123	24	-4

On the consolidated accounts, jointly controlled companies and associated companies are recognised according to the equity method.

## 33 Significant acquisitions in the year

## 2019 Transactions

In November, the company entered into a share purchase agreement with two companies controlled by First Reserve to purchase their 35.1% stake in DOF Subsea AS. The purchase price was NOK 20 million. Upon completion of this acquisition, DOF ASA is the sole shareholder of DOF Subsea AS.

## 2018 Transactions

The Group has not had any significant acquisitions in 2018.

## 34 Contingencies

The Group and its subsidiaries are not involved in any ongoing court cases as of 31 December 2019.

## Tax assessment Brazil

In 2014, the Brazilian Federal Revenue issued a Tax Assessment Notice against DOF Subsea Brasil Ltda (the Company). The basis for the Tax Assessment Notice were loans given by the Parent Company was 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 considers it highly possible that the final verdict will reach the same conclusion as the Company, hence no provision related to the dispute is included in 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.

## 34 Contingencies (continued)

In addition the Group has in the period from 2009 until 2019 received notices of assessment of customs penalty from the Brazilian Tax Authorities regarding importation of vessel and equipment to Brazil. The Group has disputed the assessments and based on legal opinions from a reputable law firm decided not to make a provision in the accounts for 2019 related to these penalty assessments, as the Group considers the risk of negative outcomes to be lower than 50%.

### Dive campaign

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.

## 35 Subsequent events

### New contracts

DOF Subsea 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, Geosund was awarded a contract for seismic node installation in Nigeria and 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.

DOF Rederi has been awarded a 4 wells firm plus 2 well option contract for Skandi Caledonia by Premier Oil UK Limited. Commencement will be in Q2 this year with an estimated duration of circa 100 days per well for both the firm and optional wells.

DOF (UK) Limited has been awarded an extension for the Skandi Barra by an undisclosed client for approximately four months. Commencement is in direct continuation of the current contract.

### Financing

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 subsidiary DOF Subsea was secured to cover DOF Subsea's 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.

In a Bondholders' meeting on 22<sup>nd</sup> April, the Bondholders in DOF Subsea AS approved a "Standstill Period" until 30 September 2020, upon certain conditions.

The disruptive events in 2020 including a significant weakening of the NOK have had a substantial negative impact on the Group's P&L and balance sheet during first quarter 2020. In parallel, the collapse in the oil-price has resulted a drop in vessel values, hence considerable impairments will be booked in first quarter. As a consequence, it is expected the Group's equity will be close to zero by end March 2020.

### Impact of the COVID-19 virus

DOF declared a global COVID-19 crisis 27th February and established a global Emergency Response Team consisting of executive managers representing HSE, HR, Crewing, Communication, Operation, Information Technology, Insurance and Legal competencies. The ERT is working close with the regional ERT to mitigate the consequences of the crisis. A Bow Tie assessment have been worked out and in conjunction with the COVID-19 business continuity plan an outlook for the next 12 months have been made. The plan consist of maintaining ongoing activities as well as adjusting the workforce by temporary layoff to secure the Group cash flow and reduce cost.

There is a 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 (sick leave, performance) and external factors (market and price volatility) that could present possible challenge in the period of time. The Group has been able to continue normal operations of its vessels even if replacement of crew has become, and is expected to become, increasingly difficult due to COVID-19. There is a general increased risk in the sector of postponements of offshore projects as a result of COVID-19 and the decline in the oil price, which also could involve the Group's vessels and assets even if the Group so far, naturally only to a limited extent, has been impacted by these events. It should therefore be expected that both COVID-19 and the oil price development will have an adverse negative effect on the Group. However, at this time that there is not sufficient and reliable information to provide clear and measurable assumptions for calculating any estimates on financial exposure. The Group will continuously monitor financial exposure, taking measure to mitigate the risks and ensure timely recognition of all relevant estimates in financial reporting.

## DOF GROUP

## 36 Adoption of new standard as from 01.01.2019 - IFRS 16 Leases

The implementation of the IFRS 16 has increased the statement of balance sheet with lease liabilities, net investments and right-of-use assets.

The Groups 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.

## Implementation effect

The impact of the IFRS 16 Leases as per the transitional date 1 January 2019 are as follows;

Balance sheet	31.12.2018	Effect IFRS 16	01.01.2019
Tangible assets	18 898	353	19 251
Other non-current assets	3 917	172	4 089
Total non-current assets	22 815	525	23 340
Total current assets	3 650		3 650
<b>Total assets</b>	<b>26 465</b>	<b>525</b>	<b>26 990</b>
 <b>Total equity</b>	 <b>5 778</b>		<b>5 778</b>
Non-current liabilities	15 578	441	16 019
Current liabilities	5 110	84	5 194
Total liabilities	20 688	525	21 213
<b>Total equity and liabilities</b>	<b>26 466</b>	<b>525</b>	<b>26 991</b>

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. The IFRS 16 Leases has had the following impact on the profit or loss in 2019;

The following main policy choices have been made and form the basis for the Groups IFRS 16 Leases implementation and application work:

Reconciliation of lease commitments to lease liabilities	01.01.2019
Operating lease commitments (IAS 17) at 31 December 2018	678
Practical expedient related to short-term and low-value leases	-72
Effect of discounting	-93
Escalation and amendments to lease agreements	12
Lease liabilities recognised at initial application	525

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.

## IFRS 16 Leases transition choices

The Group has applied the simplified transition approach and has not restated comparative amounts for the year prior to first adoption. Contracts already classified either as leases under IAS 17 or as non-lease service arrangements has been maintained 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%. 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 recognised as an adjustment to the opening balance of retained earnings is zero.

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 of initial application of IFRS 16 Leases.

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

## 36 Adoption of new standard as from 01.01.2019 - IFRS 16 Leases (continued)

### 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 'Lease' and effect on Profit or Loss:

Profit or loss	2019 excl. IFRS 16	Effect IFRS 16	2019
Operating revenue	6 324	-48	6 276
Operating expenses	-4 626	109	-4 517
Share of net income from associates and joint ventures	52		52
Profit from sale of tangible assets	4		4
<b>Operating result before depreciation and impairment (EBITDA)</b>	<b>1 754</b>	<b>61</b>	<b>1 815</b>
Depreciation	-1 015	-56	-1 071
Impairment	-1 103	-27	-1 130
<b>Operating result (EBIT)</b>	<b>-364</b>	<b>-22</b>	<b>-386</b>
Net financial costs	-1 892	-17	-1 909
<b>Profit (loss) before taxes</b>	<b>-2 256</b>	<b>-39</b>	<b>-2 295</b>
Taxes	-585		-585
<b>Profit (loss) for the period</b>	<b>-2 841</b>	<b>-39</b>	<b>-2 880</b>

Right-of-use 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.

## 37 Foreign exchange rates

DOF ASA bases its accounting on the reference exchange rates applied by Norges Bank.

As of 31.12, the following exchange rates were applied:

	2019	2018
US Dollar	8.7803	8.6885
Euro	9.8638	9.9483
GBP	11.5936	11.1213
Brazilian Real	2.1843	2.2386
CAD Dollar	6.7570	6.3751
AUD Dollar	6.1668	6.1334
Singapore dollar, SGD	6.5276	6.3808

## Financial Statements DOF ASA

## Statement of Profit or Loss

Amounts in NOK million	Note	2019	2018
<b>Operating income</b>	<b>2</b>	<b>29</b>	<b>22</b>
Payroll expenses	3	-23	-20
Other operating expenses	4, 18, 20	-40	-24
Gain on sale of tangible assets	7	-	-
<b>Operating expenses</b>		<b>-63</b>	<b>-43</b>
<b>Operating profit (loss) before depreciation - EBITDA</b>		<b>-34</b>	<b>-21</b>
Depreciation	7	-	-
Impairment	7	-	-
<b>Operating profit - EBIT</b>		<b>-34</b>	<b>-21</b>
Finance income	5	52	79
Finance costs	5	-2 875	-607
Realised currency gain (loss)	5	-3	13
Unrealised currency gain (loss)	5	5	2
Net change in unrealised gain/loss on derivatives	5	8	10
<b>Net financial items</b>	<b>5</b>	<b>-2 814</b>	<b>-503</b>
<b>Profit (loss) before taxes</b>		<b>-2 848</b>	<b>-524</b>
Tax income (expense)	6	-29	41
<b>Profit (loss) for the year</b>		<b>-2 878</b>	<b>-484</b>

## Statement of Comprehensive Income

Amounts in NOK million	Note	2019	2018
<b>Profit (loss) for the year</b>		<b>-2 878</b>	<b>-484</b>
Other comprehensive income, net of tax			
Defined benefit plan actuarial gains (losses)		-	-1
<b>Other comprehensive income, net of tax</b>		<b>-</b>	<b>-1</b>
<b>Total comprehensive income for the year</b>		<b>-2 878</b>	<b>-484</b>

DOF ASA

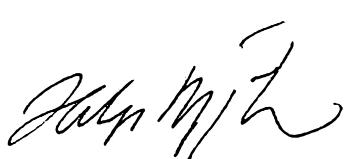
## Statement of Balance Sheet

Amounts in NOK million	Note	31.12.2019	31.12.2018
<b>Assets</b>			
Tangible assets	7	2	-
Deferred taxes	6	-	25
Investments in subsidiaries	5, 8	3 656	6 035
Investments in joint ventures and associated companies	5, 9	21	19
Intragroup non-current receivables	17, 20	22	70
Other non-current receivables and investments	10, 17	55	91
<b>Total non-current assets</b>		<b>3 757</b>	<b>6 240</b>
Trade receivable	11, 17	8	28
Other current assets	12, 17	13	18
<b>Current assets</b>		<b>21</b>	<b>47</b>
Restricted deposits		1	1
Cash and cash equivalents		177	482
<b>Cash and cash equivalents included restricted deposits</b>	<b>13, 17</b>	<b>178</b>	<b>483</b>
<b>Total current assets</b>		<b>199</b>	<b>530</b>
<b>Total assets</b>		<b>3 956</b>	<b>6 770</b>

## Statement of Balance Sheet

Amounts in NOK million	Note	31.12.2019	31.12.2018
<b>Equity and liabilities</b>			
Share capital		308	1 466
Share premium		2 844	2 172
Other equity		87	2 478
<b>Equity</b>		<b>3 238</b>	<b>6 116</b>
Debt to group companies	14, 17	-	150
Derivatives	16, 17	-	8
Other non-current liabilities	3	2	3
<b>Non-current liabilities</b>		<b>2</b>	<b>161</b>
Current debt to credit institutions	14, 17	298	299
Trade payable	17	4	17
Debt to group companies	14, 17	202	47
Other current liabilities	15, 17	211	131
<b>Current liabilities</b>		<b>715</b>	<b>493</b>
<b>Total liabilities</b>		<b>717</b>	<b>654</b>
<b>Total equity and liabilities</b>		<b>3 956</b>	<b>6 770</b>

Storebø, April 24<sup>th</sup>, 2020  
The Board of Directors for DOF ASA



Helge Møgster  
Chairman



Helge Singelstad  
Deputy Chairman



Kathryn M. Baker  
Director



Hans Olav Lindal  
Director



Marianne Møgster  
Director



Mons S. Aase  
CEO

DOF ASA

## Statement of Changes in Equity

Amounts in NOK million	Share capital	Share premium	Paid-in equity	Other contributed capital	Retained earnings	Other equity	Total equity
Balance at 01.01.2019	1 466	2 172	3 638	232	2 246	2 478	6 116
Profit (loss) for the year		-632	-632		-2 246	-2 246	-2 878
Other comprehensive income net of tax					-	-	-
Total comprehensive income for the year	-	-632	-632	-	-2 246	-2 246	-2 878
Share capital reduction	-1 204	1 204	-			-	-
Converted bond	45	100	145	-145	-	-145	-
Total transactions with owners	-1 158	1 304	145	-145	-	-145	-
Balance at 31.12.2019	308	2 844	3 152	87	-	87	3 238
Balance at 01.01.2018	1 276	2 117	3 393	276	2 741	3 016	6 409
Profit (loss) for the year					-484	-484	-484
Other comprehensive income net of tax					-1	-1	-1
Total comprehensive income for the year	-	-	-	-	-484	-484	-484
Converted bond	22	22	43	-43	-	-43	-
Share issue settled in cash	168	34	202	-	-11	-11	191
Total transactions with owners	190	55	245	-43	-11	-54	191
Balance at 31.12.2018	1 466	2 172	3 638	232	2 246	2 478	6 116

# Statement of Cash Flows

Amounts in NOK million	Note	2019	2018
Operating profit		-34	-21
Depreciation and impairment	7	-	-
Gain on sale of tangible asset		-	-
Change in trade receivables		4	21
Change in trade payable		-12	-14
Change in other working capital		40	-12
Foreign exchange losses/gains		-1	1
Net other financial income/cost		-	-
<b>Cash from operating activities</b>		<b>-3</b>	<b>-24</b>
Interest received		33	54
Interest paid		-30	-39
Other financial income		4	
Tax paid		-	-
<b>Net cash from operating activities</b>		<b>4</b>	<b>-10</b>
Purchase of tangible assets		-2	-
Purchase of share		-22	-11
Payments received on non-current receivables intragroup		17	-
Payments received on non-current receivables		-	356
Dividened received from subsidiaries		-	16
Payments other non-current intragroup balances		-158	-245
Payments other non-current receivables		-28	122
<b>Net cash used in investing activities</b>		<b>-193</b>	<b>239</b>
Payment other non-current liability		-	-
Proceeds from borrowings	14	-	300
Repayment of borrowings	14	-150	-700
Share issue		-	191
Net change intragroup balances "cash pool"	14	31	-334
<b>Net cash flow from financing activities</b>		<b>-119</b>	<b>-543</b>
Net changes in cash and cash equivalents		-307	-314
Cash and cash equivalents at the start of the period		483	795
Exchange gain/loss on cash and cash equivalents		2	2
Cash and cash equivalents at the end of the period		178	483

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## Notes to the Financial Statements

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# Notes to the Financial Statements

## 1 Accounting principles

The financial statements for DOF ASA have been prepared and presented in accordance with simplified IFRS pursuant of the Norwegian Accounting Act and are based on the same accounting principles as the Group statement with the following exceptions:

**Investments in subsidiaries, joint venture and associates**

Investments are based on the cost method.

**Dividends**

Dividends and group contribution is treated in accordance with the Norwegian Accounting Act and deviates from IAS 10 no. 12 and 13.

For further information, reference is made to the consolidated accounts.

## 2 Operating income

	2019	2018
Sales income	-	-
Other operating income	29	22
<b>Total</b>	<b>29</b>	<b>22</b>

## 3 Payroll and number of employees

	2019	2018
Salary and holiday pay	-22	-21
Hired personnel	-	-
Employer's national insurance contribution	-4	-3
Reinvoices salary costs	5	6
Pension costs	-1	-1
Other personnel costs	0	-1
<b>Total</b>	<b>-23</b>	<b>-20</b>
No man-years employed in financial year	11	7

DOF ASA has the same management as the Group. Please see note 30 'Remuneration to executives, Board of Directors and auditor' in the Group's account.

Pension cost above include defined benefit pension plan and defined contribution pension plan. Both the benefit pension plan and the contribution plan are with an external life insurance company. The company's pension schemes meet the requirements of the law on compulsory occupational pension.

### Defined benefit pension

DOF ASA has a company pension scheme with life insurance companies. As of 31 December 2019, DOF ASA defined pension benefit plan covered total 2 (2) active members.

The pension funds are placed in a portfolio of investments by insurance companies. The insurance company managers all transactions related to the pension scheme. Estimated return of pension funds is based on market prices on balance sheet date and projected development during the period in which the pension scheme is valid. The calculation of pension liabilities is based on assumptions in line with the recommendations. Actuarial gains and losses are expensed as incurred.

The Company's cost of defined pension plan in 2019 was NOK 0,7 million (NOK 0,7 million). Pension obligation as of 31 December 2019 was NOK 2,1 million (NOK 2,5 million).

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## 4 Other operating expenses

	2019	2018
Audit fee	-2	-2
Consultants fee	-14	-15
Provision for loss on trade receivable (internal)	-16	-
Other operating expenses	-8	-7
<b>Total</b>	<b>-40</b>	<b>-24</b>

## 5 Financial income and expenses

	2019	2018
Income from subsidiaries	-	16
Interest income	14	25
Other financial income	37	37
<b>Financial income</b>	<b>52</b>	<b>79</b>
Other interest costs	-27	-36
Impairment financial assets *)	-2 783	-488
Other financial costs	-65	-83
<b>Financial costs</b>	<b>-2 875</b>	<b>-607</b>
Net gain (loss) on currency derivatives	-	-
Net gain (loss) on non-current debt	-	11
Net gain (loss) on operational capital	-3	2
<b>Realised currency gain (loss)</b>	<b>-3</b>	<b>13</b>
Net unrealised gain (loss) on non-current debt	-	2
Net unrealised gain (loss) on operational capital	5	-
Unrealised currency gain (loss)	5	2
Net change in unrealised gain (loss) on interest swap	8	10
<b>Net gain (loss) on currency forwards contracts</b>	<b>8</b>	<b>10</b>
<b>Total</b>	<b>-2 814</b>	<b>-503</b>

\*) Impairment financial assets is related to impairment of investments in subsidiary with NOK 2,413 million, impairment non-current receivable NOK 306 million, guarantee cost NOK 62 million and other investment NOK 2 million.

## 6 Tax

Tax consists of:	2019	2018
Tax payable	-5	-
Change in deferred tax	-25	41
<b>Tax income (expence)</b>	<b>-29</b>	<b>41</b>
Reconciliation of nominal and effective tax rate		
Profit before tax	-2 848	-524
<b>Estimated tax income (expense) (23%/24%)</b>	<b>-627</b>	<b>-121</b>
Tax effect of:		
Tax effect of non-taxable income and non tax-deductible costs	-2	-4
Tax effect of associated companies	567	113
Tax effect of other items	-	-2
Adjustment previous year *)	46	-28
Not included in deferred tax	45	
Impact on change in tax rate	-	1
<b>Tax income (expense)</b>	<b>-29</b>	<b>41</b>

\*) Adjustment previous year is related to tax case from year 2016. DOF ASA has lost the tax case and the tax losses carried forward has been reduced with NOK 209 milion.

The gross movement on the deferred income tax account is as follows;

At 1 January	-25	16
Income statement	25	-41
Other comprehensive income	-	-
<b>At 31 December</b>	<b>-</b>	<b>-25</b>

## 6 Tax (continued)

Basis of deferred tax	2019	2018
Non current asset	-411	-124
Deferred capital gain	211	264
Other differences	-5	-9
<b>Total temporary differences</b>	<b>-205</b>	<b>131</b>
Loss carried forward	-	-243
Not included in deferred taxes	205	
<b>Basis for calculation of deferred tax / deferred tax assets (-)</b>	<b>-</b>	<b>-112</b>
Total deferred tax / deferred tax assets (-) (22%/23%)	-	-25
Gross deferred tax	-	25
<b>Gross deferred tax</b>	<b>-</b>	<b>25</b>

## 7 Tangible assets

2019	Operating equipment	Right of use asset	Total
Acquisition cost as of 01.01.2019	4	-	4
Additions	2	-	2
Disposals	-	-	-
<b>Acquisition cost as of 31.12.2019</b>	<b>5</b>	<b>-</b>	<b>5</b>
Depreciation as of 01.01.2019	4	-	4
Depreciation for the year	-	-	-
Depreciation on disposals	-	-	-
<b>Depreciation 31.12.2019</b>	<b>4</b>	<b>-</b>	<b>4</b>
Impairment 01.01.2019	-	-	-
Impairment	-	-	-
Impairment on disposals	-	-	-
<b>Impairment 31.12.2019</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Book value 31.12.2019</b>	<b>2</b>	<b>-</b>	<b>2</b>
Depreciation period	5-15 years		
Depreciation method	Straight line		
2018	Operating equipment	Total	
Acquisition cost as of 01.01.2018	4	4	
Additions	-	-	
Disposals	-	-	
<b>Acquisition cost at 31.12.2018</b>	<b>4</b>	<b>4</b>	
Depreciation at 01.01.2018	3	3	
Depreciation for the year	-	-	
Depreciation on disposals	-	-	
<b>Depreciation at 31.12.2018</b>	<b>4</b>	<b>4</b>	
Impairment 01.01.2018	-	-	
Impairment	-	-	
Impairment on disposals	-	-	
<b>Impairment 31.12.2018</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Book value at 31.12.2018</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation period	5-15 years		
Depreciation method	Straight line		

## DOF ASA

## 8 Investments in subsidiaries

Directly owned subsidiaries	Main business	Nationality	Registered office	Share capital	Ownership and voting share	Result for the year (100%)	Equity 31.12 (100%)	Carrying value 31.12
DOF Subsea AS	Shipowning/subsea eng.	Norway	Bergen	1 674	100%	-1 118	4 516	3 497
DOF Rederi AS	Shipowning	Norway	Austevoll	203	100%	-394	-283	0
DOF Rederi III AS	Shipowning	Norway	Austevoll	0	100%	0	0	0
DOF Management AS	Management	Norway	Austevoll	38	66%	3	156	58
DOF UK Ltd.	Shipowning/management	Scotland	Aberdeen	0	100%	-2	96	94
Norskan AS	Shipowning/management	Norway	Austevoll	805	100%	-2 276	-87	0
Marin IT AS	IT services	Norway	Austevoll	16	40%	-4	20	6
<b>Total</b>							<b>3 656</b>	

Due to impairment indicators related to the DOF ASA's activity in general, impairment testing has been performed in order to calculate the recoverable amount for the company's investments in subsidiaries. Each subsidiary is a separate cash generating unit, which is tested separately for impairment. The recoverable amount is tested against book value for each subsidiary. In the event that the calculated recoverable amount is lower than book value of the investment, impairment is made to reflect recoverable amount.

Please see the Group's account for information about impairment testing of non-current assets.

The impairment tests have resulted in impairment of investments in subsidiaries with total NOK 2,413 million (NOK 416 million). See note 5.

## 9 Investments in joint venture and associates

## Joint ventures

Joint venture	Main business	Nationality	Registered office	Share capital	Ownership and voting share	Result for the year	Equity 31.12 (100%)	Carrying value 31.12
DOF Deepwater AS	Shipowning	Norway	Austevoll	0,5	50%	-250 025	-553 695	
DOF Iceman AS	Shipowning	Norway	Austevoll	24	50%	-21	-156	
<b>Total</b>								-

Due to impairment indicators related to the DOF ASA's activity in general, impairment testing has been performed in order to calculate the recoverable amount for the company's investments in joint ventures and associated companies. Each joint ventures and associated company is a separate cash generating unit, which is tested separately for impairment. The recoverable amount is tested against book value for each investment. In the event that the calculated recoverable amount is lower than book value of the investment, impairment is made to reflect recoverable amount.

Please see the Group's account for information about impairment testing of non-current assets.

There has been no impairment on investments in joint ventures in 2019 (NOK 0 million). See note 5.

## Associated companies

Associated companies	Main business	Nationality	Registered office	Share capital	Ownership and voting share	Result for the year	Equity 31.12 (100%)	Carrying value 31.12
Iceman AS	Shipowning	Norway	Austevoll	468	14.5 %	-53	95	15
Skandi Aukra AS	Shipowning	Norway	Oslo	1	34.25%	-1	12	6
<b>Total</b>								<b>21</b>

Impairment test of investment in associates has resulted in no impairment (NOK 0 million).

Impairment test of other shares have resulted in an impairment of NOK 2,2 million (NOK 1 million) Other shares are included in 'Other receivables and investments'.

## 10 Other non-current receivables and investment

	Note	2019	2018
Non-current receivables		149	120
Provision for losses	19	-95	-33
Other investments		1	4
<b>Total</b>		<b>55</b>	<b>91</b>

## 11 Trade receivables

	2019	2018
Trade receivable	-	4
Trade receivable to intragroup	8	24
<b>Total</b>	<b>8</b>	<b>28</b>

The company's credit exposure is mainly towards customers who historically have had good financial capability to meet their obligations and have had high credit rating. A sustained challenging market situation has resulted in changes to the credit ratings for some customers, and thereby increased the credit risk. Historically, the portion of receivables not being collectable has been low. An impairment analysis is performed to measure expected credit losses.

As of 31.12, the company had the following trade receivable which had matured, but not been paid.

	Total	Not matured	<30 d	30-60d	60-90d	>90d
2019	8	1	2	0	0	4
2018	28	6	2	0	0	19

## 12 Other current assets

	2019	2018
Intragroup receivables	3	10
Fuel and other inventory	8	8
Other current receivables	2	1
<b>Total</b>	<b>13</b>	<b>18</b>

## 13 Cash and cash equivalents

	2019	2018
Restricted cash	1	1
Bank deposits	177	482
<b>Total</b>	<b>178</b>	<b>483</b>

DOF ASA owns and controls one cash pooling system within the Group. Cash in the cash pooling system is presented as cash and cash equivalents in the financial statement. See DOF Group note 19 'Cash and cash equivalents' for further information about the cash pool arrangement.

DOF ASA has a credit facilities of NOK 300 million at period end, which was utilised. For further information about market-, credit- and liquidity risk see the Group note 3.

## 14 Interest bearing liabilities

## Convertible bond

DOF ASA has a 5-year convertible bond with zero coupon and no financial covenants; DOF12 (DOF ASA 16/21 0% SUB CONV). The bond loan is classified as other equity, and the bondholders may convert their bonds to shares at NOK 1 per share through the tenor of the loan. On the final maturity date remaining bonds will be converted to shares. The initial value of the bond loan was NOK 1,032.5 million and outstanding by 31.12.2019 is NOK 87 million.

## Non-current liabilities to credit institutions

The main share of the Group's fleet is financed via mortgaged loans. A set of covenants has been established for the mortgaged loans in DOF Group and DOF Subsea Group. The Board and Management have since second quarter been working on a long-term refinancing solution for the Group which include a discussions with the banks, the bondholders and the main shareholders. In parallel the Group has agreed waivers, including deferral of instalments and amendments of financial covenants. As part of the process, certain waivers of financial covenants have been approved as per 31.12.2019.

For DOF ASA, the most important financial covenants are as follows:

- \* The Group shall on a consolidated basis have a book equity of at least NOK 3,000 million.
- \* The Group (excluding DOF Subsea AS and its subsidiaries) shall at all times have available liquidity of at least NOK 250 million, (reduced from NOK 500 million).
- \* The fair market value of the vessels shall at all times to be at least 100% of the outstanding debt.
- \* Certain change of control clauses related to Møgster Mohn Offshore AS' ownership in DOF ASA.
- \* DOF ASA shall be listed on the Oslo Stock Exchange.

In addition, normal terms and conditions for this type of mortgaged loans apply, such as full insurance of the Group's vessels and restrictions regarding changes of classification, management and ownership of the vessels.

Non current interest bearing liabilities	2019	2018
Debt to group companies	-	150
<b>Total non current interest bearing liabilities</b>	<b>-</b>	<b>150</b>
Debt to credit institutions	298	295
Debt to group companies**)	78	47
<b>Total current interest bearing liabilities *)</b>	<b>376</b>	<b>342</b>
<b>Total interest bearing liabilities</b>	<b>376</b>	<b>492</b>
<b>Average rate of interest</b>	<b>9.13%</b>	<b>6.76%</b>

\*) Accrued interest amounts to NOK 1 million and is not included in interest bearing liabilities.

\*\*) Current debt to group companies equals cash drawn in Group cash pool.

## 14 Interest bearing liabilities (continued)

	2019	2018
Liabilities secured by mortgage		
Debt to credit institutions	298	295
<b>Total liabilities secured by mortgage</b>	<b>298</b>	<b>295</b>

	2019	2018
Assets provided as security		
Investment in subsidiary/Net asset pledged consolidated *)	-	2 218
<b>Total assets provided as security</b>	<b>-</b>	<b>2 218</b>

\*) The shares in Norskan Offshore SA was pledged against credit facility in DOF ASA.

## 15 Other current liabilities

	Note	2019	2018
Accrued interests		-	1
Accruals guarantee liability	18	188	126
Other current liabilities		24	3
<b>Total</b>		<b>211</b>	<b>131</b>

DOF ASA

## 16 Hedging activities

### Derivatives

As of 31 December 2019, DOF ASA has no interest rate swaps or foreign exchange contracts

The table below displays the fair value of obligations and rights as of 31.12.

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	-	-	-	8
Foreign exchange contracts	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>
Interest rate swaps	-	-	-	8
Non-current portion	-	-	-	8
<b>Current portion</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

### Interest rate derivatives

As of 31.12 the company held the following interest rate derivatives:

Instrument	Fixed rate	Floating rate	Notional amount	Effective from	Maturity date
31.12.2019				-	-
Interest rate swap - NOK					
31.12.2018					
Interest rate swap - NOK	4.12%	Nibor 3m	300	2013	2020

Derivatives are settled at various dates during the next 12 months. Gains and losses recognised in interest rate swaps as of 31 December 2019 are recognised in the income statement in the period or periods during which the transaction affects the income statement.

### Foreign exchange derivatives

As of 31.12 the company had no foreign exchange rate derivatives.

## 17 Financial assets and liabilities: Information on the balance sheet

This note gives an overview of the carrying and fair value of DOF ASA's financial instruments and the accounting treatment of these instruments. The table is the basis for further information regarding DOF ASA's financial risk. The table also shows the level of objectivity in the measurement hierarchy of each method of measuring the fair value of DOF ASA's financial instruments.

31.12.2019

	Financial instruments at fair value through profit or loss	Financial instruments measured at amortised cost	Total
<b>Assets</b>			
Financial investment	1		1
Intragroup non-current receivables		22	22
Other non-current receivables		54	54
Trade receivable		8	8
Other current receivables and investments		5	5
Cash and cash equivalents		178	178
<b>Total financial assets</b>	<b>1</b>	<b>267</b>	<b>269</b>
<b>Liabilities</b>			
Current debt to credit institution		298	298
Trade payable and other current liabilities		417	417
<b>Total financial liabilities</b>	<b>-</b>	<b>715</b>	<b>715</b>
<b>Total financial instruments</b>	<b>1</b>	<b>-448</b>	<b>-447</b>

Prepayments and non-financial liabilities are excluded from the disclosures above.

31.12.2018

	Financial instruments at fair value through profit or loss	Financial liabilities measured at amortised cost	Total
<b>Assets</b>			
Financial investment	4		4
Intragroup non-current receivables		70	70
Other non-current receivables		91	91
Trade receivable		28	28
Other current receivables and investments		10	10
Cash and cash equivalents		483	483
<b>Total financial assets</b>	<b>4</b>	<b>682</b>	<b>686</b>
<b>Liabilities</b>			
Current debt to credit institution		299	299
Debt to Group companies		150	150
Non-current derivatives	8		8
Trade payable and other current liabilities		194	194
<b>Total financial liabilities</b>	<b>8</b>	<b>643</b>	<b>651</b>
<b>Total financial instruments</b>	<b>-5</b>	<b>40</b>	<b>35</b>

Prepayments and non-financial liabilities are excluded from the disclosures above.

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## 18 Remuneration to auditor

Specification of auditor's fee (amount in TNOK):	2019	2018
Audit	1 514	1 242
Tax consultation	187	-
Fee for other services	160	149
<b>Total</b>	<b>1 861</b>	<b>1 391</b>

All amounts in the table are excl VAT.

## 19 Guarantee commitments

On a general basis DOF ASA has issued guarantees to financial institutions on behalf of its wholly owned subsidiaries on maritime mortgages/loans.

- DOF ASA has in some cases issued guarantees on behalf of partly owned subsidiaries. DOF ASA has guarantee commitments on behalf of the following partly owned companies as per 31.12.2019:
  - DOFCON Navegacao Ltda. (50% owned): Guarantee in favor of BNDES. Total amount USD 93 million.
  - DOF Deepwater AS: Guarantee in favor of the company's lenders. Total amount NOK 497 million, of which NOK 188 million has been accrued for at year end 2019. See note 32 in the Group's accounts for more information.
  - Iceman AS: Guarantee in favor of the company's Lender. Total amount NOK 403 million. 50% of the commitment is counter guaranteed by Vard Group.
  - LOS Shipping I AS and LOS Shipping II AS: Agreements whereby DOF ASA guarantees coverage of opex and interest for a period of time, in return for a purchase option. The agreement with LOS Shipping I AS is in progress to renegotiated.

Guarantee income is classified as other financial income in the income statement.

## 20 Related parties

Below is a detailed description of significant transactions between related parties:

### Long-term agreements:

Møgster Mohn Offshore AS owns 48.95% of the shares in DOF ASA at year end 2019 (please see note 20 in the Notes to the Consolidated Financial Statement). Laco AS is the main shareholder of Møgster Mohn Offshore AS. Møgster Management AS provides administrative shared services to DOF ASA. Møgster Management AS is owned by Laco AS. Adminstration fee for 2019 is NOK 2.8 million (NOK 3 million).

### Individual transactions:

#### *Guarantee*

DOF ASA has issued a guarantee in the maximum amount of NOK 403 million (NOK 412 million) on behalf of Iceman AS in favor of DNB ASA. Guarantee income in 2019 was NOK 3.6 million (NOK 4.5 million). Iceman AS is owned with 40% by DOF Iceman. DOF ASA and Vard ASA are owners with 50% each in DOF Iceman AS. In addition DOF ASA owns 14.5% in Iceman AS.

LACO AS has issued a loan guarantee to DOF ASA amounting NOK 20 million. The guarantee is related to DOF ASA's share purchase agreement with two companies controlled by First Reserve to purchase 35.1% stake in DOF Subsea AS. The loan from LACO AS was fully drawn by year end 2019.

#### *Loans to joint venture*

DOF ASA has provided loans to joint ventures and the book value at period end are NOK 22 million (NOK 33 million). Historical value of the loans amounts to NOK 185 million and provisions for losses amounts to NOK 163 million.

Information about transactions with related parties do not include transactions with companies in the DOF Group.

## 21 Contingencies

DOF ASA is not involved in any ongoing court cases as of 31 December 2019.

## 22 Subsequent events

Please see the Notes 35 'Subsequent events' to the Consolidated Statement.

## Confirmation from the Board of Directors and CEO

We confirm, to the best of our knowledge, that the financial statements for the period January to 31 December 2019 has been prepared in accordance with approved accounting standards, and gives a true and fair view of the Company's consolidated assets, liabilities, financial position and result of the operations and that the Report of 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 Company is facing.

Storebø, April 24<sup>th</sup>, 2020  
The Board of Directors for DOF ASA



Helge Møgster  
Chairman



Helge Singelstad  
Deputy Chairman



Kathryn M. Baker  
Director



Hans Olav Lindal  
Director



Marianne Møgster  
Director



Mons S. Aase  
CEO

## INDEPENDENT AUDITOR'S REPORT



To the General Meeting of DOF ASA

*Independent Auditor's Report*

*Report on the Audit of the Financial Statements*

*Opinion*

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

- The financial statements of the parent company DOF ASA (the Company), which comprise the balance sheet as at 31 December 2019, the income statement, 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 ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the income statement, 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 2 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 2 and the Board of Directors' report, these events or conditions, along with other matters as set forth in Note 3 and Note 35 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.



## Independent Auditor's Report - DOF ASA

*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
<i>Impairment assessment of vessel and vessel related equipment</i>	<p>DOF ASA Group has vessels and vessel related equipment with a carrying amount of NOK 17 765 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 921 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 ASA 50% share represent NOK 318 million in 2019.</p> <p>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.</p> <p>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</p> <p>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.</p> <p>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 were consistent with management assumptions and what we know about DOF's business. We found management's assumptions to be within a reasonable range.</p> <p>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.</p> <p>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.</p>

## INDEPENDENT AUDITOR'S REPORT



## Independent Auditor's Report - DOF ASA

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 2 and 4 for the Group's accounting policy for impairment of non-financial assets, and Note 14 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 management's assumptions.

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*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.

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*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 ASA

*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.

## INDEPENDENT AUDITOR'S REPORT



## Independent Auditor's Report - DOF ASA

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

A blue ink signature of the name 'Sturle Døsen'.

Sturle Døsen

State Authorised Public Accountant



## Appendix

### Performance measurements definitions

DOF ASA financial information is prepared in accordance with international financial reporting standards (IFRS). In addition DOF ASA discloses alternative performance measures as a supplement to the financial statement prepared in accordance with IFRS. Such performance measures are used to provide an enhanced insight into the operating performance, financing and future prospects of the company and are frequently used by securities analysts, investors and other interested parties.

The definitions of these measures are as follows:

#### Financial reporting – Financial Reporting according to IFRS.

**Management reporting** – Investments in joint ventures (JV) is consolidated on gross basis in the income statement and the statement of financial position. See the Group Accounts note 5 for presentation the bridge between the management reporting and the financial reporting.

**EBITDA** – Operating profit (earnings) before depreciation, impairment, amortisation, net financial costs and taxes is a key financial parameter. The term is useful for assessing the profitability of its operations, as it is based on variable costs and excludes depreciation, impairment and amortise costs related to investments. Ebitda is also important in evaluating performance relative to competitors.

**Underlying EBITDA** – Ebitda (management reporting) as described above adjusted for hedge accounting of revenue.

	2019	2018
EBITDA	2 673	2 066
Hedge	-188	-180
EBITDA before hedge	2 861	2 246

**EBIT** – Operating profit (earnings) before net financial costs and taxes.

**Interest bearing debt** – Total of non-current and current borrowings.

	2019	2018
Bond loans (non-current)	-	2 480
Debt to credit institutions (non-current)	3 994	13 007
Lease debt	370	
Current bond loan, debt to credit institutions and lease debt	14 198	3 678
Total bond loan and debt to credit institutions	18 561	19 166
Accrued interest expenses	-148	-144
Total interest bearing liabilities	18 414	19 021

**Net interest bearing debt** – Interest bearing debt minus current and non-current interest-bearing receivables and cash and cash equivalents. The use of the term "net debt" does not necessarily mean cash included in the calculation are available to settle debts if included in the term. See the Groups Accounts note 22 for presentation of net interest bearing debt.

**Debt ratio** – Net interest bearing debt divided on total equity and net debt.

**Utilisation of vessel** – Utilisation of vessel numbers is based on actual available days including days at yard for periodical maintenance, upgrading, transit or idle time between contracts.

**Contract coverage** – Number of future sold days compared with total actual available days excluded options.

**Contract Backlog** – Sum of undiscounted revenue related to secured contracts in the future and optional contract extensions as determined by the client. Contract coverage related to master service agreements (MSA's) within the subsea segment, includes only confirmed purchase order.

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## Glossary

AUV:	Autonomous Underwater Vehicle
CAGR:	Compound Annual Growth Rate
CAPEX:	Capital Expenditure
CSV/Subsea	Construction Support Vessels and Subsea vessels
DNV-GL:	Det Norske Veritas. Classification company. Controlling and approving the vessels technical condition, security and quality according to the company's own rules and the national laws
DP:	Dynamic Positioning
EBIT:	Operating Profit
EBITDA:	Operating Profit before Depreciation
E&P:	Exploration & Production
EPIC:	Engineering, Procurement, Installation & Commissioning
FPSO:	Floating Production Storage and Offloading
FTE:	Full Time Equivalents
GOM:	Gulf of Mexico
GRI:	Global Reporting Initiative
HR:	Human Resources
HSEQ:	Health, Safety, Environment and Quality
IFRS:	International Financial Reporting Standards
IMCA:	International Marine Contractors Association
IMR:	Inspection, Maintenance and Repair
IOC:	International Offshore Company
ISM:	International Safety Management Code
ISO:	International Standards Organisation
ISPS:	International Ship and Port Facility Security Code. International framework to detect/ assess security threats and take preventive measures against security incidents affecting ships or port facilities used in international trade
LNG:	Liquefied Natural Gas
MLC:	Maritime Labour Convention
NIBOR:	Norwegian Interbank Offered Rate
NIS:	Norwegian International Ship Register
NOR:	Norwegian Ordinary Ship Register
OHSAS:	Occupational Health & Safety Advisory Services
OSCV:	Offshore Subsea Construction Vessel
PLSV:	Pipelaying Support Vessel
ROV:	Remote Operated Vehicle
SEMS:	Safety and Environmental Management Systems
STCW:	Standards of Training, Certification and Watch keeping
SURF:	Subsea, Umbilicals, Risers & Flowlines
T&I:	Transportation & Installation
Time Charter Party (TC):	Contract for Chartering a Vessel
UDW:	Ultra Deep Water
VAE:	Value Adjusted Equity

## Colophon

**PUBLICATION**  
DOF ASA Annual Report 2019

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**CONSISTENCY**  
Corporate Finance & Control  
Corporate Communication

**ART DIRECTION**  
Corporate Communication

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