Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	915 872 662
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	DOF SUBSEA REDERI III AS
Forretningsadresse:	Thormøhlens gate 53C 5006 BERGEN

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Nei

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Forenklet IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Gustav Kvalsund Nybø
Dato for fastsettelse av årsregnskapet:	29.06.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 20.07.2022

Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Operating revenue	5, 14	185 000 000	270 000 000
Sum inntekter		**185 000 000**	**270 000 000**
Kostnader			
Payroll expenses	6, 14	82 000 000	75 000 000
Depreciation	11	45 000 000	43 000 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	11	655 000 000	205 000 000
Other operating expenses	14, 15	261 000 000	148 000 000
Sum kostnader		**1 043 000 000**	**471 000 000**
Driftsresultat		**-858 000 000**	**-201 000 000**
Finansinntekter og finanskostnader			
Realised gain on derivative instruments and currency positions	7	6 000 000	0
Unrealised gain on derivative instruments and currency positions	7	65 000 000	0
Sum finansinntekter		**71 000 000**	**0**
Financial expenses	7, 14	84 000 000	84 000 000
Realised loss on derivatives and currency position	7	0	9 000 000
Unrealised loss on derivatives and currency position	7	0	2 000 000
Sum finanskostnader		**84 000 000**	**95 000 000**
Netto finans		**-13 000 000**	**-95 000 000**
Ordinært resultat før skattekostnad		**-871 000 000**	**-296 000 000**
Income tax expense	8	3 000 000	9 000 000
Ordinært resultat etter skattekostnad		**-874 000 000**	**-305 000 000**
Årsresultat		**-874 000 000**	**-305 000 000**
Overføringer og disponeringer			
To other equity		-874 000 000	-305 000 000
Sum overføringer og disponeringer		**-874 000 000**	**-305 000 000**

Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Tangible assets	11	795 000 000	1 367 000 000
Sum varige driftsmidler		**795 000 000**	**1 367 000 000**
Finansielle anleggsmidler			
Investering i datterselskap	14	6 000 000	6 000 000
Sum finansielle anleggsmidler		**6 000 000**	**6 000 000**
Sum anleggsmidler		**801 000 000**	**1 373 000 000**
Omløpsmidler			
Varer			
Fordringer			
Trade receivables	9	0	0
Current receivables from Group companies	14	20 000 000	119 000 000
Other current receivables		17 000 000	6 000 000
Sum fordringer		**37 000 000**	**125 000 000**
Bankinnskudd, kontanter og lignende			
Unrestricted cash and cash equivalents	10, 13	1 000 000	1 000 000
Sum bankinnskudd, kontanter og lignende		**1 000 000**	**1 000 000**
Sum omløpsmidler		**38 000 000**	**126 000 000**
SUM EIENDELER		**839 000 000**	**1 499 000 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			

Balanse

Beløp i: NOK	Note	2020	2019
Share capital	12	60 000 000	60 000 000
Sum innskutt egenkapital		**60 000 000**	**60 000 000**
Opptjent egenkapital			
Other equity	12	-1 107 000 000	-233 000 000
Sum opptjent egenkapital		**-1 107 000 000**	**-233 000 000**
Sum egenkapital		**-1 047 000 000**	**-173 000 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	13	0	0
Debt to Group companies	13	0	633 000 000
Sum annen langsiktig gjeld		**0**	**633 000 000**
Sum langsiktig gjeld		**0**	**633 000 000**
Kortsiktig gjeld			
Current portion of debt	13	783 000 000	826 000 000
Leverandørgjeld		5 000 000	6 000 000
Tax payables	8	2 000 000	4 000 000
Current liabilities to Group companies	13, 14	1 079 000 000	198 000 000
Other current liabilities		17 000 000	5 000 000
Sum kortsiktig gjeld		**1 886 000 000**	**1 039 000 000**
Sum gjeld		**1 886 000 000**	**1 672 000 000**
SUM EGENKAPITAL OG GJELD		**839 000 000**	**1 499 000 000**

MOTTATT

02 MARS 2016

Norwegian Directorate of Taxes

Inquiries to	Your date	Our date
Torstein Kinden Helleland	23.02.2016	29.02.2016
Telephone	Your reference	Our reference
22078139	Petter O. Pharo	2016/170122

DOF SUBSEA AS
Thormøhlens gate 53C
5006 BERGEN

Permission to prepare the annual accounts and directors' report in English language

With reference to your letter of 23 February 2016, you apply for permission to keep annual accounts and directors' report in English language. The application in question concerns the companies mentioned below.

DOF Subsea Atlantic AS org. nr. 915 006 515
DOF Subsea Rederi III AS org. nr. 915 872 662
Canadian Subsea Shipping Company AS org. nr. 916 122 837

Conclusion
Based on a total evaluation, the view of The Directorate of Taxes is that the companies mentioned above may make the directors' report and annual accounts in English language according to the Norwegian Accounting Act § 3-4 third paragraph. The exemption requires that the information that the decision is based on, does not change significantly.

A copy of this letter must be sent to the Register of Company Accounts in Brønnøysund together with the financial statements. It is incumbent on the company to document by this letter that the permit is granted.

Background
Canadian Subsea Shipping Company AS is owned 45 % by DOF Subsea AS, 45 % by Vard Group AS and 10 % by Kanabus AS. DOF Subsea Atlantic AS and DOF Subsea Rederi III AS are 100 % owned by DOF Subsea AS. DOF Subsea AS is 100 % owned by DOF Subsea Holding 2 AS and DOF Subsea Holding AS. DOF Subsea Holding AS is in turn owned by DOF ASA (51 %) and First Reserve Corporation - FRC (49 %). DOF ASA is a public limited company listed on the Norwegian Stock Exchange, and FRC is a private equity fund located in US (New York). The companies are companies within the DOF Subsea Group. Other group companies have in previous decisions been given permission to make the directors' report and annual accounts in English language.

The DOF Subsea Group is a specialist subsea service business that provides survey, construction, inspection, repair, and maintenance service which involve complex and challenging engineering in

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P.O. Box 9200 Grønland
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Telephone
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As mentioned above it is particularly the consideration of the users of the account information which has to be taken into consideration when considering the application for permission. In this assessment, the Directorate of Taxes has emphasized that other group companies have in decisions been given permission to make the directors' report and annual accounts in English language. The companies operates in highly international branch, where English is the common languages used. Furthermore, English is the working language.

Please state "our reference" (see above) in all written communication with The Norwegian Tax Authorities.

Best regards

Rune Tystad
Senior Adviser
Legal Department
Norwegian Directorate of Taxes

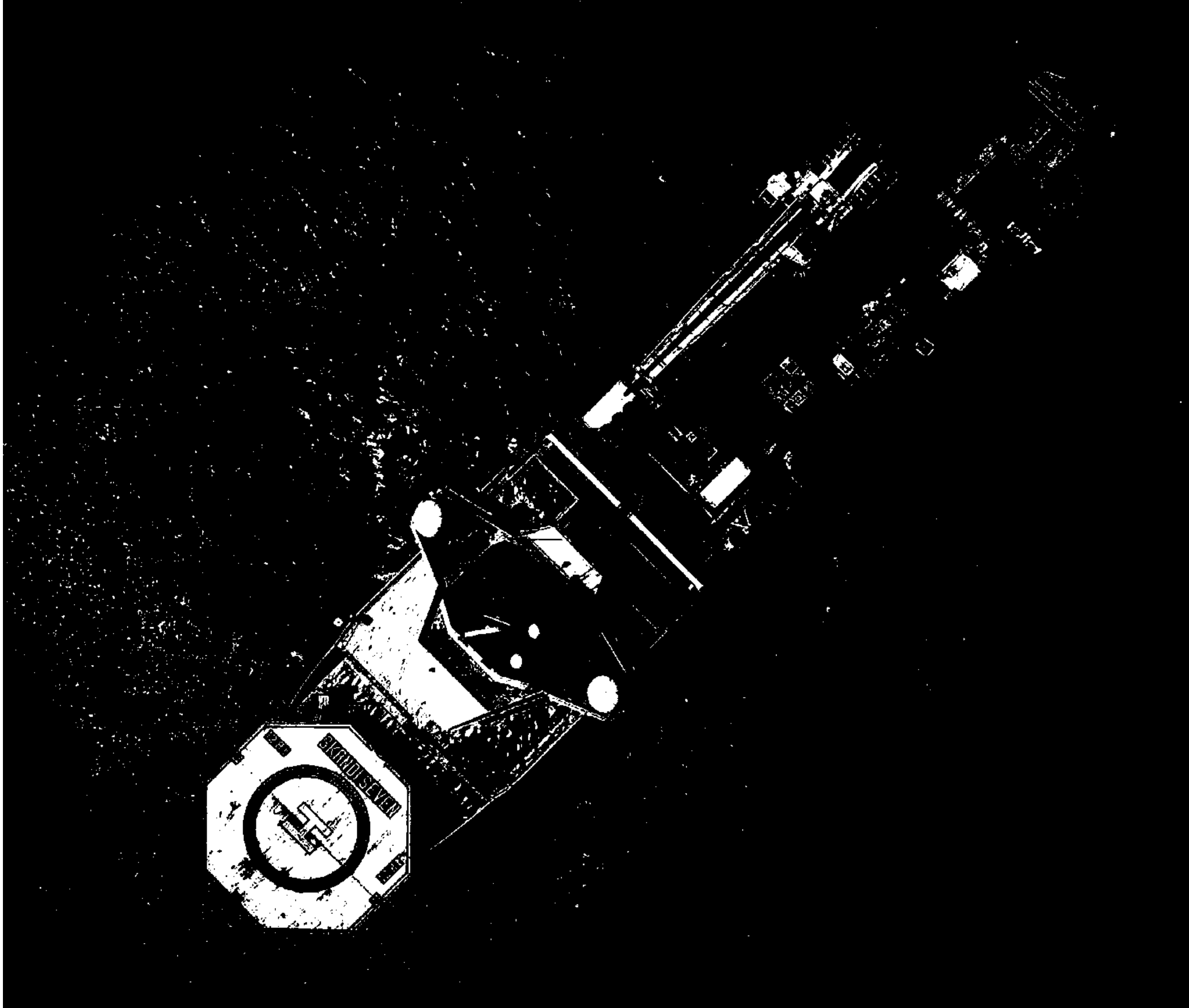
Torstein Kinden Helleland

This document has been electronically approved and contains therefore no handwritten signatures

DOF SUBSEA REDERI III AS

ANNUAL REPORT

2020



DOF Subsea

Board of Directors report

DOF Subsea Rederi III AS (the Company) was founded in August 2015. The Company is a provider of high-end subsea vessels and owns and operates four vessels. The vessels are chartered out to the DOF Subsea Group (the Group) and towards external charterers. During 2020 the vessels have been operating in Angola, in South America and in the North Sea. In 2020, the operating revenue was NOK 185 million (NOK 270 million in 2019) with an operating profit before depreciation and impairment (EBITDA) of NOK -158 million (NOK 47 million EBITDA). The operating profit (EBIT) was NOK -858 million (NOK -201 million). The total assets amounted to NOK 839 million (NOK 1 499 million) with an equity of NOK -1 047 million (NOK -173 million) and a net interest-bearing debt of NOK 1 793. million (NOK 1 627 million), including NOK 1 033 million (NOK 802 million) in debt to companies in the DOF Subsea Group. After a loss of NOK 874 million in 2020 the Company has negative equity of NOK 1047. The company's headquarters are located in Bergen, Norway.

In summary, 2020 has been a challenging year due to the continued downturn in the markets. In addition, the COVID-19 virus has had a major impact on the Company's operations.

The Company has, since Q2 2020, entered into standstill agreements (including deferral of interest payments and instalments) with its secured lenders. Debt restructuring proposals have been presented to the lenders and discussions to agree on a long-term refinancing of the Company and the DOF Subsea Group are ongoing. The Company and the Group is dependent on continued standstill agreements with its creditors until a long-term and sustainable financial solution is agreed to maintain as going concern.

Business overview and strategy

DOF Subsea Rederi III AS's core business is ownership of subsea vessels, and by year-end the Company owned Skandi Neptune, Skandi Constructor, Geosund and Skandi Seven. In Q2 2020 the Company bought Geosund from DOF Subsea Rederi AS. The vessels are chartered to the DOF Subsea Group and to external charterers.

DOF Subsea Rederi III AS is a part of the DOF Subsea Group and is working under DOF Subsea AS's certification and Business Management System. In 2020 DOF Management AS has provided ship management services to the Company.

For further reading, reference is given to the annual report for the parent company DOF Subsea AS and the DOF Subsea Group

Operational events

In 2020, the Company's vessels have mainly been on charter contracts with the DOF Subsea Group. Skandi Seven has been operating in both West Africa and the Mediterranean for DOF Subsea Norway and DOF Subsea UK. Skandi Neptune has been operating in the Caribbean for DOF Subsea US, in Canada and West Africa for DOF Subsea Canada, and in the North Sea for DOF Subsea UK. Geosund has been operating in the Red Sea and Skandi Constructor in the North Sea.

The market

The oil prices and the demand trend remain uncertain, as globally additional lockdown measures continue to be rolled out. However, the arrival of new COVID-19 vaccines and production cuts from OPEC+ countries have brightened the oil market outlook and since year end 2020 the oil price has reached a level above USD 70/ bbl. On the assumption that the activities in the OECD countries will come back to normal by year-end 2021, most analysts predict the oil demand to get back to 100 mb/d in 2022.

The capex cuts in the global offshore industry have been far more than expected, falling by 29% in 2020. Only a few projects were sanctioned, and total investments dropped by approximately USD 140 billion. Most of the oil companies have started to increase their capex budgets and the total number of FIDs (Final investment decisions). According to Rystad Energy, greenfield capex sanctioning is expected to increase by more than 30% in 2021 and 70% in 2022 and 30% in 2023. Brazil and Norway are expected to be the strongest subsea regions over the next three years.

The offshore drilling market with close to 50 rigs being retired from the market in 2020, the sector as a whole is expected to be focused on restructuring through 2021. With the assumption on a successful rebalancing of the market a positive impact on rates should at the earliest be expected in 2022.

The OSV sector remain oversupplied and the outlook for 2021 is negative. As for the drilling sector, most of the companies are focusing on closing ongoing restructuring agreements, including disposal of assets. The utilisation rates are expected to be higher in 2021 versus 2020, but there is high uncertainty on rate levels.

In 2020 the energy transition has become high on the agenda and several of the large oil companies are expected to play a key role as these companies have extensive experience in project management and key technologies. Several “green” contracts have been signed lately and new targets both in terms of CO2 emissions and revenue contributing from green activities have accelerated the energy transition. In addition, various JVs and partnerships have been set up with technological/ industrial companies to reinforce and develop the new competencies. Renewables (Offshore Wind) are expected to surpass oil & gas investments in 2023 and 2024 which may increase demand for AHTS and subsea vessels longer term.

External environment

The DOF Subsea 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 the year, the focus on energy efficiency has increased by implementing key performance indicators related to environmental performance, e.g. energy consumption and CO2 emissions. There have been no major spills and no spills that resulted in fines or other non-monetary sanctions from local governments.

The Group promotes transparency and standard disclosure of information relating to key sustainability aspects. As part of this, the Group reports key environmental performances through 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.

For further reading please also refer to the Annual Report for the DOF Subsea Group on www.dofsubsea.com.

Shareholders, Board of Directors and employees

DOF Subsea AS owns 100% of the shares in the Company. The Board of Directors of DOF Subsea Rederi III AS consists of one woman and one man and there were no employees at year-end 2020

Corporate governance

Risk management and internal control is based on principles established in the Norwegian Code of Practice for Corporate Governance, available at www.nues.no.

The Board of Directors is responsible for ensuring a satisfactory monitoring of risk and internal control. This includes focus on business opportunities and establishing cost efficient solutions. In addition, focus on operational and financial reporting provides comprehensive information for decision making and risk assessment.

Both operational and financial processes are standardised, and the same reporting and control structures are in use for all companies within the Group. These processes are integrated in the Group’s ERP system and supported by Group policies, guidelines and standards in the Business Management System. To strengthen the awareness surrounding the Groups compliance activities, an overall guideline and a training program have been developed, using E-learning followed up by workshops and training.

Every year, the Management carries out a detailed and thorough budgeting process. The next year’s budget is submitted to and approved by the Board of Directors. The Board of Directors receives weekly, monthly and quarterly operational and financial reports, including information on investments, financing, cash flow, liquidity, HSEQ, HR, Tax and Legal performance.

The Board of Directors is of the opinion that the Company’s reporting procedures and quality are at a high standard and sufficient to fulfil the requirements of the Board of Directors for risk management and financial control. For further details on Corporate Governance, see the Corporate Governance section of the Annual Report for the DOF Subsea Group.

Financial performance

The Company has prepared the financial statement in accordance with the Norwegian Accounting Act § 3-9 and Finance Ministry’s prescribed regulations on simplified IFRS.

In 2020, the Company achieved an operating revenue of NOK 185 million compared to an operating revenue of NOK 270 million in 2019. Operating profit before depreciation and impairment (EBITDA) was NOK -158 million (NOK 47 million), whilst operating profit after depreciation (EBIT) was NOK -858 million (NOK -201 million). The depreciation and impairment amounted to NOK 700 million (NOK 248 million).

DOF Subsea Rederi III AS

NOK million	2020	2019	Change
Operating revenue	185	270	-31%
EBITDA	-158	47	-

Net financial loss was NOK 13 million (NOK 95 million), the loss before tax was NOK 871 million (NOK 297 million) and the loss for the year was NOK 874 million compared with a loss of NOK 305 million in 2019.

Total assets were NOK 839 million (NOK 1 499 million), where non-current assets amounted to NOK 801 million (NOK 1 373 million). Current assets were NOK 38 million (NOK 126 million). The Company is part of the DOF Subsea Group's cash pooling system and has at all times access to cash available in the cash pool.

The total equity was NOK -1 047 million (NOK -173 million). Non-current liabilities were NOK 0 million (NOK 633 million), of which NOK 0 million (NOK 633 million) was subordinated debt to companies in the DOF Subsea Group. Current liabilities were NOK 1 886 million (NOK 1 039 million), of which NOK 783 million (NOK 826 million) was current portion of debt to credit institutions and NOK 1 079 million (NOK 198 million) was subordinated debt to companies in the DOF Subsea Group. The effect of not having a long-term financial solution in place or waivers covering more than 12 months after balance sheet date, is that all of the Company's debt to credit institutions and the DOF Subsea Group has been presented as current debt, as the Company has been unable to finalise refinancing of the existing loan agreements.

Weak operational performance and impairments of vessels and receivables in 2020 increased negative equity with NOK 874 million.

NOK million	2019	2019	Change
Tangible assets	795	1 367	-42%
Total equity	-1 047	-173	
NIBD	1 793	1 627	10%

Net cash flow from operating activities during the year was NOK 36 million (NOK 109 million). Cash flow from investing activities during the year was NOK -128 million (NOK -17 million), while the cash flow from financing activities was NOK 91 million (NOK -90 million).

FInancing and capital structure

The Company's interest-bearing debt by 31 December 2020 was NOK 1 794 million. The Board and Management have, since the second quarter of 2019, been working on a long-term refinancing solution for the Company and the Group which includes discussions with secured lenders and the bond holders. The refinancing discussions have continued into 2020 and are still ongoing. Since 2nd quarter 2020 the Group has agreed standstill agreements (including full waiver of financial covenants, interest payments and instalments) with its lenders. The current standstill agreements are applicable until the 30th of June 2021 with 88% of the secured lenders within the Group. The standstill agreements do not include the joint venture with TechnipFMC. The standstill agreements further assume payment of principal and interest of a NOK 100 million credit facility provided by certain lenders in March 2020. The outstanding amount of this facility is NOK 48 million by end of May 2021. The relevant Group companies have imposed unilateral standstill to the lenders not participating in the standstill agreements. One of the secured lenders has requested repayment of approximately USD 47 million and has enforced account pledge on the earnings account for the relevant vessel. Another secured lender has enforced account pledge for one loan facility. The bondholders in DOFSUB07, DOFSUB08 and DOFSUB09 have further accepted a standstill until the 30th of June 2021.

The Group's financial position is not sustainable, and a long-term financial solution is necessary to continue as going concern. Due to the ongoing debt restructuring of the Group, the vast majority of the Group's secured- and unsecured debt are classified as current debt. This classification is based on that standstill agreements for debt service with the banks and bondholders are less than 12 months. The Company and the Group will continue the dialogue with its creditors to secure a long-term financial solution for the Company and the Group. Various debt restructuring proposals have been discussed with the secured lenders and the bondholders. The proposals include comprehensive restructuring of the Group's balance sheet, including conversion of debt.

Risk

Financial and liquidity risk

The Company is exposed to financial and liquidity risk through its operations, periodical maintenance and the requirement for refinancing of existing vessels. A sustained weak market since 2014 has increased the refinancing risk for the Company significantly, and the Group has since 2019 experienced that regular refinancing has been impossible. The increased ESG requirements have in 2020 become an additional refinancing risk as several banks are more reluctant to provide funding to the oil and gas sector.

The Company's financing, capital structure and liquidity are monitored closely. Liquidity risk is monitored on short, medium and long-term, focusing on funding and liquidity requirements. From the 4th quarter 2019 the Company has a temporary deferral of loan repayments and instalments as part of the work to reach a long-term financial solution.

At the end of 2020 the Company has negative equity and does not have available liquidity to meet its expected financial obligations for the next 12 months if the stand still agreements are not prolonged.

The Company is a part of the DOF Subsea Group and as such dependent on the parent company's performance and the parent company guarantee obligations. During 2019 the parent company faced financial difficulties. Since end of 2019 the Group has had waivers on instalment payments in order to find a long-term financial solution. If a short-term and long-term financial solution is not obtained for the Group and the parent company goes in default, this will lead to a cross default in DOF Subsea Rederi III AS.

The Company's loan agreements contain financial covenants. All covenants for the Company and the Group has been waived at period end 2020. The Company has a temporary deferral of payment of interest and instalments with its secured lenders in order to reach a long-term financial solution.

Currency risk

The Company has global operations, and a significant portion of the income and costs are denominated in foreign currencies, mainly USD. Fluctuations in foreign exchange rates against the NOK have impact on the Company's financial statements. The company has loans in USD equivalent to NOK 941 million. A 20% weakening of NOK against USD will result in currency loss and a negative impact on the equity of NOK 188 million.. The currency fluctuations in 2020 have been extreme and at levels never experienced before.

The Company aims to be naturally hedged by matching income and costs for the relevant currencies. In addition, the Company has a derivative strategy using derivatives to reduce the exchange rate risk exposure. However, due to the current financial position, entering into forward contracts or commercial transactions have become more challenging. Hence, the Company's liquidity risk has increased if the currencies fluctuate.

The Company's debt is denominated in NOK and USD.

Interest risk

The Company's existing debt arrangements are loans at floating interest rates. Movements in interest rates will have effects on the Company's cash flow and financial condition. The Company's policy is to maintain part of its debt at fixed rates. Due to the current financial position of the Company, entering into new interest rate swaps have become more challenging. Hence, the Company's interest rate risk has increased.

Credit risk

The Company has established policies and guidelines for follow-up and collection of outstanding receivables. Historically, the portion of receivables not being collectable has been low. The sustained challenging market situation has resulted in changes to the credit ratings for some of the Company's customers, and thereby increased the credit risk. To reflect the increased risk of loss on receivables, the Company has booked a total loss provision of NOK 175 million in 2020. The impacts from Covid-19 and the challenging market situation, may increase the credit risk going forward. The Company continuously evaluates the financial strength and credit worthiness of customers and suppliers including DOF Subsea Group companies.

Market and price risk

The Company has limited direct financial exposure to changes in the prices of commodities and raw materials, such as oil and refined oil products. To the extent the Company has such risk exposure, it is managed and partly hedged through clauses in the Company's contracts.

The Company is exposed to cost increases in general, including conversions and maintenance of vessels. The majority of the conversion contracts and class-dockings with the yards are based on fixed prices. The Company 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 Company is exposed to market fluctuations which may result in lower utilisation and reduced earnings for the Company's vessels. Attempts are made to reduce this risk by entering into contracts that secure long-term charters for the fleet.

The market has further deteriorated in all regions where the vessels operates and has negatively impacted the earnings and utilisation of the fleet.

The oil price is an important driver for the global demand

DOF Subsea Rederi III AS

for vessels and services within the subsea industry. The development of the oil price over the last couple of years has reduced the demand for both subsea services and vessels.

Going concern

The financial statements for the Company have been prepared on the basis of going concern assumption in accordance with the Norwegian Accounting Act § 3-3a. However, the events described below and the negative equity of MNOK 1 047 give rise to significant doubt on the Company's ability to continue as going concern.

DOF Subsea AS is guarantor for the Company's debt and the long-term financial solution for the Company will be affected by the work to find a long-term financial solution for DOF Subsea AS and the DOF Subsea Group.

The Group's financial position is not sustainable and standstill agreements with the majority of the Group's creditors have continued since 2nd quarter 2020. The Group is dependent on a robust refinancing solution and has presented a debt restructuring proposal to the secured lenders and bondholders. The refinancing proposal currently discussed include a comprehensive restructuring of the Group's balance sheet which include softer terms and conversion of debt. The dialogue with the lenders is constructive, but a refinancing solution is not yet in place. The Group and the Company are dependent on continued standstill agreements with its creditors until a long-term financial solution is agreed to maintain as going concern. If the Company cannot be treated as 'going concern', the valuation of the Company's asset will be further revised. Valuation of asset without the going concern assumption will result in impairment of the Company's assets.

Allocation of the result

The Company's loss for the year was NOK 874 million in 2020. The Board of Directors recommends that the loss for the year is allocated to other equity.

Events after balance sheet date

On the 31st of May 2021 the Group agreed to extend the standstill agreements with the secured lenders representing in total 88 % of the secured debt of the Group excluding the joint venture with TechnipFMC and DOF Subsea Brasil Servicios Ltda. DOF Subsea AS has received confirmation from the ad hoc group of bondholders that they have agreed to further extend the suspension, deferral and standstill arrangement currently in place for the bond issues until 30 of June 2021.

Skandi Neptune has been awarded a vessel and ROV support contract in Brazil. The contract will secure utilisation of Skandi Neptune until Q1 2022. DOF Subsea Group has been awarded a contract by Siemens Gamesa for Skandi Constructor. The vessel will be utilized for projects on several offshore wind farms in Germany with a duration up to 160 days. Skandi Constructor commenced on the contract in April.

Outlook

The challenging markets are expected to continue in 2021. There are signs of increased activity from 2022, however the timing of a recovery is highly uncertain. Hence, future earnings and asset values are difficult to forecast. Continued weak markets will increase the risk for reduced earnings and further strain the Company's financial position. If a robust long-term refinancing solution is not achieved for the Company and the Group, the Company's asset will be further impaired.

Vessels chartered to the DOF Subsea Group will be utilised in the Subsea/IMR Projects segment where the management is working on strengthening the contract backlog for the segment.

Despite continued challenging markets the Company will maintain its strategy to secure the fleet on long-term contracts and is actively working on keeping the firm employment of the fleet as high as possible. The Company will further continue to adapt its capacity to the challenging markets. However, a continuing weak market will further reduce the backlog, reduce the earnings and increase the liquidity risk for the Company.

As mentioned above the Company and the Group has entered into standstill agreements with its lenders. The proposals currently discussed include a comprehensive restructuring of the Group's balance sheet including conversion of debt. The dialogue with the lenders is constructive, but a refinancing solution is not yet in place. The Company and the Group are dependent on continued standstill agreements with its creditors until a long-term financial solution is agreed to maintain as going concern.

The Company emphasize that the information included in this annual report contains certain forward-looking statements that address activities or developments that the

Company anticipates will or may occur in the future. The statements are based on assumptions and estimates, and some of them are beyond the Company's control and therefore subject to risks and uncertainties.

The Board of Directors confirms that, to the best of its knowledge, the information contained in the Annual Report, gives a true and fair view of the Company's results, financial position, assets and liabilities.

Bergen, 29 June 2021

The Board of Directors of DOF Subsea Rederi III AS

DocuSigned by: Mons S. Aase 1F267AD0E36B450...	DocuSigned by: Marianne Møgster 4FFAE93EC5AE43D...
Mons S. Aase	Marianne Møgster
Chairman	Director

DOF Subsea Rederi III AS

Amounts in NOK million

Financial statements
DOF Subsea Rederi III AS

DOF Subsea Rederi III AS

Amounts in NOK million

Statement of comprehensive income

	Note	2020	2019
Operating revenue	5, 14	185	270
Payroll expenses	6, 14	-82	-75
Other operating expenses	14, 15	-261	-149
Operating profit before depreciation and impairment (EBITDA)		**-158**	**47**
Depreciation and impairment	11	-700	-248
Operating profit (EBIT)		**-858**	**-201**
Financial expenses	7, 14	-84	-85
Realised gain / loss on derivative instruments and currency positions	7	6	-9
Unrealised gain / loss on derivative instruments and currency positions	7	65	-2
Net financial income / loss		**-13**	**-95**
Profit / loss before tax		**-871**	**-297**
Income tax expense	8	-3	-9
Profit / loss for the year		**-874**	**-305**
Other comprehensive income / loss, net of tax		**-**	**-**
Total comprehensive income / loss for the year, net of tax		**-874**	**-305**

DOF Subsea Rederi III AS

Amounts in NOK million

Statement of financial position

	Note	2020	2019
Assets			
Tangible assets	11	795	1 367
Investments in associates	14	6	6
Total non-current assets		**801**	**1 373**
Trade receivables	9	-	-
Current receivables from Group companies	14	20	119
Other current receivables		17	6
Current receivables		**37**	**126**
Unrestricted cash and cash equivalents	**10,13**	**1**	**1**
Total current assets		**38**	**126**
Total assets		**839**	**1 499**
Equity and liabilities			
Paid-in equity	12	60	60
Other equity	12	-1 107	-233
Total equity		**-1 047**	**-173**
Debt to credit institutions	13	-	-
Debt to Group companies	13	-	633
Total non-current liabilities		**-**	**633**
Current portion of debt	13	783	826
Trade payables		5	6
Current liabilities to Group companies	13, 14	1 079	198
Other current liabilities		17	5
Tax payables	8	2	4
Total current liabilities		**1 886**	**1 039**
Total liabilities		**1 886**	**1 672**
Total equity and liabilities		**839**	**1 499**

Bergen, 29 June 2021

The Board of Directors of DOF Subsea Rederi III AS

DocuSigned by: Mons S. Aase
1F267AD0E36B450...
Mons S. Aase
Chairman

DocuSigned by: Marianne Møgster
4FFAE93EC5AE43D...
Marianne Møgster
Director

DOF Subsea Rederi III AS

Amounts in NOK million

Statement of changes in equity

Changes in equity	Note	Paid-in equity	Other equity	Total equity
Equity at 01.01.2020		60	-233	**-173**
Profit for the year		-	-874	-874
Other comprehensive income net of tax		-	-	-
Total comprehensive income net of tax		-	-	**-**
Debt conversion		-	-	**-**
Equity at 31.12.2020	12	60	-1 107	**-1 047**

Changes in equity		Paid-in equity	Other equity	Total equity
Equity at 01.01.2019		390	-353	**36**
Equity reallocation		-426	426	-
Debt conversion		90	-	90
New equity from non-cash contributions		6	-	6
Profit for the year		-	-305	-305
Other comprehensive income net of tax		-	-	-
Total comprehensive income net of tax		-	-305	**-305**
Equity at 31.12.2019	12	60	-233	**-173**

DOF Subsea Rederi III AS

Amounts in NOK million

Statement of cash flows

	Note	2020	2019
Operating profit (EBIT)		-858	-201
Depreciation and impairment	11	700	248
Change in trade receivables	9	-	20
Change in trade payables		-1	3
Changes in other working capital including intercompany balances	14	254	110
Exchange rate effect on operating activities		-12	-1
Cash flow from operating activities		**83**	**178**
Interest and other financial costs paid	7	-43	-69
Tax paid		-4	-
Net cash flow operating activities		**36**	**109**
Purchase of tangible assets	11	-128	-17
Cash flow from investing activities		**-128**	**-17**
Instalments on non-current liabilities	13	-	-90
Proceeds from interest bearing debt - IC		91	-
Cash flow from financing activities		**91**	**-90**
Net change in cash and cash equivalents		**-1**	**2**
Cash and cash equivalents at 01.01	10	**1**	**-**
Exchange rate gain / loss on cash and cash equivalents		**1**	**-1**
Cash and cash equivalents at 31.12	10	**1**	**1**

Amounts in NOK million

Notes to the financial statements

1 Corporate information and Going concern

DOF Subsea Rederi III AS, the Company, was founded 18th of August 2015. The main purpose of the Company is to conduct business within the shipping-, offshore and energy sectors. The Company owns and operates a modern fleet of vessels: Skandi Constructor, Skandi Neptune, Geosund and Skandi Seven.

The office address for the Company is Thormølensgate 53C in Bergen, Norway.

DOF Subsea Rederi III AS is 100% owned by DOF Subsea AS.

Going concern

The financial statements for the Company have been prepared on the basis of going concern assumption in accordance with the Norwegian Accounting Act § 3-3a. However, the equity in the company is negative and the events described below give rise to significant doubt on the Company's ability to continue as going concern.

DOF Subsea AS is guarantor for the Company's debt and the long-term financial solution for the Company will be affected by the work to find a long-term financial solution for DOF Subsea AS and the DOF Subsea Group.

The Group's financial position is not sustainable and standstill agreements with the majority of the Group's creditors have continued since 2nd quarter 2020. The Group is dependent on a robust refinancing solution and has presented a debt restructuring proposal to the secured lenders and bondholders. The refinancing proposal currently discussed include a comprehensive restructuring of the Group's balance sheet which include softer terms and conversion of debt. The dialogue with the lenders is challenging, but constructive and a refinancing solution is not yet in place. The Group and the Company are dependent on continued standstill agreements with its creditors until a long-term financial solution is agreed to maintain as going concern. If the Company cannot be treated as 'going concern', the valuation of the Company's asset will be further revised. Valuation of asset without the going concern assumption will result in impairment of the Company's assets.

2 Accounting policies

Summary of significant accounting principles

The financial statements of the Company have been prepared in accordance with the Norwegian Accounting Act § 3-9 and Finance Ministry's prescribed regulations on simplified IFRS. Principally this means that recognition and measurement complies with the International Financial Reporting Standards (IFRS) and presentation and note disclosures are in accordance with the Norwegian Accounting Act and generally accepted accounting principles. The financial statements have been prepared in accordance with the historical cost convention with the following exception: financial instruments at fair value through profit or loss are subsequently carried at fair value.

The fiscal year is the same as the calendar year.

Group companies

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. The Company has only one business segment, Chartering of vessels.

Conversion of foreign currency

a) Foreign currency

The functional currency is NOK. The statements are presented in NOK million.

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.

Classification of assets and liabilities

Assets are classified as current assets when:

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

All other assets are classified as non-current assets.

Liabilities are classified as current liabilities when:

- the liability forms part of the entity's operating cycle, and is expected to be realised or consumed over the course of the entity's normal operations; or
- the liability is held for trading; or
- settlement of the liability has been agreed upon within12 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.

Trade receivables

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

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

Tangible assets

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

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

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

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

For vessels, residual value is determined based on estimated fair value today as if the asset was at the end of its useful life. According to the Group's strategy, it intends not to own vessels older than 20 years. For further information on depreciation policy see note 4 'Accounting estimates and assessments'.

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

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 of tangible assets

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

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

Debt

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

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

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

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

Provisions

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

Revenue recognition

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

Day rate contracts

A day rate contract is a contract where the Company 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.

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 an input or output method. The method applied is the one that most faithfully depicts the Company 's progress towards complete satisfaction of the performance obligation. Progress is usually measured based on output methods such as days.

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

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

Amounts in NOK million

Mobilisation

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

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 statement of financial position date in the countries where the Company operate and generate taxable income. The tax change in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any carry-forward losses for tax purposes at year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated.

The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carry-forward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the statement of financial position are presented net. Deferred tax is reflected at nominal value.

Management periodically evaluated positions taken in tax returns where applicable tax regulation is subject to interpretation and they establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Tax reduction on group contributions given and tax on group contribution received, booked as a reduction of cost price or taken directly to equity, are booked directly against tax in the statement of financial position (offset against payable taxes if the group contributions had effected deferred taxes). Group contributions is booked in the year when it is approved by the annual general meeting.

Events after period end

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

Use of estimates

The preparation of financial statements in conformity with simplified IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4 'Accounting estimates and assessments'. Changes in accounting estimates are recognised in profit or loss for the period in which they occur. If the changes also apply to future periods, the effect of the change is distributed over current and future periods.

Statement of cash flows

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

New standards, amendments and interpretations adopted

No new standards, amendments or interpretations have been adopted by the Company in 2020.

New standards, amendments and interpretations not yet adopted

New standards and amendments mandatory for annual reporting periods after 31 December 2020 is expected to not be significant for the Company.

3 Financial risk management

The Company's risk management is conducted in line with policies and guidelines approved by the Group's Board of Directors. Accordingly, financial risk is identified, evaluated and risks are managed if appropriate. The Company has adopted the Group's written policies for governing risk management and defined principles for specific areas such as the currency risk, interest risk and credit risk.

Financial and liquidity risk

The Company is exposed to financial and liquidity risk through its operations, periodical maintenance and the requirement for refinancing of existing vessels. A sustained weak market since 2014 has increased the refinancing risk for the Company significantly, and the Group has since 2019 experienced that regular refinancing has been impossible. The increased ESG requirements have in 2020 become an additional refinancing risk as several banks are more reluctant to provide funding to the oil and gas sector.

The Company's financing, capital structure and liquidity are monitored closely. Liquidity risk is monitored on short, medium and long-term, focusing on funding and liquidity requirements. From the 4th quarter 2019 the Company has a temporary deferral of loan repayments and instalments as part of the work to reach a long-term financial solution.

At the end of 2020 the Company has negative equity and does not have available liquidity to meet its expected financial obligations for the next 12 months if the stand still agreements are not prolonged.

The Company is a part of the DOF Subsea Group and as such dependent on the parent company's performance and the parent company guarantee obligations. During 2019 the parent company faced financial difficulties. Since end of 2019 the Group has had waivers on instalment payments in order to find a long-term financial solution. If a short-term and long-term financial solution is not obtained for the Group and the parent company goes in default, this will lead to a cross default in DOF Subsea Rederi III AS.

The Company's loan agreements contain financial covenants. All covenants for the Company and the Group has been waived at period end 2020. The Company has a temporary deferral of payment of interest and instalments with its secured lenders in order to reach a long-term financial solution.

See also note 13 'Interest-bearing debt', for further information about debt to credit institution

Currency risk

The Company's reporting currency is NOK. Foreign exchange risk arises when future commercial transactions, contractual obligations and liabilities are denominated in a currency that is not the functional currency. The Company has global operations, and a significant portion of the income and costs are denominated in foreign currencies, mainly USD. Fluctuations in foreign exchange rates against the NOK have impact on the Company's financial statements. The company has loans in USD equivalent to NOK 941 million. A 20% weakening of NOK against USD will result in currency loss and a negative impact on the equity of NOK 188 million. The currency fluctuations in 2020 have been extreme and at levels never experienced before.

The Company aims to be naturally hedged by matching income and costs for the relevant currencies. In addition, the Company has a derivative strategy using derivatives to reduce the exchange rate risk exposure. However, due to the current financial position, entering into forward contracts or commercial transactions have become more challenging. Hence, the Company's liquidity risk has increased if the currencies fluctuate.

The Company's debt is denominated in NOK and USD.

Interest risk

The Company's existing debt arrangements are loans at floating interest rates. Movements in interest rates will have effects on the Company's cash flow and financial condition. The Company's policy is to maintain part of its debt at fixed rates. Due to the current financial position of the Company, entering into new interest rate swaps have become more challenging. Hence, the Company's interest rate risk has increased.

Credit risk

The Company has established policies and guidelines for follow-up and collection of outstanding receivables. Historically, the portion of receivables not being collectable has been low. The sustained challenging market situation has resulted in changes to the credit ratings for some of the Company's customers, and thereby increased the credit risk. To reflect the increased risk of loss on receivables, the Company has booked a total loss provision of NOK 175 million in 2020. The impacts from Covid-19 and the challenging market situation, may increase the credit risk going forward. The Company continuously evaluates the financial strength and credit worthiness of customers and suppliers including DOF Subsea Group companies.

Market and price risk

The Company has limited direct financial exposure to changes in the prices of commodities and raw materials, such as oil and refined oil products. To the extent the Company has such risk exposure, it is managed and partly hedged through clauses in the Company's contracts.

The Company is exposed to cost increases in general, including conversions and maintenance of vessels. The majority of the conversion contracts and class-dockings with the yards are based on fixed prices. The Company 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 Company is exposed to market fluctuations which may result in lower utilisation and reduced earnings for the Company's vessels. Attempts are made to reduce this risk by entering into contracts that secure long-term charters for the fleet.

The market has further deteriorated in all regions where the vessels operates and has negatively impacted the earnings and utilisation of the fleet.

The oil price is an important driver for the global demand for vessels and services within the subsea industry. The development of the oil price over the last couple of years has reduced the demand for both subsea services and vessels.

4 Accounting estimates and assessments

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

Debt to credit institutions and bondholders

Debt to credit institutions has been presented as current debt as the Company has been unable to finalise refinancing of the existing loan agreements as a result of not having a long-term financial solution in place or waivers covering more than 12 months after balance sheet date. Agreement on a new long-term financing solution or waiver of more than 12 months duration, will result in change in presentation of debt to credit institutions.

For further information about debt to credit institutions, see note 13 'Interest-bearing debt'.

Depreciation of vessels

The carrying amount of the Company's vessels represents 96% of the total statement of financial position. Consequently, policies and estimates linked to the vessels have a significant impact on the Company's financial statements. Depreciation is calculated on a modified straight-line basis over the estimated useful life of the asset. Depreciable amount equals historical cost less residual value. Please see note 2 'Accounting policies' for further information about tangible assets.

Useful life of vessels

The depreciation of vessels depends on the vessels' estimated useful life in the Company. Estimated useful life is 20 years based on strategy, past experience and knowledge of the types of vessels the Company owns. There will always be risk of events like breakdown and obsolescence which may result in a shorter useful life than anticipated. From time to time the Company may own vessels older than 20 years. The useful life will then be estimated individually.

Residual value of vessels

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

Impairment of Vessels

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

For vessels, fair value less cost to sell is based on an average of the

Amounts in NOK million

brokers' estimates, taken into account sales commission. All vessels in the Company are assessed for indications of impairment by obtaining independent broker estimates. The broker's estimates are based on the principal of "willing buyer and willing seller". Broker estimates includes mounted equipment and assume that the vessels are without any charter contracts (i.e. charter-free basis). The Company 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 Company has sought to substantiate the broker valuations, inter alia with value in use calculations or tests of reasonableness of implicit rates and other assumptions derived from the valuations. The Company has deemed it necessary to perform separate calculations for all vessels to support the broker estimates. After the evaluation, the Company has concluded that the average of the broker estimates is considered reliable.

When the broker valuations are substantiated with value in use calculations, 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. 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 end of contract. Options held by the customers are not assumed to be exercised, unless the options are at or below current market rates. For vessels without contract, assumptions derived from the evaluation of broker estimates, combined with other market information are considered when estimating future revenues. It is expected to be a weak market the next 1-2 years, and gradually normalise to historical average levels thereafter.

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

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

Current receivables from Group companies

An impairment analysis is performed to measure expected credit losses on receivables from group companies. The Group companies' financial position is not sustainable. The Group companies are dependent on a robust refinancing solution to maintain as a going concern. To reflect the increased risk of loss on receivables, the Company has booked a total loss provision of NOK 175 million in 2020.

DOF Subsea Rederi III AS

Amounts in NOK million

5 Operating revenue

2020	Norway	Monaco	US	UK	Other	Total
Operating revenue	88	38	19	17	23	185

2019	US	UK	Brasil	Denmark	Other	Total
Operating revenue	100	68	46	26	30	270

The Company has only one business segment, Chartering of vessels. Geographical distribution of revenue from contracts with customers is based on the location of clients.

6 Payroll expenses

Payroll expenses	2020	2019
Personnel hire	82	75
Total payroll expenses	**82**	**75**
Average number of employees	0	0

The Company has no employees. The Company's vessels are operated by DOF Management AS.

7 Financial income and expenses

Financial income and expenses	2020	2019
Interest and guarantee expenses	-80	-83
Other financial expenses	-4	-2
Financial expenses	**-84**	**-85**
Realised gain / loss on currencies	6	-9
Realised gain / loss on financial derivatives and currency positions	**6**	**-9**
Unrealised gain / loss on currencies	65	-2
Unrealised gain / loss on financial derivatives and currency positions	**65**	**-2**
Net financial income / loss	**-13**	**-95**

DOF Subsea Rederi III AS

Amounts in NOK million

8 Tax

Income tax expense	2020	2019
Current tax on profit for the year, foreign countries	-2	-4
Withholding tax	-1	-5
Change in deferred tax	-	-
Impact of change in tax rate	-	-
Total income tax expense	**-3**	**-9**

Reconciliation of nominal and effective tax rate		
Profit before tax	-871	-297
Expected income tax expense 22% (22%)	**192**	**65**
Tax effect of		
Impact on change in tax rate	-	-
Tax loss for which no deferred tax asset has been recognised	-38	-38
Withholding tax and effect of different tax regimes	-3	-9
Change in temporary differences	-155	-27
Total income tax expense	**-3**	**-9**

Basis for deferred tax		
Non-current assets	-261	266
Receivables	-230	-54
Liabilities	-115	-115
Total temporary differences	**-605**	**97**
Tax loss carry-forward	-927	-756
Basis for calculation deferred tax (-) / tax assets	**-1 532**	**-659**
Deferred tax / tax assets (-)	**-337**	**-145**
Deferred tax assets not recognised	337	145
Total deferred tax / tax assets (-)	**-**	**-**

The Company has tax payable of NOK 2 million related to permanent establishments in foreign countries.

9 Trade receivables

Trade receivables	2020	2019
Trade receivables at nominal value	-	1
Contract assets	-	-1
Trade receivables at 31.12	**-**	**-**

Historically, the portion of receivables not being collectable has been low. The sustained challenging market situation has resulted in changes to the credit ratings for some of the Company's customers, and thereby increased the credit risk. The impacts from Covid-19 and the challenging market situation may increase the credit risk going forward. For information about trade receivables and credit risk towards related parties, see note 14 "Related Parties".

DOF Subsea Rederi III AS

Amounts in NOK million

10 Cash and cash equivalents

Cash and cash equivalents	2020	2019
Restricted deposits	-	-
Bank deposits	1	1
Cash pooling system deposit DOF Subsea AS	-160	-14

The Company has no restricted cash. The Company is part of the Group's cash pooling system and has at all times access to cash available in the Group's cash pool. For further reading about liquidity risk, please refer to note 3 'Financial risk management'. Pricing on deposits in the respective currencies is based on the Group's internal transfer pricing policy.

The amounts in the cash pooling system deposit of the DOF Subsea Group are recognised as current receivables/liabilities to Group companies.

11 Tangible assets

2020	Vessels	Periodical maintenance	ROVs	Total
Cost at 01.01	1 819	96	24	1 940
Additions	89	38	1	128
Cost at 31.12	**1 908**	**134**	**25**	**2 067**
Depreciation at 01.01	-98	-48	-22	-168
Depreciation for the year	-21	-22	-3	-45
Depreciation at 31.12	**-118**	**-70**	**-25**	**-213**
Impairment at 01.01	-405	-	-	-405
Impairment for the year	-655	-	-	-655
Impairment at 31.12	**-1 060**	**-**	**-**	**-1 060**
Book value at 31.12	**731**	**63**	**1**	**795**
Asset lifetime (years)	20	2.5-5	12	
Depreciation schedule	*)	Linear	Linear	

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

2019	Vessels	Periodical maintenance	ROVs	Total
Cost at 01.01	1 819	79	24	1 922
Additions	-	17	-	17
Cost at 31.12	**1 819**	**96**	**24**	**1 940**
Depreciation at 01.01	-78	-30	-17	-125
Depreciation for the year	-20	-18	-5	-43
Depreciation at 31.12	**-98**	**-48**	**-22**	**-168**
Impairment at 01.01	-200	-	-	-200
Impairment for the year	-205	-	-	-205
Impairment at 31.12	**-405**	**-**	**-**	**-405**
Book value at 31.12	**1 317**	**48**	**3**	**1 367**
Asset lifetime (years)	20	2.5-5	12	
Depreciation schedule	*)	Linear	Linear	

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

Amounts in NOK million

Impairment

Vessel	Impairment	Basis for recoverable amount
Skandi Neptune	-170	Value in use
Skandi Seven	-182	Value in use
Skandi Constructor	-276	Value in use
Geosund	-27	Value in use
Total impairment of vessels	**-655**	

The drop in oil price starting in 2014 has resulted in reduced activity and demand for vessels in the offshore energy industry. The weak market has led to impairments for several of the Company's vessels For further information see note 4 'Accounting estimates and assessments'

Sensitivity analysis of impairment

Impairment tests are highly USD sensitive and a drop in USD/NOK of NOK 0,5 will result in an additional impairment of NOK 76,6 million all else equal. While testing the reasonableness of the broker estimates the Company has applied a nominal WACC after tax of 9.3%. An increase in WACC with 50 basis points will result in an additional impairment of the vessels with NOK 28,2 million. Negative effect on net future cash flows with 20 % will result in an additional impairment of the vessels with NOK 141,6 million.

Useful life of the vessels is long and value in use calculations are sensitive for future changes in assumptions. The key assumptions in a discounted cash flow calculation for vessels are utilisation and charter rates. Changes in these assumptions could have considerable effects on the value of the vessels.

Additional impairments of NOK 18 million were made in Q1 2021.

12 Share capital and share information

Share capital

The share capital in the Company at 31 December 2020 was NOK 60 400 000 comprising 1 000 shares, each with a nominal value of NOK 60 400.

Shareholder overview

Shareholders at 31.12.2019 / 31.12.2020	No. of shares	Proportion of ownership	Share capital
DOF Subsea AS	1 000	100 %	60.4

The members of the Board of Directors and senior executives owns shares in related companies, and thus have indirect ownership stakes in DOF Subsea Rederi III AS. Please refer to the financial statements for DOF ASA for further information.

Board of Directors	Title
Mons S. Aase	Chairman
Marianne Møgster	Director

Amounts in NOK million

13 Interest bearing debt

The restructuring of the Company and the Group's long-term debt is ongoing and standstill agreements have been agreed until the 30th of June 2021 with 88% of the secured lenders within the DOF Subsea Group. The standstill agreements do not include the joint venture with TechnipFMC. The standstill agreements further assume payment of principal and interest of a NOK 100 million credit facility provided by certain lenders in March 2020. The outstanding amount of this facility is NOK 48 million by end of March 2021. The relevant Group companies have imposed unilateral standstill to the lenders not participating in the standstill agreements. One of the secured lenders has requested repayment of approximately USD 47 million and has enforced account pledge on the earnings account for the relevant vessel. Another secured lender has enforced account pledge for one loan facility. The bondholders in DOFSUB07, DOFSUB08 and DOFSUB09 have further accepted a standstill until the 30th of June 2021.

The Company and the Group's financial position is not sustainable, and a long-term financial solution is necessary to continue as going concern. Due to the ongoing debt restructuring of the Group, the Company's secured- and unsecured debt are classified as current debt. This classification is based on that standstill agreements for debt service with the lenders are less than 12 months.

The Company and the Group will continue the dialogue with its creditors to secure a long-term financial solution for the Company and the Group. Various debt restructuring proposals have been discussed with the secured lenders and the bondholders. The proposals include comprehensive restructuring of the Group's balance sheet, including conversion of debt.

Non-current interest bearing debt	2020	2019
Debt to credit institutions	-	-
Non-current debt to Group companies	-	633
Total non-current interest bearing debt	**-**	**633**

Current interest bearing debt		
Debt to credit institutions	762	825
Current debt to Group companies	1 033	169
Total current interest bearing debt	**1 794**	**994**
Total non-current and current interest bearing debt	**1 794**	**1 627**

Net interest bearing debt		
Cash and cash equivalents	1	1
Net interest bearing debt	**1 793**	**1 627**

Current portion of debt in the statement of financial position includes accrued interest expenses. Accrued interest NOK 22 million (2019: NOK 1 million) are excluded in the current interest bearing debt to credit institutions. Internal accrued interest, guarantee fees and othere non-interest bearing liabilities are excluded in the current interest bearing debt to Group companies..

Liabilities secured by mortgage	2020	2019
Liabilities to credit institutions	762	826
Book value of assets pledged as security for debt to credit institutions	795	1 365
Average rate of interest*	**8.10%**	**8,31%**

**Calculated on external debt*

The company has no guarantees to Group companies or external parties.

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

Financial covenants

As part of the current standstill agreements the following covenants have been waived for the Company and the Group (based on the proportionate consolidation method of accounting for joint ventures):

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

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

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

The Group has further received waiver for the financial covenants as guarantor for two facilities in the joint venture with TechnipFMC. If waivers are not extended, it is a significant risk that the Company and the Group will be in breach of its covenants.

14 Related parties

DOF ASA is the only shareholder in DOF Subsea AS with a 100% ownership stake. DOF Subsea Rederi III AS is owned 100% by DOF Subsea AS.

In Q2 2020, the Company purchased a vessel, the Geosund, from DOF Subsea Rederi AS for MNOK 91.

The Company purchases management services from DOF Management AS and Norskan Offshore Ltda. for its vessels, and has guarantee agreements with DOF Subsea AS. All sales transactions are carried out in accordance with DOF Subsea policy. The Company also partially owns Semar AS, with a 42.27% (2019: 50%) ownership stake. The share were purchased from DOF Subsea AS in 2019 for NOK 6 million.

Operating revenue	2020	2019
DOF Subsea Group	126	187
DOF ASA	1	-2
Total	**127**	**186**

Operating expenses		
DOF Subsea Group	206	95
DOF ASA	70	31
Total	**276**	**125**

Net finance costs		
DOF Subsea Group	52	52
Total	**52**	**52**

Current receivables from Group companies		
DOF Subsea Group	246	172
DOF ASA	5	1
Bad debt provision	-231	-54
Total	**20**	**119**

Current liabilities to Group companies		
DOF Subsea Group	1 074	194
DOF ASA	5	4
Total	**1 079**	**198**

Non-current liabilities to Group companies		
DOF Subsea Group	-	633
Total	**-**	**633**

The company has recognised impairment loss of NOK 175 million (54 million) on current receivables from Group companies in 2020. This is reflected within operating expenses.

Amounts in NOK million

For further information about related parties see the financial statements for DOF ASA and DOF Subsea AS.

15 Remuneration to Board of Directors, Executives, and Auditor

No salaries or other remuneration have been paid to the Company's Board of Directors. No loans or guarantees have been provided for the Company's Board of Directors or close associates.

Specification of auditor's fee (excl. VAT)*	2020	2019
Fee for audit of financial statements	154 290	92 500
Fee for attestation	20 750	39 150
Total	**175 040**	**131 650**

*) Amounts in NOK

16 Events occurring after period end

On the 31st of May 2021 the Company and the DOF Subsea Group agreed to extend the standstill agreements with the secured lenders representing in total 88 % of the secured debt of the DOF Subsea Group. DOF Subsea AS has received confirmation from the ad hoc group of bondholders that they have agreed to further extend the suspension, deferral and standstill arrangement currently in place for the bond issues until 30 June 2021.

Skandi Neptune has been awarded a vessel and ROV support contract in Brazil. The contract will secure utilisation of Skandi Neptune until Q1 2022. DOF Subsea Group has been awarded a contract by Siemens Gamesa for Skandi Constructor. The vessel will be utilized for projects on several offshore wind farms in Germany with a duration up to 160 days. Skandi Constructor commenced on the contract in April.

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DOF Subsea

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Certificate Of Completion

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Subject: Please DocuSign: VR 2020 Annual Report Approved ready to sign.pdf		
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Signer Events	Signature	Timestamp
Marianne Møgster Marianne.mogster@dofsubsea.com DOF Subsea Security Level: Email, Account Authentication (None)	DocuSigned by: Marianne Møgster 4FFAE93EC5AE43D... Signature Adoption: Pre-selected Style Using IP Address: 94.143.71.180	Sent: 6/30/2021 9:39:53 AM Viewed: 7/1/2021 4:09:34 AM Signed: 7/1/2021 4:09:45 AM
Electronic Record and Signature Disclosure: Not Offered via DocuSign		
Mons S. Aase Mons.Aase@dof.com CEO Marin IT Security Level: Email, Account Authentication (None)	DocuSigned by: Mons S. Aase 1F267AD0E36B450... Signature Adoption: Pre-selected Style Using IP Address: 77.18.59.182 Signed using mobile	Sent: 6/30/2021 9:39:53 AM Viewed: 7/2/2021 11:46:56 AM Signed: 7/2/2021 11:47:20 AM
Electronic Record and Signature Disclosure: Not Offered via DocuSign		

In Person Signer Events	Signature	Timestamp

Editor Delivery Events	Status	Timestamp

Agent Delivery Events	Status	Timestamp

Intermediary Delivery Events	Status	Timestamp

Certified Delivery Events	Status	Timestamp

Carbon Copy Events	Status	Timestamp

Witness Events	Signature	Timestamp

Notary Events	Signature	Timestamp

Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	6/30/2021 9:39:53 AM
Certified Delivered	Security Checked	7/2/2021 11:46:56 AM
Signing Complete	Security Checked	7/2/2021 11:47:20 AM
Completed	Security Checked	7/2/2021 11:47:20 AM

Payment Events	Status	Timestamps

To the General Meeting of DOF Subsea Rederi III AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of DOF Subsea Rederi III AS, which comprise the statement of financial position as at 31 December 2020, 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 accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, 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.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to the statement of comprehensive income, statement of financial position and the Board of Directors' report, which indicates that the Company incurred a net loss of NOK 874 million during the year ended December 31, 2020 and, as of that date, the Company's total liabilities exceeded its total assets by NOK 1 047 million. In addition, we also draw attention to Note 1 in the financial statements and the Board of Directors' report, which indicates that the Company is dependent on that DOF Subsea Group is able to secure a long-term solution with banks and to secure satisfactory financing and liquidity for the Group. As stated in Note 1 and the Board of Directors' report, these events or conditions, along with other matters as set forth in Note 3 and Note 13 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 DOF Subsea Group will not reach an agreement with the lenders, and in such an event the Company could be forced to realise its assets

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at a significantly lower value than their carrying amount. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors (management) is responsible for the preparation and a true and fair view of the financial statements in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger pwc

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the 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, 29 June 2021
PricewaterhouseCoopers AS

Sturle Døsen
State Authorised Public Accountant

(This document is signed electronically)

Revisjonsberetning

Signers:

Name	*Method*	*Date*
Døsen, Sturle	BANKID	2021-06-29 15:54