Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	996 394 565
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	DOF SUBSEA REDERI AS
Forretningsadresse:	Thormøhlens gate 53C 5006 BERGEN

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern:	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, 20	908 000 000	952 000 000
Sum inntekter		**908 000 000**	**952 000 000**
Kostnader			
Payroll expenses	6, 20	89 000 000	104 000 000
Depreciation		153 000 000	191 000 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler		1 352 000 000	230 000 000
Other operating expenses	20, 21	338 000 000	152 000 000
Profit/loss from sale of non-current assets	9, 20	12 000 000	
Sum kostnader		**1 944 000 000**	**677 000 000**
Driftsresultat		**-1 036 000 000**	**275 000 000**
Finansinntekter og finanskostnader			
Financial income	7	18 000 000	22 000 000
Unrealised gain/loss on derivative instruments and currency position	7	227 000 000	93 000 000
Sum finansinntekter		**245 000 000**	**115 000 000**
Financial expenses	7	476 000 000	402 000 000
Realised gain/loss on derivative instruments and currency position	7	187 000 000	145 000 000
Sum finanskostnader		**663 000 000**	**547 000 000**
Netto finans		**-418 000 000**	**-432 000 000**
Ordinært resultat før skattekostnad		**-1 454 000 000**	**-157 000 000**
Income tax expense	8	18 000 000	15 000 000
Ordinært resultat etter skattekostnad		**-1 472 000 000**	**-172 000 000**
Årsresultat		**-1 472 000 000**	**-172 000 000**
Overføringer og disponeringer			
To other equity		-1 472 000 000	-172 000 000

Resultatregnskap

Beløp i: NOK	Note	2020	2019
Sum overføringer og disponeringer		**-1 472 000 000**	**-172 000 000**

Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Tangible assets	9	4 148 000 000	5 702 000 000
Sum varige driftsmidler		**4 148 000 000**	**5 702 000 000**
Finansielle anleggsmidler			
Non-current receivables from Group companies	20	0	160 000 000
Non-current receivables	18	0	16 000 000
Other non-current assets	10	8 000 000	0
Sum finansielle anleggsmidler		**8 000 000**	**176 000 000**
Sum anleggsmidler		**4 156 000 000**	**5 878 000 000**
Omløpsmidler			
Varer			
Fordringer			
Trade receivables	11	33 000 000	30 000 000
Current receivables from Group companies	20	79 000 000	254 000 000
Other current receivables	12, 18	29 000 000	41 000 000
Sum fordringer		**141 000 000**	**325 000 000**
Bankinnskudd, kontanter og lignende			
Unrestricted cash and cash equivalents	13, 15	353 000 000	1 000 000
Sum bankinnskudd, kontanter og lignende		**353 000 000**	**1 000 000**
Sum omløpsmidler		**494 000 000**	**326 000 000**
SUM EIENDELER		**4 650 000 000**	**6 204 000 000**

BALANSE - EGENKAPITAL OG GJELD

Balanse

Beløp i: NOK	Note	2020	2019
Egenkapital			
Innskutt egenkapital			
Share capital	14	2 465 000 000	2 465 000 000
Sum innskutt egenkapital		**2 465 000 000**	**2 465 000 000**
Opptjent egenkapital			
Other equity	14	-1 535 000 000	-63 000 000
Sum opptjent egenkapital		**-1 535 000 000**	**-63 000 000**
Sum egenkapital		**930 000 000**	**2 402 000 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Other non-current liabilities	18	0	4 000 000
Sum annen langsiktig gjeld		**0**	**4 000 000**
Sum langsiktig gjeld		**0**	**4 000 000**
Kortsiktig gjeld			
Current portion of debt	15	3 506 000 000	3 667 000 000
Leverandørgjeld		33 000 000	13 000 000
Tax payable	8	3 000 000	10 000 000
Current liabilities to Group companies	20	101 000 000	40 000 000
Other current liabilities	19	77 000 000	68 000 000
Sum kortsiktig gjeld		**3 720 000 000**	**3 798 000 000**
Sum gjeld		**3 720 000 000**	**3 802 000 000**
SUM EGENKAPITAL OG GJELD		**4 650 000 000**	**6 204 000 000**

DOF SUBSEA

REDERI AS

ANNUAL REPORT

2020

Board of Directors report 2020

DOF Subsea Rederi AS (the Company) was founded in January 2011. During the years of operation the Company has been a provider of high-end subsea construction and survey vessels. The vessels are chartered to the DOF Subsea Group (the Group), where they are utilised in the Subsea/IMR Projects segment, and towards external charterers. The Company's fleet counts 10 vessels, after the sale of Geosund, which have been operating worldwide in the Far East, the North Sea, South America and North America. In 2020, the operating revenue was NOK 908 million (NOK 952 million in 2019) with an operating profit before depreciation and impairment (EBITDA) of NOK 469 million (NOK 695 million). The operating loss (EBIT) was NOK 1 036 million (profit of NOK 275 million). Total assets amounted to NOK 4 650 million (NOK 6 204 million) with an equity of NOK 930 million (NOK 2 402 million) and a net interest-bearing debt of NOK 3 043 million (NOK 3 379 million). The Company's headquarter is 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 AS' core business is ownership of subsea vessels, and by year-end the Company owned 10 vessels after the sale of Geosund to DOF Subsea Rederi III AS in Q2 2020. The vessels are chartered to the DOF Subsea Group and to external charterers, and by year-end eight of the Company's vessels were operating in the Subsea/IMR Projects segment while some vessels were operating in the Long-term Chartering segment on charter to external charters.

DOF Subsea Rederi AS is a part of the DOF Subsea Group and is working under DOF Subsea AS' certification and Business Management System. In 2020 DOF Management and Norskan Offhsore Ltda have provided the Company with ship management services.

For further reading about the Group reference is given to the 2020 integrated annual report for the DOF Subsea Group.

Operational events

In 2020, the majority of the Company's vessels have been on charter contracts with the DOF Subsea Group, operating in the Subsea/IMR Projects segment. Skandi Hawk and Skandi Singapore have been operating in the Asia Pacific region. Skandi Achiever continued working on the DSV project for Petrobras in Brazil. In addition Skandi Carla and Geoholm have been allocated to the Brazil region and the awarded Inspection and Survey contract (PIDF) for Petrobras. The vessels started the mobilisation in December 2020 and commenced on the contract in Q1 2021. During the year, Skandi Acergy completed the long-term contract with external charter and the vessel is utilised in the DOF Subsea Group.

Several of the Company's vessels have been on long-term time charter contracts to external charterers during the year. Both Skandi Patagonia and Skandi Africa has been chartered to external charters for 2020. Geosea commenced in Q1 2020 on a five-year contract with N-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 CO_2 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 CO_2 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 DOF ASA Group's integrated Annual Report on www.dof.com.

For further reading please also refer to the 2020 integrated 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 consists of two women and one man and there were no employees at year-end 2020. Management services in 2020 have been provided by other companies in the DOF ASA Group.

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 2020 integrated Annual Report for the DOF ASA 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.

The Company's operating revenue was NOK 908 million compared to an operating revenue of NOK 952 million for 2019. Operating profit before depreciation and impairment (EBITDA) was NOK 469 million (NOK 695 million), whilst operating loss (EBIT) was NOK 1 036 million (profit of NOK 275 million). The depreciation and impairment amounted to NOK 1 505 million (NOK 421 million).

NOK million	2020	2019	Change
Operating revenue	908	952	-5 %
EBITDA	469	695	-33 %

Net financial loss was NOK 418 million (NOK 432 million), the loss before tax was NOK 1 454 million (NOK 157 million) and the loss for the year was NOK 1 472 million compared with loss of NOK 172 million in 2019.

Total assets were NOK 4 650 million (NOK 6 204 million) where non-current assets amounted to NOK 4 156 million (NOK 5 878 million). Current assets were NOK 494 million (NOK 326 million), of which NOK 353 million (NOK 1 million) was cash and cash equivalents. 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.

Total equity was NOK 930 million (NOK 2 402 million), giving a book equity ratio of 20% compared to 39% in 2019. Non-current liabilities were NOK 0 million (NOK 4 million). Current liabilities were NOK 3 720 million (NOK 3 798 million), of which NOK 3 506 million (NOK 3 667 million) was current portion of debt to credit institutions. 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 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 has reduced equity from NOK 2 402 million to NOK 930 million.

NOK million	2020	2019	Change
Tangible assets	4 148	5 702	-27 %
Total equity	930	2 402	-61 %
NIBD	3 043	3 379	-10 %

Net cash flow from operating activities during the year was NOK 462 million (NOK 449 million). Cash flow from investing activities during the year was NOK -70 million (NOK -40 million), while the cash flow from financing activities was NOK -36 million (NOK -408 million).

Financing and capital structure

The Company's interest-bearing debt by 31 December 2020 was NOK 3 465 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 2021 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 not 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 and since October the Group have had waivers on instalment payment in order to find a long-term financial solution. The latest turbulence in the marked have set the proposed long-term financial solution on hold and the Group has been given waivers in order to find a short-term and long-term financial solution that are sufficiently robust taking the recent events into account. 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 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 loan in USD equivalent to NOK 3 182 million. A 20% weakening of NOK against USD will result in currency loss and a negative impact on the equity of NOK 636 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 long term loans at floating and fixed interest rates. Movements in interest rates will have effects on the Company's cash flow and financial condition. The Company's policy is to maintain part of its debt at fixed rates. 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 422 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.

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 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 are 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.

Allocation of the result

The Company's loss for the year for the year was NOK 1 472 million in 2020. The Board of Directors recommends that the loss for the year is allocated to other equity.

Events after balance 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.

DOF Subsea Rederi AS has completed the sale of the CSV Geograph (built in 2007) to an international buyer. The vessel has been delivered to the new owner in May 2021. The gain from the sale is approximately NOK 20 million.

The Group was in May awarded multiple contracts for execution in the North Sea within the Group's core service lines – Inspection, Maintenance & Repair (IMR), Construction and Decommissioning. The projects will among others secure utilization for the Skandi Acergy.

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 challenging, but constructive and 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 AS

DocuSigned by: Mons S. Aase 1F267AD0E36B450...	DocuSigned by: Hilde Drønen 1667061090BA45D...	DocuSigned by: Marianne Møgster 4FFAE93EC5AE43D...
Mons S. Aase Chairman	Hilde Drønen Director	Marianne Møgster Director

Amounts in NOK million

Financial statements DOF Subsea Rederi AS

DOF Subsea Rederi AS

Amounts in NOK million

Statement of comprehensive income

	Note	2020	2019
Operating revenue	5, 20	908	952
Payroll expenses	6, 20	-89	-104
Other operating expenses	20, 21	-339	-152
Profit / loss from sale of non-current assets	9, 20	-12	-
Operating profit before depreciation and impairment (EBITDA)		**469**	**695**
Depreciation and impairment	9	-1 505	-421
Operating (loss)/profit (EBIT)		**-1 036**	**275**
Financial income	7	18	22
Financial expenses	7	-477	-402
Realised gain / loss on derivative instruments and currency position	7	-187	-145
Unrealised gain / loss on derivative instruments and currency position	7	227	93
Net financial income / loss		**-418**	**-432**
Profit / loss before tax		**-1 454**	**-157**
Income tax expense	8	-18	-15
Profit / loss for the year		**-1 472**	**-172**
Other comprehensive income / loss net of tax		**-**	**-**
Total comprehensive income / loss for the year net of tax		**-1 472**	**-172**

DOF Subsea Rederi AS

Amounts in NOK million

Statement of financial position

	Note	2020	2019
Assets			
Tangible assets	9	4 148	5 702
Non-current receivables from Group companies	20	-	160
Non-current receivables	18	-	16
Other non-current assets	**10**	8	-
Total non-current assets		**4 156**	**5 878**
Trade receivables	11	33	30
Current receivables from Group companies	20	79	254
Other current receivables	12, 18	29	42
Current receivables		**141**	**326**
Cash and cash equivalents	**13, 15**	**353**	**1**
Total current assets		**494**	**326**
Total assets		**4 650**	**6 204**

DOF Subsea Rederi AS

Amounts in NOK million

Statement of financial position

	Note	2020	2019
Equity and liabilities			
Paid-in equity	14	2 465	2 465
Other equity	14	-1 535	-63
Total equity		**930**	**2 402**
Debt to credit institutions	15	-	-
Other non-current liabilities	18	-	4
Total non-current liabilities		**-**	**4**
Current portion of debt	15	3 506	3 667
Trade payables		33	13
Current liabilities to Group companies	20	101	40
Tax payable	8	3	10
Other current liabilities	19,	76	68
Total current liabilities		**3 720**	**3 798**
Total liabilities		**3 720**	**3 802**
Total equity and liabilities		**4 650**	**6 204**

Bergen, 29 June 2021

The Board of Directors of DOF Subsea Rederi AS

DocuSigned by: Mons S. Aase 1F267AD0E36B450...	DocuSigned by: Hilde Drønen 1667061090BA45D...	DocuSigned by: Marianne Møgster 4FFAE93EC5AE43D...
Mons S. Aase	Hilde Drønen	Marianne Møgster
Chairman	Director	Director

DOF Subsea Rederi AS

Amounts in NOK million

Statement of changes in equity

Changes in equity	Share capital	Other equity	**Total equity**
Equity at 01.01.2020	2 465	-63	**2 402**
Loss for the year	-	-1 472	-1 472
Other comprehensive income net of tax	-	-	-
Total comprehensive income net of tax	-	-1 472	**-1 472**
Dividend	-	-	-
Equity at 31.12.2020	2 465	-1 535	**930**
Equity at 01.01.2019	2 465	110	**2 575**
Loss for the year	-	-172	-172
Other comprehensive income net of tax	-	-	-
Total comprehensive income net of tax	-	-172	**-172**
Dividend	-	-	-
Equity at 31.12.2019	2 465	-63	**2 402**

DOF Subsea Rederi AS

Amounts in NOK million

Statement of cash flows

	Note	2020	2019
Operating profit (EBIT)		-1 036	275
Depreciation and impairment	9	1 505	421
Profit from sale of non-current assets	9	12	-
Provision loss on revenue from Group companies	20	171	12
Change in trade receivables		-3	-8
Change in trade payables		20	2
Changes in other working capital		-63	-59
Exchange rate effect on operating activities		-36	3
Cash flow from operating activities		**570**	**646**
Interest received	7	20	18
Interest and other finance costs paid	7	-104	-211
Tax paid	8	-25	-5
Net cash flow operating activities		**462**	**449**
Sale of tangible assets	9	91	-
Purchase of tangible assets	9	-70	-45
Changes in other non-current receivables		-91	5
Cash flow from investing activities		**-70**	**-40**
Proceeds from non-current liabilities	15	-	-
Instalments on non-current liabilities	15	-36	-408
Dividend paid		-	-
Cash flow from financing activities		**-36**	**-408**
Net change in cash and cash equivalents		**355**	**-**
Cash and cash equivalents at 01.01		**1**	**1**
Exchange rate gain / loss on cash and cash equivalents		**-3**	**-**
Cash and cash equivalents at 31.12		**353**	**1**

Notes to the financial statements

1 Corporate information

DOF Subsea Rederi AS, the Company, was founded 5th of January 2011. 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 Patagonia, Skandi Carla, Skandi Achiever, Geosea, Geoholm, Geograph, Geosund (sold in May 2020), Skandi Acergy, Skandi Singapore, Skandi Hawk and Skandi Africa.

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

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

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.

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 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.

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

Cost of obtaining a contract with customer and costs related to mobilisation of vessel, equipment and personnel are capitalised and amortised in line with the satisfaction of the performance obligation. These costs are defined as contract costs. 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. Contract costs are classified and presented as other non-current assets. For further information about Contract Costs, refer to "Revenue recognition".

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.

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.

Contract Costs

Costs incurred relating to future performance obligations are deferred and recognised as assets in the statement of financial position. The nature of the asset is incremental costs of obtaining a contract, that would not have incurred if the contract had not been obtained, and will be recovered by the revenue over the contract period. Costs related to contracts and future performance obligation longer than 12 months are classified and presented as Other non-current assets. All other costs for future performance are presented as other current assets. Contract costs incurred will be expensed and presented as Operational expenses in line with the satisfaction of the performance obligations.

Current and deferred income tax

The Company is compliant to special tax rules for ship owners in the Norwegian Taxation Act (§ 8-10 - § 8-20). The Norwegian tonnage tax scheme is approved as legal state aid under the EU guidelines for a 10-year period, from 1 January 2018 until 31 December 2027. These tax rules stipulate certain requirements which will have to be met. A failure to meet such requirements may have an adverse effect on the effective tax rate of the Company.

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 financial statements per IAS 12 'Income taxes'.

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

The payable tonnage tax is determined based on the vessel's net weight. This tonnage tax is presented as an operating expense.

Derivative financial instruments and hedging activities

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

The fair values of various derivative instruments used for hedging purposes are disclosed in note 17 'Financial instruments and hedging activities'.

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

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 2019 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 rate risk and credit and liquidity 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 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 and since October the Group have had waivers on instalment payment in order to find a long-term financial solution. The latest turbulence in the marked have set the proposed long-term financial solution on hold and the Group has been given waivers in order to find a short-term and long-term financial solution that are sufficiently robust taking the recent events into account. 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 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 15 '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 a loan in USD equivalent to NOK 3 182 million. A 20% weakening of NOK against USD will result in currency loss and a negative impact on the equity of NOK 636 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 additional loss provisions of NOK 422 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.

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

The effect of not having a long-term financial solution in place or waivers covering more than 12 months after balance sheet date, has as of 31 December 2020 resulted in a reclassification of non-current debt to credit institutions to current portion of debt, as the Company has been unable to finalise refinancing of existing loan agreements. 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 15 'Interest-bearing debt'.

Depreciation of vessels

The carrying amount of the Company's vessels represents 89% 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.

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. 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.

Value in use

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 and non-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 an additional loss provision of NOK 171 million in 2020 for current receivables. The Company has also recognised additional provision of NOK 251 million on non-current receivable to Group companies in 2020.

DOF Subsea Rederi AS

Amounts in NOK million

5 Operating revenue

Country

2020	Norway	Saudi Arabia	Brazil	Philippines	Singapore	Other	Total
Operating revenue	521	128	110	63	44	42	908
2019	**Norway**	**Saudi Arabia**	**Singapore**	**Brazil**	**Philippines**	**Other**	**Sum**
Operating revenue	598	125	75	69	65	20	952

The Company has only one business segment. Geographical distribution of revenue from contracts with customers is based on the location of clients. In 2020 the Compay has received NOK 110 million in cancellation fee for two contracts that have been cancelled. The cancellation fee is included in total operating revenue above.

6 Payroll expenses

The Company has no employees. Payroll expenses relates to crew hire from other companies. The Company's vessels are operated by DOF Management AS, DOF Management Pte. Ltd. and Norskan Offshore Ltda.

7 Financial income and expenses

Financial income and expenses	2020	2019
Interest income	18	22
Financial income	**18**	**22**
Interest expenses	-182	-211
Other financial expenses *)	-295	-191
Financial expenses	**-477**	**-402**
Realised gain / loss on derivative financial instruments	-67	-104
Realised gain / loss on currencies	-120	-41
Realised gain / loss on derivative instruments and currency position	**-187**	**-145**
Unrealised gain / loss on derivative financial instruments	-40	80
Unrealised gain / loss on currencies	267	13
Unrealised gain / loss on derivative instruments and currency position	**227**	**93**
Net financial income / loss	**-418**	**-432**

*) Other financial expenses includes a write down of loan to DOF Subsea Rederi III AS of NOK 251 million..

DOF Subsea Rederi AS

Amounts in NOK million

8 Tax

Financial income within tonnage tax regime	2020	2019
Net taxable financial income	-42	-68
Unrecognised tax losses	42	68
Basis for deferred tax		
Tax loss carry forward	-446	-404
Tax loss and total temporary differences not included as deferred tax asset	446	404
Basis for calculating deferred tax / tax asset (-)	**-**	**-**

The 2019 figures have been adjusted to agree with final tax returns.

The Company is registered within the shipping tonnage tax regime. It is unlikely that the Company will have a future taxable income due to tonnage tax regulations and current tax loss carry forward. Therefore deferred tax asset is not recognised in the statement of financial position The Company has temporary differences relating to unrealised currency loss on loans in foreign currencies, and unrealised effects on financial instruments. The tax effects of unrealised financial items are dependent on the future relation between financial assets and total assets. This future relation cannot be estimated reliably.

Recognised tax expense NOK 18 million and tax payable NOK 3 million in 2020 relates to countries outside Norway.

9 Tangible assets

2020	Vessels	Periodical maintenance	ROVs	Total
Cost at 01.01	7 581	694	127	8 402
Additions	5	65	-	70
Disposals	-327	-15	-	-342
Reallocation	-31	-	-	-31
Cost at 31.12	**7 228**	**744**	**127**	**8 099**
Depreciation at 01.01	-837	-528	-68	-1 433
Depreciation for the year	-67	-75	-11	-153
Depreciation eliminated on disposals	23	13	-	36
Reallocation	14	-	-	14
Depreciation at 31.12	**-867**	**-590**	**-79**	**-1 535**
Impairment at 01.01	-1 267	-	-	-1 267
Impairment for the year	-1 352	-	-	-1 352
Impairment eliminated on disposals	204	-	-	204
Impairment at 31.12	**-2 415**	**-**	**-**	**-2 415**
Book value at 31.12	**3 946**	**154**	**48**	**4 148**
Asset lifetime (years)	20	2.5-5	12	
Depreciation schedule	*)	Linear	Linear	

Amounts in NOK million

2019	Vessels	Periodical maintenance	ROVs	Total
Cost at 01.01	7 562	668	127	8 357
Additions	19	26	-	45
Disposals	-	-	-	-
Cost at 31.12	**7 581**	**694**	**127**	**8 402**
Depreciation at 01.01	-736	-450	-57	-1 244
Depreciation for the year	-101	-78	-11	-190
Depreciation eliminated on disposals	-	-	-	-
Depreciation at 31.12	**-837**	**-528**	**-68**	**-1 434**
Impairment at 01.01	-1 037	-	-	1 037
Impairment for the year	-230	-	-	-230
Impairment at 31.12	**-1 267**	**-**	**-**	**-1 267**
Book value at 31.12	**5 477**	**166**	**59**	**5 702**
Asset lifetime (years)	20	2.5-5	12	
Depreciation schedule	*)	Linear	Linear	

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

Impairment

2020

Vessel	Impairment	Basis for recoverable amount
Skandi Acergy	-273	Value in use
Skandi Singapore	-256	Value in use
Skandi Achiever	-243	Value in use
Skandi Hawk	-144	Value in use
Skandi Africa	-127	Value in use
Geoholm	-109	Value in use
Skandi Patagonia	-97	Value in use
Skandi Carla	-58	Value in use
Geograph	-45	Fair value less cost of disposal
Total impairment of vessels	**-1 352**	

DOF Subsea Rederi AS

Amounts in NOK million

2019

Vessel	Impairment	Basis for recoverable amount
Skandi Carla	-8	Value in use
Geosea	-20	Fair value less costs of disposal
Geosund	-20	Value in use
Geoholm	-21	Value in use
Skandi Acergy	-81	Value in use
Skandi Singapore	-30	Fair value less costs of disposal
Skandi Hawk	-50	Value in use
Total impairment of vessels	**-230**	

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.

Contract costs have been reclassified from tangible assets to other non-current assets, refer to note 10 for further details.

For further information see note 4 'Accounting estimates and assessments' and for further information about measurement level see note 16 'Fair value estimation'

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 225 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 117.8 million. Negative effect on net future cash flows with 20 % will result in an additional impairment of the vessels with NOK 771.4 million.

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

10 Contract costs

31.12.2020	Contract costs	Total
Net booked value 01.01	-	-
Additions	-9	-9
Reclassification from tangible assets	17	17
Amortization	-	-
Impairment	-	-
Currency translation differences	-	-
Net booked value 31.12	**8**	**8**

The Company has presented and recognised contract cost as intangible asset in accordance with policies described in note 2 'Accounting policies'. The main part of the contract costs is related to mobilisation of vessels, equipment and offshore personnel.

The additions are negative due to a refund of ICMS Importation tax Geoholm from 2014 which was previously fully amortised.

Amounts in NOK million

In previous reporting periods, the contract costs have been included in tangible assets. Contract costs have been reclassified from tangible assets to other non-current assets. Amortisation of contract costs are recognized over the contract period of the related contract.

11 Trade receivables

Trade receivables	2020	2019
Trade receivables at nominal value	33	30
Contract assets	-	-
Trade receivables at 31.12	**33**	**30**

Skandi Patagonia operates in Argentina under a long-term contract with Total Austral. The contract ends 31.12.2025. Crew on the vessel 31.12.2025 has during the contract period earned the right to compensation that will be payable when the contract ends. Earned right to compensation as of 31.12.2020 is estimated to NOK 39 million and is presented as other current liabilities. Total Austral is committed to cover part of the total compensation. Estimated refund from Total Austral as of 31.12.2020 is NOK 18 million and is presented as trade receivables.

Right to compensation is based on assumption about salary level, turnover and changes in local regulations. Changes in assumption will have affect on estimated liabilities.

12 Other current receivables

Other current receivables	2020	2019
Government taxes receivable	-	1
Prepaid expenses and insurance claims	13	21
Fuel reserves and other inventory	16	7
Derivative financial instruments	-	12
Other current receivables at 31.12	**29**	**42**

13 Cash and cash equivalents

Cash and cash equivalents	2020	2019
Bank deposits	353	1
Cash pooling system deposit DOF Subsea AS	69	103
Total cash and cash equivalents	422	103

The Company has reclassified a negative bank account of NOK 9 million, which is presented as part of debt from credit institutions. The Company also has NOK 10 million restricted cash which is presented as part of debt from credit institutions. Some lenders have exercised their right to set off cash balances toward the outstanding loans. The Company has therefore chosen to present all restricted cash serving as security for loans, net of debt to credit institutions.

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.

Amounts in NOK million

14 Share capital and share information

Share capital

The share capital in the Company at 31 December 2020 was NOK 2 465 100 000 comprising 2 400 shares, each with a nominal value of NOK 1 027 125.

Shareholder overview

Shareholders at 31.12.2019 / 31.12.2020	No. of shares	Proportion of ownership	Share capital
DOF Subsea AS	2 400	100%	2 465

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 AS. Please refer to the DOF ASA annual report for further information. From January 4th 2021 the Company no longer has a Managing director .

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

15 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	-	-
Total non-current interest bearing debt	**-**	**-**
Current interest bearing debt		
Debt to credit institutions	3 465	3 642
Total current interest bearing debt	**3 465**	**3 642**
Total non-current and current interest bearing debt	**3 465**	**3 642**
Net interest bearing debt		
Cash and cash equivalent	353	1
Receivables from Group companies	-	160
Cash pooling system deposit DOF Subsea AS	69	103
Net interest bearing debt	**3 043**	**3 379**

Amounts in NOK million

Current portion of debt in the statement of financial position includes accrued interest expenses. Accrued interest NOK 41 million (NOK 25 million) are excluded in the current interest bearing debt above. 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	3 307	3 551
Book value of assets pledged as security for debt to credit institutions	4 100	5 643
Average rate of interest*	**3.77%**	**3.84%**

**Calculated on external debt*

The Vessel Skandi Carla and Skandi Acergy are pledged as security for the parent company DOF Subsea AS.

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.

Amounts in NOK million

16 Fair value estimation

Measurement level 1 (Quoted, unadjusted prices in active markets for identical assets and liabilities)

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

The fair value of forward exchange contracts is determined using the forward exchange rate at the 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 rate curves.

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

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

17 Financial instruments and hedging activities

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

		2020		2019	
Non-current and current portion	**Measurement level**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps - cash flow hedges	2	-	35	16	-4
Foreign exchange contracts cash flow hedges	2	-	-	12	-20
Total		**-**	**35**	**29**	**-24**
Non-current portion					
Interest rate swaps - cash flow hedges	2	-	-	16	-4
Foreign exchange contracts cash flow hedges	2	-	-	-	-
Non-current portion		**-**	**-**	**16**	**-4**
Current portion		**-**	**35**	**12**	**-20**

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

Instruments	Fixed rate	Floating rate	Notional amount	Effective from	Maturity date
31.12.2020					
Interest rate swaps - NOK	0.85%-1.92%	NIBOR 3m-6m	1 750	2016-2018	2021-2023
31.12.2019					
Interest rate swaps - NOK	0.85%-1.92%	NIBOR 3m-6m	2 500	2016-2018	2021-2023

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

Instrument	Committed	Amount
31.12.2020		
Foreign exchange contracts	NOK	-
31.12.2019		
Foreign exchange contracts	NOK	1 206

DOF Subsea Rederi AS

Amounts in NOK million

18 Financial instruments - by category

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

31.12.2020	Financial instruments at fair value through profit and loss	Financial instruments measured at amortised cost	Total	Of which included in net interest bearing debt
Assets				
Non-current derivatives	-	-	-	-
Non-current receivables from Group companies	-	-	-	-
Trade receivables and receivables from Group companies	-	112	112	69
Unrestricted cash	-	353	353	353
Current derivatives	-	-	-	-
Total financial assets	**-**	**465**	**465**	**422**
Liabilities				
Derivatives non-current	-	-	-	-
Interest-bearing non-current liabilities	-	-	-	-
Current portion of debt to credit institutions	-	3 506	3 506	3 465
Current derivatives	35	-	35	-
Trade payables and other current liabilities	-	175	175	-
Total financial liabilities	**35**	**3 681**	**3 716**	**3 465**

31.12.2019	Financial instruments at fair value through profit and loss	Financial instruments measured at amortised cost	Total	Of which included in net interest bearing debt
Assets				
Non-current derivatives	16	-	16	-
Non-current receivables from Group companies	-	160	160	160
Trade receivables and other current receivables		284	284	103
Unrestricted cash	-	1	1	1
Current derivatives	12	-	12	-
Total financial assets	**28**	**445**	**474**	**263**
Liabilities				
Derivatives non-current	4	-	4	-
Interest-bearing non-current liabilities	-	-	-	-
Current portion of debt to credit institutions	-	3 667	3 667	3 642
Current derivatives	20	-	20	-
Trade payables and other current liabilities	-	100	100	-
Total financial liabilities	**24**	**3 767**	**3 791**	**3 642**

The company's cash pooling system is included in the net interest-bearing debt. Trade receivables, other current receivables, and all interest-bearing debt are measured at amortised cost.
The carrying amount of cash and cash equivalents is approximately equal to fair value since these instruments have a short term to maturity. Similarly, the carrying amount of trade receivables and trade payables are approximately equal to fair value since they are entered into at standard terms and conditions. For further information on financial instruments, please refer to accounting policies.

Amounts in NOK million

19 Other current liabilities

Other current liabilities	2020	2019
Accrued expenses and prepaid income	41	48
Derivative financial instruments	35	20
Other current liabilities at 31.12	**76**	**68**

Skandi Patagonia operates in Argentina under a long-term contract with Total Austral. The contract ends 31.12.2025. Crew on the vessel 31.12.2025 has during the contract period earned the right to compensation that will be payable when the contract ends. Earned right to compensation as of 31.12.2020 is estimated to NOK 39 million and is presented as other current liabilities.

20 Related parties

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

The Company purchases management services from DOF Management AS and Norskan Offshore Ltda. for its vessels, and has guarantee agreements with DOF Subsea AS.

Operating revenue	2020	2019
DOF Subsea Group	577	629
DOF ASA	145	124
Total	**723**	**753**

Operating expenses		
DOF Subsea Group	285	96
DOF ASA	59	72
Total	**344**	**168**

Net finance result		
DOF Subsea Group	299	231
DOF ASA	-	-
Total	**299**	**232**

Current receivables from Group companies		
DOF Subsea Group	236	236
Bad debt provision	-160	-12
DOF ASA	26	30
Bad debt provision	-22	-
Total	**79**	**254**

Current liabilities to Group companies		
DOF Subsea Group	93	33
DOF ASA	9	7
Total	**101**	**40**

DOF Subsea Rederi AS

Amounts in NOK million

Non-current receivable to Group companies		
DOF Subsea Group	434	343
Provision on loan	-434	-183-
Total	**-**	**160**

Loss on sale of tangible assets		
DOF Subsea Group	12	-
Total	**12**	**-**

The Company has recognised additional impairment loss of NOK 171 million on receivable to Group companies which is included in operating expenses. The Company has also recognised additional provision of NOK 251 million on non-current receivable to Group companies in 2020, which is included in net finance result.The vessel Geosund was sold to DOF Subsea Rederi III AS for NOK 91 million in Q2 2020.

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

21 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. From January 4th 2021 the Company no longer has a Managing director.

Specification of auditor's fee (excl. VAT)*	2020	2019
Fee for audit of financial statements	218 241	302 250
Fee for other tax consultancy	-	-
Fee for attestation	-	-
Total	**218 241**	**302 250**

*) Amounts in NOK

22 Events occurring after period end

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.

DOF Subsea Rederi AS has completed the sale of the CSV Geograph (built in 2007) to an international buyer. The vessel has been delivered to the new owner in May 2021. The gain from the sale is approximately NOK 20 million.

The Group was in May awarded multiple contracts for execution in the North Sea within the Group's core service lines – Inspection, Maintenance & Repair (IMR), Construction and Decommissioning. The projects will among others secure utilization for the Skandi Acergy.

DOF Subsea Rederi AS

Amounts in NOK million

23 Performance measurement definitions

Alternative performance measurements:

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

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

Other definitions	Description
Market value	Calculated average vessel value between two independent brokers' estimates based on the principle of "willing buyer and willing seller".

DOF SUBSEA AS
Thormøhlens gate 53 C
5006 Bergen
NORWAY

dofsubsea.com

DocuSign

Certificate Of Completion

Envelope Id: 80B408EA5D38422FBAEAA9B686664924		Status: Completed
Subject: Please DocuSign: 2020 VQ Annual Report approved ready to sign.pdf		
Source Envelope:		
Document Pages: 32	Signatures: 6	Envelope Originator:
Certificate Pages: 2	Initials: 0	Stein Gjerstad
AutoNav: Enabled		Stein.Gjerstad@dofsubsea.com
EnvelopeId Stamping: Enabled		IP Address: 62.97.245.100
Time Zone: (UTC-08:00) Pacific Time (US & Canada)		

Record Tracking

Status: Original 6/30/2021 9:26:48 AM	Holder: Stein Gjerstad Stein.Gjerstad@dofsubsea.com	Location: DocuSign

Signer Events	Signature	Timestamp
Hilde Drønen Hilde.Dronen@dof.com Director Marin IT Security Level: Email, Account Authentication (None)	DocuSigned by: Hilde Drønen 1667061090BA45D... Signature Adoption: Pre-selected Style Using IP Address: 77.18.57.227	Sent: 6/30/2021 9:37:19 AM Viewed: 6/30/2021 1:32:12 PM Signed: 6/30/2021 1:32:21 PM
Electronic Record and Signature Disclosure: Not Offered via DocuSign		
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 9:37:19 AM Viewed: 7/1/2021 4:07:50 AM Signed: 7/1/2021 4:08:01 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 9:37:20 AM Viewed: 7/2/2021 11:47:57 AM Signed: 7/2/2021 11:48:19 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 9:37:20 AM
Certified Delivered	Security Checked	7/2/2021 11:47:57 AM
Signing Complete	Security Checked	7/2/2021 11:48:19 AM
Completed	Security Checked	7/2/2021 11:48:19 AM

Payment Events	Status	Timestamps

Directorate of Taxes

Inquiries to	Your date	Our date
Torstein Kinden Helleland	01.12.2011	20.12.2011
Telephone	Your reference	Our reference
22078139	Petter O. Pharo	2009/276917

DOF Subsea Holding
Thormøhlens gate 53 C
5006 BERGEN

Permission to make the annual report and directors' report in English language

Dear Mr Petter O. Pharo

With reference to your letter of 1 December 2011, 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 Chartering AS	**org. nr. 995 962 349**
DOF Subsea ROV Holding AS	**org. nr. 997 301 242**
DOF Subsea Rederi AS	**org. nr. 996 394 565**

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.

Background
The above mentioned companies are subsidiaries of DOF ASA. The DOF ASA Group is an international group of companies which owns and operates a modern fleet of offshore-/subsea vessels, and owns engineering capacity to service the subsea market. Other group companies have in decisions (2009/276917) of 17 June 2010 and 4 January 2011 been given permission to make the directors' report and annual accounts in English language.

The working language in the group is English. The DOF ASA Group operate within the international offshore-/subsea industry, where English is clearly the dominant language. The group is highly international in the sense that it operates throughout the world, and the group has several legal entities and companies in different countries. A number of these companies are as well taxable or can be taxable in other jurisdictions due to inter alia international operations. It follows that the accounts for these companies as well will have to be presented in different jurisdictions. Almost all of the companies' users, including financial institutions, contracting parties, customers and suppliers are foreign/international companies or institutions. The companies' users, who are

Postal address	Visiting address	Telephone
P.O. Box 9200 Grønland	See www.skatteetaten.no	800 80 000
0134 Oslo	Org. nr: 996250318	Telefax
For elektronisk henvendelse se www.skatteetaten.no		22 17 08 60

not foreign/international companies or institutions, master and use English language. The annual report and financial statements of the companies are required to be prepared each year in the Norwegian language only in order to satisfy the requirements of the Norwegian Accounting Act.

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

According to the Norwegian Accounting Act § 3-4, third paragraph shall *"the directors' report and annual accounts ... be in Norwegian. The Ministry can in an individual decision decide that the directors' report and/or annual accounts may be in another language"*.

Ot. prp. nr. 42 (1997-1998) About Act about annual accounts etc., says the following about the purpose of the Accounting Act, refer section 1.1:

"The aim of the Government with respect to the Accounting Act is that it shall contribute towards providing informative accounts for different users of accounts. The users of accounts include investors and creditors which provide capital for the companies. Other groups include those who have an interest in knowing how the companies are operated, for example employees and the local community. The information to the capital market is an important basis for the correct pricing of financial instruments. The correct pricing of stocks is an important factor in securing the best possible allocation of resources in the economy. High quality accounts will also make it more difficult for market participants to obtain speculative gains as a result of non-publicly available information."

Hence, one of the main aims of the Accounting Act is to contribute to "informative accounts for different users of accounts". The users of the accounts will include investors, creditors, employees and the local community.

Hence, it is the view of the Ministry that it is crucial that the question of dispensation from the general rule that the annual accounts and/or directors' report should be done in Norwegian, not in any significant way deviate from the consideration of users of the accounts.

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. Internal, English is also only language used for reporting purpose. Furthermore, it is emphasized that non in the Board of directors speaks Norwegian.

We kindly request you to mention "our reference" in all written communication with The Norwegian Tax Authorities.

Best regards

Rune Tystad
Senior Adviser
Legal Department
Directorate of Taxes

Torstein Kinden Helleland

To the General Meeting of DOF Subsea Rederi AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of DOF Subsea Rederi AS, which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 Note 2 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 2 and the Board of Directors' report, these events or conditions, along with other matters as set forth in Note 3 and 22 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 at a significantly lower value than their carrying amount. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers AS, Sandviksbodene 2A, Postboks 3984 - Sandviken, NO-5835 Bergen
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

pwc

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

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)

Securely signed with Brevio

Revisjonsberetning

Signers:

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

This document package contains:

- *Closing page (this page)*
- *The original document(s)*
- *The electronic signatures. These are not visible in the document, but are electronically integrated.*

This file is sealed with a digital signature. The seal is a guarantee for the authenticity of the document.