Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	935 349 230
Organisasjonsform:	Allmennaksjeselskap
Foretaksnavn:	DOF ASA
Forretningsadresse:	5392 STOREBØ

Regnskapsår

Årsregnskapets periode:	01.01.2018 - 31.12.2018

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Solveig Byrkjeland
Dato for fastsettelse av årsregnskapet:	24.05.2019

Grunnlag for avgivelse

År 2018: Årsregnskapet er elektronisk innlevert
År 2017: Tall er hentet fra elektronisk innlevert årsregnskap fra 2018

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, 19.08.2020

Resultatregnskap

Beløp i: NOK	Note	2018	2017
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	2	22 000 000	155 000 000
Sum inntekter		**22 000 000**	**155 000 000**
Kostnader			
Lønnskostnad	3	20 000 000	53 000 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	7		27 000 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	7		29 000 000
Andre driftskostnader	4,7,19	23 000 000	81 000 000
Gevinst ved salg av varige driftsmidler	7		-15 000 000
Sum kostnader		**43 000 000**	**175 000 000**
Driftsresultat		**-21 000 000**	**-20 000 000**
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap og tilknyttet selskap	5	16 000 000	25 000 000
Annen renteinntekt	5	25 000 000	24 000 000
Annen finansinntekt		37 000 000	56 000 000
Verdiøkning andre finansielle instrumenter vurdert til virkelig verdi	5	25 000 000	10 000 000
Sum finansinntekter	5	**103 000 000**	**115 000 000**
Nedskrivning av finansielle eiendeler	5	488 000 000	1 253 000 000
Annen rentekostnad	5	36 000 000	34 000 000
Annen finanskostnad	5	82 000 000	75 000 000
Sum finanskostnader	5	**606 000 000**	**1 362 000 000**
Netto finans	5	**-503 000 000**	**-1 247 000 000**
Ordinært resultat før skattekostnad		**-524 000 000**	**-1 267 000 000**
Skattekostnad på ordinært resultat	6	-41 000 000	-6 000 000
Ordinært resultat etter skattekostnad		**-483 000 000**	**-1 261 000 000**
Årsresultat		**-483 000 000**	**-1 261 000 000**

Resultatregnskap

Beløp i: NOK	Note	2018	2017
Pensjonsforpliktelser		-1 000 000	0
Sum resultatkomponenter for IFRS-foretak		-1 000 000	0
Totalresultat		**-484 000 000**	**-1 261 000 000**
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-484 000 000	-1 261 000 000
Sum overføringer og disponeringer		**-484 000 000**	**-1 261 000 000**

Balanse

Beløp i: NOK	Note	2018	2017
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	6	25 000 000	
Sum immaterielle eiendeler		**25 000 000**	
Finansielle anleggsmidler			
Investering i datterselskap	5,8	6 035 000 000	6 451 000 000
Lån til foretak i samme konsern	16	70 000 000	379 000 000
Investeringer i tilknyttet selskap	5,9	19 000 000	9 000 000
Investeringer i aksjer og andeler	16	4 000 000	4 000 000
Andre fordringer	16	87 000 000	64 000 000
Sum finansielle anleggsmidler		**6 215 000 000**	**6 907 000 000**
Sum anleggsmidler		**6 240 000 000**	**6 907 000 000**
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer	10,16	28 000 000	46 000 000
Andre fordringer	11,16	19 000 000	48 000 000
Sum fordringer		**47 000 000**	**94 000 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	12,16	483 000 000	795 000 000
Sum bankinnskudd, kontanter og lignende		**483 000 000**	**795 000 000**
Sum omløpsmidler		**530 000 000**	**889 000 000**
SUM EIENDELER		**6 770 000 000**	**7 796 000 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			

Balanse

Beløp i: NOK	Note	2018	2017
Innskutt egenkapital			
Selskapskapital		1 466 000 000	1 276 000 000
Overkurs		2 117 000 000	2 117 000 000
Sum innskutt egenkapital		**3 583 000 000**	**3 393 000 000**
Opptjent egenkapital			
Innskuddskapital		232 000 000	276 000 000
Annen egenkapital		2 301 000 000	2 740 000 000
Sum opptjent egenkapital		**2 533 000 000**	**3 016 000 000**
Sum egenkapital		**6 116 000 000**	**6 409 000 000**
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	3	3 000 000	2 000 000
Utsatt skatt	6		16 000 000
Sum avsetninger for forpliktelser		**3 000 000**	**18 000 000**
Annen langsiktig gjeld			
Langsiktig konserngjeld	13,16	150 000 000	450 000 000
Langsiktige derivater	15,16	8 000 000	18 000 000
Annen langsiktig gjeld			21 000 000
Sum annen langsiktig gjeld		**158 000 000**	**489 000 000**
Sum langsiktig gjeld		**161 000 000**	**507 000 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	12,15	299 000 000	400 000 000
Leverandørgjeld	15	17 000 000	30 000 000
Kortsiktig konserngjeld		47 000 000	393 000 000
Annen kortsiktig gjeld	13,15	130 000 000	57 000 000
Sum kortsiktig gjeld		**493 000 000**	**880 000 000**
Sum gjeld		**654 000 000**	**1 387 000 000**
SUM EGENKAPITAL OG GJELD		**6 770 000 000**	**7 796 000 000**
POSTER UTENOM BALANSEN			
Pantstillelser	13	2 218 000 000	2 218 000 000

Balanse

Beløp i: NOK	Note	2018	2017

Konsernets resultatregnskap

Beløp i: NOK	Note	2018	2017
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	5,6,7,15	6 051 000 000	6 665 000 000
Sum inntekter	5,6,7,15	**6 051 000 000**	**6 665 000 000**
Kostnader			
Lønnskostnad	8,30	2 860 000 000	3 110 000 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	4,14	1 063 000 000	1 010 000 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	4,13,14	691 000 000	1 146 000 000
Andel resultat fra tilknyttede og felleskontrollerte selskaper	31,32	-277 000 000	-62 000 000
Netto gevinst ved salg av anleggsmidler	14	-2 000 000	-2 000 000
Andre driftskostnader	9,15,29,30	1 841 000 000	1 821 000 000
Sum kostnader		**6 176 000 000**	**7 023 000 000**
Driftsresultat		**-125 000 000**	**-358 000 000**
Finansinntekter og finanskostnader			
Annen renteinntekt	10	97 000 000	70 000 000
Annen finansinntekt	10	24 000 000	257 000 000
Verdiøkning andre finansielle instrumenter vurdert til virkelig verdi	10		64 000 000
Sum finansinntekter	10	**121 000 000**	**391 000 000**
Nedskrivning av finansielle eiendeler	10		10 000 000
Annen rentekostnad	10	880 000 000	902 000 000
Annen finanskostnad	10	676 000 000	241 000 000
Sum finanskostnader	10	**1 556 000 000**	**1 153 000 000**
Netto finans	10	**-1 435 000 000**	**-762 000 000**
Ordinært resultat før skattekostnad		**-1 560 000 000**	**-1 120 000 000**
Skattekostnad på ordinært resultat	11	-57 000 000	235 000 000

Konsernets resultatregnskap

Beløp i: NOK	Note	2018	2017
Ordinært resultat etter skattekostnad		**-1 503 000 000**	**-1 355 000 000**
Årsresultat		**-1 503 000 000**	**-1 355 000 000**
Minoritetsinteresser		-235 000 000	-112 000 000
Årsresultat etter minoritetsinteresser		**-1 268 000 000**	**-1 243 000 000**
Omregningsdifferanser		-67 000 000	-61 000 000
Kontantstrømsikring	11,26	-260 000 000	116 000 000
Andel utvidet resultat felleskontrollert virksomhet	32	123 000 000	-1 000 000
Pensjonsforpliktelser		3 000 000	3 000 000
Minoritetsinteresser andel av totalresultat		-37 000 000	8 000 000
Sum resultatkomponenter for IFRS-foretak		-238 000 000	65 000 000
Totalresultat		**-1 506 000 000**	**-1 178 000 000**
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital			-1 178 000 000
Sum overføringer og disponeringer			**-1 178 000 000**

Konsernets balanse

Beløp i: NOK	Note	2018	2017
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	11	898 000 000	715 000 000
Goodwill	13	295 000 000	324 000 000
Sum immaterielle eiendeler		**1 193 000 000**	**1 039 000 000**
Varige driftsmidler			
Skip, rigger, fly og lignende		17 795 000 000	19 379 000 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende		1 103 000 000	1 288 000 000
Sum varige driftsmidler		**18 898 000 000**	**20 667 000 000**
Finansielle anleggsmidler			
Investering i annet foretak i samme konsern	10,32	1 547 000 000	1 021 000 000
Lån til tilknyttet selskap og felles kontrollert virksomhet	10,32	1 073 000 000	1 020 000 000
Andre fordringer	16,27	104 000 000	108 000 000
Sum finansielle anleggsmidler		**2 724 000 000**	**2 149 000 000**
Sum anleggsmidler		**22 815 000 000**	**23 855 000 000**
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer	17,27	1 312 000 000	1 580 000 000
Andre fordringer	18,26, 27	406 000 000	402 000 000
Sum fordringer		**1 718 000 000**	**1 982 000 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	19,27	1 932 000 000	2 238 000 000
Sum bankinnskudd, kontanter og lignende		**1 932 000 000**	**2 238 000 000**
Sum omløpsmidler		**3 650 000 000**	**4 220 000 000**
SUM EIENDELER		**26 465 000 000**	**28 075 000 000**

Konsernets balanse

Beløp i: NOK	Note	2018	2017
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital		1 466 000 000	1 276 000 000
Overkurs		1 811 000 000	2 117 000 000
Sum innskutt egenkapital		**3 277 000 000**	**3 393 000 000**
Opptjent egenkapital			
Innskuddskapital		232 000 000	276 000 000
Annen egenkapital		0	1 168 000 000
Minoritetsinteresser		2 269 000 000	2 505 000 000
Sum opptjent egenkapital		**2 501 000 000**	**3 949 000 000**
Sum egenkapital		**5 778 000 000**	**7 342 000 000**
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	8,23	39 000 000	34 000 000
Utsatt skatt	11,23	13 000 000	16 000 000
Sum avsetninger for forpliktelser		**52 000 000**	**50 000 000**
Annen langsiktig gjeld			
Obligasjonslån	22,27	2 480 000 000	1 914 000 000
Gjeld til kredittinstitusjoner	15,22, 27	13 007 000 000	15 029 000 000
Derivater	23	29 000 000	55 000 000
Annen langsiktig gjeld	23	10 000 000	37 000 000
Sum annen langsiktig gjeld		**15 526 000 000**	**17 035 000 000**
Sum langsiktig gjeld		**15 578 000 000**	**17 085 000 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	22,27	3 678 000 000	2 235 000 000
Leverandørgjeld	24,27	808 000 000	874 000 000
Annen kortsiktig gjeld	25,26, 27	623 000 000	539 000 000

Konsernets balanse

Beløp i: NOK	Note	2018	2017
Sum kortsiktig gjeld		**5 109 000 000**	**3 648 000 000**
Sum gjeld		**20 687 000 000**	**20 733 000 000**
SUM EGENKAPITAL OG GJELD		**26 465 000 000**	**28 075 000 000**
POSTER UTENOM BALANSEN			
Pantstillelser	22	20 607 000 000	22 874 000 000


2018
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FINANCIAL CALENDAR

Financial calendar 2019

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

DATE	EVENT
23 May 2019	1st quarter 2019
24 May 2019	Ordinary General Meeting
20 Aug 2019	2nd quarter 2019
14 Nov 2019	3rd quarter 2019
21 Feb 2020	4th quarter 2019

The dates are subject to change.

2018

DOF ASA ANNUAL REPORT

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Report of the Board of Directors

Key notes

The market within the offshore industry has continued to be weak throughout the year, but certain regions have proven increased activity and there are also signs of increased activity in other regions as new oil-field projects have been sanctioned. In 2018 the DOF Group ("the Group") achieved an underlying EBITDA of NOK 2,246 million (management reporting) and an average utilisation rate of the fleet of 74%. The Group result has been negatively influenced by impairments due to drop in vessel values. Net result before taxes was negative with NOK -1,604 million in 2018 (management reporting). By 2nd of January 2019 the Group has completed its newbuilding program after delivery of one PLSV (pipelaying vessel) in Brazil.

Introduction

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

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

The Group's business concept is to engage in long-term and industrial offshore business, and operate with a contract strategy which focuses on long-term contract coverage for the main share of the fleet. The nominal value of the Group's contracts (including backlog from the joint ventures) was NOK 21 billion at year-end.

The Group owns a diversified and advanced fleet of offshore vessels with an average age of approximately ten years, and a fleet of ROVs (Remote Operated Vehicles) and AUVs (Autonomous Underwater Vehicles). As of 31 December 2018, the Group's fleet comprised 67 vessels in operation, including one vessel under construction with the following composition (fully and partly owned or on management):

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

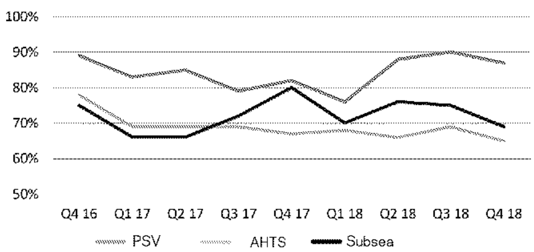
The Group has offices on all five continents and during the last decade the Group has invested in key regions such as the Atlantic, South America, North America and Asia-Pacific regions whilst continuing to grow in West Africa.

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

Operating segments in 2018

The market in 2018 has overall continued to be weak, which again has had a negative impact on both the earnings and the utilisation of the Group's fleet. One exception has been the North Sea which has proven an increased demand especially for large PSVs. The Group has continued to have a higher utilisation compared to peers partly due to the benefit of high local content in certain regions (i.e. Brazil), and the start-up of several long-term contracts in 2017 and in 2018.

Average utilisation of the Fleet



The PSV & AHTS segment

The PSV fleet included by year-end 16 vessels of which one vessel is owned via a minority share. This fleet has in 2018 achieved a utilisation rate of 85% including vessels fully or partly in lay-up during the year. By year-end the Group had one PSV in lay-up and this vessel has during 1st quarter started to mobilise for a contract. The majority of the fleet has operated in the Atlantic region; mainly the North Sea and partly in the Mediterranean and in the Asia-Pacific region. The majority of the fleet is owned by the subsidiary DOF Rederi AS and one vessel is owned by the Company via a minority share. The technical and operational performance of the PSV fleet has been good throughout the year, and the utilisation rate and earnings were slightly better than the previous year. The contract coverage has declined the last few years and by December 2018 the backlog was approximately 68% for 2019. However, a high tendering activity in 4th quarter has resulted in increased backlog after year-end. The weak market has as previous year had a negative impact on the Group's vessel values, and the PSV segment has the last few years represented a large portion of impairment. Total booked impairment in 2018 was NOK 189 million.

The subsidiary Norskan Offshore Ltda. (Norskan) continued until July 2018 to operate four vessels that were sold in 2015 when the new owner took over the management of these vessels.

The AHTS fleet includes 20 vessels of which two vessels are on management. The AHTS fleet has in 2018 achieved a utilisation rate of 67% which is slightly lower compared to the previous year. The utilisation has been impacted by high volatility for the fleet in the North Sea Market, idle time between contracts for the fleet in Brazil, and low utilisation for the fleet in Asia-Pacific. By year-end four vessels were in lay-up. The AHTS fleet has operated in South America region (Brazil and Argentina), in the Atlantic region (the North Sea, Mediterranean and West Africa) and in the Asia-Pacific region. The AHTS fleet are owned by the subsidiaries, Norskan and DOF Rederi AS, and five vessels are owned via a 50/50 joint venture owned by the Company and Akastor AS. Two vessels are operated as management vessels whereof the Company has a purchase option. The backlog varies among the fleet whereof the Brazilian flagged fleet represents the highest amount. Total backlog for the AHTS fleet by year-end was approximately 48% for 2019. The drop in fair market values has mainly had an impact on the oldest and the medium sized non-Brazilian flagged AHTS vessels. Total impairment was NOK 143 million within the AHTS segment.

The operation in South America includes one vessel on a firm contract in Argentina and 11 vessels in Brazil. 90% of the fleet in Brazil are protected by local regulations related to the Brazilian flag, and the backlog and utilisation rate have been high for this part of the fleet. However, the utilisation has been negatively impacted by idle time between contracts for three vessels.

The Group operates three AHTS vessels in Asia-Pacific and this region has been affected by low drilling and exploration activity throughout 2018. The utilisation of the Group's fleet in this region has been low and the vessels have fully or partly been in lay-up in 2018. By year-end one vessel started mobilisation for a contract with start-up in 1st quarter.

The five AHTS vessels in the Atlantic region have mainly operated in the North Sea, and two vessels have partly operated in the Mediterranean and in West Africa during 2018. The utilisation has been impacted by seasonal variations in the North Sea spot market and high volatility both in rates and utilisation throughout the year.

The Subsea segment

By year end the Group operated 30 vessels of which one vessel was hired in from external party, and one vessel was on management. The Group had in addition one vessel (PLSV) under construction. The majority of the subsea fleet (24 vessels) are owned and operated by the subsidiary DOF Subsea AS ("DOF Subsea").

The activity from the subsea operations includes operations from Subsea IMR project contracts and long-term Chartering. DOF Subsea has during 2018 operated 18 vessels within the Subsea IMR projects and had by year-end approximately 1,300 employees. The Subsea IMR projects represented 44% of total revenue in the Group. The Subsea IMR project activities have been performed from four regions; The Atlantic region, the Asia-Pacific region, the North America region, and the South America region. The overall utilisation of the subsea project fleet during 2018 was 68%. The Long-Term Chartering comprises nine vessels of which six are PLSVs (pipe laying vessels) owned via a joint venture (DOFCON) 50/50 owned by DOF Subsea and TechnipFMC. Total backlog for the subsea vessels is approximately 63% for 2019, whereof the highest portion is from Long-Term Chartering. Total impairment booked was NOK 405 million in 2018 and mainly represent drop in values for the oldest and smallest subsea vessels.

The Atlantic region includes operations in the North Sea, Mediterranean and West Africa where the activity mainly has been within the IMR segment on existing infrastructure, FPSO installations and mooring projects. The main focus has been to build backlog and DOF Subsea has through 2018 continued to develop its position in West Africa.

In the Asia-Pacific region various IMR frame agreements were the core activities, in addition to several diving operations. Most of the new and large field development projects came to an end in 2017, hence there has been reduced utilisation of both people and vessels in this region. Two vessels have operated on firm contracts; Skandi Darwin at the Prelude field outside Australia and Skandi Hawk at the Malampaia outside Philippines.

The North America region includes operations in Canada and in the US-gulf and DOF Subsea has performed diving activities, survey and positioning and various vessel services from this region. One vessel, Skandi Vinland, has operated on a firm contract in Canada.

The activities in South America represent operations in Brazil and include vessels and ROVs on firm contracts. The fleet comprise state-of-the art vessels with high local content due to Brazilian flag. The Brazilian built vessel Skandi Salvador operated on various IMR contracts during 1st half of the year before she started on a firm contract in August. Both contracts with Petrobras. Another vessel, Skandi Achiever, sailed from the US region during 2nd quarter and started on a 3+2-year diving contract in August. The main activity within subsea in Brazil are the PLSVs (pipelaying vessels) contracts presented as Long-Term Chartering in DOF Subsea.

The Long-Term Chartering segment in DOF Subsea represents operations from nine vessels. The majority of these vessels, as mentioned, are the most advanced vessels in the fleet, including contracts with an average remaining duration of four years. Six vessels (PLSVs) are owned by a joint venture, owned by DOF Subsea and TechnipFMC, whereof five vessels are delivered, and one is under construction. Skandi Recife, as vessel number three in a series of four newbuilds, was delivered in 2nd quarter and was on-hire on an 8-year contract with Petrobras in June 2018. All the PLSVs on firm contracts have had solid uptime, but two PLSVs finished their contract during 1st and 3rd quarter and have since then been idle. The remaining fleet within the Long-Term Chartering segment in DOF Subsea have operated on firm contracts.

Marine management

The Group's management activities are performed by the subsidiaries DOF Management AS (DOFMAN), and Norskan. DOFMAN's main office is in Norway and the company further controls subsidiaries branch offices in UK, Singapore, Australia, Argentina and Egypt. DOFMAN is responsible for the marine management of the Group's fleet with operations outside Brazil and is further responsible for project management of the Group's newbuilds and conversion projects. Norskan is responsible for marine management of the fleet operating in Brazil. The average number of vessels under marine management has been 70 vessels including project management of newbuilds during the year. By year-end in total approximately 2,300 persons were employed within the marine management activities.

Newbuildings

By December 2018, the Group had one vessel (PLSV) under construction at a Brazilian yard and this vessel was delivered the first week of January 2019. This is the last vessel in a series of four vessels owned by the joint venture, DOFCON, owned by DOF Subsea and TechnipFMC, all committed on 8- year contracts with Petrobras.

Vessel	Yard	Delivery	Type	Contract
Skandi Olinda *)	Vard Brazil	Q1 2019	PLSV	8 yrs Petrobras

*) 50 % ownership

The market

Oil prices have been volatile throughout the year and impacted by the uncertainty about the global demand. With a slow start the oil spot price started to increase in March and at the beginning of October the brent price was USD 86/ barrel. However, it took only six weeks until it was under USD 60/barrel which was the steepest price drop since 2014. The main drivers behind the drop were an increase in OPEC's oil production, record high production in Russia, higher US production than expected, and temporary exemptions on the sanctions against Iran. The same effects may impact the oil price going forward, but in general a tightened oil market and increased oil price in 2019 are expected. Global oil demand is expected to grow by 1,4% in 2019, equivalent to a production of approximately 100 million barrels per day.

Despite the 4th quarter setback in oil prices the offshore oil & gas industry stands well-prepared for a volatile oil price environment mainly due to continuous reduction in cost levels. The offshore break-evens have fallen by one-third and the oil & gas companies are generating high free cash flows, even with oil prices well below historic highs. Oil companies are now spending more on exploration activities which is reflected by increased seismic sales. The total number of offshore field discoveries in 2018 was 69, which is a decline of 15% compared to previous year, however several large projects approved before the down turn have come on stream in 2018.

There were some improvements in the OSV market during 2018 as a number of indicators such as rising oil prices, increased market activity and increased utilization provided some cause for optimism. Even though there were a number of indicators that seemed to have bottomed out in 2017 and in 2018, the OSV rates are still challenged by sustained oversupply. By year-end the global fleet comprised approximately 4,500 vessels whereof 25% were in lay-up in the AHTS segment and 29% in the PSV segment. A forced consolidation and restructuring of debt within the OSV industry has continued in 2018 and is expected to continue in 2019.

The established consensus is that stacked vessels older than 15 years that have been out of the market for at least three years will never return to the market. This means that out of 1,200 vessels in lay-up approximately 500 vessels will never return. The scrapping activity has further increased throughout the year. The order-book within the OSV segment has been pushed further out in time with the majority being built at Asian yards. These are indicators and a basis for an improved market balance.

In the North Sea market as the most transparent market, the activity has been busy throughout the year with an increased demand for PSVs. Both term and spot rates for the North Sea PSVs have been higher than previous year, and a high tendering activity and fixtures early 2019 further indicates increased PSV rates. In the AHTS spot market the anticipated improved summer market never materialised for the owners and the market remained oversupplied throughout the year.

In Brazil the market has been fairly stable in 2018, but is expected to increase as this region stands for 60% of the global production increase the next two years. This growth forecast is underpinned by a long-delayed FPSO projects like the Buzios and Lule Norte fields. In Brazil there are also signs of increased activity from the IOCs (international oil companies).

The market in Asia-Pacific has been reflected by reduced activity and pressure on rates and utilisation, mainly due to that the large projects came to an end in 2017. This market still remains uncertain both in relation to utilisation and rate levels.

The subsea market began 2018 with a greater degree of optimism. Even though there have encouraging signs of increased activity in the subsea sector there is still plenty vessels available and still some concerns that the tick-up in project FIDs has not yet led to any large-scale upturn in subsea vessel requirements for 2019. During 2018 there has been a trend from the large service companies towards integrated project deliveries. Through several M&A and alliances all the major subsea construction and equipment makers offer degree of integration and claims this new model will benefit the oil companies with high cost savings. Moving projects from procurement phase to offshore execution phase is positive for rig and vessel demand.

While oil & gas has historically driven the subsea services sector, offshore wind has become an increasingly important component of demand. The market within decommissioning of old fields is further expected to increase the next few years. Like in offshore oil & gas fields, vessels are required for various projects within these types of work.

Sustainability

Having sustainable operations is important for the Group. The successful balance of social, environmental and economic elements not only allows the Group to view organisational performance in more than financial terms alone but, in turn, allows the Group to develop 'Sustainable Operations'. In this way, the Group ensures it remains commercially feasible, socially acceptable and works within the capacity of the external environment.

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

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

The most important document in the Group is the Code of Business Conduct, and combined with the Group's policies, it ensures that the Group's operations consider the interests of all stakeholders. In 2018, the Group issued a new and improved Code of Business conduct, supported by roll out presentations and a new e-learning module.

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

All companies in the Group are certified according to ISO 9001:2015 and ISO 14001:2015.

Employees

The DOF Group has grown to become a global organisation, operating in a complex environment. For over 35 years, since our inception, we have seen many changes, but one thing has been constant over this time: the key to DOF's success remains unchanged – our people.

The downturn in the global Oil and Gas Industry saw a change for the positive in 2018. Even though activity is on the rise in some regions, the entire industry is still being challenged with regards to costs, leading to scale downs for most companies. The circumstances require organisations to adapt to the reduced demand which pose a threat to the human capital in the organisations. In 2018 the Group's total workforce was reduced by approximately 9%. At the end of the year the Group headcount was 3,578 employees and contractors, of which approximately 12 per cent were women.

The market will remain challenging in 2019, and the Board of Directors is continuously monitoring the need for the Group to further adapt to the market. The aim going forward will be to maintain a flexible workforce and to retain core competencies.

Equal opportunities and anti-discrimination

The Group has a high focus on diversity and equal opportunities. The Board of Directors supports the promotion of diversity among employees and has a clear goal of employing the best people based on their skills and competencies.

The Group strives to create equal opportunities for all employees, regardless of their ethnic background, nationality, descent, colour, language, religion, lifestyle or gender. The Group has a zero-tolerance policy for workplace harassments.

The Group's 'Equal Employment Opportunity' policy clearly states that the Group is committed to be an equal opportunity employer. This means all business units within the Group will select and appoint the most suitable person for a position according to their skills, qualifications and aptitudes.

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

Several initiatives have been taken during the year to ensure that slavery and human trafficking are not occurring within the supply chain nor in any part of the Group's activities. The Group's human rights and slavery statement is available on the Group's website. In 2018, Amnesty International ranked DOF in the top six Norwegian companies with the best score related to human rights.

Health, safety, and the working environment
The Group strives to improve safety and environmental performance across all worksites, globally. DOF has experienced 7 Lost Time Incidents (LTIs) in 2018, resulting a frequency of 0.79 LTIs per million man-hours. During the year a total of 16 recordable incidents were logged, giving a Total Recordable Frequency (TRFC) of 1.80 per million man-hours.

After a saturation dive campaign in Australia in 2017, some of the divers have been diagnosed with potential prolonged High Pressure Neurological Syndrome (HPNS). The situation continues to be monitored, and the Group has engaged a team of globally recognised experts and has offered specialist medical support to all divers involved. The case is still under investigation by NOPSEMA.

The Group's ambition is to be an incident free organisation. Through the 'Safe the RITE way' program, the Group has been able to establish a unified safety culture, as well as a stronger safety cooperation with clients, industry partners and suppliers. The aim for 2019 is to continue to develop the safety program. The program will be strengthened by establishing a Safe the RITE way Council, consisting of representatives from executive management and the workforce.

Absence due to sickness has been below three per cent in 2018. The working environment is monitored by various means of activities. DOF Subsea conducted a global working environment survey in 2018, while DOF Marine will conduct a survey in 2019. The aim of the surveys is to become a better workplace by further improving leadership and trust.

The Group is working according to the OHSAS 18001 standard. During 2019, a transition into the new ISO 45001 standard will be performed.

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

A new Ethical Helpline was launched in 2018. The helpline is operated by a third-party company and provides a platform for reporting unacceptable conduct, when normal reporting lines cannot be used. The helpline allows for communication with the reporter even if they choose to be anonymous, which can be essential during investigations.

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

It is the intention of the Board of Directors that the Group shall be recognised by its high ethical standards. Anti-corruption and anti-bribery measures are regularly evaluated and risk assessed to ensure that they are sufficient.

Compliance to law
The Group acknowledges the importance for its internal and external stakeholders of being a reliable partner, and that is why compliance is a key topic for DOF. To be in compliance with laws and regulations and industry standards is important for the Group.

External environment
The Group's environmental management system ensures that the operations are effectively managed, and that continuous improvement of environmental performance is achieved.

The energy efficiency program of the Group is continuously challenged with the aim to improve environmental performance.

During 2018, the focus on energy efficiency has increased by implementing Key Performance Indicators (KPIs) related to environmental performance, e.g. energy consumption and CO2 emissions. During the year, there have been no major spills that resulted in fines or non-monetary sanctions from local government.

Climate change and emissions to the air
DOF has several processes to ensure that direct and indirect climate influencing activities are kept at a minimum and consistent with the Group's overall approach to climate change.

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

Since 2010, the Group has reported key environmental performance through the Carbon Disclosure Project (CDP) and the reporting has directly influenced the development of our Business Management System and the programs established to manage our environmental performance.

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

Continuous improvement of our operations
It is the view of the Board of Directors that continuous improvement helps to reduce risk, improve performance and align ways of working. Through the Group's Yearly Improvement program over the past years, the Group has streamlined and systematised its improvements work. Based on a thorough planning, improvement projects have been carried out through the Group's value chain, focusing on standardisation and improved efficiency. The improvement initiatives will continue in 2019.

The Group has increased alignment of technical solutions and alignment between worksites and organisational units to establish stronger teams globally and improve efficiency. A 'step-change' was achieved by improving processes across the entire value chain, including execution of subsea projects and operation of vessels and assets. The Group is committed to continuously improve its processes and systems.

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

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

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

During the year, governing structure with regards to due diligence processes and vendor evaluation will be strengthened in 2019 with a new database, that requires all vendors to perform a self-assessment related to UN Global Compact and CSR risk.

The global compliance team has been strengthened with a compliance officer in Brazil.

Several improvement initiatives have enabled global alignment of various software solutions and further development of a streamlined organisation. The Group is committed to continuously improve the processes and systems to support the Group's organisational capital.

Shareholders

There have not been any significant changes in the share structure of the Company following a private placement in December 2017 and a subsequent share offering in February 2018, a total issuance of 1,170,000,000 new shares at NOK 0.60 per share.

In May 2018 the shares in the Company were consolidated in the ratio 10:1 divided into 290,422,918 shares at new nominal value of NOK 5.

By 31 December 2018 the Company equity consists of a share capital of NOK 1,466,188,895 divided into 293,237,779 shares each with a nominal value of NOK 5, and 232,183,885 outstanding bonds in the Subordinated Convertible bond established in August 2016. The Bondholders may convert their bonds to shares in the Company at NOK 10 per share and as of 31 December 2018 a total of 43,398,618 bonds have been converted. The Bondholders will be treated as shareholders in the event of a merger of the Company, split or consolidation of shares, de-merger or issue of convertible loans. The Bondholders have equal rights as shareholders to receive dividend payments and other distributions to shareholders in the Company. The remainder of the Subordinated Convertible Bond will be converted to shares before July 2021.

The share price was NOK 3,20 by 31 December 2018. Møgster Mohn Offshore AS as the main shareholder owned 51.4% and 47.6% (on a fully diluted basis).

Financial performance

Group revenue in 2018 totalled NOK 6,051 million (NOK 6,665 million), with an operating profit before depreciation and finance (EBITDA) of NOK 1,629 million (NOK 1,798 million). The drop in revenue and EBITDA compared to 2018 is mainly related to reduced activity from Subsea IMR projects and less earnings from the AHTS fleet operating in the short term- and spot markets. The fleet in Brazil has shown stable revenue and earnings, but has been impacted by idle time between contracts. The Group has taken delivery of one newbuild (PLSV), and this vessel was on-hire and started operation in the middle of June.

Consolidated Statement of Profit or Loss

Amounts in NOK million	2018	2017	Change
Operating revenuew	6 051	6 665	-9 %
EBITDA	1 629	1 798	-9 %
Depreciation and impairment	-1 754	-2 156	19 %
EBIT	-125	-358	65 %

Operating profit amounted to NOK -125 million (NOK -358 million) and has been impacted by depreciation and impairment of in total NOK 1,754 million (NOK 2,156 million). Total depreciation is NOK 1,063 million (NOK 1,145 million) and increased depreciation partly reflects change in principles for the PSV and AHTS fleet. Total booked impairment is NOK 691 million (NOK 1,146 million) and in addition NOK 50 million (NOK 187 million) has been booked in associated companies and joint ventures. The basis for the impairment is fair market values received from two independent brokers and value in use calculations. The drop in fair market values was reduced after 2nd d quarter and the largest drop in values has been for the oldest part of the fleet. The fair market values of the Brazilian flagged fleet and the high-end AHTS and Subsea fleet has not dropped significantly during the year.

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

Net financial items in 2018 totalled NOK -1,435 million (NOK -763 million), of which the net realised and unrealised loss amounts to NOK -631 million (NOK 123 million). Interest costs were NOK -925 million (NOK -967 million).

The Group reported a loss before tax for 2018 of NOK -1,560 million (NOK -1,120 million) and loss after tax of NOK -1,502 million (NOK -1,355 million). Adjusted for other comprehensive income the net result is NOK -1,705 million (NOK -1,299 million).

The consolidated balance sheet at year-end 2018 totalled NOK 26,465 million (NOK 28,075 million). Non-current assets mainly comprise vessels, subsea equipment and investments in associated companies and joint ventures. The Group had by end of the year one vessel under construction, owned by a joint venture and presented as associated companies and long-term receivables. The Group's deferred tax asset totalled NOK 898 million (NOK 715 million) and goodwill of NOK 295 million (NOK 324 million).

Consolidated Statement of Balance Sheet

Amounts in NOK million	31.12.2018	31.12.2017	Change
Non-current assets	22 815	22 855	-4 %
Cash and cash equivalents	1 932	2 238	-14 %
Equity	5 778	7 342	-21 %
Net interest bearing debt	17 089	16 802	2 %

The Group reported net interest-bearing debt of NOK 17,089 million (NOK 16,802 million) as of 31 December 2018. The current portion of non-current liabilities due for payment in 2018 totals NOK 3,534 million (NOK 2,097 million), and represent scheduled amortisation the next 12 months of NOK 1,585 million, balloon payments of NOK 1,389 million and drawn credit facilities of NOK 400 million.

Net cash flow from operating activities for the Group was NOK 1,637 million (NOK 1,705 million) and after interest and taxes paid NOK 701 million (NOK 746 million). Net cash flow from investing activities was NOK -511 million (NOK -955 million). Cash flow from financing activities was NOK -430 million (NOK 263 million) and includes among others a new bond loan in DOF Subsea and the private placement completed in the Company in February.

Cash and cash equivalents for the Group at 31 December 2018 totalled NOK 1,932 million (NOK 2,238 million) of which NOK 316 million (NOK 394 million) is restricted cash.

Parent company financial statements

The parent company financial statements show revenue of NOK 22 million (NOK 155 million) and an operating profit of NOK -21 million (NOK -20 million). Net financial items are NOK -503 million (NOK -1,247 million). Loss before taxes was NOK -524 million (NOK -1,267 million).

The parent company's balance sheet as of 31 December 2018 totals NOK 6,770 million (NOK 7,796 million), of which booked equity totalled NOK 6,116 million (NOK 6,409 million). By December 2018 the Company has no external debt.

Financing and capital structure

The Group's operations are essentially financed via long-term loans secured with vessels and related equipment, unsecured bond loans and equity. The Group's bond debt represents by year-end 14% of the total external debt. Export credit funding, mainly GIEK/Export Credit Norway and BNDES (Brazilian Development Bank) represents 39% and the remaining part, 47%, is funded via reputable international banks.

The Group's has since 2003 built vessels in Brazil and all new-builds have been financed by BNDES, with tenor up to 18 years, and fixed interest rate for the entire duration of the loans. The vessels built in Norway are mainly financed by Export Credit Norway, with a maturity of 12 years, and with GIEK and commercial banks providing guarantees and via ordinary bank loans, all secured by mortgages.

The Group completed a comprehensive refinancing program in 2016 including conversion of bond loans by establishment of a convertible bond loan in the Company. The bondholders in the convertible loan are as mentioned above obliged to convert their bonds to shares within a period until August 2021, hence the convertible bond loan has since registration been classified as equity. The initial value of the bond loan was NOK 1,032.5 million and outstanding loan by December 2018 was NOK 232 million.

A 2nd comprehensive refinancing was completed in the Company in February 2018 via a subsequent offering of NOK 202 million after a private placement of NOK 500 million in December 2017. The refinancing further included a share issue in DOF Subsea of NOK 500 million, an agreement with the DOF Subsea bondholders in DOFSUB07 to extend the maturity from May 2018 to May 2020, and an agreement with the banks in the DOF Rederi 3,8 bn facility to extend soft terms until 2021.

DOF Subsea AS completed successfully a new unsecured bond issue of NOK 900 million with maturity in November 2023. Net proceeds from the new bond issue were partly used to refinance existing bonds and for general corporate purposes.

Vessels and equipment constitute 82% of the Group's total assets. The Group's asset values are sensitive to the fair market values received from two independent brokerage companies. The broker estimates received during 2nd half 2018 indicates reduced adjustments in fair market values versus for 1st half of the year and for some vessels the drop has flattened out. The PSV markets have improved, but there is still an oversupply of vessels and rates are still low compared to pre-crises levels. The AHTS markets have been weak in 2018 and so far in 2019. The markets for subsea services are still influenced by oversupply and low earnings, but activity levels are expected to increase. Overall the Board expects that 2019 will be a challenging year for the Group's industry, hence there is still a risk that the fair market value of the Group's fleet may continue to drop.

The main financial covenants for the Group (excluding DOF Subsea) are minimum free liquidity of NOK 500 million, LTV (Loan to value) clauses of the vessels and minimum booked equity of NOK 3,000 million. The subsidiary, DOF Subsea, has similar financial covenants and in addition a requirement of minimum value adjusted equity of 30%. By year-end the Group was in compliance with its financial covenants, ref note 22 to the accounts. A JV owned by the Company and Akastor AS has an agreement with its banks to waive the LTV clauses for the fleet until July 2020. The Company is the guarantor for 50% of the external debt in this JV.

The Group is mainly exposed to NOK and BRL against USD and during 2018 there have been significant variances in currencies. Unrealised loss on foreign exchange totals NOK -584 million (NOK 399 million), of which NOK -288 million (NOK 245 million) is booked via net financial costs and NOK -296 million (NOK 154 million) is booked as other comprehensive income (before tax). The currency variences in 2018 have increased the interest bearing debt with NOK 534 million (NOK -536).

Risk

Financial and liquidity risk

The Group is exposed to financial and liquidity risk through the continuous requirement for refinancing and conversion of existing vessels. The vessel under construction is secured long-term financing and has been delivered by date of this report.

Over the past years, the Group has executed a substantial newbuilding programme and has achieved satisfactory new long-term financing and refinancing for its fleet, mainly due to the stable market values of the Group's newest fleet, high contract coverage and a long-term relationship with the banks. A sustained weak market has however caused a reduction in market values for the Group's fleet and reduced the backlog. A continued depressed market and decline in vessel values may increase the risk for future refinancing of the Group's fleet and may further cause additional impairments going forward, which in turn will have a negative impact on financial and liquidity position for the Group.

The Norwegian high yield bond market has historically been an important financing resource for the Group. However due to the depressed market and several debt-restructuring within the OSV segment, the bond market has practically closed. The subsidiary, DOF Subsea, has however through this down turn successfully issued new bonds whereof the latest issuance was in November 2018.

Currency risk

The Group is exposed to fluctuations in exchange rates as the Group's income is mainly generated in another currency than NOK. Financial risk management is provided by a central treasury department with the objective of minimising any negative impact on the Group's cash flow and financial results. Financial derivatives are utilised when suitable to hedge such exposure. Alternatively, the Group's long-term debt is adapted to earnings in the same currency. The Group has implemented hedge accounting for parts of the revenues with the objective to reduce the volatility for the Group's operating and financial results in the future.

Interest rate risk

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

Of the Group's total long-term debt, 74% has a fixed rate of interest, and this includes financing via BNDES and Export Credit Norway.

Credit risk

The Group's credit risk has historically been low as the Group's customers traditionally have had good financial capability to meet their obligations and have had high credit ratings. The sustained challenging market situation has resulted in changes to the credit ratings for some of the Group's customers, and thereby increased the credit risk. Historically, the portion of receivables not being collectable has been low.

Market and price risk

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

The Group is exposed to market fluctuations which may result in lower utilisation and reduced earnings for the Group's vessels and services. Attempts are made to reduce this risk by entering into contracts that secure long-term charters for the main portion of the fleet.

The market has further deteriorated in all regions where the Group operates and has negatively impacted the earnings and utilisation of the Group's fleet. If a sustained challenging market situation will continue, the counter-party risk will increase and contracts may be cancelled or not renewed.

Tax risk

The Group has a global organisation operating vessels and delivering services in several different tax jurisdictions. Income and profit from these operations are subject to income taxes and judgment may be involved when determining the taxable results. Tax authorities in different jurisdictions may challenge calculation of taxes payable from prior periods through tax audits. Several tax audits have been conducted over the last couple of years, where some of the tax claims are disputed by the Group. In general, attention from tax authorities is increasing, and the trend is that each individual country has increased focus on protecting their tax base. OECD and G20 countries' implementation of the Base Erosion and Profit Shifting (BEPS) reporting regime in 2016 is expected to give tax jurisdictions a better basis to evaluate profit for companies operating in a global market. The Group is in compliance with the BEPS reporting requirements.

Going concern

To secure sufficient equity and liquidity through challenging markets, the Group has completed comprehensive refinancing programs both in 2016 and in 2017/18 which in total have reduced the net debt by approximately NOK 3,800 million. The Group has further agreed soft terms on instalments on parts of the Group's secured debt.

The consolidated financial statements and the Parent Company's financial statements are submitted on a going concern assumption, in accordance with IAS 1. This assumption is based on the Group's budget and liquidity forecast for 2019 and the current backlog for the Group.

Profit & loss allocation

The parent company financial statements have returned a loss of NOK 484 million. The Board of Directors proposes to allocate this figure against other reserves.

The consolidated financial statements have returned a loss of NOK 1,502 million, and total comprehensive loss of NOK -1,705 million, of which NOK -198 million is attributed to non-controlling interests, NOK -1,145 million is allocated to other reserves and NOK -362 million from share premium.

Events after balance sheet date

The Group's last newbuilding, Skandi Olinda, was delivered early January from the Brazilian yard and was on-hire on an 8-year contract with Petrobras on 13th of February 2019. The vessel is owned by a JV owned 50/50 by DOF Subsea and TechnipFMC.

The Group has been awarded several contracts year to date in 2019, ref. note 35 to the accounts.

Outlook

There are signs of increased activity globally and with the North Sea currently as one of the most active areas. The trend for an increased demand for large PSVs has continued into 2019, but for the AHTS fleet the volatility both in earnings and utilisation is still high. The Subsea IMR market is still challenging, but the utilisation is expected to improve in 2019.

The Group will maintain its strategy to secure the fleet on term contracts and is actively working on keeping the firm employment of the fleet as high as possible. The Group will continue its focus to reduce costs and to adjust its capacity to the challenging markets.

The Group's backlog has increased the last few months due to several contract awards and by February the backlog is 60% for 2019. The majority of the Group's high-end vessels are committed on firm contracts and represent the largest portion of the Group's backlog. The Board of Directors is satisfied with the fact that the DOFCON JV has completed its newbuilding program and that all four PLSVs have started on long term contracts in Brazil. A continuing weak market will however increase the risk of lower utilisation and earnings of the Group's vessels and as such a risk for further deterioration of the vessel values and an increased liquidity risk for the Group.

The Board of Directors expects the markets in 2019 to remain challenging, but slightly better than 2018, still the uncertainty regarding earnings going forward is high. The Group's global presence and a flexible business model within the subsea segment, in a combination with high backlog and start-up of new contracts, are expected to secure decent utilisation.

The Board of Directors is thankful for the effort from all employees in 2018.

Storebø, March 15th, 2019
The Board of Directors for DOF ASA

Helge Møgster
Chairman

Helge Singelstad
Deputy Chairman

Kathryn M. Baker
Director

Frederik W. Mohn
Director

Marianne Møgster
Director

Mons S. Aase
CEO

DOF GROUP

Financial Statements DOF Group

Consolidated Statement of Profit or Loss

Amounts in NOK million	Note	2018	2017
Operating income	5, 6, 7,15	6 051	6 665
Payroll expenses	8, 30	-2 860	-3 110
Other operating expenses	9, 15, 29, 30	-1 840	-1 821
Share of net profit of joint ventures and associates	32	277	62
Net gain (loss) on sale of tangible assets	14	2	2
Operating expenses		-4 422	-4 867
Operating profit before depreciation and impairment - EBITDA		1 629	1 798
Depreciation	4, 14	-1 063	-1 010
Impairment	4, 13, 14	-691	-1 146
Operating profit - EBIT		-125	-358
Finance income	10	121	82
Finance costs	10	-925	-967
Realised currency gain (loss)	10	-341	-186
Unrealised currency gain (loss)	10	-288	245
Net change in unrealised gain (loss) on derivatives	10	-2	64
Net financial items		-1 435	-763
Profit (loss) before taxes		-1 560	-1 120
Tax income (cost)	11	57	-235
Profit (loss) for the year		-1 502	-1 355
Attributable to:			
Non-controlling interest		-235	-112
Controlling interest		-1 267	-1 243
Earnings per share (NOK)	12	-4.09	-6.16
Diluted earnings per share (NOK)	12	-4.09	-6.16

Consolidated Statement of Comprehensive Income

Profit (loss) for the year		-1 502	-1 355
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss			
Currency translation differences		-68	-62
Cash flow hedge	11, 26	-260	116
Share of other comprehensive income of joint ventures and associates	32	123	-1
Total		-205	53
Items that not will be reclassified to profit or loss			
Defined benefit plan actuarial gains (losses)	8	3	3
Total		3	3
Total other comprehensive income for the year, net of tax		-202	57
Total comprehensive income for the year net of tax		-1 705	-1 299
Attributable to:			
Non-controlling interest		-198	-120
Controlling interest		-1 506	-1 178

DOF GROUP

Consolidated Statement of Balance Sheet

Amounts in NOK million	Note	31.12.2018	31.12.2017
Assets			
Tangible assets	14,15,22	18 898	20 667
Goodwill	13	295	324
Deferred tax assets	11	898	715
Investments in joint ventures and associated companies	10, 32	1 547	1 021
Non-current receivables	16, 27	1 177	1 129
Total non-current assets		22 815	23 855
Trade receivables	17, 27	1 312	1 580
Other current assets	18, 26, 27	406	401
Current assets		1 718	1 981
Restricted deposits		316	394
Cash and cash equivalents		1 616	1 845
Cash and cash equivalents included restricted deposits	19, 27	1 932	2 238
Total current assets		3 650	4 219
Total assets		26 465	28 075

Consolidated Statement of Balance Sheet

Amounts in NOK million	Note	31.12.2018	31.12.2017
Equity and liabilities			
Paid-in equity	20	3 277	3 393
Other equity		232	1 444
Non-controlling interests	21	2 269	2 505
Total equity	20	5 778	7 342
Bond loan	22, 27	2 480	1 914
Debt to credit institutions	15, 22, 27	13 007	15 029
Other non-current liabilities	8, 11, 23, 26, 27	90	142
Non-current liabilities		15 578	17 085
Current bond loan and debt to credit institution	22, 27	3 678	2 235
Trade payables	24, 27	808	874
Other current liabilities	25, 26, 27	623	539
Current liabilities		5 110	3 648
Total liabilities		20 687	20 733
Total equity and liabilities		26 465	28 075

Storebø, March 15th, 2019
The Board of Directors for DOF ASA

Helge Møgster
Chairman

Helge Singelstad
Deputy Chairman

Kathryn M. Baker
Director

Frederik W. Mohn
Director

Marianne Møgster
Director

Mons S. Aase
CEO

DOF GROUP

Consolidated Statement of Changes in Equity

	Paid-in equity			Other equity						
Amounts in NOK million	Share capital	Share premium	Paid-in equity	Contributed capital	Retained earnings	Currency translation differences	Cash flow hedge	Total other equity	Non-controlling interest	Total equity
Balance at 01.01.2018	1 276	2 117	3 393	276	1 473	232	-537	1 444	2 505	7 342
Profit (loss) for the year		-362	-362		-906	-	-	-906	-235	-1 502
Other comprehensive income net of tax			-		-	20	-260	-239	37	-202
Reclassification between CTA and cash flow hedge			-		-	-57	57	-		-
Total comprehensive income for the year	-	-362	-362		-905	-36	-203	-1 145	-198	-1 705
Converted bond	22	22	43	-43	-			-43		-
Share issue settled in cash	168	34	202		-11			-11		191
Dividend to non-controlling interest			-		-			-	-31	-31
IFRS 9 implementation effect			-		-17			-17	-9	-25
Adjustment of merger effect			-		4			4	2	6
Total transactions	190	55	245	-43	-24	-	-	-67	-38	141
Balance at 31.12.2018	1 466	1 811	3 277	232	544	196	-740	232	2 269	5 778
Balance at 01.01.2017	751	1 925	2 675	493	1 840	309	-693	1 950	3 521	8 146
Profit (loss) for the year			-		-1 243	-	-	-1 243	-112	-1 355
Other comprehensive income net of tax					-14	-37	116	65	-8	57
Reclassification between CTA and cash flow hedge			-			-40	40	-	-	-
Total comprehensive income for the year			-		-1 257	-77	156	-1 178	-120	-1 298
Converted bond	109	109	218	-218	-			-218		-
Share issue settled in cash	417	83	500		-6			-6		494
Dividends	-	-	-		-			-	-	-
Changes in non-controlling interests	-	-	-		896			896	-896	-
Total transactions with owners	525	192	718	-218	890	-	-	672	-896	494
Balance at 31.12.2017	1 276	2 117	3 393	276	1 473	232	-537	1 444	2 505	7 342

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

Consolidated Statement of Cash Flows

Amounts in NOK million	Note	2018	2017
Operating profit		-125	-358
Depreciation and impairment	14	1 754	2 155
Profit/loss on disposal of tangible assets	14	-2	-2
Share of net income of associates and joint ventures	32	-277	-62
Change in trade receivables	17	267	-74
Change in trade payables	24	-65	-187
Change in other working capital		201	258
Exchange rate effect on operating activities		-116	-25
Cash from operating activities		1 637	1 705
Interest received		19	59
Interest paid		-920	-956
Tax paid		-34	-62
Net cash from operating activities		701	746
Payments received for sale of tangible assets	14	2	61
Purchase of tangible assets	14	-510	-867
Purchase of shares		-22	-17
Received dividends		-	5
Net cash flow from other non-current receivables		20	-136
Net cash used in investing activities		-511	-955
Proceeds from borrowings	22	1 629	2 343
Repayment of borrowings	22	-2 219	-2 574
Share issue	12, 20	191	494
Non-controlling interest	21	-31	-
Net cash flow from financing activities		-430	263
Net changes in cash and cash equivalents		-239	54
Cash included restricted cash at the start of the period	19	2 238	2 192
Exchange gain/loss on cash and cash equivalents		-67	-7
Cash included restricted cash at the end of the period	19	1 932	2 238

Restricted cash amounts to NOK 316 million (NOK 394 million) and is included in the cash. Changes in restricted cash is reflected in the cash flow. For further information, please refer to note 19 'Cash and cash equivalents'.

DOF GROUP

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1 General

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

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

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

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

The Annual Accounts were approved for publication by the Board of Directors on 15 March 2019.

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

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

2 Summary of significant accounting principles

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

The consolidated financial statements have been prepared in accordance with the historical cost convention with the following exceptions: financial instruments at fair value through profit or loss.

Going concern

The consolidated financial statements and the Parent Company's financial statements are prepared based on a going concern assumption, in accordance with IAS 1. This assumption is based on the Group's budget and liquidity forecast for 2019 and the current contract backlog for the Group.

Consolidation principles

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

Joint arrangements and associates

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

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

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

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

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

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

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

Segment reporting

The Group's reporting format is determined by business segment, and the Group operates within three business segments:
1) PSV (Platform Supply vessel)
2) AHTS (Anchor Handling Tug Supply Vessel)
3) Subsea (Subsea vessel and subsea engineering)

The segment reporting is presented according to internal management reporting, based on the proportionate consolidation method of accounting for joint ventures. The bridge between the management reporting and the figures reported in the financial statements is presented in the note 5.

Conversion of foreign currency

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

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

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

I. assets and liabilities are converted to the presentation currency at the foreign exchange rate at the end of the reporting period,

II. income and expenses are converted using the average rate of exchange, and

III. all resulting exchange differences are recognised in other comprehensive income and specified separately in the consolidated statement of changes in equity.

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

Classification of assets and liabilities

Assets are classified as current assets when:
- the asset forms part of the entity's service cycle, and is expected to be realised or consumed over the course of the entity's normal operations; or
- the asset is held for trading; or
- the asset is expected to be realised within 12 months after the reporting period

All other assets are classified as non-current assets.

Liabilities are classified as current liabilities when:
- the liability forms part of the entity's service cycle, and is expected to be settled in the course of normal production time; or
- the liability is held for trading; or
- settlement of the liability has been agreed upon within 12 months after the reporting period; or
- the entity does not have an unconditional right to postpone settlement of the liability until at least 12 months after the reporting period.

All other liabilities are classified as non-current liabilities.

Cash and cash equivalents

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

Trade receivables

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

Trade receivables are recognised initially at nominal value and subsequently measured at amortised cost. Discounting is ignored if insignificant. 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 asset comprises its purchase price, borrowing costs and any directly attributable costs of bringing the asset to its operating condition. If significant, the total expenditure is separated into components which have different expected useful lives.

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

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

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

For vessels, residual value is determined based on the estimated fair value today as if the asset was at the end of its useful life. The Group's accounting policy for residual values vessels in the PSV, AHTS and Subsea segments are described in note 4.

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

Assets under construction

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

Impairment of assets

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised.

The recoverable amount is the higher of an asset's net selling price and value in use. Where there are circumstances and evidence that impairment losses recognised previously no longer exists or has decreased, a reversal of the impairment loss is recognised, except for goodwill. For further information on the calculation see note 4 'accounting estimates and assessments'.

Periodic maintenance

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

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

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. The Group leases in external vessels on operating leases. At the same time, the Group leases out own vessels on both bareboat and time charter contracts.

Leases where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement date at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The Group holds several ROVs and IT equipment under finance leases. Each lease payment is allocated between the liability and finance charges. The corresponding lease obligations, net of finance charges, are included in other current and non-current liabilities. The interest element is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Goodwill

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

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

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

Debt

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

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

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

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

Provisions

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

For onerous contracts provisions are made when unavoidable cost of meeting the obligations under the contract exceed the economic benefit to be received under the contract. The unavoidable costs under the contract are the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract. Unavoidable cost are costs that would not incur for the entity if it did not have the contract.

Provisions are reviewed at the end of each reporting period and adjusted to the best estimate. When timing is significant for the amount of the obligation, it is measured at its present value. Subsequent increases in the amount of the obligation due to interest accretion are reported as interest costs.

Contingent assets and liabilities:

Contingent assets are not recognised in the accounts, but is disclosed in the notes to the accounts if there is a certain degree of probability that the Group will benefit economically.

Contingent liabilities are defined as:

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

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

Equity

Ordinary shares are classified as equity.

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

Transactions with non-controlling interests

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

Revenue recognition

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

a) Day rate contracts

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

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

The right to use the vessel fall in under the scope of IAS 17 'Leases', and revenue is recognised over the lease period on a straight-line basis.

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

The Group does not recognise revenue during periods when the underlying vessel is off-hire. When the vessel is off-hire, expenses may be incurred and paid by the Group.

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

b) Lump sum contracts

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

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

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

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

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

c) Variation orders

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

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

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

f) Interest income
Interest income is recognised using the effective interest method.

Current and deferred income tax

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

The Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, see note 4.

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

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

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

Companies under the shipping tonnage tax regime

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

Employee benefits

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

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

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

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

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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

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

Financial assets

From 1 January 2018 the Group classifies its financial assets in the following categories: fair value through other comprehensive income (FVOCI), fair value through profit and loss (FVTPL), and amortised cost. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial instrument is managed and its contractual cash flow characteristics. Classification of financial assets is determined at initial recognition and is not reclassified subsequently unless the Group changes its business model for managing financial assets.

A financial asset shall be measured at amortised cost if both of the following conditions are met and it is not designated at FVTPL:
* the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

* the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVOCI if both of the following conditions are met and it is not designated at FVTPL:
* the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
* the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (see note 27). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:
* contingent events that would change the amount or timing of cash flows;
* terms that may adjust the contractual coupon rate, including variable-rate features;
* prepayment and extension features; and
* terms that limit the Group's claim to cash flows from specified assets

a) Financial assets at FVTPL
The assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see note 26, for derivatives designated as hedging instruments.

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

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

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

e) Impairment
The Group assesses at the end of each reporting period the expected credit losses for a financial asset or a group of financial assets. See the separate paragraph in this note regarding trade receivables.

Derivative financial instruments and hedging activities

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

The whole carrying amount of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity is less than 12 months. Trading derivatives are classified as a current asset or liability.

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

Hedge accounting

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

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

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

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

Subsequent events

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

Use of estimates

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

Consolidated statement of cash flows

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

Government grants

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

New standards, amendments and interpretations adopted by the Group

The Group applied IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' 1 January 2018. The nature and effect of the changes resulting from the adoption of these new accounting standards are described below. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 9 Financial instruments

The Group applied a modified retrospective method when implementing IFRS 9 'Financial instruments'. Due to the nature of the financial instruments held by the Group, the changes in classification and measurement requirements has not had a significant impact on the Group's financial statement.

The implementation had a negative effect on the equity of NOK 25 million as of 1 January 2018, due to the modification of the remaining part of the DOFSUB07 bond loan in December 2017. The increased liability related to the DOFSUB07 bond loan is amortised as reduced interest cost over the remaining time to maturity.

IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing the incurred loss approach after IAS 39 with a forward-looking expected credit loss (ECL) approach. The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. Upon the adoption of IFRS 9, the change in allowance for impairment was nil.

IFRS 15 Revenue from Contracts with Customers

The Group applied a modified retrospectively method when implementing IFRS 15 'Revenue from contracts with customers' on contracts that were not completed by 1 January 2018. Implementation of IFRS 15 has not changed the timing of revenue recognition for the Group's revenue streams. There was no adjustment to the equity as of 1 January 2018.

Despite no change in the main recognition method, the Group has identified that the following areas might affect new contracts entered into in the future:

- The application of IFRS 15 'Revenue from contracts with customers' may result in the identification of several separate performance obligations, which could affect the timing of revenue recognition.
- Certain cost to fulfil a contract will be recognised as an asset under IFRS 15 'Revenue from contracts with customers'. Assets recognised under IFRS 15 will be amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relates.

New standards, amendments and interpretations not yet adopted

IFRS 16 Leases replaces the current standard IAS 17 Leases and related interpretations. IFRS 16 Leases removes the current distinction between operating and financing leases for lessees and requires recognition of an asset (the right to use the leased item) and a financial liability representing its obligation to make lease payments. Lease payments are to be reflected as interest expense and a reduction of lease liabilities.

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

The standard is effective for accounting periods beginning on or after January 1, 2019. The Group will adopt the standard at its mandatory date.

A summary of the changes and practical expedients applied is presented below:

The Group as a lessee, leases vessels, ROV's, project equipment, offices, storages, apartments, office equipment, data equipment and cars. Leases of ROV's and IT equipment are finance leases under IAS 17 Leases, and all other leases operating leases. The Group has prepared an assessment in accordance with IFRS 16 Leases of all operating leases under IAS 17. The following arrangements will be effected;

- Bareboat charters will typically meet the new definition of a lease since under these agreements the charterer controls the use of the vessel for a period of time.
- Time charters are likely to contain both a lease (i.e. right to use the vessel) and service components (i.e. operation and maintenance of the vessel by the vessel owner).
- Rent of offices.
- Cars.

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

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

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

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

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

Please see note 36 for the impact of the IFRS 16 Leases as per transitional date 1 January 2019.

3 Financial risk management

Financial risk factors

The Group is exposed to various types of financial risk relating to its ongoing business operations: Market risk (including foreign exchange risk, interest rate risk and price risk), credit -and liquidity risk, capital structure risk and tax risk. The Group's overall risk management seeks to minimise potential adverse effects of the Group's financial performance.

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

Market risk

Foreign exchange risk

The Group operates globally and is exposed to foreign exchange risk arising from various currency exposures, basically with respect to USD, BRL, AUD, NOK and GBP. Foreign exchange risk arises from future commercial transactions, contractual obligations (assets), liabilities and investments in foreign operations.

The Group's presentation currency is NOK. Foreign exchange risk arises when future commercial transactions, contractual obligations (assets) and liabilities are in different currencies. The Group aims to achieve a natural hedge between cash inflows and cash outflows and manages remaining foreign exchange risk arising from commercial transactions, assets and liabilities through forward contracts and similar instruments as appropriate.

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

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

The Group has a significant amount of debt denominated in USD. The table below shows the effect of an appreciation/ depreciation of NOK against USD. A foreign exchange sensitivity analysis as per year-end 2018 shows how a hypothetical 5% appreciation/ depreciation of NOK against USD would affect the value of the USD debt as of 31 December 2018, and increase/ decrease the consolidated statement of comprehensive income, see table below.

The Group's subsidiaries with functional currency BRL have USD debt. The effect of change in BRL to USD is included in the sensitivity results below. The Group's exposure to other foreign exchange movements is not material.

	5% appreciation	5% depreciation
	USD	USD
Derivative financial instruments [1]	108	-115
Financial instruments directly to equity [2]	215	-215
Debt to credit institutions	301	-301

1) The change in MTM (mark-to-market) recognised in financial derivatives.
2) The change in gain/loss recognised in other comprehensive income through hedge accounting.

A significant portion of the Group's operating income is denominated in USD. A depreciation of NOK against USD will over a longer period have a positive impact on the Group's future earnings and cash in NOK. Current receivables and liabilities excluding short portion of long term debt are often in the same currency and are normally due within 30 days.

Interests rate risk

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

The Group manages its cash flow interest risk by using floating-to-fixed interest rate swaps. Such interest swaps have the economic effect of conversion from floating interest rates to fixed interest rates. Through interest rate swaps, the Group agrees with other parties to exchange, at specified intervals the difference between fixed interest rates and floating interest rates calculated by reference to the agreed amounts.

The long-term funding of the Group's vessels built in Brazil is mainly secured at fixed interest rates for the entire duration of the loans. The portion of long term debt secured with fixed rate of interest is 74% per year-end and includes debt with fixed interest in BNDES.

The Group has an interest risk in the change in value for the interest rates swaps. In accordance with IFRS, the Group provides information about the potential risk with a sensitivity analysis. The table below shows the change in Mark-to-market (MTM) on interest rate swaps at year-end with an increase and decrease of 100bps in 2018. Interest rates are not reduced to less than zero.

	+ 100BPS		- 100BPS	
Amounts in NOK million	USD	NOK	USD	NOK
Interest rate swaps	7	144	-7	-133

Price risk
The Group is exposed to price risk at two main levels:
- The demand for the Group's vessels is sensitive to changes in the oil industry, for example oil price movements, exploration and general activity level within the offshore energy industry. This can affect both the pricing and the utilisation of the Group's assets.
- The costs of construction of new assets and replacements of assets are sensitive to changes in market prices.

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

The Group is exposed to market fluctuations which may result in lower utilisation and reduced earnings for the Group's vessels and services. Attempts are made to reduce this risk by entering into contracts that secure long-term charters for the main portion of the fleet.

Credit and Liquidity risk
Credit and liquidity risk arises from cash and cash equivalents, derivatives, financial instruments and deposit with banks as well as payment terms towards clients and suppliers. Liquidity risk management implies maintaining sufficient cash and marketable securities, and to maintain available funding through committed credit facilities. The Group has a policy of limiting the credit exposure to any single financial institution and bank, and actively manages its exposure in order to achieve this.

The Group's credit risk has historically been low as the Group's customers traditionally have had good financial capability to meet their obligations and have had high credit ratings. The sustained challenging market situation has resulted in changes to the credit ratings for some of the Group's customers, and thereby increased the credit risk. Historically, the portion of receivables not being collectable has been low.

The Group's business is capital intensive and the Group may need to raise additional funding through bond loans, bank financing or equity financing to execute the Group's strategy and fund capital expenditures. Over the past years, the Group has executed a substantial newbuilding programme and has achieved satisfactory new long-term financing and refinancing for its fleet. A continued depressed market and decline in vessel values may increase the risk for future refinancing of the Group's fleet and may further cause additional impairments going forward, which in turn will have a negative impact on financial and liquidity position for the Group. The Norwegian high yield bond market has historically been an important financing recourse for the Group, hence the subsidiary DOF Subsea issued a new bond in 4th quarter 2018 of NOK 900 million.

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

Repayments for loans	2019	2020	2021	2022	2023 ->	Total
Bond loans	100	367	-	1 278	840	2 585
Other interest bearing liabilities	3 434	2 058	3 594	1 250	6 161	16 497
Calculated interest	871	741	616	433	900	3 562
Total	4 405	3 167	4 210	2 962	7 901	22 644

Capital structure and equity

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

The Group monitors its capital structure by evaluating the debt ratio, which is defined as net interest bearing debt divided by equity plus net interest bearing debt. The Group policy is to maintain debt financing corresponding to 75-80% funding of new vessels and to continue to have high contractual coverage of the entire fleet.

Debt ratio	2018	2017
Interest-bearing debt	19 021	19 040
Restricted deposits	316	394
Cash	1 616	1 845
Net interest bearing debt	17 089	16 802
Total equity	5 778	7 342
Total equity and net debt	22 867	24 144
Debt ratio	75%	70%

The Group has established similar financial covenants on all long term funding (except for DOF Subsea AS) which implies minimum cash and minimum book equity. DOF Subsea group has similar minimum cash requirements on its long-term funding, in addition to requirements to minimum value adjusted equity ratio. Mortgaged loans have minimum value clauses included.

4 Accounting estimates and assessments

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

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

Vessels

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

Useful life of vessels

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

Residual value of vessels

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

Useful life of investments related to periodical maintenance

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

Impairment of assets

Vessels

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

Fair value less cost to sell

For vessels, fair value less cost to sell is based on an average of the brokers' estimates, taken into account sales commission. For vessels older than 10 years within the PSV and AHTS segment the Group has used the lower value in the range of broker estimates. All vessels in the Group are assessed by obtaining independent broker estimates. The brokers' estimates are based on the principle of 'willing buyer and willing seller'. Broker estimates include mounted equipment and assume that the vessels are without any charter contracts (i.e. charter-free basis). The Group adjusts for positive or negative value in associated contracts.

Due to a limited number of vessel transactions in the current market, the brokers' estimates only to a limited extent represent the results of transactions in the market. Because of this, the broker estimates are more influenced by the judgement of each broker. For this reason, the Group has sought to substantiate the broker valuations, inter alia with value in use calculations or tests of reasonableness of implicit rates and other assumptions derived from the valuations. The Group has deemed it necessary to perform separate calculations for all vessels to support the broker estimates.

After the evaluation, the Group has concluded that the broker estimates are considered reliable.

Value in use

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

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

The Weighted Average Cost of Capital (WACC) is used as a discount rate, and reflects a normalised capital structure for the industry. The WACC represents the rate of return the Group is expected to pay to its sources of finance for cash flows with similar risks. Cash flows are calculated after tax and discounted with an after tax discount rate. The nominal WACC used in the value in use calculations are ranging from 7,6%-8.5%.

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

The Group performs impairment testing of the assets on quarterly basis, and by year the principles for impairment was evaluated, including a comparison of impairment booked among peers. The drop in vessel values has since 2014 been impacted by the age of the fleet and the mix of vessel segments, hence a smaller drop within the Subsea segment compared with the AHTS and PSV segment. The Group has further benefited by a high backlog and a historical high utilization of the fleet, and been privileged by high local content in certain countries (i.e. Brazil).

ROVs

The Group has divided all ROVs into two pools of ROVs. Each pool of ROVs is identified as a separate cash generating unit. Value in use calculation is performed for each pool of ROVs. Principles for calculation of future cash flows and WACC are the same as described for vessels.

Goodwill

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

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

For the Subsea segment, goodwill is supported by value in use based on cash flow from both subsea engineering and subsea vessel in the segment. Recoverable amount is calculated based on discounted cash flows extracted from next year's budgets and forecasts covering 5 years. No real growth is expected after 5 years. Cash flows are based on budgets and forecast presented to the Board covering five years. Management has used the same expectation about market development as for the impairment test of vessels. The impairment test demonstrated that recoverable amount was higher than carrying amount, and no impairment was required. Reference are made to note 13 for further information about assumptions and sensitivities.

Integration of engineering environment in Semar AS with the Subsea/IMR Project segment has reduced and Semar has as a result been identified as a separate cash generating unit (CGU). Impairment test of the CGU resulted in an impairment to NOK 27 million in 2018.

Tax

Changes in tax regimes may adversely affect the Group's cash flow and financial conditions. Certain companies in the Group are subject to special tax rules for ship owners in different jurisdictions. These tax rules stipulate certain requirements which will have to be met. A failure to meet such requirements may have an adverse effect on the effective tax rate of the Group. The Group is also subject to transfer pricing regulations in various jurisdictions which might impose the tax risk for the Group.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts per IAS 12.

Deferred tax assets are recorded in the consolidated statement of financial position on the basis of unused tax losses carried forward or deductible temporary differences to the extent that it is probable that there will be sufficient future earnings available against which the loss or deductible can be utilised. Deferred income tax is calculated on temporary differences related to investments in subsidiaries and associated companies, except when the company has control of the timing of the reversal of the temporary differences, and it is probable that reversal will not take place in the foreseeable future.

For further information about deferred tax assets and tax loss carried forward, please refer to note 11 'tax'.

In general, attention and follow-up from tax authorities are increasing in all tax jurisdictions. This should be seen in relation to OECD and G20 countries implementation of the Base Erosion and Profit Shifting (BEPS) reporting requirements. The general trend that each individual country has become more concerned about protecting their tax base, and in this context the Group experiences more tax audits in all countries where the Group operates. All present tax claims and disputes are at year-end either in an administrative or legal process with local tax authorities. All tax claims are disputed, and the Group considers the risk of negative outcomes of the tax claims to be lower than 50% and has not recognised any liability regarding tax claims. Outcome of such processes are uncertain and changes in assumptions, interpretations and circumstances might result in future cash outflow for the Group.

5 Management reporting

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

Statement of Profit or Loss	2018			2017		
	Management reporting	Reconciliation to equity method	Financial reporting	Management reporting	Reconciliation to equity method	Financial reporting
Operating income	6 938	-887	6 051	7 376	-711	6 665
Operating expenses	-4 868	168	-4 700	-5 076	145	-4 931
Net profit from associated and joint ventures	-5	282	277	-15	77	62
Net gain on sale of tangible assets	2	-	2	2	-	2
Operating profit before depreciation EBITDA	2 066	-437	1 629	2 287	-489	1 798
Depreciation	-1 240	177	-1 063	-1 145	135	-1 010
Impairment	-737	46	-691	-1 322	176	-1 146
Operating profit - EBIT	89	-214	-125	-180	-178	-358
Financial income	51	70	121	51	31	82
Financial costs	-1 099	174	-925	-1 118	151	-967
Net realised currency gain (loss)	-352	12	-341	-227	41	-186
Net unrealised currency gain (loss)	-291	3	-288	299	-54	245
Net changes in fair value of financial instruments	-2	-	-2	64	-	64
Net financial costs	-1 693	259	-1 435	-932	169	-763
Profit (loss) before taxes	-1 604	44	-1 560	-1 111	-9	-1 120
Taxes	102	-44	57	-244	9	-235
Profit (loss)	-1 502	-	-1 502	-1 355	-	-1 355

Statement of Balance sheet	Balance 31.12.2018			Balance 31.12.2017		
	Management reporting	Reconciliation to equity method	Financial reporting	Management reporting	Reconciliation to equity method	Financial reporting
ASSETS						
Tangible assets	25 074	-6 175	18 898	25 793	-5 127	20 667
Goodwill	295	-	295	324	-	324
Deferred taxes	1 006	-108	898	754	-39	715
Investments in joint ventures and associated companies	89	1 458	1 547	71	949	1 021
Other non-current receivables	109	1 069	1 177	635	494	1 129
Total non-current assets	26 572	-3 757	22 815	27 578	-3 723	23 855
Receivables	1 851	-134	1 718	2 165	-185	1 981
Cash and cash equivalents	2 240	-308	1 932	2 434	-196	2 238
Total current assets	4 091	-441	3 650	4 599	-380	4 219
Total assets	30 663	-4 198	26 465	32 177	-4 103	28 075
EQUITY AND LIABILITIES						
Equity	5 778	-	5 778	7 342	-	7 342
Non-current liabilities	19 406	-3 828	15 578	20 743	-3 658	17 085
Current liabilities	5 479	-370	5 110	4 092	-444	3 648
Total liabilities	24 885	-4 198	20 687	24 836	-4 103	20 733
Total equity and liabilities	30 663	-4 198	26 465	32 177	-4 103	28 075

6 Segment information

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

Business segment

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

			2018	
Business segment	PSV	AHTS	Subsea	Total
Operating income	582	1 228	5 127	6 938
EBITDA	91	498	1 477	2 066
Depreciation	-125	-354	-762	-1 240
Impairment	-189	-143	-405	-737
EBIT	-223	1	311	89
Net financial items	-125	-501	-1 067	-1 693
Profit before taxes	-347	-500	-757	-1 604
Balance				
Assets	2 115	6 840	14 887	23 842
Jointly controlled companies	-	423	6 398	6 821
Total assets	2 115	7 263	21 285	30 663
Additions	55	170	1 257	1 483
Liabilities	1 982	7 534	15 370	24 885

			2017		
Business segment	PSV	AHTS	Subsea	Other *)	Total
Operating income	793	1 485	5 098		7 376
EBITDA	170	646	1 471		2 287
Depreciation	-132	-275	-738		-1 145
Impairment	-558	-246	-518		-1 322
EBIT	-520	125	215		-180
Net financial items	-103	-375	-454		-932
Profit before taxes	-623	-250	-239		-1 111
Balance					
Assets	2 478	7 959	16 144		26 581
Jointly controlled companies	-	502	5 094		5 596
Total assets	2 478	8 462	21 238		32 177
Additions	98	147	1 318		1 562
Liabilities	2 158	7 820	14 858		24 836

7 Operating income

	2018	2017
Revenue from lump sum contracts	125	362
Revenue from contract with "day rate"	5 926	6 303
Total	6 051	6 665

	2018		2017	
Turnover:	NOK	Ratio %	NOK	Ratio %
Brazil	1 925	32%	2 370	36%
United Kingdom	1 097	18%	1 017	15%
Australia	706	12%	672	10%
Norway	525	9%	856	13%
United States	386	6%	301	5%
Argentina	253	4%	216	3%
Canada	228	4%	165	2%
Angola	214	4%	236	4%
Philippines	146	2%	162	2%
Other	573	9%	671	10%
Total	6 051	100%	6 665	100%

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

In 2018, one client accounted for more than 10% of the Group's revenue. The segments AHTS and Subsea have revenue from this client.

The lease portion of revenue contracts are included in revenue from contracts with customers presented above. The right to use the vessel will normally be within the range 30-80% of the total contract value.

8 Payroll expenses

	2018	2017
Salary and holiday pay	-2 100	-2 250
Hired personnel	-226	-272
Employer's national insurance contributions	-258	-261
Pensions costs	-88	-82
Other personnel costs	-189	-246
Total	-2 860	-3 110
No. man-years employed in financial year	3 714	4 005

Government grants related to the net salary scheme for vessels are reported as a reduction in payroll costs of NOK 49 million (NOK 55 million).

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

Defined benefit pension

DOF Group has a company pension scheme with life insurance companies. As of 31 December 2018, the Group defined pension benefit plan covered total 665 (702) active members and 75 (65) pensioneers.

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

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

Pension obligation as of 31 December 2018 was NOK 39 million (NOK 34 million). The pension obligations are included in other non-current liabilities.

9 Other operating expenses

	2018	2017
Technical costs vessel	-568	-487
Vessel hire	-185	-279
Bunkers	-156	-216
Equipment rental	-386	-302
Other operating expenses	-545	-538
Total	-1 840	-1 821

10 Financial income and expenses

	2018	2017
Interest income	97	70
Other financial income	25	12
Financial income	121	82
Interest expenses	-880	-902
Capitalisation of interest	-	3
Impairment shares and loans	-	-10
Other financial expenses	-45	-58
Financial costs	-925	-967
Net gain (loss) on currency derivatives	-47	10
Net gain (loss) on non-current debt	-222	-201
Net gain (loss) on working capital	-71	5
Net realised currency gain (loss)	-341	-186
Net unrealised gain (loss) on non-current debt	-253	259
Net unrealised gain (loss) on working capital	-35	-14
Net unrealised currency gain (loss)	-288	245
Net change in unrealised gain (loss) on interest swap	54	47
Net change in unrealised gain (loss) on currency derivatives	-56	16
Net change in unrealised gain (loss) on derivatives	-2	64
Total	-1 435	-763

In 2018, there has been capitalised interest cost as newbuilds in the amount of NOK 0 millon (2017; NOK 3 million), ref note 14.

11 Tax

Tax income (expense) comprises;	2018	2017
Current tax on profit for the year	-36	-83
Adjustments in respect of prior years	-2	-2
Change in deferred taxes	102	-136
Impact on change in tax rate on deferred tax	-6	-13
Tax income (expense)	57	-235

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

Reconciliation of nominal and effective tax rate		
Profit (loss) before tax	-1 560	-1 120
Tax calculated at domestic tax rates applicable to profits in the respective countries *)	395	181
Tax effect of:		
Expenses not deductible for tax purposes	-37	17
Unrecognised tax losses and temporary differences	-258	-367
Adjustment in respect to previous years	1	-28
Impact of changes in tax rate	-6	-13
Withholding tax and effect of different tax regime	-21	-39
Associates and joint ventures result reported net of tax	-17	15
Total tax income (expense)	57	-235

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

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

2018	Before tax	Tax (charge)/ credit	After tax
Currency translation differences	-26	-42	-68
Cash flow hedges	-393	134	-260
Share of other comprensive income of joint ventures and associates	123	-	123
Remeasurements of post employment benefit liabilities	3	-1	3
Other comprehensive income	-293	91	-202

2017	Before tax	Tax (charge)/ credit	After tax
Currency translation differences	-20	-41	-61
Cash flow hedges	175	-60	116
Share of other comprensive income of joint ventures and associates	-1	-	-1
Remeasurements of post employment benefit liabilities	4	-0	3
Other comprehensive income	158	-101	57

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

	2018	2017
At 1 January	-699	-950
Income statement charge	-95	150
Tax charge (credit) relating to components of other comprehensive income	-91	101
At 31 December	-885	-699

11 Tax (continued)

Deffered tax

The table below specifies the temporary differences between accounting and tax values, and the calculation of deferred tax/deferred tax assets at year end. The Group's deferred tax assets are reviewed for impairment. Deferred tax assets from tax losses carried forward are expected to be offset against taxable income within a period of 1 - 16 years.

Basis of deferred tax	2018	2017
Non-current assets	1 409	900
Current assets	9	-
Liabilities	-2 876	-2 225
Tax position related to sold assets	-16	426
Other differences	-17	-22
Total temporary differences	-1 492	-921
Tax loss carried forward	-4 824	-3 989
Total temporary differences and losses carried forward	-6 316	-4 910
Temporary differencses not included as deferred tax asset (+)	158	118
Tax deficit not included in basis for calculation of deferred tax/deferred tax assets	3 210	2 337
Basis for calculation of deferred tax/deferred tax assets (-)	-2 947	-2 455
Total deferred tax/deferred tax assets (-)	-885	-699
Gross deferred tax	13	16
Gross deferred tax asset	-898	-715
Total deferred tax/deferred tax assets (-) recognised in balance sheet	-885	-699

Deferred tax asset per jurisdiction

Country	Company	Tax rate	Temporary differences	Tax loss carried forward	Deferred tax assets
Norway	DOF ASA and 100% owned companies in Norway	22%	118	243	79
Norway	DOF Management Group	22%	28	5	7
Norway	Marin IT AS	22%	7	6	3
Brazil *)	Norskan Offshore Ltda	34%	1 577	148	586
Norway	DOF Subsea Group	22%	-437	930	109
Brazil	DOF Subsea Group	34%	66	92	54
Australia	DOF Subsea Group	30%	10	190	60
Total			1 369	1 614	898

*) Temporary differences in Norskan Offshore Ltda are mainly related to unrealised currrency differences on non-current loan.

12 Earnings per share

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

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

Basis for calculation of earning per share	Date	2018	2017
Profit (loss) for the year after non-controlling interest (NOK million)		-1 267	-1 243
Earnings per share for parent company shareholders (NOK)		-4.09	-6.16
Diluted earnings per share for parent company shareholders (NOK)		-4.09	-6.16
Number of shares 01.01.		2 552 312 512	1 501 321 200
Convertion of bond loan to shares	10.01.2017		83 806 597
Convertion of bond loan to shares	09.02.2017		29 500 000
Convertion of bond loan to shares	22.03.2017		14 750 000
Convertion of bond loan to shares	01.08.2017		28 342 387
Convertion of bond loan to shares	09.10.2017		26 258 995
Convertion of bond loan to shares	11.12.2017		26 000 000
Convertion of bond loan to shares	18.12.2017		9 000 000
Share issue	21.12.2017		833 333 333
Share issue	21.02.2018	336 666 667	
Convertion of bond loan to shares	22.05.2018	15 250 000	
Share issue	24.05.2018	1	
Number of shares - before consolidation of shares 10:1		2 904 229 180	2 552 312 512
Consolidation of shares 10:1	24.05.2018	290 422 918	255 231 251
Convertion of bond loan to shares	11.06.2018	2 814 861	
Number of shares 31.12.		293 237 779	255 231 251
Outstanding mandatorily convertible bond loan *)			
Outstanding number of shares 01.01		275 582 503	493 240 482
Converted bond loan to shares		-15 250 000	-217 657 979
Outstanding number of shares - before consolidation of shares 10:1		260 332 503	275 582 503
Consolidation of shares 10:1		26 033 250	27 558 250
Converted bond loan to shares		-2 814 861	
Outstanding number of shares 31.12.		23 218 389	27 558 250
Total number of shares 31.12. incl mandatorily convertible shares		316 456 168	282 789 502
Average number of shares in the period *)		309 817 198	201 739 273

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

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

13 Goodwill

	2018				2017			
	PSV	AHTS	Subsea	Total	PSV	AHTS	Subsea	Total
Acquisition cost at 01.01	3	3	442	448	3	3	438	444
Additions			-	-			-	-
Disposals			-	-			-	-
Currency translation differences			-9	-9			4	4
Acquisition cost at 31.12	3	3	433	439	3	3	442	448
Adjustment at 01.01	-	-	-124	-124			-113	-113
Impairment loss			-27	-27			-11	-11
Currency translation differences			6	6			-	-
Adjustment 31.12.	-	-	-144	-144	-	-	-124	-124
Book value 31.12.	3	3	289	295	3	3	318	324

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

The impairment test for the Subsea segment demonstrated that recoverable amount was higher than carrying amount, an no impairment was required. However integration of engineering environment in Semar AS has been identified as a separate cash generating unit (CGU). Impairment test of Semar AS as a separate CGU resulted in an impairment of all goodwill allocated to the CGU, amounted to NOK 27 million in 2018.

Impairment testing of goodwill is carried out according to the description given in note 4 "Accounting estimates and assessments". The Group uses a nominal WACC after tax of 10.8% for the subsea engineering projects and 8.5% for the vessels in the Subsea segment for the impairment calculations. Minor negative changes in key assumptions such as EBITDA margin and discount rate will have a negative impact on value in use calculations, which might result in an impairment for all or parts of the goodwill. However, the assessment of recoverable amount for goodwill takes into consideration both value in use and fair value less cost to sell for the vessels and vessel related equipment allocated to the Subsea segment.

14 Tangible assets

2018	Vessels	Periodic maintenance	ROV	Newbuildings	Operating equipment	Total
Acquisition cost as of 01.01.2018	26 876	1 886	1 753	11	1 224	31 749
Additions	211	224	8	5	78	527
Reallocation	4	-4	17	-9	-9	-1
Disposals	-	-347	-19	-	-9	-376
Currency translation differences	-612	-46	-11	-	-11	-680
Acquisition cost as of 31.12.2018	**26 478**	**1 714**	**1 748**	**7**	**1 272**	**31 219**
Depreciation as of 01.01.2018	5 135	1 173	898	-	758	7 964
Depreciation for the year	554	240	159	-	110	1 063
Reallocation	-	1	-2	-	2	1
Depreciation on disposals	-	-347	-19	-	-9	-375
Currency translation differences	-69	-20	-9	-	-8	-106
Depreciation 31.12.2018	**5 620**	**1 046**	**1 027**	**-**	**853**	**8 546**
Impairment 01.01.2018	3 086	-	11	-	22	3 119
Impairment	661	-	3	-	1	665
Currency translation differences	-9	-	-	-	-	-8
Impairment 31.12.2018	**3 738**	**-**	**15**	**-**	**22**	**3 775**
Book value 31.12.2018	**17 120**	**667**	**706**	**7**	**397**	**18 898**
Depreciation period	20-30 years *)	30-60 months	5-12 years		5-15 years	
Depreciation method	Linear *)	Linear	Linear		Linear	

2017	Vessels	Periodic maintenance	ROV	Newbuildings	Operating equipment	Total
Acquisition cost as of 01.01.2017	27 435	1 779	1 624	26	1 118	31 982
Additions	1	363	9	634	106	1 113
Vessel completed	459	36	-	-495	-	-
Reallocation	-1	-1	137	-154	15	-4
Disposals	-477	-248	-4	-	-	-730
Currency translation differences	-541	-44	-14	-	-15	-614
Acquisition cost as of 31.12.2017	**26 876**	**1 886**	**1 753**	**11**	**1 224**	**31 749**
Depreciation as of 01.01.2017	4 967	1 177	757	-	648	7 549
Depreciation for the year	478	261	154		117	1 010
Reallocation	-	-	-2		2	-
Depreciation on disposals	-220	-233	-1		-	-454
Currency translation differences	-89	-32	-10		-9	-141
Depreciation 31.12.2017	**5 135**	**1 173**	**898**	**-**	**758**	**7 964**
Impairment 01.01.2017	2 202	-	11	-	22	2 235
Impairment	1 135	-	-	-	-	1 135
Reversal impairment on disposal	-217	-	-1	-	-	-217
Currency translation differences	-34					-34
Impairment 31.12.2017	**3 086**	**-**	**11**	**-**	**22**	**3 119**
Book value 31.12.2017	**18 654**	**713**	**844**	**11**	**444**	**20 667**
Depreciation period	20-30 years *)	30-60 months	5-12 years		5-15 years	
Depreciation method	*)	Linear	Linear		Linear	

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

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

14 Tangible assets (continued)

Disposals
The Group has not sold any vessels in 2018. Gain on sale of non-current assets in the consolidated income statement is mainly related to sale of operating equipment.

Depreciation
The Group has from 01.01.2018 changed the period of useful life for the PSV and AHTS, due to the market expection for vessels. See note 4 Accounting estimates and assessments.

Impairment
The continued weak market during the year has had a negative impact on both earnings and utilization of the Group's fleet, in addition to vessel values. The weakening market has resulted in impairment of vessels and equipment totaling NOK 665 million in 2018 (NOK 1,135 million).

For the Group 31 vessels (38 vessels) have been impaired during the year which is divided in the following segments;

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

	Number of vessel impaired in 2017			Book value 31.12.2017 impaired vessels			Impairment 2017			
Age	PSV	AHTS	Subsea	PSV	AHTS	Subsea	PSV	AHTS	Subsea	Total
0-10 years	6	7	8	1 541	1 765	3 501	270	71	234	575
11-15 years	6		3	401		502	227		149	376
15+ years	3		5	66		879	61		123	184
Total	15	7	16	2 008	1 765	4 882	558	71	506	1 135

The vessels impaired in 2018 and 2017 have mainly short term contracts with duration up to 12 months.

Impairment	2018	2017
Impairment vessel	661	1 135
Impairment ROV's and operating equipment	4	
Impairment goodwill	27	11
Total impairment	691	1 146

Impairment tests have in addition resulted in impairment of vessel in joint ventures with NOK 46 million (NOK 176 million). The impairments are divided on 5 vessels, all owned by DOF Deepwater AS. DOF's 50% share of the impairment is as follows;

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

	Number of vessel impaired			Book value 31.12.2017 impaired vessels			Impairment 2017			
Age	PSV	AHTS	Subsea	PSV	AHTS	Subsea	PSV	AHTS	Subsea	Total
0-10 years		5			429			176		176
Total	-	5	-	-	429	-	-	176	-	176

In additon vessel in associates has been impaired with NOK 4 million in 2018 (NOK 11 million in 2017). The impairment is reflected in Share of income of associates and joint ventures in the Income statement.

For further information see note 4 Accounting estimates and assessments.
For further information about joint ventures please see note 32.
For further information about measurement level see note 26 'Hedging activities'.

14 Tangible assets (continued)

Sensitivity analysis of impairment

A 10% drop in broker estimates as per 31 December 2018 will bring broker value below book value by additional NOK 612 million. In total this will affect 29 of the Group's vessels. This effect might result in an additional impairment loss for the Group. An impairment test will in addition consider possible positive contract values and other elements in a value in use calculation.

Broker estimates calculated in USD has dropped significantly in the period 2014-2018. However, the change in USD-NOK currency rates have partly offset the drop in broker estimates when converting the values to NOK. When testing the reasonableness of broker estimates, the Group has concluded that the implied rates and utilisation in the broker estimates are within the range of budgets and forecasts. While testing the reasonableness of the broker estimates the Group has applied a nominal WACC after tax in the range of 7,60 - 8.50%.

DOF Group has a relatively new fleet of vessels (average age approximately 10 years) and as a result future cash flows for a long period of time. The key assumptions in a discounted cash flow calculation for vessels are utilisation and charter rates. Changes in these assumptions would have considerable effects on the net present value of the vessels in a value in use calculation.

The Group performs impairment testing of the assets on quarterly basis, and by year the principles for impairment was evaluated, including a comparison of impairment booked among peers. The drop in vessel values has since 2014 been impacted by the age of the fleet and the mix of vessel segments, hence a smaller drop within the Subsea segment compared with the AHTS and PSV segment. The Group has further benefited by a high backlog and a historical high utilization of the fleet, and been privileged by high local content in certain countries (i.e. Brazil).

Finance leases of tangible assets - the Group as lessee

The Group's assets held under finance leases include several ROVs and IT equipment. For further information on these, please refer to note 15 Leases.

Newbuilding

The balance at year end 2018 on newbuilds relates to subsea equipment under construction.

In addition the Group has one vessels under construction as of 31 December 2018, which are owned by a 50/50 joint venture between DOF Subsea and Technip FMC. Joint venture and the associate are consolidated using equity method, see note 32 for further information.

15 Leases

Operational leases of tangible assets - the Group as lessee

Overview of future minimum lease:	Within 1 year	2-5 years	After 5 years	Total
Minimum operating lease payments falling due in the periods	181	351	146	678

Within the subsea segment, the Group leases third party vessels on short-term basis depending on operational requirements in order to serve the Group's clients. Yearly lease fee for 2019 related to vessels are approximately NOK 116 million.

The lease of the head office is described in note 29 Related parties. Yearly lease fee for the Group's office buildings and warehouses are approximately NOK 58 million. For further information on leases, please refer to note 2 Accounting policies and note 36 Adoption of new standard IFRS 16 Leases.

Lease income - the Group as lessor

Parts of the Group's operational fleet are leased out on time charter. The Group has concluded that a time charter (TC) represents the lease of an asset and consequently is covered by IAS 17. Lease income from lease of vessels is therefore reported to the profit and loss account on a straight line basis for the duration of the lease period. The lease period starts from the time the vessel is put at the disposal of the lessee and terminates on the agreed date for return of the vessel.

The table below shows the minimum future lease payments arising from contracts on vessels at year-end 2018 (TC contracts). The amounts are nominal and stated in NOK million.

2018	Within 1 year	2-5 years	After 5 years	Total
Minimum operating lease revenue	2 755	4 025	776	7 556
Minimum operating lease revenue including joint ventures	4 099	9 343	3 198	16 641

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

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

15 Leases (continued)

Financial lease

The Group's assets held under financial lease include several ROVs and IT equipment. In addition to lease payments, the Group is also commited to maintain and insure the assets. The assets held under financial lease are as follows;

Financial lease	2018	2017
Cost at 01.01.	754	646
Additions	22	144
Disposals	-	-37
Cost at 31.12.	776	754
Depreciation at 01.01.	181	151
Depreciation for the year	70	66
Depreciation disposal	-	-37
Depreciation at 31.12.	250	181
Impairment 01.01	3	3
Impairment for the year	-	-
Impairment 31.12	3	3
Book value at 31.12.	522	570

ROV and IT equipment are recognised as part of tangible assets, please refer to note 14.

Overview of future minimum lease payments	Within 1 year	2-5 years	After 5 years	Total
Minimum lease amounts falling due in the periods	97	162	16	275

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

16 Non-current receivables

	Note	2018	2017
Non-current receivables from joint ventures		1 073	1 020
Non-current derivatives	26, 27	34	22
Other non-current receivables	27	71	87
Total		1 177	1 129

17 Trade receivable

	2018	2017
Trade receivable at nominal value	841	1 010
Uninvoiced revenue	480	580
Provision for bad debts	-9	-11
Total	1 312	1 580

The Group's credit exposure is mainly towards customers who historically have had good financial capability to meet their obligations. The company's credit risk to clients is considered low and losses have historically been low. The current demanding market have increased the credit risk, however it is still considered to be acceptable. An impairment analysis is performed to measure excpected credit losses.

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

	Total	Not matured	<30d	30-60d	60-90d	>90d
2018	841	631	123	9	2	77
2017	1 010	637	118	82	39	134

17 Trade receivable (continued)

Trade receivable divided on currencies:

	2018			2017		
	Currency	NOK	Ratio %	Currency	NOK	Ratio %
USD	39	336	26%!	78	641	41%
BRL	192	429	33%!	148	367	23%
AUD	37	230	18%!	35	226	14%
NOK	-	283	14%!		145	9%
GBP	5	54	4%!	5	52	3%
Other currencies		80	6%		148	9%
Total		1 312	100%!		1,580	100%

18 Other current assets

	Note	2018	2017
Pre-paid expenses		136	117
Accrued interest income		4	6
Government taxes (VAT)		73	95
Current derivatives	26	2	14
Fuel reserves and other inventory		91	58
Other current receivables		99	112
Total		406	401

19 Cash and cash equivalents

	2018	2017
Restricted deposits *	316	394
Bank deposits **)	1 616	1 845
Cash and cash equivalents at 31.12.	1 932	2 238

* Non-current loans have been provided by Eksportfinans and are invested as restricted deposits. The repayment terms on the loans are equivalent with the reduction on the deposits. The loans are fully repaid in 2021. The cash deposits are included in Restricted deposits with a total of NOK 178 million (NOK 279 million). In addition NOK 115 million of restricted cash are deposits pledged as security for loans and bank guarantee.

**) The Group has cash pooling arrangements whereby cash surpluses and overdrafts residing in the Group companies bank accounts are pooled together to create a net surplus. Liquidity is made available through the cash pooling for the Companies in the Group to meet their obligations. No overdraft facilities are connected to the cash pools. The cash pools are classified as bank deposits in the table above.

	Currency	Currency amount	Balance 31.12.2018	Currency amount	Balance 31.12.2017
Cash pool arrangement 1	NOK	648	648	1 034	1 034
Cash pool arrangement 2	NOK	901	901	666	666
Cash pool arrangement 1	USD	-21	-186	-24	-201
Cash pool arrangement 2	USD	-70	-606	-42	-344
Cash pool arrangement 1	GBP	10	106	-0	-3
Cash pool arrangement 2	GBP	-4	-46	-8	-84
Cash pool arrangement 1	EUR	-8	-80	-5	-53
Cash pool arrangement 2	EUR	6	58	-4	-39
Cash pool arrangement 1	CAD	1	5	1	6
Cash pool arrangement 2	CAD	9	55	5	31
Cash pool arrangement 1	Other		-12		12
Cash pool arrangement 2	Other		7		5
Total net cash pool			850		1 029
Total surpluses			1 799		1 731
Total overdrafts			-950		-702

The Group has total credit facilities of NOK 650 million at period end, of which NOK 400 million was utilised. For further information about market-, credit- and liquidity risk see note 3.

20 Share capital and share information

Share capital: The share capital in DOF ASA as of 31 December 2018 was NOK 1,466,188,895 distributed between 293,237,779 shares, each with a nominal value of NOK 5.00.

Nominal value of the shares: In the General Meeting at 24 May 2018 it was decided to consolidate the shares in the ratio 10:1 so that 10 shares, each with a nominal value of NOK 0.50, is consolidated into one new share with a nominal value of NOK 5.00.

Number of shares: In the General Meeting at 24 May 2018 it was decided to consolidate the shares in the ratio 10:1. See comment to the nominal value of the shares.

Share issues in 2018: There has been four share issues during 2018. Two share issues related to converted bond loan with increase of 4,339,861 shares and two right issues with increase of 33,666,667 shares.

Share issue authorisation: The Board of Directors is granted authorisation to increase the Company's share capital by NOK 361,122,397 by subscription and issue of up to 72,224,479 shares, each with a nominal value of NOK 5.

Convertible bond: An Extraordinary General Meeting on 6 July 2016 has allocated authorisation to the Board of Directors for a capital increase of up to 823,640,482 shares at a nominal value of NOK 0.50 related to a Subordinated Convertible Bond. Remaining authorisation is 23,218,389 shares.

Shareholders: The 20 largest shareholders of DOF ASA and shares owned by management and board members including shareholdings held by closely related persons and companies at 31 December 2018 were as follows:

	2018		2017	
Shareholders at 31.12.	No of shares *)	Shareholding	No of shares	Shareholding
MØGSTER MOHN OFFSHORE AS	150 638 643	51,37%	1 506 399 363	59,02%
BNP PARIBAS SECURITIES SERVICES	9 570 169	3,26%	95 701 686	3,75%
MP PENSJON PK	3 382 154	1,15%	43 414 691	1,70%
Morgan Stanley & Co. LLC	3 070 010	1,05%		
Nordnet Bank AB	2 606 748	0,89%		
DRAGESUND INVEST AS	2 360 000	0,80%	24 600 000	0,96%
AS NAVE	2 000 000	0,68%		
MOCO AS	1 984 419	0,68%	19 844 184	0,78%
CITY FINANCIAL ABSOLUTE EQUITY FD	1 927 716	0,66%	27 750 000	1,09%
SKANDINAVISKA ENSKILDA BANKEN AB	1 649 201	0,56%	26 356 058	1,03%
NORDNET LIVSFORSIKRING AS	1 613 298	0,55%	11 019 455	0,43%
STAVERN HELSE OG FORVALTNING as	1 500 000	0,51%		
HOLDEN	1 221 392	0,42%		
The Northern Trust Comp, London Br	1 198 433	0,41%		
MANDATUM LIFE INSURANCE COM LTD-7	1 012 000	0,35%		
BJØRKEHAGEN AS	1 000 000	0,34%		
STOKO AS	1 000 000	0,34%		
AKERSHUS FYLKESKOMM. PENSJONSKASSE	1 000 000	0,34%	10 000 000	0,39%
KRISTIAN FALNES AS	950 000	0,32%	9 500 000	0,37%
PARETO INVEST AS	937 542	0,32%		
Total	190 621 725	65,01%	1 774 585 437	69,52%
Other shareholders	102 616 054	34,99%	777 727 075	30,48%
Total	293 237 779	100,00%	2 552 312 512	100,00%

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

Shares controlled directly and indirectly by Board of Directors and Management		2018 No of shares *)	2018 Shareholding	2017 No of shares	2017 Shareholding
Board of Directors					
Helge Møgster (Lafjord AS)	Chairman of the Board	17 755 805	6,06%	206 129 568	8,08%
Helge Singelstad	Deputy Chairman	417 867	0,14%	4 178 667	0,16%
Marianne Møgster (Lafjord AS)	Board member	5 684 577	1,94%	49 082 742	1,92%
Kathryn M. Baker	Board member	-	0,00%	-	0,00%
Frederik Mohn (Perestroika AS)	Board member	50 631 154	17,27%	505 307 560	19,80%

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

		2018 No of shares *)	2018 Shareholding	2017 No of shares	2017 Shareholding
Management group					
Mons S. Aase (Moco AS)	CEO	1 984 419	0,68%	19 844 184	0,78%
Hilde Drønen (Djupedalen AS)	CFO	449 335	0,15%	4 493 342	0,18%
Total		76 923 157	26,23%	789 036 063	30,91%

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

21 Non-controlling interest

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

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

	DOF Subsea AS	DOF Installer ASA	Other	2018	DOF Subsea AS	DOF Installer ASA	Other	2017
Ownership share of non-controlling interest	35%	15%			35%	15%		
Non-controlling share of;								
Operating income	1 313	45	109	1 468	1 886	31	185	2 102
EBITDA	381	19	5	405	556	24	6	586
Depreciation and impairment	-318	-14	-6	-338	-472	-8	-8	-487
Operating result	62	5	-1	67	84	16	-2	99
Profit (loss) before taxes	-216	-2	-1	-220	-42	5	-3	-40
Taxes	-16	-	-	-16	-73	-	1	-72
Profit (loss) for the year	-232	-3	-1	-235	-115	5	-2	-112
Financial position								
Tangible assets	3 787	311	15	4 113	5 610	333	1	5 944
Financial assets	1 163	-	3	1 166	1 054	-	1	1 055
Non-current debt	2 668	192	12	2 872	4 077	162	9	4 247
Current portion of non-curent debt	755	25	10	790	570	28	4	602
Changes in non-controlling interest;								
Non-controlling interest 1.1.	2 263	240	2	2 505	3 281	234	5	3 521
Non-controlling interest share of result	-232	-3	-1	-235	-115	5	-2	-112
Non-controlling interest share of result OCI	37	-	-	37	-7	-	-1	-8
Dividends to non-controlling interest	-	-31	-	-31	-	-	-	-
IFRS 9 implementation effect	-9	-	-	-9	-	-	-	-
Other effects	2	-	-	2	-	-	-	-
Reduced non-controlling interest	-	-	-	-	-896	-	-	-896
Non-controlling interest 31.12.	2 060	206	2	2 269	2 263	240	2	2 505

In December 2017, DOF ASA increased their share in DOF Subsea AS from 51% to 65%. Non-controlling interest share of the profit in 2017 is 49%. The reduced non-controlling interest is reflected in the equity at year end 2017.

Please see note 31 for more information about the subsidiaries.

22 Interest bearing debt

Bond loans

DOF ASA has a 5-year convertible bond with zero coupon and no financial covenants; DOF12 (DOF ASA 16/21 0% SUB CONV). The bond loan is classified as other equity. The bondholders may convert their bonds to shares at NOK 10 per share through the tenor of the loan. On the final maturity date the remaining bonds will automatically be converted to shares. The initial value of the bond loan was NOK 1,032.5 million and outstanding by 31.12.2018 is NOK 232 million. The bond is trading on the Oslo Stock Exchange, last trade price was NOK 81.50.

DOF ASA's subsidiary DOF Subsea AS has three bond loans outstanding, DOFSUB07 (13/18), DOFSUB08 (17/22) and DOFSUB09 (18/23), see figures next page. DOF SUB09 was issued in November 2018 with the value of NOK 900 million. The bond has a 5-year tenor, bears a interest of NIBOR + 8.0% and is unsecured.

In connection with the placement of DOFSUB09, DOF Subsea repurchased bonds in both DOFSUB07, DOFSUB08 and DOFSUB09. The trustee on behalf of the bond holders is Nordic Trustee ASA. Interest rates are both floating and fixed. No particular security has been provided for the loans, and DOF Subsea is free to acquire its own bonds.

Non-current liabilities to credit institutions

The main share of the Group's fleet is financed via mortgaged loans. A set of shared covenants has been established for the mortgaged loans in DOF Group and DOF Subsea Group.

For DOF ASA, the most important financial covenants are as follows:
- The Group shall on a consolidated basis have a book equity of at least NOK 3,000 million.
- The Group (excluding DOF Subsea AS and its subsidiaries) shall have available cash of at least NOK 500 million.
- The fair market value of the vessels shall at all times be at least 100% - 125% of the outstanding debt.
- Certain change of control clauses related to Møgster Mohn Offshore AS' ownership in DOF ASA.
- DOF ASA shall be listed on the Oslo Stock Exchange.

The most important financial covenants for DOF Subsea AS' fleet are as follows:
- DOF Subsea AS shall on a consolidated basis have a book equity of at least NOK 3,000 million, and value adjusted equity ratio of at least 30%.
- DOF Subsea AS shall on a consolidated basis at all times have free cash reserves of NOK 500 million (based on the proportionate consolidation method of accounting of joint ventures)
- DOF Subsea AS shall on a consolidated basis have positive working capital (excl. current portion of debt to credit institutions).
- The fair market value of vessels shall be at least 110% - 130% of outstanding debt.
- DOF ASA shall be the principal shareholder in DOF Subsea AS, and own a minimum of 50.1% of the shares.

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

The Group is in complience with all covenants as of December 2018.

Non current interest bearing liabilities	Note	2018	2017
Bond loans		2 480	1 914
Debt to credit institutions		13 007	15 029
Total non current interest bearing liabilities		15 487	16 943
Current interest bearing liabilities			
Bond loans		100	
Debt to credit institutions		3 374	1 687
Overdraft facilities		59	410
Total current interest bearing liabilities *)		3 534	2 097
Total non-current and current interest bearing liabilities		19 021	19 040
Cash and cash equivalents	13	1 932	2 238
Net Interest-bearing debt		17 089	16 802

*) Current interest bearing debt in the statement of financial position includes accrued interest expenses NOK 145 million. Accrued interest expenses are excluded in the figures above.

Average rate of interest		4.77%	4.65%

22 Interest bearing debt (continued)

Instalments, balloons and interest profile	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019	2020	2021	2022	2023	Subse-quent	Total
Bond loans	-	-	-	100	100	367	-	1 278	840	-	2 585
Debt to credit institutions	567	1 276	853	679	3 374	2 058	3 594	1 250	1 756	4 405	16 438
Overdraft facilities	59	-	-	-	59	-	-	-	-	-	59
Total instalments and balloon	627	1 276	853	779	3 534	2 426	3 594	2 528	2 596	4 405	19 083
Calculated interest profile	239	206	239	187	871	741	616	433	325	575	3 562
Total instalments, balloons and interest	866	1 481	1 092	966	4 405	3 167	4 210	2 962	2 921	4 979	22 644

Current portion of debt to credit institutions amounts to NOK 3,374 million, including balloon payments of NOK 1,389 million, ordinary instalments of NOK 1,585 million and drawn credit facilities of NOK 400 million. The credit facilities are non-current and may be redrawn.

Interest repayment is based on current repayment profile and the yield curve for the underlying interests from Reuters as of December 2018.

Financial lease liabilities
Financial lease liabilities are included in debt to credt institutions. Repayment profile for debt to credit institutions includes repayment of financial lease debt. Total liability on financial lease debt amounts to NOK 275 million as of 31 December 2018. Financial leases are repaid on a monthly basis with maturity from 3 to 10 years. The current portion of financial lease debt as of 31 December 2018 is NOK 97 million.

Liabilities secured by mortgage	2018	2017
Debt to credit institutions	15 982	16 717
Overdraft facilities	-	400
Total liabilities	15 982	17 117

Assets provided as security		
Tangible assets	18 389	20 656
Investment in subsidiary/Net asset pledged consolidated *)	2 218	2 218
Total assets provided as security	20 607	22 874

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

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

	2018			2017		
Interest-bearing liabilities, divided by currency:	Currency	NOK	Ratio %	Currency	NOK	Ratio %
USD	1 173	10 182	53%	1 279	10 489	55%
NOK	8 413	8 413	44%	8 199	8 199	43%
CAD	60	379	2%	65	426	2%
BRL	49	109	1%			
Total		19 083	100%		19 114	100%

Fair value of non-current loans

The fair value of the company's bond loan at 31.12.2018 was as follows:

Loan	Due date	Coupon rate	Price *) 31.12.2018	Outstanding amount 31.12.2018	Initial amount 31.12.2018	Price *) 31.12.2017	Outstanding amount 31.12.2017	Initial amount 31.12.2017
DOFSUB07	22.05.2020	8.08%	100.50	467	1 300	100.00	508	1 300
DOFSUB08	14.03.2022	9.50%	99.25	1 278	1 489	89.25	1 419	1 489
DOFSUB09	27.11.2023	9.21%	100.00	840	900			
Total				2 585	3 689		1 927	2 789

*) Price at par price.

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

22 Interest bearing debt (continued)

Reconciliation of changes in liabilities 2018

			Non-cash changes					
	Balance 31.12.2017	Cash flows	IFRS 9 effect	Proceeds lease debt	Amortised loan expenses	Reclassi-fication	Currency adjustment	Balance 31.12.2018
Non current interest bearing liabilities								
Bond loans	1 914	566	25		-7	-100	81	2 480
Debt to credit institutions	15 029	-1 206		16	23	-1 264	409	13 007
Total non current interest bearing liabilities	16 943	-640	25	16	16	-1 364	490	15 487
Current interest bearing liabilities								
Bond loans						100		100
Debt to credit institutions	1 687	400				1 264	24	3 375
Overdraft facilities	410	-350					-1	59
Total current interest bearing liabilities	2 097	50	-	-	-	1 364	23	3 534
Total interest bearing liabilities	19 040	-590	25	16	16	-	513	19 021

Reconciliation of changes in liabilities 2017

			Non-cash changes					
	Balance 31.12.2016	Cash flows	Acquisition	Proceeds lease debt	Amortised loan expenses	Reclassi-fication	Currency adjustment	Balance 31.12.2017
Non current interest bearing liabilities								
Bond loans	1 297	697			-10		-70	1 914
Debt to credit institutions	16 729	-1 398	55	141	6		-503	15 029
Total non current interest bearing liabilities	18 025	-701	55	141	-4	-	-573	16 943
Current interest bearing liabilities								
Bond loans								-
Debt to credit institutions	1 661	60					-34	1 687
Overdraft facilities		410						410
Total current interest bearing liabilities	1 661	470	-	-	-	-	-34	2 097
Total interest bearing liabilities	19 686	-231	55	141	-4	-	-607	19 040

23 Other non-current liabilities

	Note	2018	2017
Pension		39	34
Derivatives	26	29	55
Deferred tax	11	13	16
Other non-current liabilities		9	36
Total		90	142

24 Trade payables

	2018	2017
Trade payables	808	874
Total	808	874

Trade payable has the following currency split;

	2018			2017		
	Currency	NOK	Ratio %	Currency	NOK	Ratio %
USD	37	318	39%	28	229	26%
NOK	-	115	14%		300	34%
BRL	58	130	16%	79	195	22%
AUD	16	98	12%	2	13	1%
GBP	6	69	9%	3	37	4%
Other currencies	-	78	10%	-	99	11%
Total		808	100%		874	100%

25 Other current liabilities

	Note	2018	2017
Public duties payable		170	182
Tax payables		23	32
Prepayments from customers		8	3
Fair value forward contracts	26	105	76
Accruals guarantee liability	28	126	50
Other current liabilities		191	195
Total		623	539

26 Hedging activities

Derivatives

As of 31 December 2018, the Group has foreign exchange swaps to hedge future sales to customers in USD and EUR. Forward exchange derivatives are utilised to hedge currency risk related to projected future sales. Interest rate swaps are utilised to manage interest rate risk by converting from floating to fixed interest rates. The Group has not applied hedge accounting for any of the interest rate swap agreements entered into in 2018.

The table below displays the fair value of derivative financial instruments as of 31 December 2018.

		2018		2017	
	Measurement level	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	2	32	25	19	66
Foreign exchange contracts	2	4	109	17	65
Total		36	134	36	132
Non-current portion					
Interest rate swaps	2	32	24	19	51
Foreign exchange contracts	2	2	5	3	4
Non-current portion		34	29	22	55
Current portion		2	105	14	76

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

Measurements of financial instruments

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

Total measurement level 1
Quoted, unadjusted prices in active markets for identical assets and liabilities.
Fair value of interest-bearing debt is disclosed face value of the bank loans and market value of bonds.

Total measurement level 2
Quoted techniques for which all inputs which have significant effect on the recorded fair value are observable, directly and indirectly.
The fair value of forward exchange contracts is determined using the forward exchange rate at the balance sheet date. The forward exchange rate is based on the relevant currency's interest rate curves. The fair value of currency swaps is determined by the present value of future cash flows, which is also dependent on the interest curves.

Total measurement level 3
Techniques which use inputs which have significant effect on the recorded fair value that are not based on observable markeds data.

26 Hedging activities (continued)

Interest rate derivatives

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

Instrument	Fixed rate	Floating rate	Notional amount	Effective from	Maturity date
31.12.2018					
Interest rate swaps - USD	1.43%	Libor 3m	50	2016	2021
Interest rate swaps - NOK		Nibor 3m - 6m	5 299	2013-2018	2018-2023
31.12.2017					
Interest rate swaps - USD	1.43%	Libor 3m	50	2016	2021
Interest rate swaps - NOK	0.85% - 4.41%	Nibor 3m - 6m	5 384	2011-2017	2018-2023

Foreign exchange derivatives

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

Instrument	Received	Committed Amount	Remaining term to maturity
31.12.2018			
Foreign exchange forwards	NOK	41	<1 year
Foreign exchange forwards	NOK	-	>1 year
Foreign exchange options	NOK	969	<1 year
Foreign exchange options	NOK	130	>1 year
Foreign exchange swaps	NOK	1 235	<1 year
31.12.2017			
Foreign exchange forwards	NOK	232	<1 year
Foreign exchange forwards	NOK	41	>1 year
Foreign exchange options	NOK	550	<1 year
Foreign exchange options	NOK	136	>1 year
Foreign exchange swaps	NOK	1 267	<1 year

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

Derivatives are settled at various dates during the next 12 months. Gains and losses recognised in the forward foreign exchange contracts and interest rate swaps as of 31 December 2018 are recognised in the income statement in the period or periods during which the transaction affects the profit or loss.

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

Hedge accounting

Cash flow hedge involving future highly probable revenue

The cash flow hedges hedge a portion of the foreign currency risk arising from highly probable revenues in USD relating to time charter contracts on vessels owned by Norskan Offshore Ltda. The present value of the hedge items as at 31.12.2018 was NOK 4,269 million including fixed and option periods.

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

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

26 Hedging activities (continued)

Hedging instrument	Hedge items	Nature of the risk	Maturity	Carrying amount of the hedging instrument
Non-derivative Financial Instruments	Portion of expected monthly Highly Probable Revenue in USD.	BRL/USD spot exchange-rate risk	January 2019-May 2029	4 316

	Effective portion of cash flow hedges recognised in other comprehensive income		Gains (losses) reclassified from accumulated other comprehensive income to income statement	
	2018	2017	2018	2017
Non-derivative financial instruments, pre-tax	573	-5	-180	-171

There was not identified ineffectivity in cash flow hedging for the non-derivative financial instruments, both prospective and retroprospective.

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

	2019	2020	2021	2022	After
Non-derivative financial instruments, pre-tax	-178	-177	-168	-163	-435

27 Financial assets and liabilities: Information on the balance sheet

This note gives an overview of the carrying and fair value of the Group's financial instruments and the accounting treatment of these instruments. The table is the basis for further information regarding the Group's financial risk. The table also shows the level of objectivity in the measurement hierarchy of each method of measuring the fair value of the Group's financial instruments.

31.12.2018	Financial instruments at fair value through profit or loss	Financial instruments measured at amortised cost	Total	Of this included interest bearing debt	Fair value
Assets					
Non-current derivatives	34	-	34		34
Other non-current receivables		71	71		71
Current derivatives	2	-	2	-	2
Trade receivable and other current receivables		1 488	1 488		1 488
Restricted deposits		316	316	316	316
Cash and cash equivalents		1 616	1 616	1 616	1 616
Total financial assets	36	3 491	3 527	1 932	3 527
Liabilities					
Non-current bond loans and debt to credit institution		15 487	15 487	15 487	15 480
Current bond loans and debt to credit institution		3 678	3 678	3 534	3 678
Non-current derivatives	29	-	29		29
Other non-current derivatives	-	9	9		9
Current derivatives	105	-	105		105
Trade payable and other current liabilities		1 206	1 206		1 206
Total financial liabilities	134	20 380	20 515	19 021	20 597
Total financial instruments	-98	-16 889	-16 987	-17 089	-17 070

IFRS 9 contains two principal classification categories for financial instruments, amortised cost and fair value. The classification of financial instruments under IFRS 9 is generally based on the business model in which a financial instrument is managed and its contractual cash flow characteristics. IFRS eliminates the pervious IAS 39 categories of held to maturity, loans and receivables and available for sale. On 1 January 2018 (the date of initial application of IFRS 9), the Group has assessed which business models apply to the financial instruments held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial instruments. Financial instruments classified as loans and receivables in 2017 is in 2018 classified as financial instruments measured at amortised cost. There was no effect in measurement resulting from this reclassification.

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

31.12.2017	Financial instruments at fair value through profit or loss	Financial instruments measured at amortised cost	Loans and receivables	Total	Of this included interest bearing debt	Fair value
Assets						
Non-current derivatives	22		0	22		22
Non-current receivables	0		87	87		87
Current derivatives	14		0	14		14
Trade receivable and other current receivables			1 792	1 792		1 792
Restricted deposits			394	394	394	394
Cash and cash equivalents			1 845	1 845	1 845	1 845
Total financial assets	36	0	4 117	4 153	2 238	4 153
Liabilities						
Non-current bond loans and debt to credit institution		16 943		16 943	16 943	16 791
Current bond loans and debt to credit institution		2 235		2 235	2 097	2 235
Non-current derivatives	55	0		55		55
Other non-current liabilities		36		36		36
Current derivatives	76	0		76		76
Trade payable and other current liabilities		1 209		1 209		1 209
Total financial liabilities	132	20 422	0	20 554	19 040	20 402
Total financial instruments	-95	-20 422	4 117	-16 401	-16 802	-16 249

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

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

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

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

28 Guarantee

The Group has commitments to clients to ensure proper performance under contracts. These commitments are mainly parent company guarantees from DOF Subsea AS on behalf of subsidiaries or counter guarantees in favor of banks for the issuance of bank guarantees and performance bonds. The guarantees are limited to fulfillment the contract and are released after delivery of the project. In some cases, this is followed by a warranty period. Normally this warranty period will have duration of 12-24 months and will only be for a portion of the intitial guarantee amount.

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

The Group has issued guarantees in relation to construction of newbuildings. See note 32 for future commitments related to newbuildings as part of the joint venture with TechnipFMC.

The Group has guarantee commitments on behalf of non-consolidated companies as per 31.12.2018:
- DOFCON Brasil Group (50% owned): Guarantees in favor of credit institutions in the total amount of USD 423 million .
- DOF Deepwater AS (50% owned): Guarantee in favor of credit institutions in the total amount of NOK 508 million.
- Iceman AS (34.5% owned) : Guarantee in favor of credit institutions in the total amount NOK 412 million. 50% of the commitment is counter guaranteed by Vard Group.
- LOS Shipping I and LOS Shipping II AS: Agreements whereby DOF ASA guarantees coverage of opex and interest for a period of time, in return for a purchase option.

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

29 Related parties

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

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

Long-term agreements:
Møgster Mohn Offshore AS owns 51.37% of the shares in DOF ASA. Laco AS is the main shareholder of Møgster Mohn Offshore AS.

Møgster Management AS provides administrative shared services to DOF ASA. Møgster Management AS is owned by Laco AS. Total administrative fee for 2018 is NOK 7 million (NOK 7 million).

Austevoll Eiendom AS is a subsidiary of Austevoll Seafood ASA, which in turn is a subsidiary of Laco AS. DOF Management AS and Marin IT AS leases premises from Austevoll Eiendom AS. Total leases premises in 2018 are NOK 5 mill (NOK 6 mill).

Individual transactions:
Group
The Group has used the shipyard Fitjar Mekaniske Verksted AS to do maintenance and repairs on the vessels. Total costs in 2018 are NOK 6.7 million (NOK 6.0 million) and was at market terms. In addition the Group has paid NOK 1.3 million for rent of quay from Brdr Birkeland AS. Both companies are part of the Laco AS Group.

Loans to joint ventures
Loans to joint ventures DOFCON Brasil Group and DOF Iceman AS, including financing of newbuild program in DOFCON Brasil Group are booked at NOK 1,073 million per year end. DOF Subsea AS also guaranteed for 40% of the purchase price of new vessel to the yard. For further information on joint ventures see note 32.

Guarantee
DOF ASA has issued a guarantee in the maximum amount of NOK 412 million on behalf of Iceman AS in favor of DNB ASA. Guarantee income in 2018 was NOK 5 million (NOK 5 million). Iceman AS is owned with 40% by DOF Iceman AS. DOF ASA and Vard Group ASA are owners with 50% each in DOF Iceman AS, and Vard has issued a counter-guarantee for 50% of the amount. In addition DOF ASA owns 14.5% in Iceman AS.

30 Remuneration to executives, Board of Directors and auditor

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

	Year 2018			Year 2017		
Amount in TNOK	CEO	CFO	Total	CEO	CFO	Total
Salary incl bonus	7 691	4 202	11 893	4 018	2 111	6 129
Pension premium	254	332	586	185	222	407
Other remuneration	17	122	138	17	135	152
Total	7 962	4 656	12 618	4 220	2 468	6 688

CEO = Mons Aase, CFO = Hilde Drønen

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

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

A loan of NOK 2.5 million has been given to each of the CEO and the EVP in DOF Subsea. The annual interest on the loans is 2% and the loans are to be paid in 2019. There is sufficient security related to the loans.

Board fees granted on the General annual meeting as of 24th of May 2018 totalled NOK 1,500,000 (NOK 1,500,000) and comprises NOK 300,000 (NOK 300,000) to the Chairman of the Board and NOK 300.000 (NOK 300,000) each to the board members. Compensation for meetings have been paid to the Audit Committee (NOK 100,400) and the Election Committee (NOK 75,000).

Specification of auditor's fee (amount in TNOK):	2018	2017
Audit	8 278	10 412
Fee for other confirmatory services	380	200
Tax consultation	201	359
Fee for other services	55	245
Total	8 914	11 216

All amounts in the table are excl VAT.

Guidelines for determination of salary and other remuneration to the CEO and senior employees of DOF in 2018

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

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

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

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

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

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

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

31 Companies within the Group

Investments in subsidiaries	Owner	Registered office	Nationality	Ownership and voting share
DOF Subsea AS	DOF ASA	Bergen	Norway	64,9 %
DOF Rederi AS	DOF ASA	Austevoll	Norway	100%
DOF Rederi III AS	DOF ASA	Austevoll	Norway	100%
DOF UK Ltd	DOF ASA	Aberdeen	UK	100%
DOF Egypt in liqui	DOF ASA	Cairo	Egypt	100%
Norskan AS	DOF ASA	Austevoll	Norway	100%
DOF Management AS	DOF ASA/DOF Subsea AS	Austevoll	Norway	100%
Marin IT AS	DOF ASA/DOF Subsea AS	Austevoll	Norway	75%
DOF Subsea Chartering AS	DOF Subsea AS	Bergen	Norway	100%
DOF Subsea Rederi AS	DOF Subsea AS	Bergen	Norway	100%
DOF Subsea Rederi III AS	DOF Subsea Rederi II AS	Bergen	Norway	100%
DOF Subsea Norway AS	DOF Subsea AS	Bergen	Norway	100%
DOF Subsea Atlantic AS	DOF Subsea AS	Bergen	Norway	100%
DOF Subsea ROV AS	DOF Subsea AS	Bergen	Norway	100%
DOF Installer ASA	DOF Subsea AS	Austevoll	Norway	84,9 %
Semar AS	DOF Subsea AS	Oslo	Norway	50%
DOF Subsea US Inc	DOF Subsea AS	Houston	US	100%
DOF Subsea Brasil Servicos Ltda	DOF Subsea AS	Macaè	Brazil	100%
DOF Subsea UK Ltd	DOF Subsea AS	Aberdeen	UK	100%
DOF Subsea S&P UK Ltd	DOF Subsea AS	Aberdeen	UK	100%
DOF Subsea Ghana Ltd	DOF Subsea UK Ltd.	Accra	Ghana	49%
DOF Subsea Angola Lda	DOF Subsea AS	Luanda	Angola	100%
DOF Subsea Asia-Pacific Pte. Ltd.	DOF Subsea AS	Singapore	Singapore	100%
PT DOF Subsea Indonesia	DOF Subsea Asia-Pacific Pte Ltd	Jakarta	Indonesia	95%
DOF Subsea Australian Pty.	DOF Subsea Asia-Pacific Pte Ltd	Perth	Australia	100%
DOF Subsea Labuan (L) Bhd	DOF Subsea Asia-Pacific Pte Ltd	Labuan	Malaysia	100%
DOF Subsea Malaysia Sdn Bhd	DOF Subsea Asia-Pacific Pte Ltd	Kuala Lumpur	Malaysia	100%
DOF Subsea Offshore Services Pte Ltd	DOF Subsea Asia-Pacific Pte Ltd	Singapore	Singapore	100%
DOF Subsea Asia-Pacific Pte. Ltd, Philippine Branch	DOF Subsea Asia-Pacific Pte Ltd	Muntinlupa City	Philippines	100%
Mashoor DOF Subsea Snd	DOF Subsea Australian Pty.	Negara Brunei	Darussalam	50%
DOF Subsea Canada Corp	DOF Subsea US Inc.	St. Johns	Canada	100%
DOF Subsea S&P US LLP	DOF Subsea US Inc.	Houston	US	100%
CSL UK Ltd	DOF Subsea Atlantic AS	Aberdeen	UK	100%
Norskan Offshore SA	Norskan AS	Rio	Brazil	100%
Norskan Offshore Ltda.	Norskan Offshore SA	Rio	Brazil	100%
DOF Argentina	DOF Management AS	Buenos Aires	Argentina	95%
DOF Sjø AS	DOF Management AS	Austevoll	Norway	100%
DOF Management Pte.	DOF Management AS	Singapore	Singapore	100%
DOF Management Australia Pty	DOF Management AS	Perth	Australia	100%
DOF Management Egypt Branch	DOF Management AS	Cairo	Egypt	100%
Poseidon Management AS	DOF Management AS	Austevoll	Norway	100%
DOF Offshore India Private Ltd	DOF ASA	Mumbay	India	100%
DOF Subsea Congo SA	DOF ASA /DOF Subsea AS	Pointe-Noire	Congo	100%

DOF Subsea AS is a private limited company incorporated in Norway where the minority owner First Reserve Corporation owns the remaining 35%. The Company has a shareholders' agreement with First Reserve Corporation regarding the ownership in DOF Subsea AS.

32 Investments in jointly controlled companies and associated companies

2018	DOFCON Brasil Group	DOF Deepwater AS	Associates	Total
Booked value of investments 01.01.	971	-	50	1 021
Addition	-	-	22	22
Profit (loss) for the period	386	-102	-8	277
Other comprehensive income	123	-	-	123
Reclassified as impairment on receivables	-	-	3	3
Reclassified as liabilities *)	-	102		102
Booked value of investments 31.12.	1 480	-	68	1 547

*) Reclassified due to guarantee , ref note 28.

2017				
Booked value of investments 01.01.	682	92	34	808
Addition	-	69	20	89
Profit (loss) for the period *)	290	-211	-17	62
Other comprehensive income	-1	-	-	-1
Dividend received		-	-5	-5
Reclassified as impairment on receivables	-	-	18	18
Reclassified as liablities *)	-	50	-	50
Booked value of investments 31.12.	971	-	50	1 021

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

Name of entity	Place of business/country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
DOFCON Brasil Group	Norway	50%	Note 1	Equity
DOF Deepwater AS	Norway	50%	Note 2	Equity
DOF Iceman AS (owner of 40% in Iceman AS)	Norway	50%	Note 3	Equity
Iceman AS	Norway	14.5%	Note 3	Equity
Skandi Aukra AS	Norway	34.25%	Note 3	Equity
Master and Commander	Norway	20%	Note 3	Equity
DOF OSM Marine Services AS	Norway	50%	Note 3	Equity

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

Note 1 DOFCON Brasil Group consists of DOFCON Brasil AS, TechDOF Brasil AS and DOFCON Navegacao Ltda. DOFCON Brasil AS is a holding company located in Bergen and jointly owned by DOF Subsea AS and Technip Coflexip Norge AS with 50% each. DOFCON Brasil AS owns TechDOF Brasil AS and DOFCON Navegacao Ltda. DOFCON Brasil Group owns five vessels and has one vessel under construction. DOFCON Navegacao Ltda owns and operates Skandi Niteroi, Skandi Vitoria and Skandi Recife, and has one PLSV under contruction in Brazil. TechDOF Brasil AS owns and operate Skandi Acu and Skandi Buzios.

DOFCON Navegação Ltda applied from 2013 hedge accounting related to foreign exchange risk on the portion of the company's highly probable revenue in USD by using the company's debt in USD. As of January 2017 DOFCON, Navegação Ltda, changed its functional currency from BRL to USD. The change in the functional currency extinguished the foreign exchange risk that, consequently, resulted in the prospective discontinuation of the cash flow hedge accounting.

The accumulated hedge reserves held in other comprehensive income was converted by use of exchange rate as of 1 January 2017. The Group's share of the equity 1 January 2017 was NOK -318 million. The recycling of the accumulated hedge reserve to the consolidated statements of comprehensive income in 2018 is NOK 40 million (NOK 31 million). The cost is included in the Share of net income from associates and joint ventures.

Newbuilds	No vessels	Completion
Newbuilds under construction in Brazil	1	2019

DOF Subsea AS guaranteed for 40% of the purchase price for the newbuild and 50% of obligation related to loans for Skandi Recife, Skandi Açu and Skandi Buzios, see also note 29 'Related parties' and 28 'Guarantees'.

The newbuild Skandi Olinda (PLSV) was delivered in January and onhire on an 8-year contract in February. The financing of the newbuild is secured long-term financing with BNDES.

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

DOF Deepwater signed in June 2016 a restructuring agreement with its shareholders and secured lenders until June 2019. The refinancing included contribution from the shareholders, reduced instalments on secured debt and amended financial covenants in existing loan facilities. Certain amendments to the agreement have been made during 2017 and 2018, and the restructuring period has been extended to September 2021.

Note 3
a) DOF Iceman is owned by DOF ASA and Vard Group ASA where each part owns 50% each of the liable capital. DOF Iceman AS owns 40% in Iceman AS. In addition DOF ASA owns 14.5% in Iceman AS.
b) Skandi Aukra AS; DOF ASA is shareholder with 34.25%.
c) Master and Commander AS; DOF Subsea AS is shareholders with 20%.
d) OSM Marine Services AS; DOF Management is shareholder with 50%.

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

Jointly controlled companies

	DOFCON Brasil Group	DOF Deepwater AS	DOFCON Brasil Group	DOF Deepwater AS
Profit or Loss and other comprehensive income	2018	2018	2017	2017
Operating income	1 731	152	1 401	150
Operating costs	-318	-127	-269	-151
Operating result before depreciation (EBITDA)	1 412	25	1 133	-1
Depreciation	-294	-50	-209	-52
Impairment	-	-92	-	-352
Operating result (EBIT)	1 118	-117	924	-405
Net financial result	-426	-86	-319	-14
Profit (loss) before tax	692	-203	605	-419
Tax income (expenses)	86	-0	-18	-3
Profit (loss) for the year	778	-203	587	-422
Other comprehensive income, net of tax	245	-	-1	-
Total comprehensive income, net of tax	1 024	-203	586	-422
Balance sheet	31.12.2018	31.12.2018	31.12.2017	31.12.2017
Tangible assets	11 493	719	9 248	857
Deferred tax assets	263	-	128	-
Financial assets	-	-	1	-
Total non-current assets	11 755	719	9 376	857
Current receivables	395	89	467	100
Cash and cash equivalents	580	38	344	47
Total current assets	971	128	811	147
Total assets	12 727	847	10 187	1 004
Total equity	2 869	-303	1 845	-100
Non-current liabilities	8 754	1 046	7 274	987
Current liabilities	1 103	104	1 068	117
Total liabilities	9 858	1 150	8 342	1 104
Total equity and liabilities	12 727	847	10 187	1 004

	DOFCON Brasil Group	DOF Deepwater AS	DOFCON Brasil Group	DOF Deepwater AS
Reconciliation of summarised financial information	31.12.2018	31.12.2018	31.12.2017	31.12.2017
Group's interest in the joint venture at 50%	1 435	-152	922	-50
Excess values booked in DOF Group	46		49	
Negative equity recognised *)		152		50
Group's carrying amount of the investment	1 480	-	972	-

*) Negative equity recognised as loss on non-current receivables with NOK 26 million and accruals guarantee NOK 126 million. See note 25.

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

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

DOF GROUP

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

Associated companies

2018	Master and Commander AS	DOF Iceman AS	Skandi Aukra AS	DOF OSM Marine Services AS	Other	Total
Carrying amount 01.01.2018	43	-2	6	3	0	50
Additions/disposals	-	22	-		-	22
Share of result	14	-20	-2	-	-	-8
Reclassified to non-current receivables and liabilities	-	3	-	-	-	3
Carrying amount 31.12.2018	57	2	4	3	-	68
Carrying amount 01.01.2017	24	2	-	7	1	34
Additions/disposals	8	6	6	-	-	20
Share of result	11	-28	-	1	-1	-17
Dividend	-	-	-	-5	-	-5
Reclassified to non-current receivables and liabilities	-	18	-	-	-	18
Carrying amount 31.12.2017	43	-2	6	3	-	50

Summarise financial information for associates (100%):

Name	Registered office	Ownership	Assets	Liabilities	Turnover	Result
2018						
Master and Commander AS	Oslo	20,0 %	310	25	88	35
Iceman AS	Oslo	34,5 %	563	432	57	-83
Skandi Aukra AS	Oslo	34,25%	123	123	24	-4
2017						
Master and Commander AS	Oslo	20.0 %	465	250	125	55
Iceman AS	Oslo	25.0 %	568	441	58	-109
PSV Invest II IS	Oslo	15.0 %	13	9	80	-72
Skandi Aukra AS	Oslo	34.25 %	135	118	1	1

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

33 Significant acquisitions in the year

2018 Transactions
The Group has not had any significant acquistions in 2018.

2017 Transactions
DOF ASA increased its ownership in DOF Subsea from 51% to 61.9% in December 2017 as part of a comprehensive refinancing program in the Group, including an equity issue of NOK 500 million in DOF Subsea.

34 Contingencies

The Group and its subsidiaries are not involved in any ongoing court cases as of 31 December 2018.

Tax assessment Brazil
In 2014, the Brazilian Federal Revenue issued a Tax Assessment Notice against DOF Subsea Brasil Ltda (the Company). The basis for the Tax Assessment Notice were loans given by the Parent Company was deemed to be taxable revenue for the Company. The Tax Assessment Notice was disputed, but on February 7, 2019, the court of first instance in Macae ruled against the Company. Estimated amount of the claim is approximately BRL 29.5 million (NOK 66 million) plus interest and charges. On February 13, 2019, the Company filed a clarification appeal before the same court. The Company considers it highly possible that the final verdict will reach the same conclusion as the Company, hence no provision related to the dispute is included in Group's accounts as of 31 December 2018. However, DOF Subsea has provided security for the tax claim and the amount is included in restricted cash.

In addition the Group has in the period from 2009 until 2018 received notices of assessment of customs penalty from the Brazilian Tax Authorities regarding importation of vessel and equipment to Brazil. The Group has disputed the assessments and based on legal opinions from a reputable law firm decided not to make a provision in the accounts for 2018 related to these penalty assessments. The tax assessments are ranked as low due to favorable court decision recently on similar cases in Brazil, as the Group considers the risk of negative outcomes to be lower than 50%.

35 Subsequent events

New contracts

Skandi Gamma has secured a 2-year contract in the North Sea with start up in January.

Skandi Texel and Skandi Captain have been awarded 1-year contracts in the North Sea.

Skandi Buchan and Skandi Foula have been awarded contracts in Guyana with commencement in 2nd quarter 2019.

Skandi Caledonia is secured a short-term contract in the Mediterranean with start-up in March 2019.

Skandi Sotra has been awarded a 21-months contract in Australia in direct continuation from its present contract.

DOF Subsea Asia-Pacific has been awarded a contract in Malaysia securing utilisation for Skandi Hercules until 2nd quarter 2019.

Skandi Neptune has started mobilisation for a contract in Guyana for survey work and Construction Support.

Geoholm has been awarded a 720-day contract for marine and ROV operation in the Red Sea offshore Saudi Arabia to support a 3D Ocean bottom node survey project.

Contracts for three ROV Support Vessels with Petroleo Brasileiro S.A (Petrobras). All contracts have a firm duration of three years and can be extended for another two years. The vessels allocated for the contracts are Skandi Commander, Skandi Olympia and Skandi Chieftain. All three contracts are expected to commence in 2nd quarter 2019.

Vessels

The newbuild Skandi Olinda (PLSV) was delivered in January and onhire on an 8-year contract in February.

Other

Please see note 34 regarding tax assessment Brazil.

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

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

Balance sheet	01/01/19
Right-of-use assets of approximately	345
Financial lease receivable of approximately	168
Total assets	513
Liabilities	513
Total liabilities	513

Profit or loss	2019
EBITDA is expected to increase by approximately	62
Profit (loss) before tax will decrease by approximately	7
Profit (loss) will decrease by approximately	7

The above estimates do not include additions to the lease portfolio during 2019.

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

IFRS 16 Leases transition choices

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

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities presented are 5%. Right-of-use assets will be measured on transition as at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

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

The cumulative effect of initially applying the standard to be recognised as an adjustment to the opening balance of retained earnings is hence expected to be zero.

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

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

For leases that were classified as finance leases under IAS 17 Leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 was determined to be the carrying amount of the lease asset and lease liability at the date if initial application of IFRS 16 Leases.

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

IFRS 16 Leases application policy choices

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

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

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

37 Foreign exchange rates

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

As of 31.12, the following exchange rates were applied:

	2018	2017
US Dollar	8,6885	8,2050
Euro	9,9483	9,8403
GBP	11,1213	11,0910
AUD Dollar	6,1334	6,4123
Brazilian Real	2,2386	2,4769
Singapore dollar, SGD	6,3808	6,1410

Financial Statements DOF ASA

Statement of Profit or Loss

Amounts in NOK million	Note	2018	2017
Operating income	2	22	155
Payroll expenses	3	-20	-53
Other operating expenses	4,17,19	-24	-80
Gain on sale of tangible assets	7	-	15
Operating expenses		-43	-118
Operating profit (loss) before depreciation - EBITDA		-21	37
Depreciation	7	-	-27
Impairment	7	-	-29
Operating profit - EBIT		-21	-20
Finance income	5	79	90
Finance costs	5	-607	-1 346
Realised currency gain (loss)	5	13	16
Unrealised currency gain (loss)	5	2	-17
Net change in unrealised gain (loss) on derivatives	5	10	10
Net financial items	5	-503	-1 247
Profit (loss) before taxes		-524	-1 267
Tax income (expense)	6	41	6
Profit (loss) for the year		-484	-1 261

Statement of Comprehensive Income

Amounts in NOK million	Note	2018	2017
Profit (loss) for the year		-484	-1 261
Other comprehensive income, net of tax			
Defined benefit plan acturial gains (losses)		-1	-
Other comprehensive income, net of tax		-1	-
Total comprehensive income for the year		-484	-1 261

DOF ASA

Statement of Balance Sheet

Amounts in NOK million	Note	31.12.2018	31.12.2017
Assets			
Tangible assets	7	-	-
Deferred taxes	6	25	-
Investments in subsidiaries	5, 8	6 035	6 451
Investments in joint ventures and associated companies	5, 9	19	9
Intragroup non-current receivables	16	70	379
Other non-current receivables and investments	16	91	69
Total non-current assets		6 240	6 907
Trade receivable	10, 16	28	46
Other current assets	11, 16	18	47
Current assets		47	93
Restricted deposits		1	1
Cash and cash equivalents		482	794
Cash and cash equivalents included restricted deposits	12, 16	483	795
Total current assets		530	889
Total assets		6 770	7 796

Statement of Balance Sheet

Amounts in NOK million	Note	31.12.2018	31.12.2017
Equity and liabilities			
Share capital		1 466	1 276
Share premium		2 172	2 117
Other equity		2 478	3 016
Equity		6 116	6 409
Debt to group companies	13, 16	150	450
Derivatives	15, 16	8	18
Deferred tax	6	-	16
Other non-current liabilities	3	3	23
Non-current liabilities		161	507
Current debt to credit institutions	13, 16	299	400
Trade payable	16	17	30
Debt to group companies	13, 16	47	393
Other current liabilities	14, 16	131	57
Current liabilities		493	880
Total liabilities		654	1 387
Total equity and liabilities		6 770	7 796

Storebø, March 15th, 2019
The Board of Directors for DOF ASA

Helge Møgster
Chairman

Helge Singelstad
Deputy Chairman

Kathryn M. Baker
Director

Frederik W. Mohn
Director

Marianne Møgster
Director

Mons S. Aase
CEO

DOF ASA

Statement of Changes in Equity

Amounts in NOK million	Share capital	Share premium	Paid-in equity	Other contributed capital	Retained earnings	Other equity	Total equity
Balance at 01.01.2018	1 276	2 117	3 393	276	2 741	3 016	6 409
Profit (loss) for the year					-484	-484	-484
Other comprehensive income net of tax					-1	-1	-1
Total comprehensive income for the year	-	-	-	-	-484	-484	-484
Converted bond	22	22	43	-43	-	-43	-
Share issue settled in cash	168	34	202	-	-11	-11	191
Total transactions with owners	190	55	245	-43	-11	-54	191
Balance at 31.12.2018	1 466	2 172	3 638	232	2 246	2 478	6 116
Balance at 01.01.2017	751	1 925	2 675	493	4 008	4 501	7 176
Profit (loss) for the year					-1 261	-1 261	-1 261
Other comprehensive income net of tax					-	-	-
Total comprehensive income for the year	-	-	-	-	-1 261	-1 261	-1 261
Converted bond	109	109	218	-218	-	-218	-
Share issue settled in cash	417	83	500	-	-6	-6	494
Total transactions with owners	525	192	718	-218	-6	-224	494
Balance at 31.12.2017	1 276	2 117	3 393	276	2 741	3 016	6 409

Statement of Cash Flows

Amounts in NOK million	Note	2018	2017
Operating profit		-21	-20
Depreciation and impairment	7	-	57
Gain on sale of tangible asset		-	-15
Change in trade receivables		18	9
Change in trade payable		-13	4
Change in other working capital		-9	-8
Foreign exchange losses/gains		1	-
Net other financial income/cost		-	2
Cash from operating activities		-24	28
Interest received		54	50
Interest paid		-39	-34
Tax paid		-	-
Net cash from operating activities		-10	44
Purchase of share		-11	-507
Payments received on non-current receivables intragroup		-	35
Payments received on non-current receivables		356	-
Dividend received from subsidiaries		16	25
Payments other non-currrent intragroup balances		-122	-15
Payments other non-currrent receivables		-	-81
Net cash used in investing activities		239	-543
Proceeds from borrowings	13	300	400
Repayment of borrowings	13	-700	-
Share issue		191	494
Net change intragroup balances "cash pool"	13	-334	-321
Net cash flow from financing activities		-543	573
Net changes in cash and cash equivalents		-314	74
Cash and cash equivalents at the start of the period		795	705
Exchange gain/loss on cash and cash equivalents		2	16
Cash and cash equivalents at the end of the period		483	795

DOF ASA

Notes to the Financial Statements

Notes to the Financial Statements

1 Accounting principles

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

Investments in subsidiaries, joint venture and associates

Investments are based on the cost method.

Dividends

Dividends and Group contributions are accounted for according to good accounting practice as an exemption from IFRS.

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

2 Operating income

	2018	2017
Sales income	-	127
Other operating income	22	28
Total	22	155

3 Payroll and number of employees

	2018	2017
Salary and holiday pay	-21	-14
Hired personnel	-	-37
Employer's national insurance contribution	-3	-2
Reinvoices salary costs	6	3
Pension costs	-1	-1
Other personnel costs	-1	-3
Total	-20	-53
No man-years employed in financial year	7	6

Government grants related to the net salary scheme for vessels are reported as a reduction in payroll costs of NOK 0 million (NOK 9 million in 2017).

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

Defined benefit pension

DOF ASA has a company pension scheme with life insurance companies. As of 31 December 2018, DOF ASA defined pension benefit plan covered total 2 (2) active members.

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

The Company's cost of defined pension plan in 2018 was NOK 0,7 million (NOK 0.5 million). Pension obligation as of 31 December 2018 was NOK 2,5 million (NOK 2 million).

DOF ASA

4 Other operating expenses

	2018	2017
Technical costs vessel	-	-32
ROV hire	-	-23
Other operating expenses	-24	-26
Total	-24	-80

5 Financial income and expenses

	2018	2017
Income from subsidiaries	16	25
Interest income	25	24
Other financial income	37	40
Financial income	79	90
Other interest costs	-36	-34
Impairment financial assets	-488	-1 253
Other financial costs	-83	-59
Financial costs	-607	-1 346
Net gain/(loss) on currency derivatives	-	-1
Net gain/(loss) on non-current debt	11	-
Net gain/(loss) on operational capital	2	17
Realised currency gain (loss)	13	16
Net unrealised gain (loss) on non-current debt	2	-17
Unrealised currency gain/loss	2	-17
Net change in unrealised gain (loss) on interest swap	10	10
Net gain (loss) on currency forwards contracts	10	10
Total	-503	-1 247

6 Tax

Tax consists of:	2018	2017
Tax payable	-	-
Change in deferred tax	41	6
Tax income (expence)	41	6
Reconciliation of nominal and effective tax rate		
Profit before tax	-524	-1 267
Estimated tax income (expense) (23%/24%)	121	304
Tax effect of;		
Tax effect of non-taxable income and non tax-deductible costs	-4	-6
Tax effect of associated companies	113	303
Tax effect of other items	-2	-1
Adjustment previous year	-28	2
Impact on change in tax rate	1	-1
Tax income (expense)	41	6
The gross movement on the deferred income tax account is as follows;		
At 1 January	16	23
Income statement	-41	-6
Other comprehensive income	-	-
At 31 December	-25	16

6 Tax (continued)

Basis of deferred tax	2018	2017
Non current asset	-124	-53
Deferred capital gain	264	330
Other differences	-9	-35
Total temporary differences	131	243
Loss carried forward	-243	-171
Not included in deferred taxes		
Basis for calculation of deferred tax / deferred tax assets (-)	-112	72
Total deferred tax / deferred tax assets (-) (22%/23%)	-25	16
Gross deferred tax	25	-16

7 Tangible assets

2018	Vessels	Periodic maintenance	Operating equipment	Total
Acquisition cost as of 01.01.2018	-	-	4	4
Additions	-	-	-	-
Disposals	-	-		-
Acquisition cost as of 31.12.2018	-	-	4	4
Depreciation as of 01.01.2018	-	-	3	3
Depreciation for the year	-	-	-	-
Depreciation on disposals	-	-		-
Depreciation 31.12.2018	-	-	4	4
Impairment 01.01.2018	-	-	-	-
Impairment	-			-
Impairment on disposals	-			-
Impairment 31.12.2018	-	-	-	-
Book value 31.12.2018	-	-	0	0
Depreciation period			5-15 years	
Depreciation method			Straight line	

2017	Vessels	Periodic maintenance	Operating equipment	Total
Acquisition cost as of 01.01.2017	977	51	4	1 032
Disposals	-977	-51	-	-1 028
Acquisition cost at 31.12.2017	-	-	4	4
Depreciation at 01.01.2017	170	29	3	203
Depreciation for the year	20	7	-	27
Depreciation on disposals	-190	-37	-	-227
Depreciation at 31.12.2017	-	-	3	3
Impairment 01.01.2017	28			28
Impairment	29			29
Impairment on disposals	-58			-58
Impairment 31.12.2017	-			-
Book value at 31.12.2017	-	-	0	0
Depreciation period	20-30 years*)	30-60 months	5-15 years	
Depreciation method	*)	Straight line	Straight line	

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

8 Investments in subsidiaries

Directly owned subsidiaries	Main business	Nationality	Registered office	Share capital	Ownership and voting share	Result for the year (100%)	Equity 31.12 (100%)	Carrying value 31.12
DOF Subsea AS	Shipowning/subsea eng.	Norway	Bergen	1 674	64,9 %	-547	4 462	3 477
DOF Rederi AS	Shipowning	Norway	Austevoll	203	100%	-445	111	163
DOF Rederi III AS	Shipowning	Norway	Austevoll	0	100%	0	0	0
DOF Management AS	Management	Norway	Austevoll	38	66%	-4	165	58
DOF UK Ltd.	Shipowning/management	Scotland	Aberdeen	0	100%	-8	94	94
DOF Egypt	Management	Egypt	Cairo	3	100%	0	4	3
Norskan AS	Shipowning/management	Norway	Austevoll	805	100%	-4	2 252	2 233
Marin IT AS	IT services	Norway	Austevoll	16	40%	-1	24	6
Total								6 035

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

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

The impairment tests have resulted in impairment of investments in subsidiaries with total NOK 416 million (NOK 1,063 million). See note 5.

9 Investments in joint venture and associates

Joint ventures

Joint venture	Main business	Nationality	Registered office	Share capital	Ownership and voting share	Result for the year	Equity 31.12 (100%)	Carrying value 31.12
DOF Deepwater AS	Shipowning	Norway	Austevoll	0,4	50%	-203	-303	-
DOF Iceman AS	Shipowning	Norway	Austevoll	24	50%	-27	-135	-
Total								-

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

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

There has been no impairment on investments in joint ventures in 2018 (NOK 161 million). See note 5.

Associated companies

Associated companies	Main business	Nationality	Registered office	Share capital	Ownership and voting share	Result for the year	Equity 31.12 (100%)	Carrying value 31.12
Iceman AS	Shipowning	Norway	Oslo	372	14,5 %	-83	131	14
Skandi Aukra AS	Shipowning	Norway	Oslo	1	34,25%	-4	14	6
Total								19

Impairment test of investment in associates has resulted in no impairment (NOK 0 million).

Impairment test of other shares have resulted in an impairment of NOK 1 million (reversal NOK 1 million) Other shares are included in 'Other receivables and investments'.

10 Trade receivables

	2018	2017
Trade receivable	4	21
Trade receivable to intragroup	24	25
Total	28	46

The company's credit exposure is mainly towards customers who historically have had good financial capability to meet their obligations and have had high credit rating. A sustained challenging market situation has resulted in changes to the credit ratings for some customers, and thereby increased the credit risk. Historically, the portion of receivables not being collectable has been low. An impairment analysis is performed to measure excpected credit losses.

As of 31.12, the company had the following trade receivable which had matured, but not been paid.

	Total	Not matured	<30 d	30-60d	60-90d	>90d
2018	28	6	2	0	0	19
2017	46	23	2	0	0	21

11 Other current assets

	2018	2017
Intragroup receivables	10	12
Fuel and other inventory	8	8
Other current receivables	1	27
Total	18	47

12 Cash and cash equivalents

	2018	2017
Restricted cash	1	1
Bank deposits	482	794
Total	483	795

DOF ASA owns and controls one cash pooling system within the Group. Cash in the cash pooling system is presented as cash and cash eqivalents in the financial statement. See DOF Group note 19 'Cash and cash equivalents' for further information about the cash pool arrangement.

DOF ASA has a credit facilities of NOK 400 million at period end, of which NOK 300 million was utilised. For further information about market-, credit- and liquidity risk see note 3.

13 Interest bearing liabilities

Bond loans

DOF ASA replaced its remaining three bond loans with a 5-year convertible bond in 2016 in connection with refinancing of the Company. The convertible bond has zero coupon and no financial covenants. The bondholders may convert their bonds to shares at NOK 10 per share through the tenor of the loan. On the final maturity date the remaining bonds will automatically be converted to shares. The convertible bond loan has since registration been classified as other equity. The initial value of the bond loan was NOK 1,032.5 million and outstanding by 31.12.2018 is NOK 232 million. The bond is trading on the Oslo Stock Exchange, last trade price was NOK 81.50.

Non-current liabilities to credit institutions

The main share of the Group's fleet is financed via mortgaged loans. A set of shared covenants has been established for the mortgaged loans in DOF Group and DOF Subsea Group.

For DOF ASA, the most important financial covenants are as follows:
* The Group shall on a consolidated basis have a book equity of at least NOK 3,000 million.
* The Group (excluding DOF Subsea AS and its subsidiaries) shall at all times have available liquidity of at least NOK 500 million.
* The fair market value of the vessels shall at all times to be at least 100% - 125% of the outstanding debt.
* Certain change of control clauses related to Møgster Mohn Offshore AS' ownership in DOF ASA.
* DOF ASA shall be listed on the Oslo Stock Exchange.

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

The Group is in compliance with it's financial covenants as of 31 December 2018.

Non current interest bearing liabilities	2018	2017
Debt to group companies	150	450
Total non current interest bearing liabilities	150	450
Debt to credit institutions	295	400
Debt to group companies**)	47	381
Total current interest bearing liabilities *)	342	781
Total interest bearing liabilities	492	1 231
Average rate of interest	6,76%	6,91%

*) Accrued interest amounts to NOK 4 mill and is not included in interest bearing liabilities.
**) Current debt to group companies equals cash drawn in Group cash pool.

Instalment, balloons and interest profile	2019	2020	2021	2022	2023	Subsequent	Total
Debt to group companies	47	-	150	-	-	-	197
Debt to credit institutions	295	-	-	-	-	-	295
Total instalments and balloons	342	-	150	-	-	-	492
Calculated interest profile	16	16	11	-	-	-	43
Total instalments, balloons and interest	357	16	161	-	-	-	534

13 Interest bearing liabilities (continued)

Liabilities secured by mortgage	2018	2017
Debt to credit institutions	295	400
Total liabilities secured by mortgage	295	400

Assets provided as security	2018	2017
Investment in subsidiary/Net asset pledged consolidated *)	2 218	2 218
Total assets provided as security	2 218	2 218

*) The shares in Norskan Offshore SA was pledged against overdraft facility in DOF ASA.

14 Other current liabilities

	Note	2018	2017
Current derivatives		-	1
Accrued interests		1	-
Accruals guarantee liability	18	126	50
Other current liabilities		3	6
Total		131	57

15 Hedging activities

Derivatives

As of 31 December 2018, DOF ASA has interest rate swaps to manage interest risk by converting rates on interest bearing liabilities from floating to fixed interest.

The table below displays the fair value of obligations and rights as of 31 December 2018.

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	-	8	-	19
Foreign exchange contracts	-	-	-	-
Total	-	8	-	19
Interest rate swaps	-	8	-	18
Non-current portion	-	8	-	18
Current portion	-	-	-	1

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

Interest rate derivatives

As of 31.12 the company held the following interest rate derivatives:

Instrument	Fixed rate	Floating rate	Notional amount	Effective from	Maturity date
31.12.2018					
Interest rate swap - NOK	4.12%	Nibor 3m	300	2013	2020
31.12.2017					
Interest rate swap - NOK	1.61% - 4.12%	Nibor 3m - 6m	600	2013-2014	2017-2019

Derivatives are settled at various dates during the next 12 months. Gains and losses recognised in interest rate swaps as of 31 December 2018 are recognised in the income statement in the period or periods during which the transaction affects the income statement.

Foreign exchange derivatives

As of 31.12 the company had no foreign exchange rate derivatives.

16 Financial assets and liabilities: Information on the balance sheet

This note gives an overview of the carrying and fair value of DOF ASA's financial instruments and the accounting treatment of these instruments. The table is the basis for further information regarding DOF ASA's financial risk. The table also shows the level of objectivity in the measurement hierarchy of each method of measuring the fair value of DOF ASA's financial instruments.

31.12.2018

	Financial instruments at fair value through profit or loss	Financial instruments measured at amortised cost	Total
Assets			
Financial investment	4		4
Intragroup non-current receivables		70	70
Other non-current receivables		91	91
Trade receivable		28	28
Other current receivables and investments		10	10
Cash and cash equivalents		483	483
Total financial assets	4	682	686
Liabilities			
Current debt to credit institution		299	299
Debt to Group companies		150	150
Non-current derivatives	8		8
Trade payable and other current liabilities		194	194
Total financial liabilities	8	643	651
Total financial instruments	-5	40	35

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

IFRS 9 contains two principal classification categories for financial instruments, amortised cost and fair value. The classification of financial instruments under IFRS 9 is generally based on the business model in which a financial instrument is managed and its contractual cash flow characteristics. IFRS eliminates the pervious IAS 39 categories of held to maturity, loans and receivables and available for sale. On 1 January 2018 (the date of initial application of IFRS 9), DOF ASA has assessed which business models apply to the financial instruments held by the company and has classified its financial instruments into the appropriate IFRS 9 categories. The adoption of IFRS 9 has not had any effect on the company's accounting policies related to financial instruments. Financial instruments classified as loans and receivables in 2017 is in 2018 classified as financial instruments measured at amortised cost. There was no effect in measurement resulting from this reclassification.

31.12.2017

	Financial instruments at fair value through profit or loss	Financial liabilities measured at amortised cost	Deposits and receivables	Total
Assets				
Financial investment	4			4
Intragroup non-current receivables			379	379
Other non-current receivables			65	65
Trade receivable			46	46
Other current receivables and investments			39	39
Cash and cash equivalents			795	795
Total financial assets	4	0	1 324	1 328
Liabilities				
Current debt to credit institution		400		400
Debt to Group companies		450		450
Non-current derivatives	18			18
Current derivatives	1			1
Trade payable and other current liabilities		480		480
Total financial liabilities	18	1 330	0	1 348
Total financial instruments	-14	-1 330	1 324	-20

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

DOF ASA

17 Remuneration to auditor

Specification of auditor's fee (amount in TNOK):	2018	2017
Audit	1 242	1 286
Tax consultation	-	-
Fee for other services	149	143
Total	1 391	1 429

All amounts in the table are excl VAT.

18 Guarantee commitments

On a general basis DOF ASA has issued guarantees to financial institutions on behalf of its wholly owned subsidiaries on maritime mortgages/loans.

DOF ASA has in some cases issued guarantees on behalf of partly owned subsidiaries. DOF ASA has guarantee commitments on behalf of the following partly owned companies as per 31.12.2018:
- DOFCON Navegacao Ltda. (50% owned): Guarantee in favor of BNDES. Total amount USD 103 million.
- DOF Deepwater AS: Guarantee in favor of the company's lenders. Total amount NOK 508 million
- Iceman AS: Guarantee in favor of the company's Lender. Total amount NOK 412 million. 50% of the commitment is counter guaranteed by Vard Group.
- LOS Shipping I AS and LOS Shipping II AS: Agreements whereby DOF ASA guarantees coverage of opex and interest for a period of time, in return for a purchase option.

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

19 Related parties

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

Long-term agreements:
Møgster Mohn Offshore AS owns 51.37 % of the shares in DOF ASA at year end 2018 (please see note 20 in the Notes to the Consoliated Financial Statement). Laco AS is the main shareholder of Møgster Mohn Offshore AS. Møgster Management AS provides administrative shared services to DOF ASA. Møgster Management AS is owned by Laco AS. Adminstration fee for 2018 is NOK 3 million (NOK 3 million).

Individual transactions:
Guarantee
DOF ASA has issued a guarantee in the maximum amount of NOK 412 million (NOK 420 million) on behalf of Iceman AS in favor of DNB ASA. Guarantee income in 2018 was NOK 4,5 million (NOK 5 million). Iceman AS is owned with 40% by DOF Iceman. DOF ASA and Vard ASA are owners with 50% each in DOF Iceman AS. In addition DOF ASA owns 14,5% in Iceman AS.

Loans to joint venture
DOF ASA has provided loans to joint ventures and the book value at period end are NOK 33 million (NOK 25 million).

Information about transactions with related parties do not include transactions with companies in the DOF Group.

20 Contingencies

DOF ASA is not involved in any ongoing court cases as of 31 December 2018.

21 Subsequent events

Please see the Notes 34 'Subsequent events' to the Consolidated Statement.

Confirmation from the Board of Directors and CEO

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

Storebø, March 15th, 2019
The Board of Directors for DOF ASA

Helge Møgster Chairman	Helge Singelstad Deputy Chairman	Kathryn M. Baker Director
Frederik W. Mohn Director	Marianne Møgster Director	Mons S. Aase CEO

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To the General Meeting of DOF ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company DOF ASA (the Company), which comprise the Statement of Balance Sheet as at 31 December 2018, the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies, and
- The consolidated financial statements of DOF ASA and its subsidiaries (the Group), which comprise the Consolidated Statement of Balance Sheet as at 31 December 2018, the Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and Notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Groups business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new Key audit matters for our audit of the 2018 financial statements. In this light, our areas of focus have been the same in 2018 as the previous year.

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Auditors Report - DOF ASA

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Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of vessel and vessel related equipment	
DOF ASA Group has vessels and vessel related assets with a carrying amount of NOK 18 898 million at 31 December 2018. In line with the Group's accounting policy for impairment of non-financial assets, the Board of Directors has assessed that there were impairment indicators present for the Group's vessels as of 31 December 2018. Consequently, they have carried out an impairment assessment. Based on the results of the impairment assessments, an impairment charge of NOK 665 million was recognised in 2018 resulting in the carrying amount of certain vessels impacted being written down to their recoverable amount. We focused on this area because vessels and vessel related equipment constitute a significant share of the total assets in the Group, and because the assessment of the recoverable amount is complex and involves significant management judgement. Value-in-use ("VIU") for the vessels was estimated using discounted cash flows. Each individual vessel, together with associated contract, was assessed as a separate cash generating unit. Significant management judgement was related to key assumptions such as utilisation, charter hire rates, operating expenses and discount rates. Fair value less costs to sell ("FVLCS"), was estimated by obtaining professional valuations for each vessel from two well-reputed and independent brokers, taken into account estimated sales commission. The uncertainty related to valuation of the company's vessels and vessel related equipment are considered to be high due to the challenging market conditions. We refer to Notes 2 and 4 for the Group's	We obtained management's impairment model and considered whether the model contained the elements and methodology IFRS require from such models. We found the model to be in accordance with our expectations. We challenged management's key assumptions such as the projected utilisation, charter hire rates, operating expenses and discount rates, and compared with historical performance, management's internal forecasts and long term strategic plans that were approved by the Board of Directors. We also considered publicly available information about macroeconomic assumptions relevant to the industry, and considered whether the assumptions where consistent with management assumptions and what we know about DOFs business. We found management's assumptions to be within a reasonable range. To consider the reliability of management forecast, we compared previous year's estimates to actual historical performance. We considered whether deviations from the budget had reasonable explanations. We assessed the discount rate by comparing the key components used with external market data. We considered that the discount rates were within an appropriate range. We evaluated the competence and objectivity of the external brokers used by the Group. The range of values derived from the two independent brokers were compared with the VIU estimates. We considered the appropriateness and reliability of the fair value estimates from the external brokers. We were able to conclude that the broker estimates were appropriate as audit evidence. However, for some of the vessel categories we observed a larger spread in the broker estimates compared to previous years, which indicate that uncertainty in valuations may have increased. We lastly evaluated the adequacy of the disclosures made on impairment of vessel and vessel related equipment, including those regarding the key assumptions and sensitivities and found that disclosures appropriately explained management's valuation process and the uncertainties inherent in some of managements assumptions.

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accounting policy for impairment of non-financial assets, and Note 14 where the Board of Directors explain their valuation process for the Group's tangible assets.

Impairment of Goodwill

DOF ASA Group had a goodwill of NOK 295 million as of 31 December 2018. Goodwill with an indefinite useful life is subject to impairment assessments annually. The Board of Directors have assessed that there were impairment indicators present for the Group's goodwill as of 31 December 2018.

The goodwill is related to the Subsea segment as a joint group of cash generating units. Management has used the same expectation about market development as for the impairment assessment of vessels. The impairment assessment for goodwill demonstrated that recoverable amount was higher than carrying amount, and no impairment was required.

During 2018 goodwill related to acquisition of Semar has been reported and monitored separately from other goodwill in the Subsea segment. The development for Semar has been different compared to the rest of the segment. Consequently, an impairment charge of NOK 27 million was recognised in 2018, and the book value of the Semar goodwill was NOK 0 at 31 December 2018.

We focused on this area because estimating the recoverable amount involves significant management judgement.

We refer to disclosures in Notes 2 and 4 for the Group's accounting policy for impairment of goodwill, and to note 13 where the Board of Directors explain their valuation process for the Group's goodwill.

We have reviewed management impairment assessment of goodwill. Our procedures in relation to evaluate management's impairment assessment included assessing the valuation methodology, challenging the reasonableness of key assumptions based on our knowledge of the business and industry, and reconciling input data to supporting evidence.

The goodwill was supported by excess values from subsea vessels and vessel related equipment allocated to the Subsea segment when comparing recoverable amount with carrying amount for the relevant assets.

We found the assumptions made by management to be reasonable based on our knowledge and available evidence. However, we observed that the value of goodwill may be sensitive to even minor changes to key assumptions in the cash flows.

Finally, we evaluated the adequacy of the disclosures made in the financial statements regarding impairment of goodwill and found that disclosures appropriately explained management's valuation.

Recoverability of Deferred Tax Assets

In their balance sheet, DOF ASA Group has recognised a deferred tax asset with

Our audit procedures include obtaining an understanding of the tax positions within the Group, and

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NOK 898 million. The deferred tax assets are mainly related to the Group's operations in Brazil, Norway and Australia.

We identified recoverability of deferred tax assets as a key audit matter because recognition of them involve significant judgement and the complexity related to the valuation. Judgement related to the likelihood of realisation of these assets is based on a number of factors, including whether there will be sufficient taxable profits in future periods to support recognition.

Management has supported the recoverability of deferred tax assets mainly with taxable income projections that contain estimates of, and tax strategies for future taxable income. Estimates of future taxable income are based on the forecast of cash flows from operations, the reversal of temporary differences and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be affected.

We refer to Notes 2 and 4 for the Group's accounting policy, and to Note 11 for disclosures of the Group's Deferred Tax Assets.

relevant communication between the Group and taxation authorities regarding taxable positions in the different jurisdictions.

We compared management's forecasts of future profits to historical results and evaluated the assumptions used in those forecasts. We discussed the model with management and Board of Directors and challenged the use of key assumptions, such as revenue growth and margin development. We also assessed the historical performance against approved budget and business plans per jurisdiction to support the reliability of future cash flow projections.

We have assessed the basis of accounting for recognised deferred tax assets based on our knowledge of the tax environment in which the Group operates. We also assessed the cash flow projections used in forecasting future taxable income and the reversal of temporary differences. We found that the assumptions and estimates were within an acceptable range.

Finally, we evaluated the adequacy of the disclosures made in the financial statements and found that disclosures appropriately explained management's process.

Liquidity and compliance with loan covenants

We focused on this area due to the size of borrowings in the Group, the impact potential non-compliance with loan covenants may have on the financial statements, and the level of management judgement involved in assessing compliance.

The loan agreements require the Group to comply with certain financial covenants. If any of the debt covenants are infringed,

We have carried out procedures to understand the Group's review processes related to financial covenants and liquidity forecasts. We reviewed the loan agreements and discussed the conclusions reached by the Board of Directors.

When considering the liquidity and compliance with loan agreements, the Group has, among other things, prepared a liquidity forecast based on cash flow projections for 2019 on a monthly basis, prepared plans to mitigate potential shortfalls in the liquidity forecast, and assessed the risk of infringing any financial

Auditors Report - DOF ASA

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this could, depending on the terms of each loan agreement, constitute an event of default. This can allow the lender to accelerate repayment or the Group would need to take actions to remedy the infringement.

The Group has refinanced the debt in certain subsidiaries in 2016-2018 resulting in new terms and conditions, including financial covenants. The most important covenants are related to minimum unrestricted cash, book equity, value-adjusted equity, and market value to loan ratios (LTV) for the Groups vessels.

With the current market conditions and continued price pressure within the industry, there is an increased risk related to cash flow forecasts and fair market value of vessels, which could impact compliance with loan covenants.

We refer to Note 3 where the Group's policy for financial risk management is disclosed, and to Note 22 for disclosures on the Group's financial covenants.

covenants.

The cash flow projections include assumptions regarding cash generated from operations, scheduled investments, refinancing and debt repayments. We compared the assumed cash flows with the business plan approved by the Board, and tested key assumptions to underlying documentation and external data where applicable.

The cash flow projections shows compliance with the financial covenants for the next twelve months. However, the challenging market conditions recent years have reduced the headroom. We note that both cash flows and fair market value of vessels may be negatively affected by a continued downturn in the global offshore market. This could have an impact on compliance with financial covenants going forward.

Finally, we evaluated the appropriateness of the disclosures related to financial covenants in the notes to the financial statements and found them to be appropriate.

Other information

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

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

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

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

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to

Auditors Report - DOF ASA

the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial

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statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the 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, 15 March 2019

PricewaterhouseCoopers AS

Sturle Døsen

State Authorised Public Accountant

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Appendix

Performance measurements definitions

DOF ASA financial information is prepared in accordance with international financial reporting standards (IFRS). In addition DOF ASA discloses alternative performance measures as a supplement to the financial statement prepared in accordance with IFRS. Such performance measures are used to provide an enhanced insight into the operating performance, financing and future prospects of the company and are frequently used by securities analysts, investors and other interested parties.

The definitions of these measures are as follows:

Financial reporting – Financial Reporting according to IFRS.

Management reporting – Investments in joint ventures (JV) is consolidated on gross basis in the income statement and the statement of financial position. See the Group Accounts note 5 for presentation the bridge between the management reporting and the financial reporting.

EBITDA – Operating profit (earnings) before depreciation, impairment, amortisation, net financial costs and taxes is a key financial parameter. The term is useful for assessing the profitability of its operations, as it is based on variable costs and excludes depreciation, impairment and amortise costs related to investments. Ebitda is also important in evaluating performance relative to competitors.

Underlying EBITDA – Ebitda (management reporting) as described above adjusted for hedge accounting of revenue.

	2018	2017
EBITDA	2 066	2 287
Hedge	-180	-171
EBITDA before hedge	2 246	2 458

EBIT – Operating profit (earnings) before net financial costs and taxes.

Interest bearing debt – Total of non-current and current borrowings.

	2018	2017
Bond loans (non-current)	2 480	1 914
Debt to credit institutions (non-current)	13 007	15 029
Current bond loan and debt to credit institutions	3 678	2 235
Total bond loan and debt to credit institutions	19 166	19 178
Accrued interest expenses	-144	-138
Total interest bearing liabilities	19 021	19 040

Net interest bearing debt – Interest bearing debt minus current and non-current interest-bearing receivables and cash and cash equivalents. The use of the term "net debt" does not necessarily mean cash included in the calculation are available to settle debts if included in the term. See the Groups Accounts note 22 for presentation of net interest bearing debt.

Debt ratio – Net interest bearing debt divided on total equity and net debt.

Utilisation of vessel – Utilisation of vessel numbers is based on actual available days including days at yard for periodical maintenance, upgrading, transit or idle time between contracts.

Contract coverage – Number of future sold days compared with total actual available days excluded options.

Contract Backlog – Sum of undiscounted revenue related to secured contracts in the future and optional contract extensions as determined by the client. Contract coverage related to master service agreements (MSA's) within the subsea segment, includes only confirmed purchase order.

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Glossary

AUV:	Autonomous Underwater Vehicle
CAGR:	Compound Annual Growth Rate
CAPEX:	Capital Expenditure
CSV/Subsea	Construction Support Vessels and Subsea vessels
DNV-GL:	Det Norske Veritas. Classification company. Controlling and approving the vessels technical condition, security and quality according to the company's own rules and the national laws
DP:	Dynamic Positioning
EBIT:	Operating Profit
EBITDA:	Operating Profit before Depreciation
E&P:	Exploration & Production
EPIC:	Engineering, Procurement, Installation & Commissioning
FPSO:	Floating Production Storage and Offloading
FTE:	Full Time Equivalents
GOM:	Gulf of Mexico
GRI:	Global Reporting Initiative
HR:	Human Resources
HSEQ:	Health, Safety, Environment and Quality
IFRS:	International Financial Reporting Standards
IMCA:	International Marine Contractors Association
IMR:	Inspection, Maintenance and Repair
IOC:	International Offshore Company
ISM:	International Safety Management Code
ISO:	International Standards Organisation
ISPS:	International Ship and Port Facility Security Code. International framework to detect/ assess security threats and take preventive measures against security incidents affecting ships or port facilities used in international trade
LNG:	Liquefied Natural Gas
MLC:	Maritime Labour Convention
NIBOR:	Norwegian Interbank Offered Rate
NIS:	Norwegian International Ship Register
NOR:	Norwegian Ordinary Ship Register
OHSAS:	Occupational Health & Safety Advisory Services
OSCV:	Offshore Subsea Construction Vessel
PLSV:	Pipelaying Support Vessel
ROV:	Remote Operated Vehicle
SEMS:	Safety and Environmental Management Systems
STCW:	Standards of Training, Certification and Watch keeping
SURF:	Subsea, Umbilicals, Risers & Flowlines
T&I:	Transportation & Installation
Time Charter Party (TC):	Contract for Chartering a Vessel
UDW:	Ultra Deep Water
VAE:	Value Adjusted Equity

Colophon

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Norwegian Directorate of Taxes

Inquiries to	Your date	Our date
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Permission to prepare the annual accounts and directors' report in English language

With reference to your letter of 23 January 2017 you apply for permission to keep annual accounts and directors' report in English language. The application in question concerns the following companies.

DOF ASA	**org. nr. 935 349 230**
DOF Management AS	**org. nr. 979 999 682**
DOF Sjø AS	**org. nr. 991 051 945**
DOF Iceman AS	**org. nr. 898 092 712**
Marin IT AS	**org. nr. 994 796 550**

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

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

Background
DOF ASA is the ultimate parent company in the DOF ASA Group. The other companies are owned by DOF ASA. DOF ASA is listed on Oslo Stock Exchange and has permission to present the annual accounts in English language. 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 already 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

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

Best regards

Rune Tystad
Senior Adviser
Legal Department
Norwegian Directorate of Taxes

Torstein Kinden Helleland

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