



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode: 01.01.2021 - 31.12.2021

Konsern

Morselskap i konsern: Nei

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Knut Søråsdekkan
Dato for fastsettelse av årsregnskapet: 14.06.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

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, 18.08.2023



Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Operating revenue	5,15	300 000 000	185 000 000
Gain on tangible asstes		51 000 000	0
Sum inntekter		351 000 000	185 000 000
Kostnader			
Payroll expenses	6,15	73 000 000	82 000 000
Depriciation	11	70 000 000	45 000 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	11	0	655 000 000
Other operating expenses	15,16	-58 000 000	261 000 000
Sum kostnader		85 000 000	1 043 000 000
Driftsresultat		266 000 000	-858 000 000
Finansinntekter og finanskostnader			
Realised gain on derivative instruments and currency positions	7	0	6 000 000
Unrelised gain on financial derivatives and currency positions	7	0	65 000 000
Sum finansinntekter		0	71 000 000
Financial expenses	7,15	95 000 000	84 000 000
Realised loss on financial derivatives and currency positions	7	8 000 000	0
Unrealised loss on derivative instruments and currency positions	7	11 000 000	
7 -			
Sum finanskostnader		114 000 000	84 000 000
Netto finans		-114 000 000	-13 000 000
Ordinært resultat før skattekostnad		152 000 000	-871 000 000
Income tax expenses		0	3 000 000
Ordinært resultat etter skattekostnad		152 000 000	-874 000 000
Årsresultat		152 000 000	-874 000 000
Overføringer og disponeringer			
To other equity		152 000 000	-874 000 000



Resultatregnskap

Beløp i: NOK	Note	2021	2020
Sum overføringer og disponeringer		152 000 000	-874 000 000



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Tangible assets	11	777 000 000	795 000 000
Sum varige driftsmidler		777 000 000	795 000 000
Finansielle anleggsmidler			
Investeringer i tilknyttet selskap	15	6 000 000	6 000 000
Other non-current assets	12	7 000 000	0
Sum finansielle anleggsmidler		13 000 000	6 000 000
Sum anleggsmidler		790 000 000	801 000 000
Omløpsmidler			
Varer			
Fordringer			
Trade receivables	9	8 000 000	0
Current receivables from Group companies	15	101 000 000	20 000 000
Other current receivables		105 000 000	17 000 000
Sum fordringer		214 000 000	37 000 000
Bankinnskudd, kontanter og lignende			
unrestricted cash and cash equivalents	10,14	0	1 000 000
Sum bankinnskudd, kontanter og lignende		0	1 000 000
Sum omløpsmidler		214 000 000	38 000 000
SUM EIENDELER		1 004 000 000	839 000 000

BALANSE - EGENKAPITAL OG GJELD

Egenkapital



Balanse

Beløp i: NOK	Note	2021	2020
Innskutt egenkapital			
Share capital	13	60 000 000	60 000 000
Sum innskutt egenkapital		60 000 000	60 000 000
Opptjent egenkapital			
Other equity	13	-955 000 000	-1 107 000 000
Sum opptjent egenkapital		-955 000 000	-1 107 000 000
Sum egenkapital		-895 000 000	-1 047 000 000
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Current portion of debt	14	844 000 000	783 000 000
Leverandørgjeld		5 000 000	5 000 000
Tax payables	8	1 000 000	2 000 000
Current liabilities to Group companies	14,15	1 012 000 000	1 079 000 000
Other current liabilities		37 000 000	17 000 000
Sum kortsiktig gjeld		1 899 000 000	1 886 000 000
Sum gjeld		1 899 000 000	1 886 000 000
SUM EGENKAPITAL OG GJELD		1 004 000 000	839 000 000



MOTTATT

02 FEBRUAR 2016

Norwegian Directorate of Taxes

Inquiries to
Torstein Kinden Helleland

Your date
23.02.2016

Our date
29.02.2016

Telephone
22078139

Your reference
Petter O. Pharo

Our reference
2016/170122

DOF SUBSEA AS
Thormøhlens gate 53C
5006 BERGEN

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

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

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

Conclusion

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

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

Background

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

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

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

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

Best regards

Rune Tystad
Senior Adviser
Legal Department
Norwegian Directorate of Taxes

Torstein Kinden Helleland

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



To the General Meeting of DOF Subsea Rederi III AS

Independent Auditor's Report

Opinion

We have audited the financial statements of DOF Subsea Rederi III AS (the Company), which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements and the Board of Directors' report, which indicates that the Company is dependent on that DOF Subsea Group is able to secure a long-term solution with banks and to secure satisfactory financing and liquidity for the Group. As stated in Note 1 and the Board of Directors' report, these events or conditions, along with other matters as set forth in Note 3, Note 17, and the Board of Directors' report, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. There is a risk that DOF Subsea Group will not reach an agreement with the lenders, and in such an event the Company could be forced to realise its assets at a significant lower value than their carrying amount. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers AS, Sandviksbodene 2A, Postboks 3984 - Sandviken, NO-5835 Bergen
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



Independent Auditor's Report - DOF Subsea Rederi III AS



Other Information

The Board of Directors (management) is responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Responsibilities of Management for the Financial Statements

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

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

(2)



Independent Auditor's Report - DOF Subsea Rederi III AS



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Bergen, 14 June 2022
PricewaterhouseCoopers AS

Marius Kaland Olsen
State Authorised Public Accountant

(This document is signed electronically)



 Securely signed with Brevio

Revisjonsberetning

Signers:

Name	Method	Date
Olsen, Marius Kaland	BANKID	2022-06-15 15:45

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

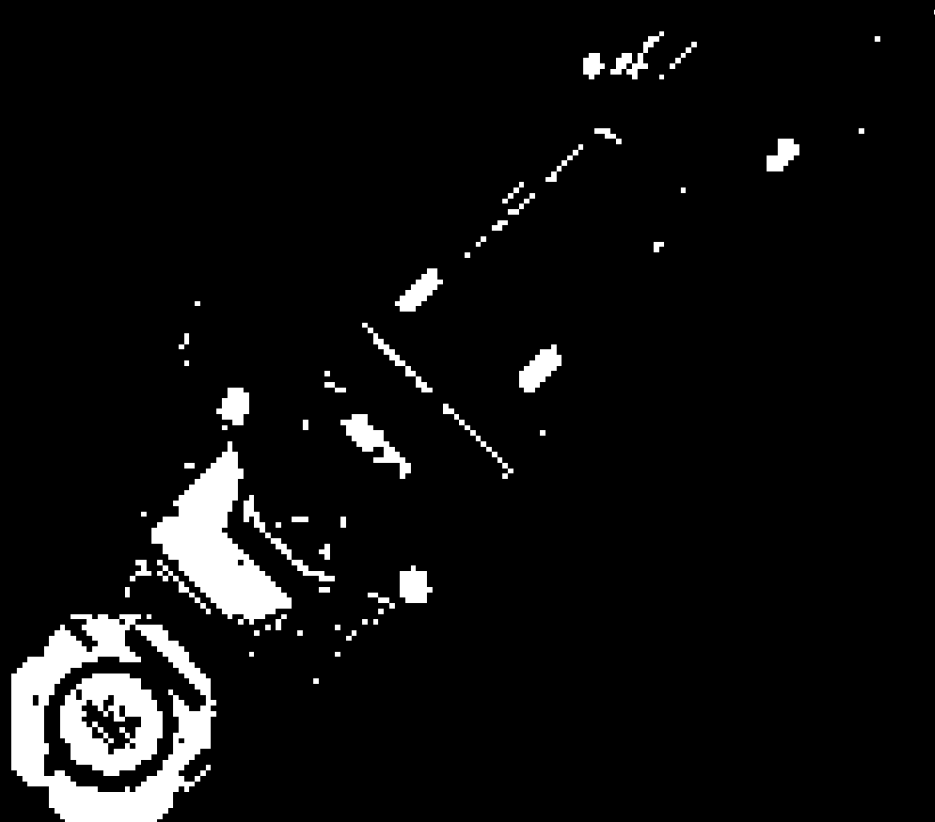


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DOF SUBSEA
REDERI III AS
ANNUAL REPORT
2021





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Board of Directors report

DOF Subsea Rederi III AS (the Company) was founded in August 2015. The Company is a provider of high-end subsea vessels and owns and operates four vessels. The vessels are chartered out to the DOF Subsea Group (the Group) and towards external charterers. During 2021 the vessels have been operating in Angola, in South America and in the North Sea. In 2021, the operating revenue was NOK 300 million (NOK 185 million in 2020) with an operating profit before depreciation and impairment (EBITDA) of NOK 285 million (NOK -158 million EBITDA). The operating profit (EBIT) was NOK 266 million (NOK -858 million). The total assets amounted to NOK 1 004 million (NOK 839 million) with an equity of NOK -895 million (NOK -1 047 million) and a net interest-bearing debt of NOK 1765 million (NOK 1 793 million), including NOK 936 million (NOK 1 033 million) in debt to companies in the DOF Subsea Group. After a profit of NOK 152 million in 2021 the Company has negative equity of NOK 895. The company's headquarters are located in Bergen, Norway.

In summary 2021 continued to be a challenging year with respect to COVID-19. During 2021 the O&G markets have improved and the demand for vessels has increased.

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

Business overview and strategy

DOF Subsea Rederi III AS's core business is ownership of subsea vessels, and by year-end the Company owned Skandi Neptune, Skandi Constructor and Skandi Seven. The option for Geosund was declared in 2021, and the vessel was delivered to new owners in 2022. The vessels are chartered to the DOF Subsea Group and to external charterers.

DOF Subsea Rederi III AS is a part of the DOF Subsea Group and is working under DOF Subsea AS's certification and Business Management System. In 2021 DOF Management AS has provided ship management services to the Company.

For further reading about the Group reference is given to the 2021 integrated annual report for the DOF Subsea Group.

Operational events

In 2021, the Company's vessels have mainly been on charter contracts with the DOF Subsea Group. Skandi Seven has been operating in West Africa for DOF Subsea Norway and DOF Subsea UK. Skandi Constructor worked for Siemens during Q2 and Q3, before starting work for DOF Subsea US

in Trinidad and Tobago in Q4. Skandi Neptune finalised its contract for DOF Subsea UK in January, and started working in Brazil in late June. In 2021 sale of Skandi Neptune was agreed, and the vessel is estimated to be delivered in 2022 after completing its current contractual commitments.

Geosund continued operating in the Red Sea. In Q3 2021, the client declared their purchase option, with the vessel being delivered in January 2022.

Both Skandi Neptune and Geosund have conducted main class docking during the year.

The market

The market outlook for 2022 has improved mainly based on new Covid variants have been contained and lighter measures being enforced. However, the geopolitical picture encourages a more conservative view to the otherwise promising 2022 outlook. The oil price has stabilised above USD 100/ bbl in 2022, based on the market's response to the geopolitical instability and potential supply challenges. Based on external analysis the Company observes that the oil prices are likely to continue to climb, and the oil and gas macroenvironment continues to be dynamic.

Gas demand had a strong rebound in 2021, but growth is expected to moderately increase in 2022, up by 2.2% y-o-y. Further gas demand gains in 2022 are expected to be strengthened by ongoing economic improvements, as well as coal-to-gas switching. However, exceptionally high gas prices and geopolitical instability may temper demand gains.

Total offshore capex is expected to rise 11.3% with both offshore deep-water and offshore shelf adding 14.2%. The five-year CAGR for capital expenditures towards 2026 is estimated at 4% with growth in all supply segments over the



five-year period, according to Rystad Energy.

The overall offshore vessel market is expected to increase towards 2030. Offshore wind will continue to grow from 2025 towards 2030, taking up an increasingly larger share of the total global vessel demand. Spending on offshore installation segments is expected to increase by an average of 32% from 2021 to 2022. The pressure from a growing oil and gas price with growing offshore wind capex might increase the demand for AHTS and subsea vessels on short, medium and long term.

Social and environmental sustainability

Having sustainable operations is important for the Company. The successful balance between social, environmental and economic elements allows the Company to develop 'Sustainable Operations' and ensures that the Company remains commercially feasible, socially acceptable and works within the capacity of the 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 2022, the focus on energy efficiency has increased by implementing key performance indicators related to environmental performance, e.g. energy consumption and CO2 emissions. There have been no major spills to the external environment and no spills that resulted in fines or other non-monetary sanctions from local governments.

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

For detailed reporting on social and environmental sustainability, please find the DOF Integrated Annual Report on www.dof.com.

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

Shareholders, Board of Directors and employees

DOF Subsea AS owns 100% of the shares in the Company. The Board of Directors of DOF Subsea Rederi III AS consists of one

woman and one man and there were no employees at year-end 2021.

D&O insurance has been signed on behalf of the board members and executive management to protect against claims which may arise from the decisions and actions taken within the scope of their regular duties. The insurance policy is signed with international reputable companies.

Corporate governance

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

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

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

Every year, a detailed and thorough budgeting process is carried out. There are established routines for monthly and quarterly operational and financial reports, including information on investments, financing, cash flow, liquidity, HSEQ, HR, Tax and Legal performance.

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

Financial performance

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

In 2021, the Company achieved an operating revenue of NOK



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300 million compared to an operating revenue of NOK 185 million in 2020. Operating profit before depreciation and impairment (EBITDA) was NOK 285 million (NOK -158 million), whilst operating profit after depreciation (EBIT) was NOK 266 million (NOK -858 million). The depreciation and impairment amounted to NOK 70 million (NOK 700 million). The vessel Geosund has been delivered to new owners in January 2022. The vessel was per Q3 derecognised from tangible asset and classified as financial lease. Total gain from sale of asset in 2021 amounts to NOK 51 million.

NOK million	2021	2020	Change
Operating revenue	300	185	62%
EBITDA	285	-158	280%

Net financial loss was NOK 115 million (NOK 13 million), the profit before tax was NOK 152 million (loss of NOK 871 million) and the profit for the year was NOK 152 million compared with a loss of NOK 874 million in 2020.

Total assets were NOK 1 004 million (NOK 839 million), where non-current assets amounted to NOK 790 million (NOK 801 million). Current assets were NOK 214 million (NOK 38 million). The Company is part of the DOF Subsea Group's cash pooling system and has at all times access to cash available in the cash pool.

The total equity was NOK -895 million (NOK -1 047 million). Current liabilities were NOK 1 899 million (NOK 1 886 million), of which NOK 844 million (NOK 783 million) was current portion of debt to credit institutions and NOK 1012 million (NOK 1 079 million) was subordinated debt to companies in the DOF Subsea Group. The effect of not having a long-term financial solution in place or waivers covering more than 12 months after balance sheet date.

NOK million	2021	2020	Change
Tangible assets	777	795	-2%
Total equity	-895	-1 047	15%
NIBD	1765	1 793	-2 %

Net cash flow from operating activities during the year was NOK 60 million (NOK 36 million). Cash flow from investing activities during the year was NOK -101 million (NOK -128 million), while the cash flow from financing activities was NOK 30 million (NOK 91 million).

Financing and capital structure

The Company's interest-bearing debt by 31 December 2021

was NOK 1765 million. The Board and Management have, since the second quarter of 2019, been working on a long-term refinancing solution for the Company and the Group which includes discussions with secured lenders and the bond holders.

The restructuring of the Group's debt has been ongoing in 2021 and standstill agreements have been agreed until the 15th of June 2022 with 95% of the secured lenders in the DOF Subsea Group. The BNDES facilities in DOF Subsea Brasil Ltda. has been served according to refinancing agreements signed in February 2020. The standstill agreements assume payment of principal and interest of a NOK 100 million credit facility provided by certain lenders in March 2020. The outstanding amount of this facility was NOK 47 million by the end of the year.

The relevant Group companies have imposed unilateral standstill to the secured lenders not participating in the standstill agreements. One of the DOF Subsea secured lenders has previously requested repayment of a facility of USD 47 million, and in the 3rd quarter this facility was prepaid at a significant discount. Another secured lender has enforced an account pledge for one loan facility in DOF Subsea.

The ad hoc group of bondholders in DOFSUB07, DOFSUB08 and DOFSUB09 have accepted a standstill until the 15th of June 2022.

The Company and the Group will continue the dialogue with its creditors to secure a long-term financial solution for the Group. The refinancing proposal currently discussed include a comprehensive restructuring of the Group's balance sheet which include softer terms on the loan facilities and conversion of substantial amounts of debt to equity in the parent company.

Risk

The Company and the Group has limited exposure to Russia and Ukraine, however the general risk has increased following the invasion of Ukraine and the impact on the world economy. The Covid pandemic may further impact the Group's results going forward.

Climate risk

The Company and the Group's ability to manage GHG Emissions is a key component of the organisation's ESG profile. Providing a vessel fleet and services with reduced GHG emissions can become a value proposition for clients and investors or negatively impact upon competitiveness of the organisation against peers. The main concern is the Group's



DOF Subsea Rederi III AS

ability to meet changing stakeholder expectations associated with Greenhouse Gas emission from ships, including Nitrogen Oxides, Sulphur Oxides and Particulate Matter in harbour areas.

Financial and liquidity risk

The Company is exposed to financial and liquidity risk through its operations, periodical maintenance and the requirement for refinancing of existing vessels. A sustained weak market since 2014 has increased the refinancing risk for the Company significantly, and the Group has since 2019 experienced that regular refinancing has been impossible.

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

At the end of 2021 the Company has negative equity and does not have available liquidity to meet its expected financial obligations for the next 12 months if the stand still agreements are not prolonged.

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

The Company's loan agreements contain financial covenants. All covenants for the Company and the Group has been waived at period end 2021. The Company has a temporary deferral of payment of interest and instalments with its secured lenders in order to reach a long-term financial solution.

Currency risk

The Company has global operations, and a significant portion of the income and costs are denominated in foreign currencies, mainly USD. Fluctuations in foreign exchange rates against NOK have impact on the Company's financial statement. The company has loan in USD equivalent to NOK 1052 million.

The Company aims to be naturally hedged by matching income and costs for the relevant currencies. In addition, the Company has a derivative strategy using derivatives to

reduce the exchange rate risk exposure. However, due to the current financial position, entering into forward contracts or commercial transactions have become more challenging. Hence, the Company's liquidity risk has increased if the currencies fluctuate.

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

Interest risk

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

Credit risk

The Company has established policies and guidelines for follow-up and collection of outstanding receivables. Historically, the portion of receivables not being collectable has been low. Companies in the Group are dependent on a robust refinancing solution to maintain as a going concern. The group has in 2021 established payment plans that reduces the risk for losses on internal accounts receivables and the accumulated loss provision of NOK 230 million related to internal accounts receivables has been reversed in 2021. The Company continuously evaluates the financial strength and credit worthiness of customers and suppliers including Group companies.

Market and price risk

The Company is exposed to cost increases in general, including conversions and maintenance of vessels. The Company attempts to reduce price risk by signing contracts with suppliers with the necessary financial strength and expertise to complete projects in accordance with agreements.

The Company is exposed to market fluctuations which have resulted in lower utilisation and reduced earnings for the Company's vessels and services due to continuing challenging markets since 2015. The Group's strategy is to continue its focus on long-term contracts for its fleet, however, during the last five years most of the clients prefer shorter term contract renewals. There are signs of improved markets, but both the price and utilisation risks are applicable.

Going concern

The financial statements for the Company have been prepared on the basis of going concern assumption in accordance with the Norwegian Accounting Act § 3-3a. However, the events



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described below and the negative equity of MNOK 895 give rise to significant doubt on the Company's ability to continue as going concern.

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

The Group's financial position is not sustainable, and there is material uncertainty related to going concern. Rolling short-term standstill agreements with the majority of the Group's lenders have been in place since 2nd quarter 2020 and the current standstill agreements are applicable until 15th of June 2022. The Group is on short-term dependent on an extension of standstill periods and on longer term dependent on a robust refinancing solution to continue as going concern. The restructuring proposals being discussed with the secured lenders and bondholders include conversion of debt to equity. The dialogue with the lenders is constructive, but a refinancing solution is not yet in place. The Group and the Company are dependent on continued standstill agreements with its creditors until a long-term financial solution is agreed to maintain as going concern.

If the Company cannot be treated as 'going concern', the valuation of the Company's asset will be further revised. Valuation of asset without the going concern assumption will result in impairment of the Company's assets.

Allocation of the result

The Company's profit for the year was NOK 152 million in 2021. The Board of Directors recommends that the profit for the year is allocated to other equity.

Events after balance sheet date

On 31st of May 2022, DOF ASA and DOF Subsea Grup have agreed to further extend the principal and interest suspension agreements with, or received extensions of similar concessions from, secured lenders representing in total 95 % of the secured debt of companies within the Group (excluding DOF Subsea Brasil Servicos Ltda.) until 15th of June 2022. The ad hoc group of bondholders in DOF Subsea AS have agreed to further extend the standstill agreement until the 15th of June 2022, in accordance with the resolution in the bondholders' meeting held 29 April 2022. The extensions of the standstill periods will facilitate

the Group's continued dialogue with its secured lenders and the bondholders under the Group's bonds regarding a long-term financial restructuring of the DOF group.

Outlook

The O&G markets have improved as several regions have seen increased activity in all the Group's segments towards end of the year and a high tender activity has continued into 2022. The current situation in Eastern-Europe has however created instability in the world economy and it is difficult to predict how the market will respond to this situation going forward.

The Group's financial position is further not sustainable. If a robust long-term refinancing solution is not achieved for the Group, the Company cannot continue as going concern. If the Company cannot be treated as going concern the valuation of the assets will be further revised and will result in significant impairment of the Company's asset.

The annual report is prepared on the assumption of going concern and this assumption is based on agreed standstill agreements (applicable until 15th of June 2022) with the majority of the Group's lenders. The debt restructuring currently discussed include soft terms on the loan facilities and conversion of substantial amounts of debt to equity. The dialogue with the lenders has continued to be constructive and progress has been made so far into 2022. There are still some issues pending, and a refinancing solution is not yet in place.

In parallel with the ongoing debt restructuring, the management and Board have continued the focus on operational and cost efficiency improvements and on implementation of new technology and digital solutions. In response to the ongoing shift in the energy markets and future customer requirements, the Group has a strong forward-looking focus on developing strategic opportunities and new lines of business utilising the Group's combined fleet, services, and competence within the limitations of the financial position due to the debt restructuring of the Group.

The Company emphasizes that the information included in this annual report contains certain forward-looking statements that address activities or developments that the Company anticipates will or may occur in the future. The statements are based on assumptions and estimates, and some of them are beyond the Company's control and therefore subject to risks and uncertainties.



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DOF Subsea Rederi III AS

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

Bergen, 14th of June 2022

The Board of Directors of DOF Subsea Rederi III AS

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Mons S. Aase
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Mons S. Aase
Chairman

DocuSigned by:
Marianne Møgster
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Marianne Møgster
Director



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DOF Subsea Rederi III AS

Amounts in NOKmillion

Financial statements

DOF Subsea Rederi III AS



DOF Subsea Rederi III AS

Amounts in NOKmillion

Statement of comprehensive income

	Note	2021	2020
Operating revenue	5, 15	300	185
Payroll expenses	6, 15	-73	-82
Other operating expenses	15, 16	58	-261
Operating profit before depreciation and impairment (EBITDA)		285	-158
Depreciation and impairment	11	-70	-700
Gain/loss on sale of tangible assets		51	-
Operating profit (EBIT)		266	-858
Financial expenses	7, 15	-95	-84
Realised gain / loss on derivative instruments and currency positions	7	-8	6
Unrealised gain / loss on derivative instruments and currency positions	7	-11	65
Net financial income / loss		-115	-13
Profit / loss before tax		152	-871
Income tax expense	8	-	-3
Profit / loss for the year		152	-874
Other comprehensive income / loss, net of tax		-	-
Total comprehensive income / loss for the year, net of tax		152	-874



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Statement of financial position

	Note	2021	2020
Assets			
Tangible assets	11	777	795
Investments in associates	15	6	6
Other non-current assets	12	7	-
Total non-current assets		790	801
Current assets			
Trade receivables	9	8	-
Current receivables from Group companies	15	101	20
Other current receivables		105	17
Current receivables		214	37
Unrestricted cash and cash equivalents	10,14	-	1
Total current assets		214	38
Total assets		1 004	839
Equity and liabilities			
Paid-in equity	13	60	60
Other equity	13	-955	-1 107
Total equity		-895	-1 047
Liabilities			
Debt to credit institutions	14	-	-
Debt to Group companies	14	-	-
Total non-current liabilities		-	-
Current liabilities			
Current portion of debt	14	844	783
Trade payables		5	5
Current liabilities to Group companies	14, 15	1 012	1 079
Other current liabilities		37	17
Tax payables	8	1	2
Total current liabilities		1 899	1 886
Total liabilities		1 899	1 886
Total equity and liabilities		1 004	839

Bergen, 14th of June 2022

The Board of Directors of DOF Subsea Rederi III AS

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Mons S. Aase
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Mons S. Aase
Chairman

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Director



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Statement of changes in equity

Changes in equity	Note	Paid-in equity	Other equity	Total equity
Equity at 01.01.2021		60	-1 107	-1 047
Profit for the year		-	152	152
Other comprehensive income net of tax		-	-	-
Total comprehensive income net of tax		-	152	152
Equity at 31.12.2021		60	-955	-895
Equity at 01.01.2020		60	-233	-173
Profit for the year		-	-874	-874
Other comprehensive income net of tax		-	-	-
Total comprehensive income net of tax		-	-874	-874
Debt conversion		-	-	-
Equity at 31.12.2020	13	60	-1 107	-1 047



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Statement of cash flows

	Note	2021	2020
Operating profit (EBIT)		266	-858
Depreciation and impairment	11	70	700
Profit from sale of non-current assets		-51	-
Change in trade receivables	9	-8	-
Change in trade payables		-	-1
Changes in other working capital including intercompany balances	15	-171	254
Exchange rate effect on operating activities		3	-12
Cash flow from operating activities		108	83
Interest and other financial costs paid	7	-47	-43
Tax paid		-1	-4
Net cash flow operating activities		60	36
Purchase of tangible assets	11	-100	-128
Purchase of intangible assets		-15	-
Changes in other non-current receivables		14	-
Cash flow from investing activities		-101	-128
Instalments on non-current liabilities	14	-	-
Proceeds from interest bearing debt - IC		30	91
Cash flow from financing activities		30	91
Net change in cash and cash equivalents		-11	-1
Cash and cash equivalents at 01.01	10	1	1
Exchange rate gain / loss on cash and cash equivalents		10	1
Cash and cash equivalents at 31.12	10	-	1



DOF Subsea Rederi III AS

Amounts in NOK million

Notes to the financial statements

1 Corporate information and Going concern

DOF Subsea Rederi III AS, the Company, was founded 18th of August 2015. The main purpose of the Company is to conduct business within the shipping-, offshore and energy sectors. The Company owns and operates a modern fleet of vessels: Skandi Constructor, Skandi Neptune, Geosund and Skandi Seven. Skandi Neptun was sold in 2021 with expected delivery to its new owner in 2022. Geosund was sold in 2021 and was delivered to its new owner in January 2022.

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

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

Going concern

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

The Company's operations are an integrated part of the Group's operation and the Company's operation is therefore dependent on a long-term sustainable financial solution for the Group. Further, available liquidity has been and will be dependent on the DOF Subsea Group's cash pool arrangement.

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

The Group's financial position is not sustainable, and it is material uncertainty related to going concern. Standstill agreements with the majority of the Group's lenders have been in place since 2nd quarter 2020 and the current standstill agreements are applicable until 15 June 2022. The Group is on short-term dependent on an extension of standstill periods and on longer term dependent on a robust refinancing solution to continue as going concern. The restructuring proposals being discussed with the secured lenders and bondholders include conversion of debt to equity. The dialogue with the lenders is constructive, but a refinancing solution is not yet in place. The Group and the Company is dependent on continued standstill agreements with its creditors until a long-term financial solution is agreed to maintain as going concern

Without continued standstill agreements or a long-term financing solution in place, the Company and the Group can no longer present financial statements on the assumption of going concern. If the Company cannot be treated as going concern, the valuation of the Company's assets will be further revised and will result in significant impairment of the Company's assets.

2 Accounting policies

Summary of significant accounting principles

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

The fiscal year is the same as the calendar year.

Group companies

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

Segment reporting

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

Conversion of foreign currency

a) Foreign currency

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

b) Transactions and balances

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

Classification of assets and liabilities

Assets are classified as current assets when:

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

All other assets are classified as non-current assets.

Liabilities are classified as current liabilities when:

- the liability forms part of the entity's operating cycle, and is expected to be realised or consumed over the course of the entity's normal operations; or



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- 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.

Trade receivables

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

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

Tangible assets

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

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

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

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

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

Impairment of assets

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised. The recoverable amount is the higher of an asset's net selling price and value in use. Where there are circumstances and evidence that impairment losses recognised previously no longer exists or has decreased, a reversal of the impairment loss is recognised, except for goodwill. For further information on the calculation see note 4 'Accounting estimates and assessments'.

Periodic maintenance of tangible assets

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

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

Debt

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

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

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

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

Provisions

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

Revenue recognition

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

Day rate contracts

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

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

Distinct service components in a contract are accounted for separately from other promises in the contract. Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the stand-alone selling prices. Revenue is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is



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

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

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

Mobilisation

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

Interest income

Interest income is recognised using the effective interest method.

Current and deferred income tax

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

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

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

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

Events after period end

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

Use of estimates

The preparation of financial statements in conformity with simplified IFRS requires the use of certain critical accounting estimates. It

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

Statement of cash flows

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

New standards, amendments and interpretations adopted

No new standards, amendments or interpretations have been adopted by the Company in 2021.

New standards, amendments and interpretations not yet adopted

New standards and amendments mandatory for annual reporting periods after 31 December 2021 is expected to not be significant for the Company.

3 Financial risk management

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

Financial and liquidity risk

The Company is exposed to financial and liquidity risk through its operations, periodical maintenance and the requirement for refinancing of existing vessels. A sustained weak market since 2014 has increased the refinancing risk for the Company significantly, and the Group has since 2019 experienced that regular refinancing has been impossible.

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

At the end of 2021 the Company has negative equity and does not have available liquidity to meet its expected financial obligations for the next 12 months if the stand still agreements are not prolonged.

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

The Company's loan agreements contain financial covenants. All



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covenants for the Company and the Group has been waived at period end 2021. The Company has a temporary deferral of payment of interest and instalments with its secured lenders in order to reach a long-term financial solution.

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

Currency risk

The Company has global operations, and a significant portion of the income and costs are denominated in foreign currencies, mainly USD. Fluctuations in foreign exchange rates against NOK have impact on the Company's financial statement. The company has loan in USD equivalent to NOK 1 052 million.

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

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

Interest risk

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

Credit risk

The Company has established policies and guidelines for follow-up and collection of outstanding receivables. Historically, the portion of receivables not being collectable has been low. Companies in the Group are dependent on a robust refinancing solution to maintain as a going concern. The group has in 2021 established payment plans that reduces the risk for losses on internal accounts receivables and the accumulated loss provision of NOK 230 million related to internal accounts receivables has been reversed in 2021. The Company continuously evaluates the financial strength and credit worthiness of customers and suppliers including Group companies.

Market and price risk

The Company is exposed to cost increases in general, including conversions and maintenance of vessels. The Company attempts to reduce price risk by signing contracts with suppliers with the necessary financial strength and expertise to complete projects in accordance with agreements.

The Company is exposed to market fluctuations which have resulted in lower utilisation and reduced earnings for the Company's vessels and services due to continuing challenging markets since 2015. The Group's strategy is to continue its focus on long-term contracts for its fleet, however, during the last five years most of the clients

prefer shorter term contract renewals. There are signs of improved markets, but both the price and utilisation risks are applicable.

4 Accounting estimates and assessments

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

Debt to credit institutions and bondholders

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

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

Depreciation of vessels

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

Useful life and residual value

The depreciation of vessels depends on the vessels' estimated useful life in the Group. Useful life and economic life of the Groups vessels is estimated to be 30 years. The Group has reassessed useful life of vessels in 2021. From 01.01.2021 useful life of vessels in the Group has changed from 20 years to 30 years. The residual value has been set to zero after 30 years as the cost of increasing environmental requirements related to disposal of vessels are estimated to offset the scrap value of the steel.

Useful life and residual value of vessels is based on knowledge of the market and years of operations of these types of vessels. In addition, impact of climate risk has been considered when determining economic life.

Impairment of Vessels

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

Fair value less costs to sell

For vessels, fair value less cost to sell is based on an average of brokers' estimates, taken into account sales commission. All vessels in the company 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 company adjusts for positive or negative contract value in associated contracts. Due to a limited number of vessel transactions



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

Value in use

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

For vessels fixed on long-term contracts, the assumption is that the contracts run up until end of contract. Options held by the customers are not assumed to be exercised, unless the options are at or below current market rates. For vessels without a contract, assumptions derived from the evaluation of broker estimates, combined with other market information are considered when estimating future revenues. The Company and the Group has seen increased activity during 2021 and high tender activity into 2022. It is however too early to conclude on a market recovery, hence, future earnings are difficult to forecast. The market is expected to be a weak for the next 1-2 years, and gradually normalised to sustainable 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 is 9.3%.

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

Current receivables from Group companies

An impairment analysis is performed to measure expected credit losses on receivables from group companies. The Group companies' financial position is not sustainable. The Group companies are dependent on a robust refinancing solution to maintain as a going concern.



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5 Operating revenue

2021	Brazil	Norway	UK	Germany	Other	Total
Operating revenue	112	69	55	51	13	300

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

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

6 Payroll expenses

Payroll expenses	2021	2020
Personnel hire	73	82
Total payroll expenses	73	82
Average number of employees	-	-

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

7 Financial income and expenses

Financial income and expenses	2021	2020
Interest and guarantee expenses	-92	-80
Other financial expenses	-3	-4
Financial expenses	-95	-84
Realised gain / loss on currencies	-8	6
Realised gain / loss on financial derivatives and currency positions	-8	6
Unrealised gain / loss on currencies	-11	65
Unrealised gain / loss on financial derivatives and currency positions	-11	65
Net financial income / loss	-115	-13



DOF Subsea Rederi III AS

Amounts in NOK million

8 Tax

Income tax expense	2021	2020
Current tax on profit for the year, foreign countries	-	-2
Withholding tax	-	-1
Change in deferred tax	-	-
Impact of change in tax rate	-	-
Total income tax expense	-	-3
Reconciliation of nominal and effective tax rate		
Profit before tax	152	-871
Expected income tax expense 22% (22%)	-33	192
Tax effect of		
Impact on change in tax rate	-	-
Tax loss for which no deferred tax asset has been recognised	-48	-38
Withholding tax and effect of different tax regimes	-	-3
Change in temporary differences	81	-155
Total income tax expense	-33	-3
Basis for deferred tax		
Non-current assets	-209	-261
Receivables	99	-230
Liabilities	-129	-115
Total temporary differences	-237	-605
Tax loss carry-forward	-1 144	-927
Basis for calculation deferred tax (-) / tax assets	-1 381	-1 532
Deferred tax / tax assets (-)	-304	-337
Deferred tax assets not recognised	304	337
Total deferred tax / tax assets (-)	-	-

The Company has tax payable of NOK 1 million related to permanent establishments in foreign countries.

9 Trade receivables

Trade receivables	2021	2020
Trade receivables at nominal value	8	-
Trade receivables at 31.12	8	-

Historically, the portion of receivables not being collectable has been low. The sustained challenging market situation has resulted in changes to the credit ratings for some of the Company's customers, and thereby increased the credit risk. The impacts from Covid-19 and the challenging market situation may increase the credit risk going forward. For information about trade receivables and credit risk towards related parties, see note 15 "Related Parties".



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Amounts in NOK million

10 Cash and cash equivalents

	2021	2020
Cash and cash equivalents		
Bank deposits	-	1
Cash pooling system deposit DOF Subsea AS	-28	-160

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

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

11 Tangible assets

2021	Vessels	Periodical maintenance	ROVs	Total
Cost at 01.01	1 908	134	25	2 067
Additions	66	34	-	100
Disposals	-93	-10	-	-103
Cost at 31.12	1 881	158	25	2 064
Depreciation at 01.01	-118	-70	-25	-213
Depreciation for the year	-45	-25	-	-70
Depreciation on disposals	-	2	-	2
Depreciation at 31.12	-163	-93	-25	-281
Impairment at 01.01	-1 060	-	-	-1 060
Impairment for the year	-	-	-	-
Impairment on disposals	54	-	-	54
Impairment at 31.12	-1 006	-	-	-1 006
Book value at 31.12	712	65	-	777
Asset lifetime (years)	30	2.5-5	12	
Depreciation schedule	Linear**	Linear	Linear	

** Useful life and residual value

The company has reassessed useful life of vessels from 20 years to 30 years with effect from 01.01.2021. The residual value has been set to zero after 30 years. In 2020, the residual value was determined based on estimated fair value after 20 years. The change in useful life and residual value have in total increased annually depreciations.

Disposal

The vessel Geosund has been delivered to new owners in January 2022. The vessel is per Q3 derecognised from tangible asset and classified as financial lease. Total gain from sale of asset in 2021 amounts to NOK 51 million.



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Amounts in NOK million

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

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

Impairment

Vessel	Impairment	Basis for recoverable amount
Skandi Neptune	30	Fair value less cost of disposal
Skandi Constructor	-14	Value in use
Geosund	-16	Fair value less cost of disposal
Total impairment of vessels	-	

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

Impairment in 2021 include reversal of earlier impairments with NOK 30 million related to Skandi Neptune. The group has a signed sales agreement with estimated delivery of the vessel in Q3 2022.

Sensitivity analysis of impairment

Impairment tests are highly USD sensitive and a drop in USD/NOK of NOK 0,5 will result in an additional impairment of NOK 23 million all else equal. While testing the reasonableness of the broker estimates the Company has applied a nominal WACC after tax of 9.3%. An increase in WACC with 50 basis points will not result in an additional impairment of the vessels. Negative effect on net future cash flows with 20 % will result in an additional impairment of the vessels with NOK 101 million.

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



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Amounts in NOK million

12 Contract costs

31.12.2021	Contract costs	Total
Net booked value 01.01	-	-
Additions	15	15
Amortisation	-8	-8
Impairment	-	-
Currency translation differences	-	-
Net booked value 31.12	7	7

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

Amortisation of contract costs are recognized over the contract period of the related contract.

13 Share capital and share information

Share capital

The share capital in the Company at 31 December 2021 was NOK 60 400 000 comprising 1 000 shares, each with a nominal value of NOK 60 400.

Shareholder overview

14 Interest bearing debt

The Board and Management have since the 2nd quarter 2019 been working on a long-term refinancing solution for the Company and the Group which included discussions with the banks, the bondholders, and the main shareholders.

The restructuring of the company and the Group's debt is ongoing and standstill agreements have been agreed until the 15th of June 2022 with 95% of the secured lenders within the Group. The standstill agreement do not include the joint venture with Technip FMC. The BNDES standstill agreement for DOF Subsea Brasil Ltda expired in June 2021 and the company has since then paid debt service according to refinancing agreements signed in February 2020.

The DOF Subsea standstill agreements assume payment of principal and interest of a NOK 100 million credit facility provided by certain lenders in March 2020. The outstanding amount of this facility was NOK 47 million by end of December.

The ad hoc group of bondholders in DOFSUB07, DOFSUB08 and DOFSUB09 have approved extension of the standstill agreement until the 15th of June 2022.

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

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



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Amounts in NOK million

Non-current interest bearing debt	2021	2020
Debt to credit institutions	-	-
Non-current debt to Group companies	-	-
Total non-current interest bearing debt	-	-
Current interest bearing debt		
Debt to credit institutions	829	762
Current debt to Group companies	936	1 033
Total current interest bearing debt	1 765	1 794
Total non-current and current interest bearing debt	1 765	1 794
Net interest bearing debt		
Cash and cash equivalents	-	1
Net interest bearing debt	1 765	1 793

Current portion of debt in the statement of financial position includes accrued interest expenses. Accrued interest NOK 15 million (2020: NOK 22 million) are excluded in the current interest bearing debt to credit institutions. Internal accrued interest, guarantee fees and other non-interest bearing liabilities are excluded in the current interest bearing debt to Group companies..

Liabilities secured by mortgage	2021	2020
Liabilities to credit institutions	829	762
Book value of assets pledged as security for debt to credit institutions	777	795
Average rate of interest*	10.21%	8.10%

*Calculated on external debt

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

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

Financial covenants

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

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

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

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

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



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DOF Subsea Rederi III AS

Amounts in NOK million

15 Related parties

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

The Company purchases management services from DOF Management AS and Norskan Offshore Ltda. for its vessels, and has guarantee agreements with DOF Subsea AS. All sales transactions are carried out in accordance with DOF Subsea policy. The Company also partially owns Semar AS, with a 42.27% ownership stake.

Operating revenue	2021	2020
DOF Subsea Group	202	126
DOF ASA	1	1
Total	203	127

Operating expenses		
DOF Subsea Group	-132	206
DOF ASA	54	70
Total	-78	276

Net finance costs		
DOF Subsea Group	49	52
Total	49	52

Current receivables from Group companies		
DOF Subsea Group	99	246
DOF ASA	2	5
Bad debt provision	-	-231
Total	101	20

Current liabilities to Group companies		
DOF Subsea Group	1 005	1 074
DOF ASA	7	5
Total	1 012	1 079

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

The company has reversed impairment loss of NOK 230 million (2020: loss of 175 million) on current receivables from Group companies in 2021. This is reflected within operating expenses.

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



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16 Remuneration to Board of Directors, Executives, and Auditor

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

Specification of auditor's fee (excl. VAT)*	2021	2020
Fee for audit of financial statements	159 001	154 290
Fee for attestation	35 000	20 750
Fee for other tax consultancy	40 000	
Total	234 001	175 040

*) Amounts in NOK

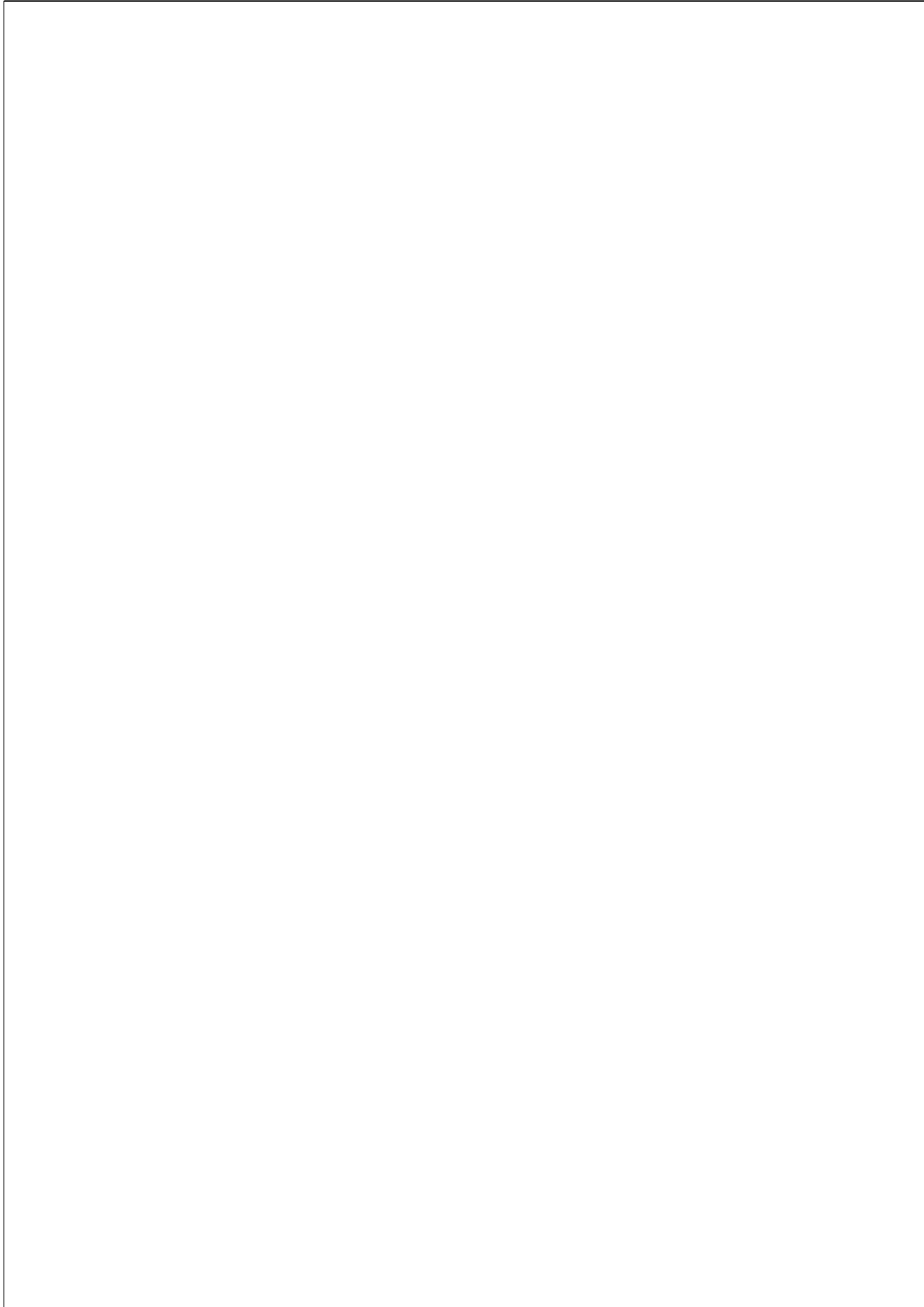
17 Events occurring after period end

Finance

On 31st of May 2022, DOF ASA and DOF Subsea AS have agreed to further extend the principal and interest suspension agreements with, or received extensions of similar concessions from, secured lenders representing in total 95 % of the secured debt of companies within the Group (excluding DOF Subsea Brasil Servicos Ltda.) until 15th of June 2022. The ad hoc group of bondholders in DOF Subsea AS have agreed to further extend the standstill agreement until til 15th of June 2022, in accordance with the resolution in the bondholder's meeting held 29 April 2022. The extensions of the standstill periods will facilitate the Group's continued dialogue with its secured lenders and the bondholders under the Group's bonds regarding a long-term financial restructuring of the DOF group.



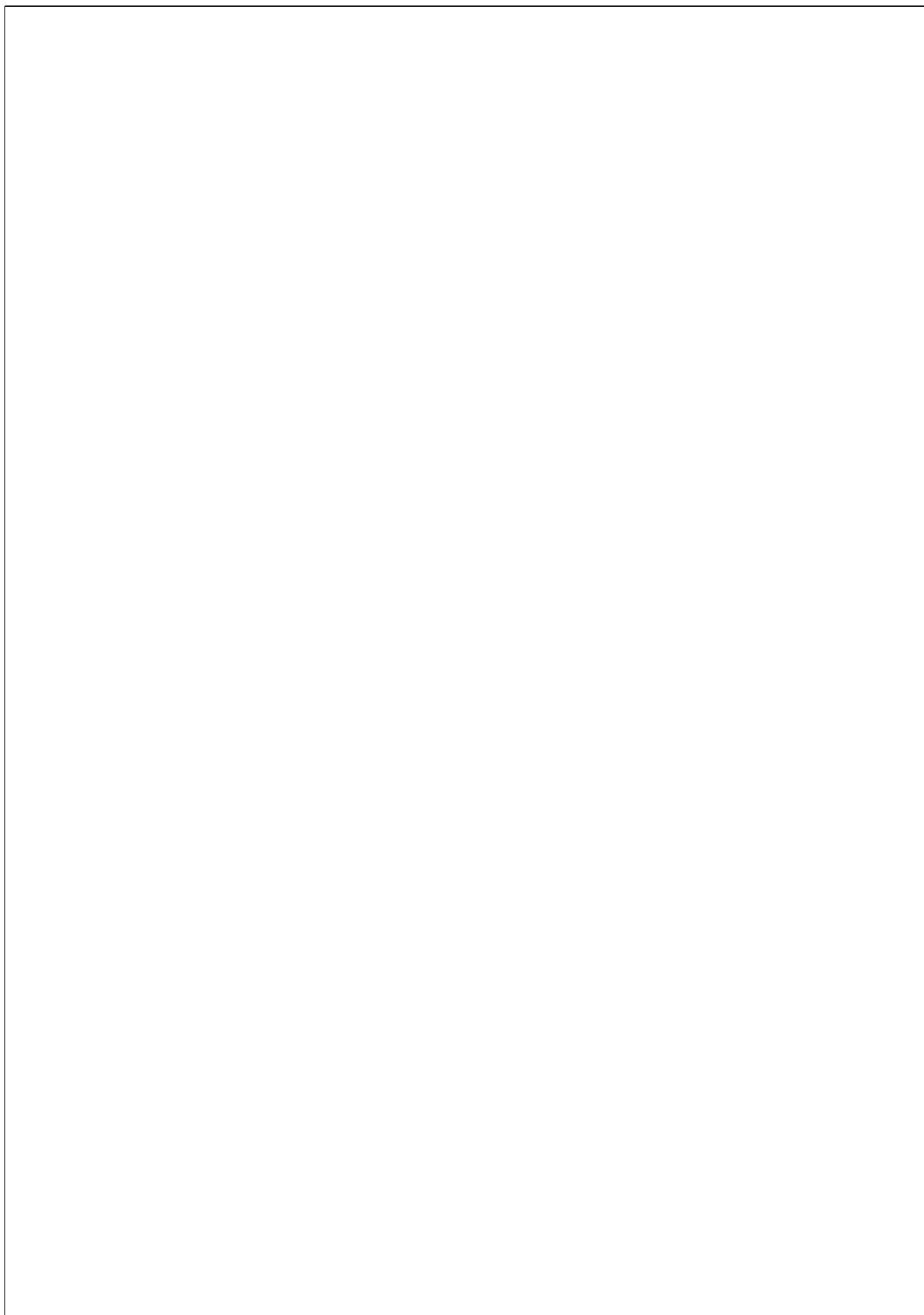
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