Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2022 - 31.12.2022

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:	Christoffer Lunde
Dato for fastsettelse av årsregnskapet:	30.06.2023

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

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, 02.07.2024

Resultatregnskap

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Operating revenue	5,15	471 000 000	300 000 000
Gain on tangible assets		0	51 000 000
Sum inntekter		**471 000 000**	**351 000 000**
Kostnader			
Payroll expenses	6,15	87 000 000	73 000 000
Depriciation	11	70 000 000	70 000 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	11	-227 000 000	0
Other operating expenses	15,16	257 000 000	-58 000 000
Sum kostnader		**187 000 000**	**85 000 000**
Driftsresultat		**284 000 000**	**266 000 000**
Finansinntekter og finanskostnader			
Realised gain on derivative instruments and currency positions	7	21 000 000	-8 000 000
Sum finansinntekter		**21 000 000**	**-8 000 000**
Financial expenses	7,15	116 000 000	95 000 000
Unrealised loss on derivative instruments and currency positions	7	122 000 000	11 000 000
Sum finanskostnader		**238 000 000**	**106 000 000**
Netto finans		**-217 000 000**	**-114 000 000**
Ordinært resultat før skattekostnad		**67 000 000**	**152 000 000**
Income tax expenses	8	-10 000 000	0
Rounding corrections		-1 000 000	
Ordinært resultat etter skattekostnad		**78 000 000**	**152 000 000**
Årsresultat		**78 000 000**	**152 000 000**
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		78 000 000	152 000 000
Sum overføringer og disponeringer		**78 000 000**	**152 000 000**

Balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Tangible assets	11	1 010 000 000	777 000 000
Sum varige driftsmidler		**1 010 000 000**	**777 000 000**
Finansielle anleggsmidler			
Investeringer i tilknyttet selskap	15	5 000 000	6 000 000
Other non current assets	12	3 000 000	7 000 000
Deffered tax benefit	8	11 000 000	
Sum finansielle anleggsmidler		**19 000 000**	**13 000 000**
Sum anleggsmidler		**1 029 000 000**	**790 000 000**
Omløpsmidler			
Varer			
Fordringer			
Trade receivables	9	6 000 000	8 000 000
Current receivables from Group companies	15	147 000 000	101 000 000
Other current receivables		32 000 000	105 000 000
Sum fordringer		**185 000 000**	**214 000 000**
Unrestricted cash and cash equivalents			
Sum omløpsmidler		**185 000 000**	**214 000 000**
SUM EIENDELER		**1 214 000 000**	**1 004 000 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	13	60 000 000	60 000 000

Balanse

Beløp i: NOK	Note	2022	2021
Sum innskutt egenkapital		**60 000 000**	**60 000 000**
Opptjent egenkapital			
Other equity	13	-877 000 000	-955 000 000
Sum opptjent egenkapital		**-877 000 000**	**-955 000 000**
Sum egenkapital		**-817 000 000**	**-895 000 000**
Sum langsiktig gjeld		**0**	**0**
Kortsiktig gjeld			
Current portion of debt	14	1 013 000 000	844 000 000
Leverandørgjeld		20 000 000	5 000 000
Tax payable	8	1 000 000	1 000 000
Current liabilities to Group companies	14,15	981 000 000	1 012 000 000
Other current liabilities		16 000 000	37 000 000
Sum kortsiktig gjeld		**2 031 000 000**	**1 899 000 000**
Sum gjeld		**2 031 000 000**	**1 899 000 000**
SUM EGENKAPITAL OG GJELD		**1 214 000 000**	**1 004 000 000**

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 2022, 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 2022, 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 relevant laws and regulations in Norway 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.

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 statutory requirements.

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

Responsibilities of Management for the Financial Statements

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.

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, 30 June 2023
PricewaterhouseCoopers AS

Marius Kaland Olsen
State Authorised Public Accountant
(This document is signed electronically)

Revisjonsberetning

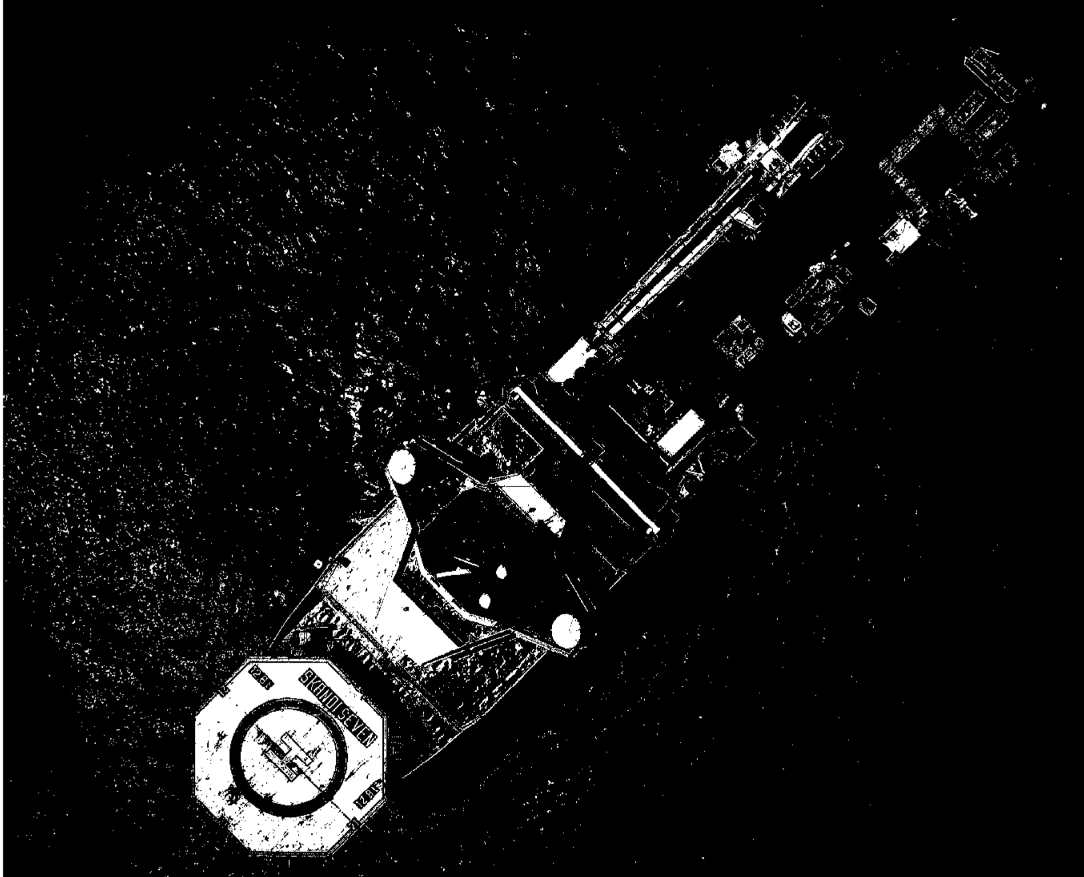
Signers:

Name	*Method*	*Date*
Olsen, Marius Kaland	BANKID	2023-06-30 13:28

DOF SUBSEA REDERI III AS

ANNUAL REPORT

2022



DOF Subsea

Board of Directors report

Introduction

DOF Subsea Rederi III AS ("The Company") is 100% owned by DOF Subsea AS and is part of DOF Subsea Group ("the Group") and DOF Group ASA ("DOF Group"). The Company's head office is at Thormøhlensgate in Bergen.

The operating revenue was NOK 471 million in 2022 compared to NOK 300 million in 2021. The operating profit before depreciation (EBITDA) was NOK 127 million (NOK 285 million), whilst the operating profit (EBIT) was NOK 285 million (NOK 266 million), after depreciation with NOK 70 million and reversal of impairment with NOK 227 million in 2022 (depreciation of NOK 70 million in 2021). Total assets amounted to NOK 1 214 million (NOK 1 004) million), of which NOK 1 029 million was non- current assets (NOK 790 million in 2021). Total equity was negative with NOK -817 million (NOK -895 million) and net interest-bearing debt was NOK 1 821 million (NOK 1 765 million).

Business overview & 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 vessels are chartered to the DOF Subsea Group and to external charterers.

The option for Geosund was declared in 2021, and the vessel was delivered to new owners in January 2022. Skandi Neptune was sold in 2021 with expected delivery to its new owner in 2023. Skandi Constructor was sold to DOF Subsea Rederi AS in May 2023.

Operational Events 2022

In 2022, the Company`s vessels have mainly been on charter contracts with the DOF Subsea Group. Skandi Seven continued operating in West Africa for the Atlantic region, the contract was extended in November 2023. Skandi Constructor har been on contract for both the Atlantic region and North America during the year. Since Q3 the vessel has been working for a major operator in West Africa, for the North America region. Skandi Neptune continued working in Brazil for Shearwater the entire 2022.

Social and environmental sustainability

Having sustainable operations is important for the Group. The successful balance between social, environmental and economic elements allows the Group to develop 'Sustainable Operations' and ensures that the Group remains commercially feasible, socially acceptable and works within the capacity of the external environment.

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

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

The Group is guided by the articles of association, the Corporate Governance and group policies, combined with the DOF Group's Code of Business Conduct, ensuring that the operations consider the interests of all stakeholders.

The Group promotes transparency and standard disclosure of information relating to key sustainability aspects. As part of this, the Group reports according to CDP and the Global Reporting Initiative. Detailed reporting on these matters is included in the Integrated Annual Report 2022 for New DOF ASA (DOF Group ASA).

As the Group's sustainability efforts evolve, expand, and become more comprehensive, so too do our stakeholders and their material interest in our activities. It is therefore of the utmost importance that the Group has effective mechanisms and reporting structures to communicate financial and non-financial information to these interested parties. DOF has adopted the World Economic Forum's Stakeholder Capitalism Metrics of, People, Planet, Prosperity, and Principles.

Not only does this framework compliment the Group's vision of creating broad stakeholder value, but it promotes a core set of non-financial metrics and disclosures for investors and stakeholders alike. The Group is committed to the pillars of People, Planet, Prosperity, and Principles and believes this concept is integral to future sustainability initia-tives and communication.

All the DOF Group companies are certified to ISO 9001:2015, ISO 14001: 2015, and ISO 45001:2018. The certificates are issued at DOF Group ASA level, and valid until December 2023.

Employees

The Company has no employees as they are hired in from DOF Management. At the end of 2022, the headcount in the DOF Group was 3,774 people, of which approximately 13% were women. .

Equal opportunities and anti-discrimination

The Group has focus on diversity and strives to create equal opportunities for all employees, regardless of their ethnic background, nationality, descent, color, language, religion, lifestyle or gender. The Group's 'Equal Employment Opportunity' policy clearly states that the Group is committed to be an equal opportunity employer. This means that all business units within the Group will select and appoint the most suitable person for a position based on their attitude, skills and qualifications. The Group also has a zero-tolerance policy for workplace harassments. Despite all efforts we sadly have to report four sexual harassment cases in 2022 that lead to dismissal.

Our campaign to promote and secure retention of female managers and captains has been continued in 2022, with communication internally and externally. Several measures such as flexible work hours, and working from home, has been promoted to secure a balanced workforce and to create equal opportunities. This also includes dialogue with labor unions for flexible offshore rotation.

Human Rights and Labor standards

The Group embraces practices consistent with international human rights standards and operates in compliance with fundamental as well as local labor 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 2021, Amnesty International ranked DOF in the top five global companies based in the Nordics with the best score related to human rights and responsible employer.

Health, saftey, and the working environment

During the year the strong COVID measures were brought into normalisation and COVID-19 outbreak treated like influenza-like infection and guided by our medical protocols and HR handbooks.

The Group strives to improve safety and environmental performance across all worksites, globally. DOF Group experienced eight Lost Time Incidents (LTI) in 2022, which resulted in a Lost time injury frequency rate (LTIFR) of 0.68 LTIs per million man-hours. Combined with twelve Medical Treatment Cases and eight Restricted Workday Cases, the Total recordable injuries rate (TRIR) was 2.17 recordable incidents per million man-hours. No of the incidents have led to any disabilities and all workers are back in duty.

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. Various surveys among our offshore employees during the year concluded with a strong and unified safety culture build around our values and Safe the RITE way.

In 2022, DOF Group`s absence due to illness has been 2.90 per cent, which is below the Group's target of 3 per cent. The working environment is monitored by various means of activities, including working environment surveys.

Business Integrity and Ethics

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

A new Ethics Helpline was launched in 2019. The helpline operated by a third-party company and provides a platform for reporting unacceptable conduct when normal reporting lines cannot be used. The helpline allows for communication with the reporters even if they prefer to be anonymous, which can be essential during investigations.

Anti-corruption and anti-bribery

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

It is the desire of the Board of Directors that the Group shall be recognised by its high ethical standards. Anti-corruption and anti-bribery measures are regularly evaluated and assessed to ensure that they are aligned with legal requirements and best practice. There have been no confirmed incidents of corruption during 2022.

DOF Subsea Rederi III AS

During the year DOF became a member of MACN, Maritime Anti-Corruption Network, the leading anti-corruption initiative in the Maritime Industry.

Compliance to Law

The DOF Group acknowledges the importance for its internal and external stakeholders of being a reliable partner, compliance is therefore a key topic for the DOF Group. Compliance with both international and local 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 2022, 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 one loss of secondary containment spills that exceeded the 50-litre threshold to environment in the Group.

The DOF Group's total volume of all spills during 2022 was 3,575 litres, whereby 2,112 litres was considered loss of secondary containment.

Climate change and emissions to the air

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

Defining and measuring environmental sustainability and risks associated with the Group's business activities are important. Investments in systems and equipment have been made to record, understand and improve environmental performance. This has been achieved through SEEMP, ISO 14001 and CDP, where the Group achieved a score of B in 2022.

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 operations

It is the view of the Board of Directors that continuous improvement helps to reduce risk, improve performance and align ways of working. Through the Group's improvement program, the Group has streamlined and systematised its improvement work. Based on thorough planning, improvement projects have been carried out through the Group's value chain, focusing on standardisation and improved efficiency. The improvement initiatives will continue in 2023.

Risk Management and Compliance

The global community is witnessing the invasion of Ukraine, and we see the repercussions of fractured tensions in international cooperation. However, the Group has not identified any potential exposure to assets or operations in Eastern Europe, specifically Ukraine and Russia. The situation is monitored by the Groups Ukraine Task force. DOF will continue applying our values as guiding principles of good corporate governance and behaviour. Our company values and Code of Business Conduct are essential to navigating DOF through the volatile, complex, and uncertain challenges that we may see unfold in the coming year.

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

The Group has established routines for weekly, monthly, and quarterly reporting regarding operations, liquidity, financing, investments, HSEQ, HR, taxes and legal performance.

Five year financial forecasts including information on market assumptions are prepared on a regular basis. The Group carries out annually detailed budget processes at all levels.

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

The Group's due diligence processes have been strengthened in recent years and involve the global competence within legal, finance and ESG. The new vendor evaluation database allows management to assess the suppliers and subcontractors towards the Group's requirements for ESG. The process is built upon UN Global Compact guidelines and ISO standards. The new DOF Workbook is the foundation for all the training in the years to come. The modules have a holistic approach and will be the centre of compliance for all our activities as well as the Group stakeholders' expectations for DOF to be a leading company, aligning its activities with the UN's sustainability development goals.

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

Alignment towards the Norwegian Transparency act

On 1st of July 2022 the Norwegian Transparency Act entered into force and DOF has been part of the official hearing process on the new law and given concrete proposal on practical means to obey the intension of Transparency Act based on our experience on how we deal with fundamental human rights and decent working conditions globally. The organisation is aligned and prepared for the new requirements. The Group's Transparency Act statement is published on the DOF's website www.dof.com.

Shareholders, Board of Directors and employees

DOF Subsea AS owns 100 % of the shares in the Company. The Board of Directors of the Company consists of one woman and one man. The Company had no employees during the year.

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.

Financing and capital structure

The Company's interest-bearing debt by 31 December 2022 was NOK 1 821 million (NOK 1 765 million). Equity was negative with NOK 817 million (NOK 895 million) and the working capital was negative. The Company is part of DOF Subsea Group`s cash pooling system and has at all times access to cash available in the cash pool.

DOF Group signed a Restructuring Agreement (RA) with its lenders in June 2022, which included the debt in DOF Subsea Rederi III AS, and it was approved by all relevant financial creditors in November 2022. The parties of the RA further signed an Addendum which described certain steps on how to implement the RA should the shareholders not approve the restructuring. The RA did not get the necessary majority votes from the shareholders, resulting in that the financial creditors requested the board to file for bankruptcy in the DOF ASA. The bankruptcy proceedings were opened on the 2nd of February 2023.

As a consequence of the Restructuring Agreement all subsidiaries in DOF ASA were transferred to DOF Services AS, later named to New DOF ASA and then DOF Group ASA, as a planned "drop-down" process. As part of the agreements in the Addendum all the operations in the subsidiaries of DOF have continued as normal and was unaffected by the bankruptcy proceedings in DOF ASA.

The refinancing was completed on the 22nd of March 2023 and as part of the refinancing external debt in DOF Subsea Rederi III with USD 98 million was reinstated as debt in DOF Subsea As with maturity in January 2026, and loans from DOF Subsea AS to DOF Subsea Rederi III AS with corresponding installments and interest were established.

After implementation of the Restructuring Agreement, loans to Group companies was reclassified to non-current debt.

The main objective when managing the Company's capital structure is to ensure that the Company is able to sustain acceptable credit rating and thereby achieve favourable terms and conditions for long-term funding which is suitable for the Company's operation and growth.

Financial Performance

Operating income totaled NOK 471 million (NOK 300 million) and total operating expenses were NOK 334 million (NOK 15 million). Operating expenses in 2021 was effected by reversal of loss provision related to accounts receivables with NOK 230 million. The operating profit before depreciation (EBITDA) was NOK 127 million (NOK 285 million). The operating profit (EBIT) was NOK 285 million (NOK 266 million), included depreciation of NOK 70 million (NOK 70 million) and reversal of previous impairment of NOK 227 million in 2022 (0 in 2021). Net financial items are NOK -217 million (NOK -115 million). Strengthened USD towards NOK have resulted in unrealised currency losses on loan with NOK - 121 million in 2022 (NOK -32 million).

Total assets balance is NOK 1 214 million (NOK 1 004 million) of which NOK 1 029 million (NOK 790 million) represent non-current assets (vessels). Current assets were NOK 185 million (NOK 214 million). The company is part of DOF Subsea Group`s cash pooling system and has at all times access to cash available in the cash pool. Total liabilities are NOK 2 031 million (NOK 1 899 million) of which NOK 1 013 million (NOK 844 million) was current portion of debt to credit institutions and NOK 973 million (NOK 1 012 million) was subordinated debt to companies in the DOF Subsea Group.

The Company's net cash from operating activities was NOK 63 million (NOK 60 million). Cash flow from investing activities was

DOF Subsea Rederi III AS

NOK 7 million (NOK -101 million) and include payment from sale of Geosund in 2022. Net cash from financing activities was NOK -79 million (NOK 30 million) and is mainly affected by settlement of internal loan related to Geosund.

Risk

Climate risk

The Company'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 Company's ability to meet changing stakeholder expectations associated with Greenhouse Gas emission from ships, including Nitrogen Oxides (NOX), Sulphur Oxides (SOX) and Particulate Matter (PM) in harbour areas.

Financial risk factors

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

The Company has historically achieved satisfactory long term financing of its new building program and refinancing of existing assets. However, a weak market in the period from 2014 to 2021 and an increased focus on ESG from financial institutions have increased the refinancing risk for the Group.

The Company has secured a runway until 2026 for its fleet as part of the restructuring, where the main focus is to reduce the debt and the opportunities to invest in new assets or new businesses are limited.

Currency risk

The Company operates parts of its fleet globally and is to a certain extent exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, contractual obligations (assets), liabilities and investments in foreign operations.

The Company's reporting currency is NOK. Foreign exchange risk arises when future commercial transactions, contractual obligations (assets) and liabilities are in different currencies that the reporting currency. The Company aims to achieve a natural hedge between cash inflows and cash outflows to secure the debt funding in equivalent and currency as the committed earnings from the charter contracts, and further to manage the remaining foreign exchange risk arising from commercial transactions, through forward contracts and similar instruments as appropriate. However, these forward contracts are limited in the new loan facility. Hence the Company's liquidity risk has increased when currency fluctuate.

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 Company's debt is in USD.

Interest risk

The Company is exposed to changes in interest rates as parts of the Group's liabilities have a floating rate of interest. The Company has historically reduced its interest rate exposure by entering into interest rate swap agreements. The possibilities to enter into interest forward contracts (swap contracts), in the new loan facilities are limited and the Group's exposure to volatility in interest rates has increased.

Credit risk

The Company's credit risk has historically been low as the Company's customers traditionally have had good financial capability to meet their obligations and have high credit ratings. Historically, the portion of receivables not being collectable has been low.

Market risk

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 in the period from 2014-2021. The Company's strategy is to focus on long term relationships with the clients and firm contracts for its fleet and has managed to continue a high utilisation also through the downturn. Since 2022 the client's willingness to agree contracts for longer periods have increased due to improving markets.

Price risk

The Company is exposed to increased costs in general. The effects of the Covid pandemic and the war in Ukraine have among others resulted in higher inflation on vessel maintenance, services, and salaries. In addition, the logistics and supply management have become more challenging and more costly. The Company has focus on early planning to mitigate the risk of not receiving deliveries on time and sign agreements with the main suppliers at fixed prices.

Tax risk

The Company operate vessels in several different tax jurisdictions. The income and profit from these operations are subject to income taxes and judgment may be involved when determining the taxable results. Tax authorities in different jurisdictions may challenge the calculation of taxes payable from prior periods through tax audits.

Cyber risk

The continuous digitalization of routines and operations increases exposure of the Group's business information and communication systems to external and/or internal cyberattacks. These cyberattacks could lead to business disruption and/or data breaches. To manage this risk, the Group works systematically to make the organization more resistant to cyberattacks and reduce the consequences of breaches. Cyber Security is an integrated part of the organization and internal training material.

Allocation of the result

The Company's profit for the year was NOK 78 million. The Board of Directors recommends that the profit for the year is allocated to other equity.

Going concern

The financial statements are prepared on the assumption of going concern. The Company's and the Group's financial position has since 2019 not been sustainable and standstill agreements with the financial creditors have been applicable for the debt since 2nd Quarter 2020. The Restructuring Agreement (RA) with the financial creditors was signed in June 2022 and the restructuring was completed in March 2023. Based on that the restructuring of the Company and the Group is now done and the budget for the next 12 months, the Board is of the opinion that the Company is in compliance with going concern.

Equity was negative with NOK 817 million pr 31.12.2022. After the refinancing in 2023 the company is financed with internal loans to the parent company and has only operational debt to external parties. The Company is part of DOF Subsea Group`s cash pooling system and has at all times access to cash available in the cash pool.

The board of directors will evaluate different alternatives to improve the equity situation in 2023.

Events after balance date

On the 23rd of February 2023 the bondholders meeting in each of the DOFSUB07, DOFSUB08 and DOFSUB09 bond issues approved the required changes to the Restructuring Agreement following the commencement of bankruptcy proceeding in DOF ASA.

On the 22nd of March 2023 the restructuring of the Company and the Group was completed including effectuating of new loan facilities in DOF Subsea Group and conversion of approximately NOK 3 billion of bond loans to equity.

As part of the restructuring external debt in DOF Subsea Rederi III AS with NOK 98 million was reinstated as debt in DOF Subsea AS with maturity in January 2026, and loans from DOF Subsea AS to DOF Subsea Rederi III AS with corresponding installments and interest were established.

From 22 June 2023 shares in DOF Group ASA was re-listed and traded on Oslo Stock Exchange.

The vessel Skandi Constructor has been sold to DOF Subsea Rederi AS in May 2023.

Outlook

The oil and gas markets have improved in 2022 resulting in better performance and earnings. This trend has continued into 2023. The Company has a strong back log in 2023 which gives a good visibility on the earnings in 2023. The recent contract awards are done at higher rates and better terms than the previous contracts.

The completion of the Restructuring has created a stable and viable financial platform for the Company. The reinstated debt terms support liquidity and provide significant maturity runway and is further a simplification of the Company's financing structure. The Restructuring leaves the Company well positioned to support its operations, secure new contracts and to continue to deliver on the Group's strategy.

Bergen, 30th of June 2023

The Board of Directors of DOF Subsea Rederi III AS

Mons Aase (Jun 30, 2023 13:45 GMT+2)
Mons S. Aase
Chairman

Marianne Møgster (Jun 30, 2023 13:46 GMT+2)
Marianne Møgster
Director

DOF Subsea Rederi III AS

Amounts in NOK million

Financial statements
DOF Subsea Rederi III AS

DOF Subsea Rederi III AS

Amounts in NOK million

Statement of comprehensive income

	Note	2022	2021
Operating revenue	5, 15	471	300
Payroll expenses	6, 15	-87	-73
Other operating expenses	15, 16	-257	58
Operating profit before depreciation and impairment (EBITDA)		127	285
Depreciation and impairment	11	158	-70
Gain/loss on sale of tangible assets		-	51
Operating profit (EBIT)		285	266
Financial expenses	7, 15	-116	-95
Realised gain / loss on derivative instruments and currency positions	7	21	-8
Unrealised gain / loss on derivative instruments and currency positions	7	-122	-11
Net financial income / loss		-217	-115
Profit / loss before tax		68	152
Income tax expense	8	10	-
Profit / loss for the year		78	152
Other comprehensive income / loss, net of tax		-	-
Total comprehensive income / loss for the year, net of tax		78	152

DOF Subsea Rederi III AS

Amounts in NOK million

Statement of financial position

	Note	2022	2021
Assets			
Tangible assets	11	1 010	777
Investments in associates	15	5	6
Deferred tax benefit	8	11	-
Other non-current assets	12	3	7
Total non-current assets		1 029	790
Trade receivables	9	6	8
Current receivables from Group companies	15	147	101
Other current receivables		32	105
Current receivables		185	214
Unrestricted cash and cash equivalents	10,14	-	-
Total current assets		185	214
Total assets		1 214	1 004
Equity and liabilities			
Paid-in equity	13	60	60
Other equity	13	-877	-955
Total equity		-817	-895
Debt to credit institutions	14	-	-
Debt to Group companies	14	-	-
Total non-current liabilities		-	-
Current portion of debt	14	1 013	844
Trade payables		20	5
Current liabilities to Group companies	14, 15	981	1 012
Other current liabilities		16	37
Tax payables	8	1	1
Total current liabilities		2 031	1 899
Total liabilities		2 031	1 899
Total equity and liabilities		1 214	1 004

Bergen, 30th of June 2023

The Board of Directors of DOF Subsea Rederi III AS

Mons Aase (Jun 30, 2023 13:45 GMT+2)
Mons S. Aase
Chairman

Marianne Møgster (Jun 30, 2023 13:46 GMT+2)
Marianne Møgster
Director

DOF Subsea Rederi III AS

Amounts in NOK million

Statement of changes in equity

Changes in equity	Note	Paid-in equity	Other equity	Total equity
Equity at 01.01.2022		60	-955	-895
Profit for the year		-	78	78
Other comprehensive income net of tax		-	-	-
Total comprehensive income net of tax		-	78	78
Equity at 31.12.2022		60	-877	-817
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

DOF Subsea Rederi III AS

Amounts in NOK million

Statement of cash flows

	Note	2022	2021
Operating profit (EBIT)		285	266
Depreciation and impairment	11	-158	70
Amortisation of contract cost	12	7	8
Profit from sale of non-current assets		-	-51
Change in trade receivables	9	2	-8
Change in trade payables		15	-
Changes in other working capital including intercompany balances	15	-30	-179
Exchange rate effect on operating activities		12	3
Cash flow from operating activities		133	108
Interest and other financial costs paid	7	-71	-47
Interest received		1	-
Tax paid		-	-1
Net cash flow operating activities		63	60
Purchase of tangible assets	11	-75	-100
Purchase of intangible assets		-3	-15
Changes in other non-current receivables		85	14
Cash flow from investing activities		7	-101
Instalments on non-current liabilities -IC	14	-91	-
Lease borrowings		12	
Proceeds from interest bearing debt - IC		-	30
Cash flow from financing activities		-79	30
Net change in cash and cash equivalents		-9	-11
Cash and cash equivalents at 01.01	10	-	1
Exchange rate gain / loss on cash and cash equivalents		9	10
Cash and cash equivalents at 31.12	10	-	-

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 and Skandi Seven. Skandi Neptune was sold in 2021 with expected delivery to its new owner in 2023. Geosund was sold in 2021 and was delivered to its new owner in January 2022. Skandi Constructor was sold to DOF Subsea Rederi AS in May 2023.

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

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

Going concern

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

The going concern assumption is based on the refinancing that was completed on 22nd March 2023, strong operational performance and the contract coverage. Approximately NOK 5.2 billion of debt in the ultimate parent company, DOF Group ASA, was converted into equity. NOK 3.1 billion of the NOK 5.2 billion has been given effect on equity in DOF Subsea Group.

As part of the refinancing external debt in DOF Subsea Rederi III AS with USD 98 million was reinstated as debt in DOF Subsea AS with maturity in January 2026, and loans from DOF Subsea AS to DOF Subsea Rederi III with corresponding installments and interest were established.

Equity was negative with NOK 817 million pr 31.12.2022. After the refinancing in 2023 the Company is financed with internal loans to the parent company and has only operational debt to external paries. The Company is part of DOF Subsea Group`s cash pooling system and has at all times access to cash available in the cash pool.

The Company and the board of directors will evaluate different alternatives to improve the equity situation in 2023.

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 Group ASA companies are defined as DOF Group 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 Group ASA and DOF Subsea AS companies.

Segment reporting

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

Conversion of foreign currency

a) Foreign currency

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

b) Transactions and balances

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

Classification of assets and liabilities

Assets are classified as current assets when:

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

All other assets are classified as non-current assets.

Liabilities are classified as current liabilities when:

- the liability forms part of the entity's operating cycle, and is expected to be realised or consumed over the course of the entity's normal operations; or
- the liability is held for trading; or
- settlement of the liability has been agreed upon within12 months after the reporting period; or
- the entity does not have an unconditional right to postpone settlement of the liability until at least 12 months after the reporting period

All other liabilities are classified as non-current liabilities.

Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business and classified as current assets. In addition to invoiced amounts, trade receivable also includes accrued, not invoiced revenues when the amounts are independent of future performance. Accrued not invoiced revenues is recognised if the cpmpany performs by transferring services to a customer before the customer pays consideration or before invoice can be issued.

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

Tangible assets

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

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

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

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

For vessels, residual value is determined based on estimated fair value today as if the asset was at the end of its useful life. Useful life and economic life of the Company`s vessels is estimated to be 30 years. For further information on depreciation policy see note 4 'accounting estimates and assessments'.

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. For further information on the calculation see note 4 'Accounting estimates and assessments'.

Periodic maintenance of tangible assets

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

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

Debt

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

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

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

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

Provisions

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

Revenue recognition

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

Day rate contracts

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

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

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

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

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

Contract cost

Cost incurred relating to future performance obligations are deferred and recognised as assets in the statement of balance sheet. The nature of the asset is incremental cost of obtaining a contract and will be recovered by the revenue over the contract period. Costs related to contract and future performance obligation longer that 12 months are classified and presented as other non-current assets. All other costs for future performance are presented as other current assets. Contract costs incurred will be expensed and presented as operational expenses in line with the satisfaction of the performance obligation.

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

No new standards, amendments or interpretations have been adopted by the Company in 2022.

New standards, amendments and interpretations not yet adopted

New standards and amendments mandatory for annual reporting periods after 31 December 2022 is expected to not be significant for the Company.

3 Financial risk management

The Company 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 risk and liquidity risk. The Company's governing risk management strategy focuses on minimising the potential negative effects on the Company's results.

The current loan agreements limit the Company from entering hedging transactions to reduce foreign exchange risk, interest rate risk and liquidity risk. Hence, these risks increased if the currencies and interest rates fluctuate.

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 Company's counterparty credit risk has been low as the Company's customers traditionally have had good financial capability to meet their obligations and have had high credit ratings. Historically, the portion of receivables not being collectable has been low.

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 22nd of March 2023 all debt is internal debt.

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 1 013 million per 31.12.2022.

The Company aims to be naturally hedged by matching income and costs for the relevant currencies.

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.

Price risk

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

The demand for the Company's vessels is sensitive to changes in the oil industry, for example oil price movements, exploration and general activity level within the offshore energy industry. This affects both the pricing and the utilisation of the Company's assets.

The costs of construction of new assets and replacements of assets are sensitive to changes in market prices.

The Company attempts to reduce price risk by long-term contracts and frame agreements with key suppliers.

The Company is exposed to market fluctuations which have resulted in lower utilisation and reduced earnings from its vessels due to continuing challenging markets in the period from 2014-2021. The Company`s strategy is still to continue its focus on long-term contracts for its fleet. During the market downturn many of the clients have preferred shorter term contract renewals, however in 2022 and so far in 2023 the client's willingness to enter into contracts for longer periods has increased due to improving markets.

Inflation risk and supply management

The Company is exposed to inflation risks. Effects of the covid pandemic and the war in Ukraine contributed to the start of higher inflation and a greater degree of unpredictability in the prices of goods, services and salaries. Inflation has during 2022 reached level not seen in decades. In addition, the logistics and supply management have become more challenging. To mitigate these risks and not receiving deliveries on time, strategy is to do early planning and sign agreements with the main suppliers at fixed prices.

Capital structure and equity

DOF ASA Group signed the Restructuring Agreement (RA) in June 2022, which included the debt in DOF Subsea Rederi III AS. The refinancing was completed on the 22nd of March 2023. As part of the restructuring external debt in the Company with USD 98 million was reinstated as debt in DOF Subsea AS with maturity in January 2026, and loans from DOF Subsea AS to DOF Subsea Rederi III with corresponding installments and interest were established.

After implementation of the Restructuring Agreement, loans to Group companies was reclassified to non-current debt.

For further information related to the refinancing see the Annual report for DOF ASA Group and DOF Subsea Group.

4 Accounting estimates and assessments

When preparing the annual accounts, estimates and assessments have been in use. Bases for these estimates and assessments may change and impact assets, liabilities, equity and result.

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

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 periodic maintenance

The level of depreciation depends on the calculated residual value. Residual value after 30 years is set to zero based on an assumption that environmental requirements related to disposal of vessels are estimated to offset the scrap value of the steel.

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

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. 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. When value in use calculations have lower value than broker estimates, value in use has been used in the impairment test.

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 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 10.8%.

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

Climate Risk and Impairment test

The impairment test for vessels has included an analysis of which measures will be necessary to achieve GHG emissions reductions target. It is expected that decarbonisation measures will contain activities that have a greater degree of uncertainty than a traditional maintenance and upgrade program for the vessels. Cash flow effects related to risk and opportunities in a climate risk context therefore comes with higher degree of uncertainty.

It is likely that a tax on GHG emissions can be implemented during the vessels' useful life. However, there is great uncertainty about when, where, and how this tax will affect future cash flows. In the current impairment model, the Company has therefore not included any costs linked to a potential tax on GHG emissions.

A general transformation to a low-carbon economy can also affect future revenue for the vessels. There will be risks and opportunities in energy transition to a low carbon economy. However, there are limited knowledge available about future cash flow effects on revenue, hence there has not been possible to quantify or measure these effects. The impairment test has therefore not included any potential effect on future income cash flow related to energy transition.

The business model is founded on the principle of maximising the value of vessel assets across its operational lifespan. With a greater appreciation of climate change transition risks and circular economy, the Company seeks to extend assets' operational and economic life for as long as possible. With this objective comes increased business sustainability through maximising material value and reduced exposure to asset write-down. These principles are a fundamental component of the decarbonisation roadmap, building business resilience to climate change impact and offering greater value to stakeholders of the Company.

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.

It is key for the Company to limit exposure to stranded assets by incorporating climate-resilient strategies within the business model and create low-carbon value propositions for the clients across short, medium and long-term timeframes.

The economic life of the vessels and the risk of stranded assets will depend on the Company's ability to reach its climate targets. Increasing focus on the circular economy will also have effects on the economic life and the useful life of the vessels. A short or longer economic life might affect the value of the vessels and equipment as well as future depreciation.

There will always be a risk that a change in regulation and the market's requirements for sustainable operation may affect the economic life and useful life of the vessels and in turn increase the risk of asset being stranded.

Tax

Deferred tax assets are recognised 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. Earnings have continue to improve during 2022 and contracts entered into in 2022 have also longer duration than previous years which gives better visibility of future earnings. This development has provided the basis for recognition of deferred tax assets of NOK 11 million in 2022. However, there are still uncertainty related to taxable profit going forward and only a small part of loss carried forward are recognised as deferred tax asset.

DOF Subsea Rederi III AS

Amounts in NOK million

5 Operating revenue

2022	Brazil	Norway	US	Canada	Other	Total
Operating revenue	236	108	68	54	5	471

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

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	2022	2021
Personnel hire	87	73
Total payroll expenses	87	73
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	2022	2021
Interest and guarantee expenses	-110	-92
Other financial expenses	-6	-3

DOF Subsea Rederi III AS

Amounts in NOK million

Financial expenses	-116	-95
Realised gain / loss on currencies	21	-8
Realised gain / loss on financial derivatives and currency positions	21	-8
Unrealised gain / loss on currencies	-122	-11
Unrealised gain / loss on financial derivatives and currency positions	-122	-11
Net financial income / loss	-217	-115

8 Tax

Income tax expense	2022	2021
Current tax on profit for the year, foreign countries	-	-
Withholding tax	-	-
Change in deferred tax	10	-
Impact of change in tax rate	-	-
Total income tax expense	10	-

Reconciliation of nominal and effective tax rate		
Profit before tax	68	152
Expected income tax expense 22% (22%)	-15	-33
Tax effect of		
Expenses not deducted for tax purposes	-	-
Tax loss for which no deferred tax asset has been recognised	-38	-48
Utilisation of previously unrecognised tax losses	-	-
Withholding tax and effect of different tax regimes	-	-
Change in temporary differences	63	81
Total income tax expense	10	-

Basis for deferred tax		
Non-current assets	180	-209
Receivables	-1	99
Liabilities	-127	-129
Temporary differences not included as deferred tax	-	-
Total temporary differences	53	-237
Tax loss carry-forward	-1 365	-1 144
Basis for calculation deferred tax (-) / tax assets	-1 312	-1 381
Deferred tax / tax assets (-)	-289	-304
Deferred tax assets not recognised	277	304
Total deferred tax / tax assets (-)	-11	-

DOF Subsea Rederi III AS

Amounts in NOK million

Deferred tax

The table above specifies the temporary differences between accounting and tax values, and calculation of deferred tax / tax asset at year-end. Deferred tax asset is recognised based on expected group contribution from subsidiaries and use of tax loss carried forward in 2023.

9 Trade receivables

Trade receivables	2022	2021
Trade receivables at nominal value	6	8
Trade receivables at 31.12	6	8

Historically, the portion of receivables not being collectable has been low.

10 Cash and cash equivalents

Cash and cash equivalents	2022	2021
Bank deposits	-	-
Cash pooling system deposit DOF Subsea AS	31	-28

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

2022	Vessels	Periodical maintenance	ROVs	Total
Cost at 01.01	1 881	158	25	2 064
Additions	1	4	70	75
Disposals	-	-	-	-
Cost at 31.12	1 882	162	95	2 139
Depreciation at 01.01	-163	-93	-25	-281
Depreciation for the year	-45	-24	-	-70
Depreciation on disposals	-	-	-	-
Depreciation at 31.12	-208	-117	-25	-351
Impairment at 01.01	-1 006	-	-	-1 006
Impairment for the year	-	-	-	-
Impairment reversals	227	-	-	227
Impairment on disposals	-	-	-	-
Impairment at 31.12	-779	-	-	-779

DOF Subsea Rederi III AS

Amounts in NOK million

Book value at 31.12	895	45	71	1 010
Asset lifetime (years)	30	2.5-5	12	
Depreciation schedule	Linear**	Linear	Linear	

** Useful life and residual value

The Group 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.

Addition

The Company has in 2022 acquired 2 ROVs from DOF Subsea ROV AS.

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	

Impairment

Vessel	Reversal of Impairment
Skandi Seven	106
Skandi Constructor	95
Skandi Neptune	26
Total reversal of impairment of vessels	227

Reversal of impairment

The impairment test is based on operational performance, contract backlog and the completed refinancing 22nd of March 2023. The impairment test has resulted in a reversal of impairment of NOK 227 million. For further information about the impairment assessment, see note 3.

Sensitivity analysis

Impairment tests are highly sensitive to changes in NOK towards other currencies and a strengthening of NOK of 20% will result in an additional impairment of NOK 336 million, given no change in other assumptions. While testing the reasonableness of the broker estimates the Group has applied a nominal WACC after tax of 10.8 %. An increase in WACC with 200 basis points will result in an additional impairment of the vessels with NOK 2 million. Negative effect on net future cash flows with 20 % will result in an additional impairment of the vessels with NOK 79 million. The Company has a new fleet of vessels and as a result, the future cash flows for the vessels are long. The key assumptions in a discounted cash flow calculation for vessels are utilisation, charter rates, operational costs and climate related costs. Changes in these assumptions could have considerable effects on the value of the vessels

DOF Subsea Rederi III AS

Amounts in NOK million

12 Contract costs

31.12.2022	Contract costs	Total
Net booked value 01.01	7	7
Additions	3	3
Amortisation	-7	-7
Impairment	-	-
Currency translation differences	-	-
Net booked value 31.12	3	3

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 2022 was NOK 60 400 000 comprising 1 000 shares, each with a nominal value of NOK 60 400.

Shareholder overview

DOF Subsea AS own 100 % of the shares per 31.12.2022.

DOF Subsea Rederi III AS

Amounts in NOK million

14 Interest bearing debt

The Company has standstill-agreement with its lenders at 31 December 2022 and the financial covenants have been waived in the standstill agreement.

DOF Group ASA including DOF Subsea Group signed a Restructuring Agreement (RA) in June 2022 which include all the external debt in the Company.

All the financial creditors have approved the restructuring agreement and the addendum in 2022, and the refinancing was completed on the 22nd of March 2023. As part of the refinancing USD 98 million of the Company's debt was reinstated as debt in DOF Subsea AS with maturity in January 2026, and loans from DOF Subsea AS to DOF Subsea Rederi III with corresponding installments and interest were established. The new loan in DOF Subsea AS is secured with the Company's vessels.

Non-current interest bearing debt	2022	2021
Debt to credit institutions	-	-
Non-current debt to Group companies	-	-
Total non-current interest bearing debt	-	-
Current interest bearing debt		
Debt to credit institutions	1 011	829
Current debt to Group companies	842	936
Total current interest bearing debt	1 852	1 765
Total non-current and current interest bearing debt	1 852	1 765
Net interest bearing debt		
Cash and cash equivalents	31	-
Net interest bearing debt	1 821	1 765

Current portion of debt in the statement of financial position includes accrued interest expenses. Accrued interest NOK 2 million (2021: NOK 15 million) are excluded in the current interest bearing debt to credit institutions. Internal accrued interest, guarantee fees and othere non-interest bearing liabilities are excluded in the current interest bearing debt to Group companies..

Liabilities secured by mortgage	2022	2021
Liabilities to credit institutions	1 013	844
Book value of assets pledged as security for debt to credit institutions	1 010	777
Average rate of interest*	10.22%	10.21%

*Calculated on external debt

Financial covenants and new loan agreements

After completion of the financial restructuring of the Group and the Company, new loan facilities have been established including changes in the financial covenants. There are no financial covenants at company level for DOF Subsea Rederi III AS. Applicable covenants are on DOF Subsea Group consolidated level, in addition to covenants in sister companies DOF Rederi AS and Norskan Offshore Ltda. The new loan agreements have financial covenants related to cash, working capital, interest coverage ratio and fair value of vessels. Testing date is set to be the last day in each quarter. For further information about financial covenants in the Group see the annual report 2022 for DOF Subsea Group and DOF Group ASA at www.dof.com.

DOF Subsea Rederi III AS

Amounts in NOK million

15 Related parties

DOF Group 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	2022	2021
DOF Subsea Group	467	202
DOF Group ASA	-	1
Total	467	203

Operating expenses		
DOF Subsea Group	204	-132
DOF Group ASA	62	54
Total	266	-78

Net finance costs		
DOF Subsea Group	64	49
Total	64	49

Current receivables from Group companies		
DOF Subsea Group	147	99
DOF Group ASA	-	2
Bad debt provision	-	-
Total	147	101

Current liabilities to Group companies		
DOF Subsea Group	976	1 005
DOF Group ASA	5	7
Total	981	1 012

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

The company has reversed impairment loss of NOK 230 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 Group ASA and DOF Subsea Group.

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)*	2022	2021
Fee for audit of financial statements	155 500	159 001
Fee for attestation	-	35 000
Fee for other tax consultancy	-	40 000
Total	155 500	234 001

*) Amounts in NOK

17 Events occurring after period end

Finance

On the 23rd of February 2023 the bondholders meeting in each of the DOFSUB07, DOFSUB08 and DOFSUB09 bond issues approved the required changes to the Restructuring Agreement following the commencement of bankruptcy proceeding in DOF ASA.

On the 22nd of March 2023 the restructuring of the Company and the Group was completed including effectuating of new loan facilities in DOF Subsea Group and conversion of approximately NOK 3 billion of bond loans to equity. From 22 June 2023 shares in DOF Group ASA was re-listed and traded on Oslo Stock Exchange.

As part of the restructuring external debt in DOF Subsea Rederi III AS with USD 98 million was reinstated as debt in DOF Subsea AS with maturity in January 2026, and loans from DOF Subsea AS to DOF Subsea Rederi III with corresponding installments and interest were established.

Sale of vessel

The vessel Skandi Constructor has been sold to DOF Subsea Rederi AS in May 2023.

pwc

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 2022, 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 2022, 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 relevant laws and regulations in Norway 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.

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 statutory requirements.

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

pwc

Responsibilities of Management for the Financial Statements

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.

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, 30 June 2023
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	2023-06-30 13:28

DOF SUBSEA Rederi III AS
Thormøhlens gate 53 C
5006 Bergen
NORWAY
dofsubsea.com

DOF Subsea

MOTTATT
02 MARS 2016

Norwegian Directorate of Taxes

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

DOF SUBSEA AS
Thormøhlens gate 53C
5006 BERGEN

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

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

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

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

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

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

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

Postal address
P.O. Box 9200 Grønland
0134 Oslo

Visiting address:
See www.skatteetaten.no
Org.nr: 996250318
E-mail: skatteetaten.no/sendepost

Telephone
800 80 000
Telefax
22 17 08 60

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