2016 YEAR

DOF ASA Annual Report

2016

DOF ASA ANNUAL REPORT

Financial calendar 2017

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

Date	Event
12 May 2017	1st quarter 2017
24 May 2017	Ordinary General Meeting
23 Aug 2017	2nd quarter 2017
15 Nov 2017	3rd quarter 2017
Medio Feb 2018	4th quarter 2017

The dates are subject to change.

Our vision

To be a world class integrated offshore company, delivering marine services and subsea solutions responsibly, balancing risk and opportunities in a sustainable way, together, every day.

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Our values

Integrity

The very corner stone of our business. We behave ethically – always.

Respect

Underpins everything we do and every interaction we have. Respect for people: our colleagues, our customers, and our business partners.

Teamwork

Everything we achieve is as a result of teamwork.

Excellence

In everything we do. We are resourceful and responsive to our customers' needs; innovative in the solutions we apply to everyday problems.

SAFE

Above all we are SAFE.

This is DOF ASA

Overview

Ever since our beginning in Austevoll in 1981, when DOF was founded with three employees and one vessel to provide platform supply vessel services to the domestic offshore market, DOF has continued a proud tradition of delivering safe and quality services to our customers. As of January 1st 2017, DOF has a global workforce of more than 4,000 employees and by April 2017 a fleet comprising 68* vessels.

The Group operates in three segments of the offshore services market, strategically defined by activities and vessel types: PSV (Platform Supply Vessels), AHTS (Anchor Handling Tug Supply vessels) and Subsea (Subsea vessels and Subsea engineering services).

DOF is positioned as a solid player in the industry with our investment in a state-of-the-art fleet, combined with a strong safety culture and a flexible business model. Leveraging the long-term charter business with the subsea project business, DOF has the flexibility to maximise their market position in each region of operation. During the last decade the company has invested in key regions such as the Atlantic, South America, North America and Asia Pacific.

No matter where DOF operates in the world, safety is held as the highest priority. DOF strives to be the leader in the fields of health, safety, environment and quality (HSEQ) and systematically promotes these areas in the execution of all activities and operations.

** The total of 68 vessels includes two vessels owned less than 50%, three new buildings of which two are 50% owned via joint venture and one vessel owned 45%. In addition two managed and operated with purchase option and one hired-in from external owner.*

The DOF Group personnel totals include Subsea project personnel and Marine Management personnel.

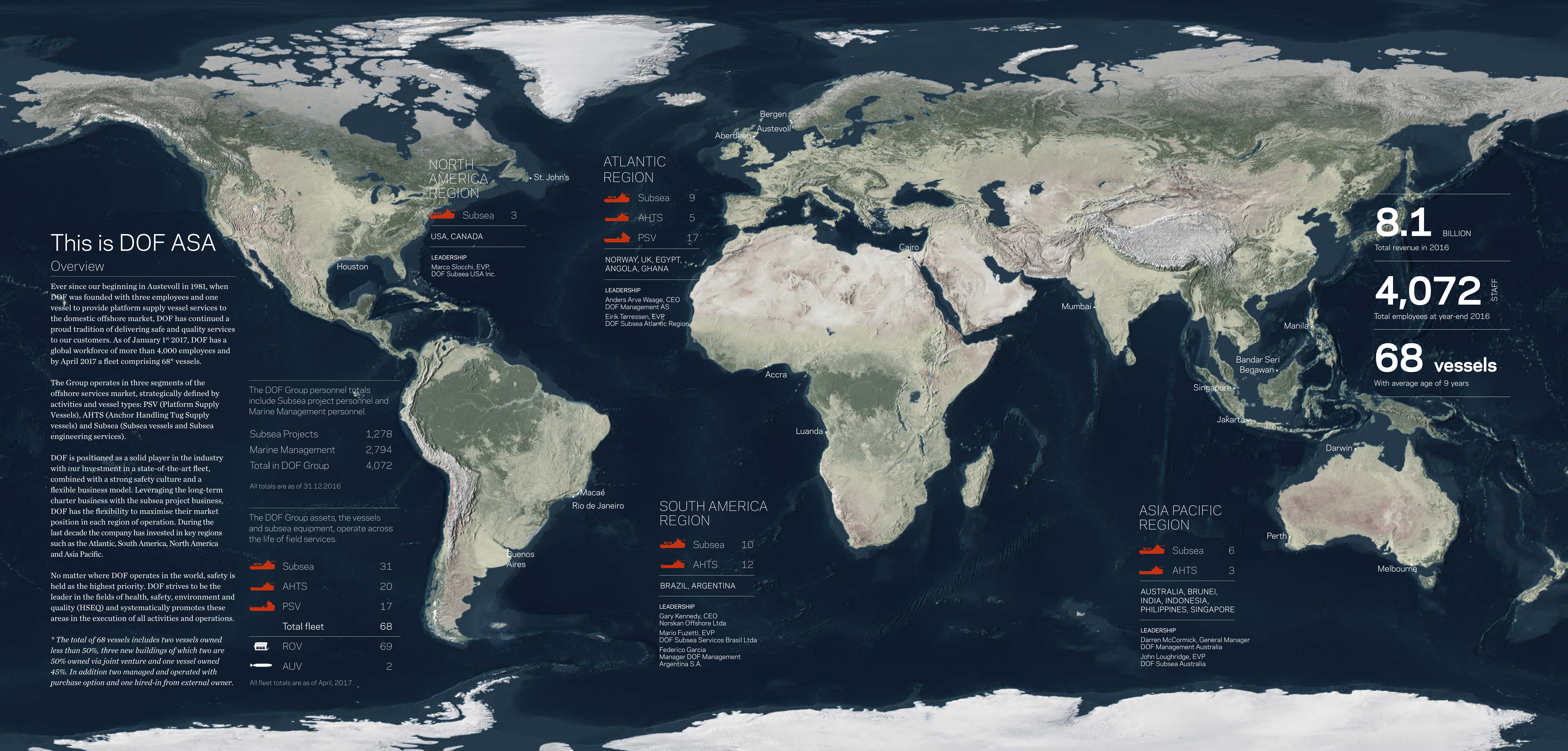
Subsea Projects	1,278
Marine Management	2,794
Total in DOF Group	4,072

All totals are as of 31.12.2016

The DOF Group assets, the vessels and subsea equipment, operate across the life of field services.

Subsea	31
AHTS	20
PSV	17
Total fleet	68
ROV	69
AUV	2

All fleet totals are as of April, 2017.



NORTH AMERICA REGION

Subsea	3

USA, CANADA

LEADERSHIP
Marco Slocchi, EVP, DOF Subsea USA Inc.

ATLANTIC REGION

Subsea	9
AHTS	5
PSV	17

NORWAY, UK, EGYPT, ANGOLA, GHANA

LEADERSHIP
Anders Arve Waage, CEO DOF Management AS
Eirik Tørressen, EVP DOF Subsea Atlantic Region

SOUTH AMERICA REGION

Subsea	10
AHTS	12

BRAZIL, ARGENTINA

LEADERSHIP
Gary Kennedy, CEO Norskan Offshore Ltda
Mario Fuzetti, EVP DOF Subsea Servicos Brasil Ltda
Federico Garcia Manager DOF Management Argentina S.A.

ASIA PACIFIC REGION

Subsea	6
AHTS	3

AUSTRALIA, BRUNEI, INDIA, INDONESIA, PHILIPPINES, SINGAPORE

LEADERSHIP
Darren McCormick, General Manager DOF Management Australia
John Loughridge, EVP DOF Subsea Australia

8.1 BILLION
Total revenue in 2016

4,072 STAFF
Total employees at year-end 2016

68 vessels
With average age of 9 years

Highlights

Key takeaways:

83%
Average fleet utilisation for 2016

2.9 BILLION
Reduced NIBD through refinancing

27 BILLION
YTD contract backlog excluding options

All totals as of year-end 2016 and all figures in NOK.

Q1 2016

AWARDS

Skandi Vega (AHTS) awarded 1+1 year with Statoil

FLEET

Skandi Protector (Subsea) sold and delivered to new owner

Q2 2016

AWARDS

Skandi Møgster (AHTS) and Skandi Saigon (AHTS) extended until Oct 2016 with Total Austral in Argentina

Skandi Gamma (PSV) awarded 3 month contract + options with Maersk UK in the North Sea

Skandi Niteroi (Subsea) awarded 8-month firm + options with Petrobras in Brazil

Skandi Achiever (Subsea) secured ROV and diving contracts, securing utilisation until Oct 2016

Skandi Vitoria (Subsea) awarded a new contract with Petrobras in Brazil, securing utilisation until end 2016

Skandi Emerald (AHTS) and Skandi Giant (AHTS) awarded 120-day + options with Schlumberger Asia Services in India

Geograph (Subsea) awarded an 18-month extension with Petrobras in Brazil

Skandi Marstein (PSV) awarded an 18-month contract with Nexen Petroleum UK

FLEET

Skandi Paraty (AHTS) delivered and on-hire on a 4-year contract with Petrobras in Brazil

Normand Reach (Subsea) redelivered

FINANCING

Bond loan (DOFSUB05) fully repaid

New facility drawn on Skandi Paraty (AHTS)

HIGHLIGHTS

Q3 2016

AWARDS

DOF Subsea awarded 5+2+2 year IMR contract to Shell's Prelude FLNG facility in Australia

Skandi Flora (PSV) awarded 6-month extension in Canada

Skandi Møgster (AHTS) awarded 6-month extension with Total Austral in Argentina

Skandi Mongstad (PSV) awarded 1-year extension with Statoil

Skandi Salvador (Subsea) awarded 1-year firm + options with Petrobras in Brazil

Skandi Caledonia (PSV) awarded extension with Apache until mid Jan 2017

Skandi Gamma (PSV) awarded extension until end 2016 with Maersk UK

FLEET

Skandi Açu (Subsea) delivered and on-hire on 8-year contract with Petrobras in Brazil

FINANCING

DOF ASA rights issue of NOK 1,060 million completed

DOF ASA issued a new subordinated convertible bond (replacing DOF09, DOF10, DOF 11)

DOF Rederi signed a new NOK 3,800 million credit facility

New facility drawn on Skandi Açu (Subsea)

Q4 2016

AWARDS

Skandi Aukra (PSV) awarded 2-year firm contract + options with Asco Marine

Skandi Iceman (AHTS) awarded 13-month call-off, minimum 60-day firm contract with Eni Norge

FLEET

Skandi Stord (AHTS) sold and delivered to new owners

Skandi Santos (Subsea) sold and delivered to Akastor JV, Marine management and ROV service to continue under Norskan and DOF Subsea

FINANCING

New facility of NOK 3,800 million drawn by DOF Rederi

Q1 2017

AWARDS

Skandi Pacific (AHTS) awarded 3-year firm contract + options with Total Austral in Argentina

Skandi Vitoria (Subsea) awarded 532 days with Petrobras in Brazil

Skandi Botafogo (AHTS) awarded 1-year firm contract + options with Petrobras in Brazil

Skandi Sotra (PSV) and Skandi Saigon (AHTS) awarded 75-day firm contracts + options in Egypt

DOF Subsea awarded 3-year frame agreement in Asia Pacific

DOF Subsea awarded LOA for a subsea vessel with duration of more than 1 year in the Atlantic region

Geoholm (Subsea) awarded contract by Technip Oceania for Shell's Prelude FLNG project in Australia

Skandi Olympia (Subsea) awarded 6-month contract + options with Fugro Subsea Services

DOF Subsea awarded contract for FPSO mooring installation on the UKCS utilising Skandi Skansen (Subsea) along with a number of anchor handlers in the North Sea

FLEET

Skandi Búzios (Subsea) delivered and commenced mobilisation for 8-year contract with Petrobras in Brazil

Skandi Hera (AHTS, ex Olympic Hera) and Skandi Darwin (Subsea, ex Olympic Commander) added to the fleet

Skandi Waveney (PSV) sold and delivered to new owner

Skandi Bergen (AHTS, ex Far Shogun) announced to be added to the fleet

FINANCING

DOF Subsea successfully completed new unsecured bond issue of USD 175 with maturity in 2022

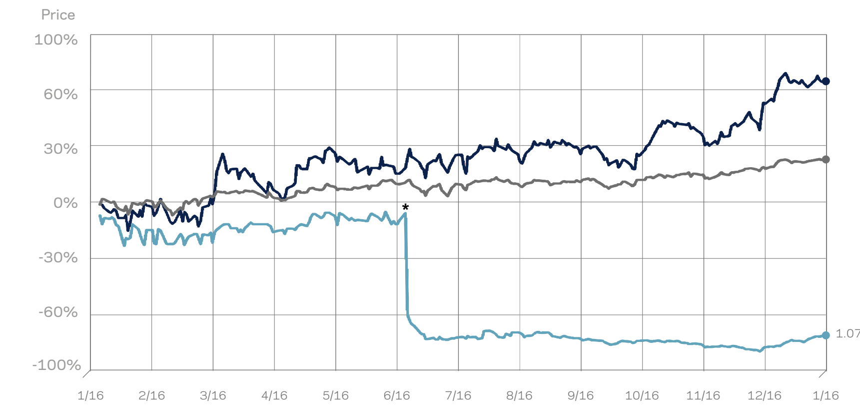
Financial performance

Key figures DOF Group

Amounts in NOK million		Management reporting		Financial reporting	
From the Comprehensive Income		**2016**	**2015**	**2016**	**2015**
Operating income		8 569	10 809	8 134	10 291
Operating expenses		-5 583	-7 090	-5 512	-6 929
Operating profit/(loss) before depreciation and impairment - EBITDA		**2 986**	**3 719**	**2 621**	**3 362**
Depreciation		-1 142	-1 119	-1 063	-1 041
Impairment		-1 932	-531	-1 762	-500
Operating profit/(loss) - EBIT		**-89**	**2 070**	**-203**	**1 822**
Net finance costs		-557	-1 589	-427	-1 471
Unrealised gain/(loss) on currency		800	-925	742	-869
Net changes in gain/loss on derivatives		249	109	248	108
Net financial items		**492**	**-2 405**	**562**	**-2 232**
Profit/(loss) before taxes		**403**	**-335**	**359**	**-410**
Tax expenses (income)		-202	11	-158	87
Profit/(loss) for the year		**201**	**-323**	**201**	**-323**
Non-controlling interests		141	120	141	120
From the Financial Position					
Vessels and other non-current assets		29 511	28 381	25 440	26 383
Current assets		4 614	5 469	4 290	5 234
Total assets		**34 125**	**33 850**	**29 731**	**31 617**
Interest free debt		2 167	2 728	1 898	2 624
Net financing of the entity		**31 958**	**31 122**	**27 833**	**28 993**
Interest bearing debt		23 812	25 950	19 686	23 821
Equity		**8 146**	**5 172**	**8 146**	**5 172**
Key Figures					
Net cash flow	1)	2 428	2 130	2 194	1 892
Current ratio	2)	1.20	1.02	1.27	1.02
Equity ratio	3)	24 %	15 %	27 %	16 %
Capex	4)	4 171	4 581	1 660	3 901
Operating margin	5)	35 %	34 %	32 %	33 %
Return on equity ratio	6)	2 %	-6 %	2 %	-6 %
Earnings per share (NOK)	7)	0.09	-4.00	0.09	-4.00
Diluted earnings per share (NOK)	8)	007	-399	007	-399
Average number of shares		658 878 610	111 051 348	658 878 610	111 051 348
Outstanding number of shares		1 501 321 200	111 051 348	1 501 321 200	111 051 348
Potential average number of shares		882 981 813	111 051 348	882 981 813	111 051 348
Potential total number of shares		1 994 561 682	111 051 348	1 994 561 682	111 051 348

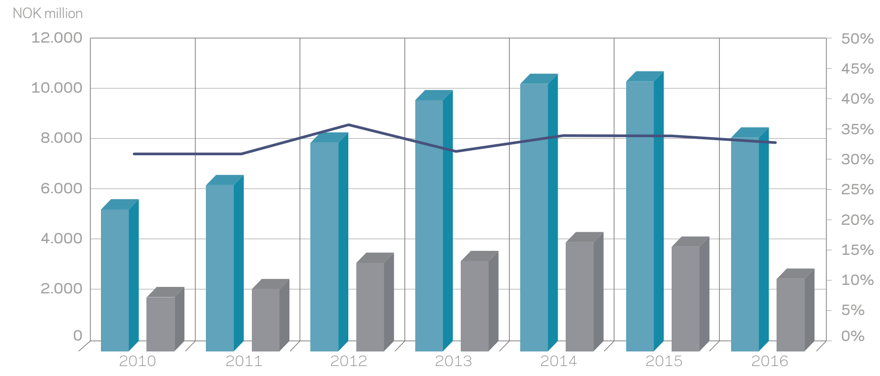
1) Profit/loss before taxes + depreciation and write downs +/- unrealised gain/loss on currency +/- net changes in gain/loss on derivatives
2) Current assets/Current liabilities
3) Equity/Total assets
4) Capex, see note 14
5) Operating result before depreciation and impairment loss/Operating income
6) Profit for the year/Booked equity
7) Majority share of profit for the year/Average number of shares. See note 12
8) Majority share of profit for the year/Potential average number of shares. See note 12

KEY FIGURES DOF GROUP



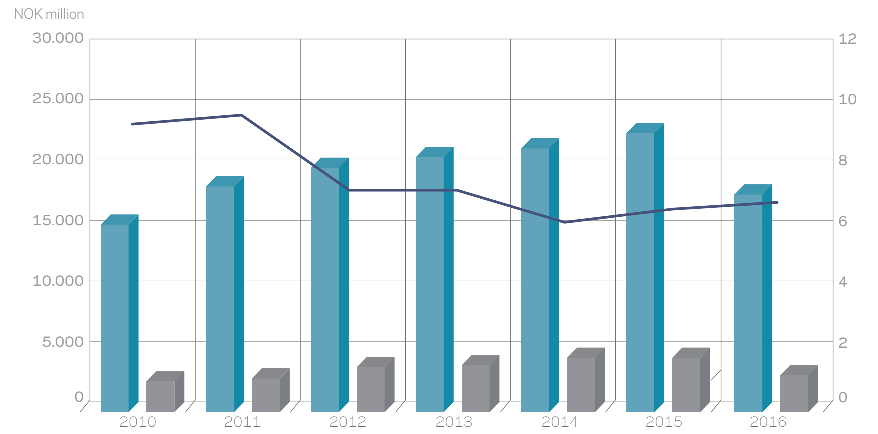
Share price developments as of 31.12.2016

OSEBX
OBOSX
DOF
* Rights issue agreed



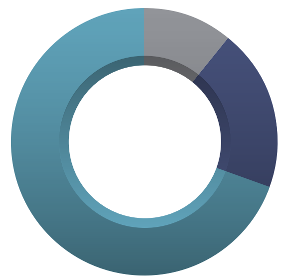
Operating Margin *)

Operating income
EBITDA
Operating margin



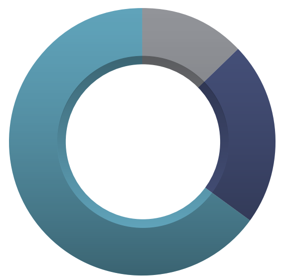
Interest bearing debt/EBITDA *)

Interest bearing debt
EBITDA
Interest bearing debt/EBITDA



Revenue per segment *)

PSV 11%
AHTS 19%
CSV 70%



EBITDA per segment *)

PSV 11%
AHTS 23%
CSV 66%

* Based on management reporting.

WORDS FROM CEO

Words from the CEO

We expected a weak market in 2016, but in most areas and segments the rate levels and overall fleet utilisation have been worse than most could foresee. In 2017 market conditions are expected to remain challenging, with oversupply of vessels and increased pressure on earnings and profit margins. However, longer term should see a slightly better outlook as we see some indications of improvement. The oil price has doubled from bottom levels and some signs of increased activity levels are seen. Earnings in the industry in 2017 will be weaker than in 2016 due to slimmer order books and weak markets, but hopefully markets and activity starts to pick up towards end of 2017 and in to 2018.

The two tragic fatal accidents on board Skandi Skansen and Skandi Pacific in 2015 are in my thoughts every day. Our safety culture is vital for safe operations and our future, and our aim for 2017 is to continue to strengthen our safety culture through the Safe the RITE way program and stronger safety cooperation with our clients and suppliers. On all levels in our organisation safety must be on top of our priority list. I cannot emphasise enough the importance of improving our safety culture every day on all vessels and all work sites throughout our global organisation.

Despite the challenging market, the Group has delivered a solid operational performance in 2016. An EBITDA of approximately NOK 3 billion and a fleet utilisation above 80% are outstanding compared to our peers. In 2016, we continued to develop our subsea business and expanded our global presence. Important IMR contracts have been secured, strengthening our position as a global IMR provider. Several contracts have been awarded increasing the Group's activities offshore Australia, Brazil, and Argentina. We have also strengthened our position in West Africa by winning our first long term IMR contract in this region.

In 2017 several important new contracts will commence. In January, Skandi Seven commenced a long-term IMR contract in Angola. Skandi Búzios will commence her 8-year PLSV contract with Petrobras in April. In July, our 10-year contract with Husky in Canada will start following the delivery of Skandi Vinland in June. In September, our 5-year IMR contract with Shell on the Prelude field is expected to start, under which our latest fleet addition Skandi Darwin will be utilised.

Quality of our work and cost efficiency will be the key to winning work and delivering according to our clients' expectations. Several improvement projects are ongoing in order to achieve a more streamlined and efficient organisation. Defining and measuring sustainability aspects associated with our operations are important activities for the Group, and as a part of our improvement projects, the Group delivered its second Sustainability report last year. Our reporting on the Group's carbon footprint improved last year, ranking us as a leading company within our industry with regards to driving transparency around this important topic.

Currently we experience strong competition and aggressive tendering in most areas causing slim or negative margins. However, there are also opportunities where there are a limited number of bidders due to market entry barriers or technical qualifications, and where client relationships provide a more balanced contract negotiation. Utilising the full breadth of competencies within the Group, as well as our global presence and local knowledge, will be vital going forward.

My expectation for the coming year is that it will be tough. We will need to continue to adapt to the challenging market conditions and adjust our costs base. However, we shall also continue to strengthen our position globally and deliver top performance. We have continuously worked on developing a global organisation and a strong business model consisting of offshore support vessels and subsea projects. I strongly believe that our global presence and our business model will give us interesting opportunities going forward. Our focus will be to win contracts, execute them safely, and get repeat business with our clients. The key to our success remains unchanged – our people.

Mons S. Aase
Chief Executive Officer

HSEQ

Health, Safety, Environment & Quality

Safety is our highest priority regardless of where DOF operates in the world. We strive to become a leader in the fields of health, safety and working environment.

The Group strives to improve safety and environmental performance across all worksites globally. Our ambition is to be an incident free organisation. We have seen improved performance over the last year, however we have still not reached our ambition. During the approx. 10 million man-hours in 2016, the Group experienced eight lost time injuries and 23 recordables.

During the year we have been able to establish a more unified safety culture through the Safe the RITE way programme, as well as stronger safety cooperation with our clients, industry partners, and suppliers.

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

The Group's working environment is continuously being monitored, also by conducting regular working environment surveys.

PERFORMANCE 2016

Man-hours	10,107,800
LTIs	8
Recordables	23
Fatalities	0
Safety observations	25,040
Audits	623
Management visits	474
Lessons learned	846
Reportable environmental discharge	0

Safe the RITE way©

Safety culture programme

SEEMP

Ship Energy Efficiency Management Plans

99B

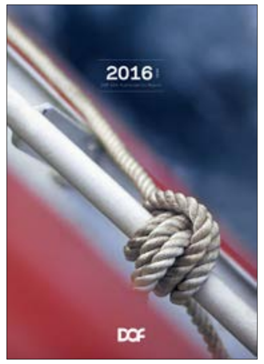
Carbon Disclosure rating for year 2015

ISO 9001-2015
ISO 14001-2015
OHSAS 18001-2007

Re-certified for Subsea organisation in 2016 with Group plan initiating in 2017

Sustainable operations

DOF is releasing its third stand-alone Sustainability report according to the GRI guideline. The report has been set up in accordance with our values allowing us to present our efforts and results within our obligations towards sustainable operations. The DOF Sustainability Report for 2016 is available at www.dof.no



HR

Human Resources overview

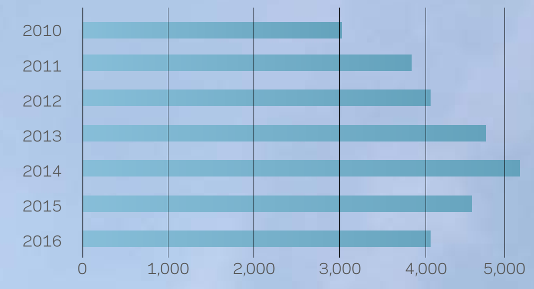
It is the expertise and competencies of our people that will determine DOF's success.

The challenging market conditions and sold vessels during the last two years have caused a significant reduction in the DOF Group activities.

The current downturn for the global oil and gas industry has worsened in 2016. Demand has decreased in all regions and the entire industry is challenged with regards to costs, leading to a scale down for most companies in the Group.

The market downturn has forced companies to resize in order to adapt their organizations to the reduced demand. The resizing threatens the human capital in the industry and may be a risk going forward. The downturn is expected to continue in 2017. The goal going forward will be to maintain a flexible organisation and at the same time retain core competence.

NUMBER OF EMPLOYEES



4,072 STAFF

Total employees at year-end 2016

Activity overviews

Operating globally, the DOF Group activities are organised based on asset capability, separated into two revenue categories:

- Subsea project activities
- Marine management and Time charter activities

Skandi Urca, Skandi Angra and Skandi Paraty taken from Skandi Amazonas.

Subsea project activities in 2016

Our global fleet of Subsea assets provides flexibility and depth of capability. Operating across business units and geographical borders, the group works together to win and execute projects, to transition projects from onshore to offshore phases and partnering with clients to deliver safe and successful results. All subsea project activities are performed by the daughter company DOF Subsea AS.

Safe the RITE way

Health, Environment and Safety continue to have the highest priority. Regarding HSEQ, in the first half of 2016 there was a high focus on preparing the organisation for the additional requirements in the revised ISO 19001:2015 and ISO 14001:2015 certifications. Reinforced by the Safe the RITE way approach, many activities have been structured around the Group's values, including leadership teams, management visits prepared with Safe the RITE way engagement topics, and reinforcement of E-learning and leadership training. The Safe the RITE way programme has received positive feedback from both staff and contractors.

South America, North America and the Asia-Pacific regions all had 0 LTIs in 2016, showing the organisation's commitment to safety. In the Atlantic region there have been significant increases in recordables, however there have been no major incidents and any incident is reported widely to prevent re-occurrences. As part of the Atlantic regional Safe the RITE way initiative, all offshore personnel have signed Commitment Agreements regarding strengthening safety culture. In North America, the HSEQ performance, with over 700,000 man-hours, had no LTIs and no recordables, showing that the workforce is committed to continuous improvement.

People - the most important resource

The organisation, with regional bases in strategic locations underwent significant adjustments to the workforce in 2016. Restructuring initiatives included reducing administration and support staff to an operational minimum and renegotiation of collective wage agreements offshore in Norway. The resizing of the workforce to meet the regional demand has included a focus on retention of key personnel to maintain core competence and remain competitive in the most strategic areas.

In Brazil, a cost reduction process targeted renegotiating agreements with key suppliers. The Atlantic region, under new regional leadership in the third quarter of 2016, has followed a strategy of Winning work, Project Execution, and Operation-and-Control. In Canada several key resources were hired in to support the coming arrival of Skandi Vinland. In the USA, the organisation was restructured to target Survey, Subsea Project Delivery and all onshore support functions, while offshore personnel was aligned with projected demand and maintaining core competency in IMR and fabrication.

Skandi Africa at MOHO field, Congo

ACTIVITY OVERVIEW I SUBSEA PROJECTS

Skandi Skansen and Skandi Saigon as seen from the bridge of Skandi Iceman.

Regional overview in 2016

Atlantic region operations

In 2016 the Atlantic region faced a challenging market with low demand for subsea services and overcapacity in the industry. During the year, the region has continued to adapt the organisation's capacity and cost base to meet the challenging market. The region's focus remained targeted on winning and successfully delivering projects and maintaining a competent and flexible workforce.

The majority of the region was in IMR services on existing infrastructure and the regions capability and assets are well suited to these projects, however the level of competition has been high. A number of significant contracts were secured in West Africa, where the most important achievement was a 16 months IMR contract in Angola. In the North Sea the region undertook a number of Survey Mooring and Installation and Decommissioning projects.

South American region operations

In 2016 the South America region has demonstrated a solid position in the market by delivering a number of significant contract awards and charter extensions both in Brazil and Argentina. With 26 of the Group's ROVs positioned in Brazil, the region is the largest ROV service provider in the Group. Given the prevailing market and local conditions the region continued to maximise performance by improving operational efficiency and implementing cost reduction programs.

Subsea project activity results in 2016

3.5 BILLION

Subsea project total revenue in 2016

3 BILLION

Subsea project firm backlog

77%

Utilisation of Subsea project fleet

1,278

Subsea project personnel

All totals as of year-end 2016

During the year, Petrobras awarded the Brazil region a number of new long-term contracts for the existing fleet demonstrating a solid position in the region. One vessel was awarded a one-year IMR contract including geophysics services and one contract for a RSV vessel was extended for a further 18-month period. Also notable was the successful completion of the ROV and survey services contract awarded in 2015, in Argentina.

The long-term collaboration between DOF Subsea and TechnipFMC delivered two of the four ground-breaking PLSVs fixed on eight-year charter contracts with Petrobras. Skandi Açu was delivered and went on hire in Q3 2016, and Skandi Búzios was delivered in January 2017 and went on-hire in April 2017. In addition the same JV has successfully operated two Brazilian built PLSVs since 2010.

Petrobras released the "New Strategic Business and Management Plan for 2017-2021" which forecasted further spending reductions and also international Oil Companies continued to delay new developments and exploration plans. On the other hand a new legislation opened up the Pre-Salt sector access and has seen international companies taken responsibility for two fields in this sector. This may result in new opportunities for offshore marine support and engineering sectors.

Asia Pacific region operations
Major Australian offshore developments have been shifting towards the production phase over the last few years. The region has seen high activity in Australia sustained by several large projects that were begun years previously by operators. This has been beneficial with the contraction in Asia and in spite of the perceived high costs of operating in the region. The projects need to be completed and this activity will sustain the region's subsea operations through the short-term. The organisation continues to execute the majority of subsea work in the New Zealand market.

A major milestone for the region was the award by Shell of an IMR contract providing Underwater Services and a Multi-Purpose Supply Vessel (MPSV) to Prelude FLNG facility in the waters of Australia. Skandi Darwin is chosen as the vessel to serve this contract. Another achievement was the regions performance on the Chevron long-term IMR contract awarded in 2015, which secured utilisation of Skandi Hercules and Skandi Singapore close to 100%.

The 7 year contract for Shell at Philippines continued to utilise Skandi Hawk where the vessel has performed both subsea and PSV services.

The activity in Asia has been high during 2016, however the major construction and commissioning projects will be completed during 2017, hence the majority of work is expected to be in the IMR, Light-Well Intervention, Decommissioning and FPSO installation and repair segments. DOF Subsea's assets and experience are well suited for these activities.

North America region operations
The region focused on building capability and its position in Canada, and strengthened the management team to support regional alignment and development. The region saw high activity in IMR and Tie-backs in the first half of 2016, however due to reduced rig activity and the wider trend to delay investment the activity reduced in the second half of the year.

Canada is an important development area for the region, and during the year the organisation grew in vessels, assets, and people. DOF Subsea was awarded the Husky 10-year IMR vessel, ROV, survey and metrology services contract in 2015. Under the contract two ROVs and related services are delivered from a third-party vessel until early Q3 2017 when Skandi Vinland starts on the 10-year IMR contract. In addition to the IMR contract two ROV contracts were awarded in Canada. During Q2 the Multi-Purpose Support Vessel, Skandi Chieftain was reflagged to Canadian flag and has since then executed various ROV service projects.

In the Gulf of Mexico (GoM), one Jones Act complaint, long-term chartered-in vessel has been in the region since 2013 and continued to be utilised on a number of projects.

The market for the North America region is predominantly focused on IMR and light construction activities, and the assets, capabilities and reputation are a good fit for IMR projects. Based on planned activities there is a positive outlook in Canada. In the Gulf of Mexico there is stronger enforcement of the Jones Act and increased competition from local companies.

Marine management & Time charter activities in 2016

Marine Management activities utilise the Group's assets globally for oilfield services, including vessels in the Anchor Handling Tug Supply (AHTS) and Platform Supply Vessel (PSV) segments. This also includes the time charter contracts within the Subsea/CSV segment. All Marine Management activities are performed by the daughter companies DOF Management AS and Norskan Offshore Ltda.

Safe the RITE way

There has been an increase in the frequency when measuring the total number of personal injuries (TRCF), however the number of injuries that has resulted in Lost Workdays (LTIF) has decreased and are showing a positive trend compared to 2015. The "Safe the RITE way" initiatives have been well received in the fleet and will contribute to safe working conditions. Client feedback has in general been good and the average score is up from previous year. There have been several thorough audits from customers in the year, which have resulted in putting extra force behind improvement areas already identified by the organisation itself.

In the Asia Pacific region, Safe the RITE way leadership team, comprising senior representatives from both segments, plan management visits and keep an overview of initiatives and opportunities to build on the safety culture. The team has implemented pre-embarkment packages to encourage thinking about safety even before arriving at the vessel.

People - the most important resource

Throughout the year, there was a continuous focus on adjusting the organisation to the current reduced activity levels. This has included transferring personnel between vessels and operational bases to ensure we have the optimal combination of competence. The organisation benefited from the implementation of a global HR system "OCS", which will be completed in early 2017. Benefits from OCS in 2016 included competence control of onshore resources and self-services for offshore employees. Cost cutting initiatives implemented in the year included reduction in benefits, allowances, and a temporary salary reduction for onshore employees in most regions. In 2016, the organisation still managed to prioritise competence building for the future, hosting a number of trainee

Marine Management & Time Charter Results in 2016

4.6 BILLION
Marine Management & Time charter total revenue in 2016

24 BILLION
Time charter firm backlog

84%
Utilisation of the Time Charter fleet

2,794
Marine Management personnel

All totals as of year-end 2016

positions in the fleet – e.g. DOF Management had over 70 trainee positions for future officers.

In Canada, due to local requirements and business needs, several key resources were hired in to support the coming arrival of Skandi Vinland.

Regional overview in 2016

Atlantic region

All major clients have reduced or delayed their investments and investment decisions due to a weak market. This has affected all of the operators in the region including DOF and has resulted in several vessels in lay-up.

The organisation has achieved a reasonably high utilisation rate for the fleet in this region. Throughout the last two years, the organisation has managed to reduce operational costs and improved performance. This shows that necessary steps have been taken to work smarter and more efficiently.

The majority of the fleet has during 2016 operated in the North Sea and partly in the Mediterranean and the operation has been characterised by the majority of the fleet on firm contracts. This was mainly due to a high back-log at the start of the year which has declined during the year due to several contracts not being renewed.

South American region

Due to the weak markets, magnified in Brazil by a political crisis, large investments on new field developments were delayed. As a result, services relating to the production phase are more in demand than services relating to the exploration phase. In 2016, the region has seen a decline in rates and less tender activities, however, the organisation has been successful in keeping high utilisation of the fleet using the Brazilian Flag advantage. At the same time the organisation has managed to reduce the operational costs and maintained a strong focus on safety and the environment.

Anchors on backdeck of Skandi Iceman in the Barents sea.

ACTIVITY OVERVIEW I MARINE MANAGEMENT

Officers onboard Skandi Angra.

The Group's long-term strategy of building Brazilian tonnage has been a key success factor in the region, and has enabled the organisation to secure contracts for Brazilian flagged vessels over foreign vessels. One important milestone was delivery of the last new-build, Skandi Paraty, in a series of three AHTSs, who started on a long-term contract with Petrobras in May. The subsidiary Norskan Offshore Ltda. owns one of the largest Brazilian built high-end AHTS fleet in its region.

Asia Pacific region

2016 has been without doubt a tough year and clients' expectations have increased with rates continually being reduced, this has however been managed well within the region but remains a constant challenge. Several large projects begun years previously require more vessels to arrive in the region mainly related to the Group's Subsea activities. The region's fleet on management has therefore grown in 2016.

Ship Management Service to the Royal Australian Navy for Australian Defence Vessel Ocean Protector, after 12 month's Australian Navy recognises the Group's contribution to ADV Ocean Protector being one of the top performing vessels in the Australian Navy.

North America region

There has been increased activities in Canada, and fewer vessels in the Gulf of Mexico. The organisation has strengthened the operational base mainly due to the arrival of Skandi Vinland for the Husky contract. In addition, due to contract awards, more vessels were managed from this region in 2016.

The fleet

The DOF Group operates within three vessel segments in relation to strategic types of activities and vessel types – Construction Support Vessels (Subsea), Anchor Handling Tug Supply Vessels (AHTS), and Platform Supply Vessels (PSV).

31 SUBSEA
Subsea / Construction Support Vessels

20 AHTS
Anchor Handling Tug Supply vessel

17 PSV
Platform Supply Vessel

All fleet totals are as of report publication. Totals include two vessels owned less than 50%, two vessels on "management" with purchase options, one hired in vessel, and three new buildings where of two are owned 50% via Joint Venture and one is owned 45%.

Skandi Açu during seatrials in Holland.


Skandi Saigon and Skandi Skansen, as seen from Skandi Iceman's backdeck.

Fleet overview

Vessels delivered in 2016
- AHTS – Skandi Paraty
- Subsea, PLSV – Skandi Açu

Vessel sold in 2016
- Subsea – Skandi Santos
- Subsea – Skandi Protector
- AHTS – Skandi Stord

New building programme at year-end
- Subsea, PLSV – Skandi Búzios (NB-824)
- Subsea, PLSV – Skandi Olinda (EP-09)
- Subsea, PLSV – Skandi Recife (EP-10)
- Subsea, MPSV – Skandi Vinland (NB-834)

In 2016 we focused on maintaining the position as a strong global service provider. This was especially evident in Australia, Argentina, and Canada. The Group's Subsea vessels in Australia maintained high utilisation working on various projects in the region and saw the awarding of a long-term contract with an important client. Argentina sustained four vessels on both short- and long-term commitments. Our operations in Canada saw an increase in activity with two vessels there throughout the year and with a third vessel to commence a long-term contract in 2017.

Continuing to deliver purpose-built vessels, Skandi Açu, the first of four PLSVs in our new building programme for JV with TechnipFMC, was delivered in August and commenced operations on a long-term contract in Brazil. The second PLSV, Skandi Búzios was completed in January 2017 and will commence a long-term contract in 2nd quarter in 2017. The four PLSVs are part of a joint venture with TechnipFMC.

DOF continues to deliver on quality and performance in the fleet. The results are due in part to the successfully implemented organisational change. With a focus on efficiency, clear responsibilities and maximising cross-department cooperation, the organisational change in 2016 has seen improvements regarding the vessels and their operations. In this same period, the fleet performance verification programme has been improved. KPIs have been set regarding HSE, crewing, and technical performance and these have contributed to an improvement in vessel performance and in maintaining the high utilisation of the fleet globally.

Regarding new buildings our remaining programme is as follows;

- Skandi Búzios (Vard Yno. 824) PLSV/Pipelayers – 650 ton tension. Joint Venture project with TechnipFMC. Pipe laying vessel has been built at Vard Søviknes and equipped with pipe lay system at Huisman yard at Schiedam. Committed on long-term charter with Petrobras.
- Skandi Olinda and Skandi Recife (Vard EP Yno. 09/10) PLSV/Pipelayers - 300 ton tension. Joint Venture project with TechnipFMC. Pipe laying vessels built at the new Vard shipyard in Recife/Brazil. Planned delivery 2018 and 2019. Committed on long-term charter with Petrobras.
- Skandi Vinland (Vard Yno. 834) MPSV – Minority share owned (45%). Vessel built at Vard Langstein. Planned delivery 2017. Committed on long-term charter with Husky Energy.

Skandi Africa

Subsea

Subsea vessels are the most sophisticated vessels in the fleet, and are utilised for a wide range of subsea services and projects.

Geograph

Geoholm

Geosea

Geosund

Skandi Açu [1)]

Skandi Acergy

Skandi Achiever

Skandi Búzios [1)]

Skandi Carla

Skandi Chieftain

1) Vessel is owned 50% 2) Vessel is managed by DOF with purchase option 3) Vessel is part of the new building programme 4) DOF has a minority share in this vessel

Skandi Commander

Skandi Constructor

Skandi Darwin [2)]

Skandi Hav

Skandi Hawk

Skandi Hercules

Skandi Hugen

Skandi Neptune

Skandi Niteroi [1)]

Skandi Olympia

Skandi Patagonia

Skandi Recife [1)3)] & Skandi Olinda [1)3)]

Skandi Salvador

Skandi Seven

Skandi Singapore

Skandi Skansen

Skandi Vinland [3)4)]

Skandi Vitoria [1)]

1) Vessel is owned 50% 2) Vessel is managed by DOF with purchase option 3) Vessel is part of the new building programme 4) DOF has a minority share in this vessel

Skandi Urca

AHTS

Anchor Handling Tug Supply vessels are used to set anchors for drilling rigs, tow mobile drilling rigs and equipment from one location to another.

Skandi Admiral

Skandi Amazonas

Skandi Angra

Skandi Atlantic[1]

Skandi Botafogo

Skandi Emerald[1]

Skandi Fluminense

Skandi Giant

Skandi Hera[2]

1) Vessel is owned 50% 2) Vessel is managed by DOF with purchase option 3) Vessel is part of the new building programme 4) DOF has a minority share in this vessel

THE FLEET

Skandi Iceman[4]

Skandi Iguaçu

Skandi Ipanema

Skandi Møgster

Skandi Pacific[1]

Skandi Paraty

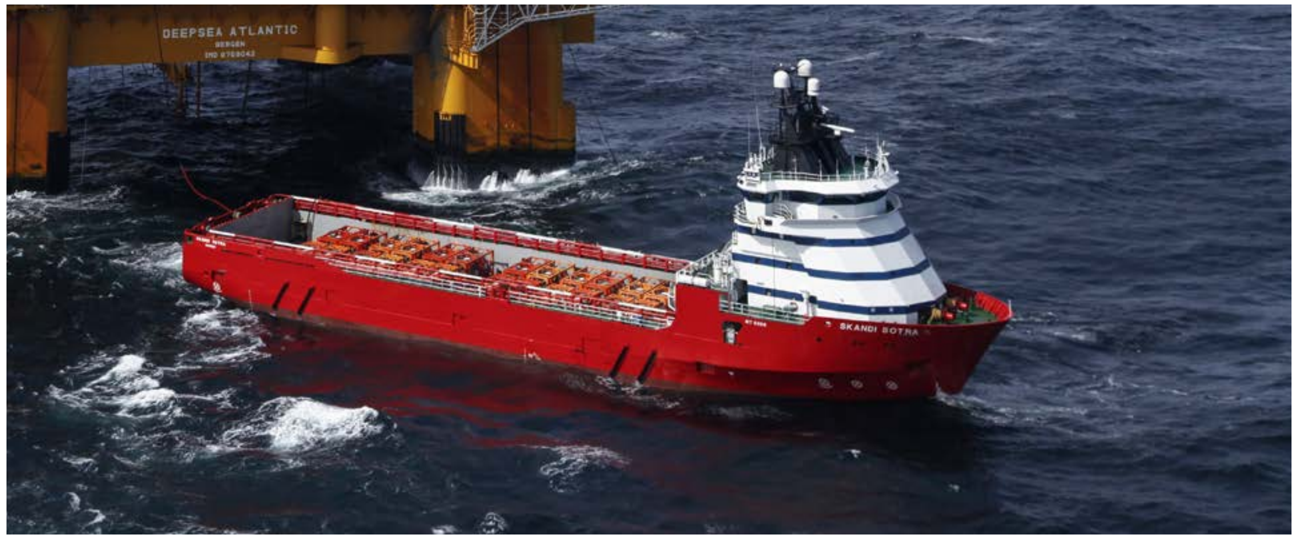
Skandi Peregrino[1]

Skandi Rio

Skandi Saigon[1]

Skandi Vega

1) Vessel is owned 50% 2) Vessel is managed by DOF with purchase option 3) Vessel is part of the new building programme 4) DOF has a minority share in this vessel



Skandi Sotra

PSV

Platform Supply Vessels are used to transport oil field products and supplies to offshore drilling and production facilities.

Skandi Aukra [4]

Skandi Barra

Skandi Buchan

Skandi Caledonia

Skandi Captain

Skandi Feistein

Skandi Flora

Skandi Foula

Skandi Gamma

1) Vessel is owned 50% 2) Vessel is managed by DOF with purchase option 3) Vessel is part of the new building programme 4) DOF has a minority share in this vessel

Skandi Kvitsøy

Skandi Marstein

Skandi Mongstad

Skandi Nova

Skandi Rona

Skandi Texel

Skandi Marøy

1) Vessel is owned 50% 2) Vessel is managed by DOF with purchase option 3) Vessel is part of the new building programme 4) DOF has a minority share in this vessel

Market outlook

Skandi Búzios during seatrials in Holland.

Market outlook

Historically, DOF has had a strong presence in Asia-Pacific, South America, and the North Sea. In 2016, the Group increased its presence in Canada and West Africa. Our subsea activities are mainly within inspection, repair and maintenance (IMR) of existing infrastructure and smaller development projects. Our supply vessels (AHTS and PSV) mainly support fields in the production phase, but are also involved in development and exploration fields.

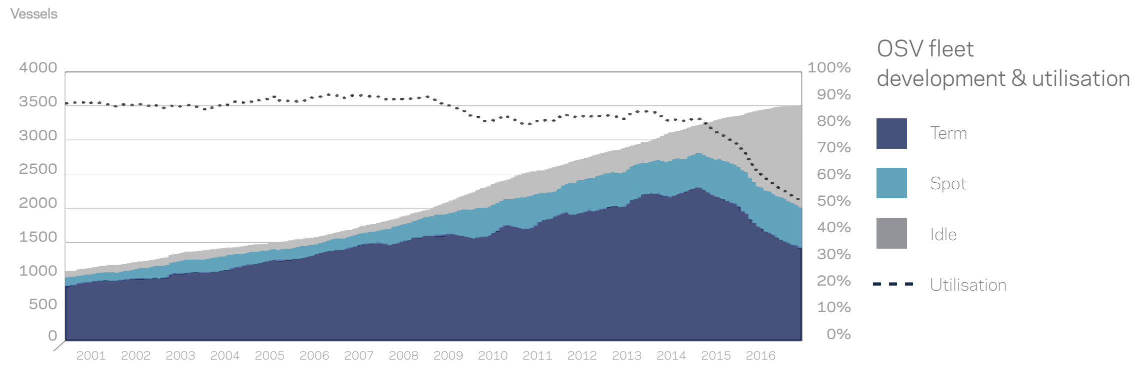
In 2016, the oil service industry had one of the most challenging years ever with low demand from the oil companies and oversupply of services and vessels. The market imbalance increased the pressure on earnings and margins. Throughout the year, many oil service companies have undertaken restructuring and a number of firms have failed and gone into insolvency, which has led to a reduction of suppliers in the segment.

The oil price is the main driver for the Exploration and Production spending (E&P spending). In 2016 the oil price has been volatile, and the dated Brent price reached a low of USD 25.75 per barrel in January before the price started to recover and ended the year at USD 54.65 per barrel. The average dated Brent price for the year was USD 43.37 per barrel compared to USD 52.07 per barrel in 2015. The low oil price in the beginning of 2016 created a negative market sentiment in the Oil and Gas Industry.

The negative market sentiment and the low oil price led to a further reduction in activity during 2016. The activity reduction was mainly driven by significant lower E&P spending by the oil and gas companies. The E&P spending has been reduced by more than 30 per cent in 2016 after a reduction of 25 per cent in 2015. The reduced demand has led to a downward pressure on utilisation and rates for vessels and subsea assets, and forced impairments on asset values across the industry.

The oil and gas companies have responded by introducing cost cutting measures which have led to a reduction in hurdle rates for new projects. In 2014 the average hurdle rate was USD 70 per barrel. Some analysts claim that today's hurdle rate level is in the range of USD 40-50 per barrel on average. The reduction in hurdle rate will gradually increase the E&P spending and eventually increase the demand for subsea services and vessels. Increase in IMR activities related to existing and new facilities, subsea wells and pipelines will be a good indicator of the market recovery.

The lower E&P spending created a weak subsea market in 2016, however, with regional differences. The seasonality due to winter in the northern hemisphere combined with a lower demand from the oil companies led to a weak market in the Atlantic region and the North America region during Q1 and Q4 and a more volatile peak season than normal. In the South America region and in the Asia Pacific region the markets were more stable, but both rates and utilisation were under pressure.



All graphs source: Clarksons Platou

During the autumn and early 2017 the organisation has seen increased tendering activity compared to the previous 12 months. Opportunities lie within IMR, mooring and brownfield projects with startup in 2017-2020. We believe we will see increased activity and the market balance will be restored in the subsea sector, especially within the IMR segment, before the oil industry in general recovers from the downturn. This is due to the fact that 10 subsea entrepreneurs have gone into administration or exited the subsea business since the downturn started three years ago, and some of the remaining are struggling to survive.

The Group's strategy will remain focused on investing over the long-term in a high-end fleet of differentiated assets, with the provision of additional life-of-field integrated services as required. Our business model is suited to an adaptive operating environment and more resilient to weather the range of market conditions ahead.

Regional market outlook

Atlantic region

There has been a reduction in investment and activity across all subsea service sectors. In the short term, oil and gas operators remain cautious and market conditions remain challenging. As in 2016, we believe the majority of activity will be around existing infrastructure and IMR activities. The outlook for Field Support Vessels in West Africa and the Mediterranean is positive. We face increased competition as reduced construction activity sees these contractors seeking opportunities in other subsea service sectors.

Medium-term should see a slightly better outlook as the market regains confidence in lead indicators. We should observe clients investing in existing infra-structure presenting Brownfield, IMR and Survey projects. Greenfield projects may also return in medium term.

The considerable oversupply of PSV tonnage that has characterised the North Sea market over the last couple of years was apparent again during Q1 2017, with a significant portion of the fleet being in lay-up. Whilst the result of this has been to keep long term PSV rates suppressed, a combination of increased drilling activity (particularly in terms of P&A programs in the UKCS) and a reduction in the number of spot vessels, has resulted in the spot market seeing higher rates, and tightening more frequently than has been the case over the last couple of years. Another contributing factor is the fact that a sizeable number of vessels have dry dockings due in 2017, and in many cases owners are opting to keep, or put, tonnage into lay-up, rather than going through the costly process of drydocking.

The volume of long-term enquiries has increased during the first months of 2017, but the rates continue to be low since several vessels in lay-up are bidding for the long-term contracts. Similarly, the high volume of stacking by AHTS owners has resulted in a reduced number of vessels trading the spot market. Despite there being low levels of activity at the beginning of the year healthier rates have been apparent later in the quarter due to an increase in rig move activity. As a result, several vessels are now being taken out of lay up to work in the spot market.

South America region

Petrobras reorganised and released the "New Strategic Business and Management Plan for 2017-2021" which forecast further spending reductions. National oil company Queiroz Galvão E&P aims to start the offshore installation and commissioning activities of their Atlanta field in Q4 2017. Statoil is still maintaining Peregrino Phase II development with production forecast to start in 2019. International oil corporations such as Chevron and Shell continue to delay new develop- ments and exploration plans.

New legislation opened up the Pre-Salt sector access and we have seen Statoil and Total take responsibility for two fields in this sector.

Several opportunities may arise both in the Supply and the Subsea segment. In the latter especially linked to IMR activities for existing installations. Other national oil companies are looking to strengthening their position and this may also lead to more opportunities for our assets. Several opportunities lie in IMR activities for existing facilities.

IOCs are also reducing and/or delaying their new developments and exploration plans, case of Chevron and Shell. Statoil is still maintaining Peregrino Phase II development but production is forecasted to start in 2019 only. The RSV/IMR Vessel segment already presented some increases and this was the first segment to rebound. AHTS and AHTS with ROV could be the next one as there are some FPSOs expected to arrive and their installation will demand these types of vessels. These projects are suited to our capabilities and assets.

Asia Pacific region

Australian activity has been high, however, by the end of 2017 all construction and commissioning activity on 'legacy projects' will be completed. The majority of work will be in IMR, Light-Well-Intervention, decommissioning and FPSO installation and repair segments. Our assets and experience are well suited to these activities.

Major investment decisions in the region are being deferred as operators focus on return-on-investment. The Asian outlook remains uncertain, although in the medium term this market may be able to respond more quickly as there are many small depleting fields, currently not being replaced and development may become economically viable.

Generally, the competitive landscape is changing in our industry, operators have reduced spend and competition is fierce. The organisation is bringing more vessels into the region and our competitors are doing the same; this is changing the dynamics of our industry.

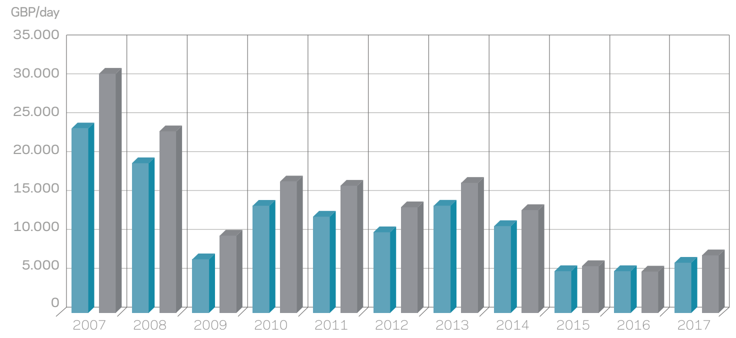
The major Australian legacy projects present subcontracting opportunities in addition to primary contractor roles. In Q1 2017, TechnipFMC awarded the contract for a Multi-Purpose Support Vessel to undertake Water Intake Riser Installation on Shell Australia's Prelude FLNG facility. The vessel, MPSV Geoholm, will join the regional fleet to undertake ROV and light construction support services under this contract with TechnipFMC.

North America region

Oil and Gas Operators remain cautious and major investment decisions continue to be deferred. This is reflected in the operators' cash preservation focus and activity reductions in the region. In the Gulf of Mexico we are witnessing a stronger enforcement of the Jones Act and increased competition from local companies.

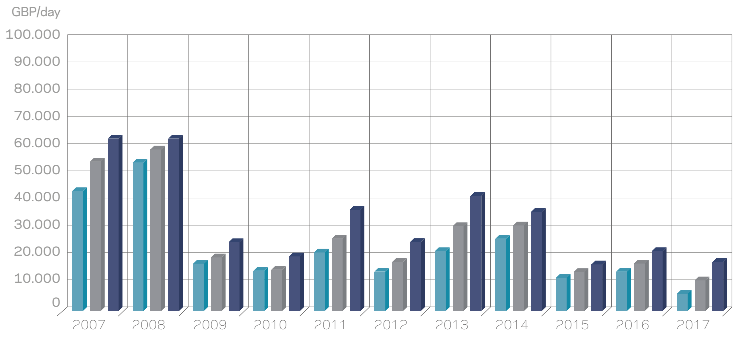
The market for the region's organisation is predominantly focused on IMR and light construction activities, and our assets, capabilities and reputation are a good fit for IMR projects. Taking into consideration the planned activities, there is a positive outlook for OSVs in Canada in the medium term.

Short term we expect a reasonable level of activity in the IMR and Well Intervention segments, where operators maintain production on existing facilities and postpone abandonment. Medium term we foresee increasing activity in these segments as new fields come into operation and existing wells come to depletion.



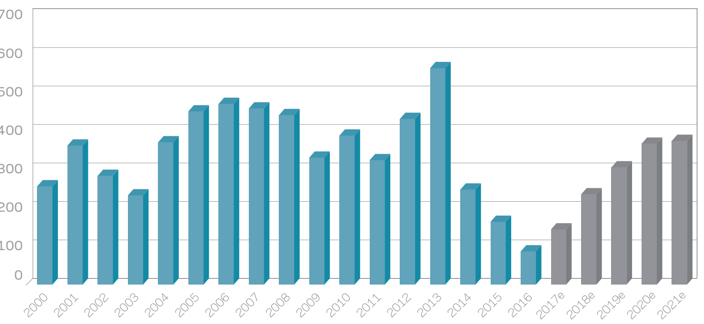
NSEA PSV Spot Rates

500 - 899 m²
900 + m²



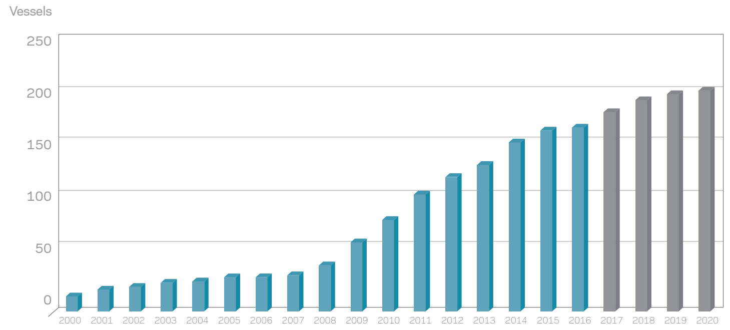
NSEA AHTS Spot Rates

10 - 15.999 BHP
16 - 19.999 BHP
20.000 + BHP



Total number of subsea tree awards

Actual
Expected



UDW *Subsea Vessels with DP2-DP3 and Loa>90m

* Water depth > ~ 2300m

In service
Orderbook

All graphs source: Clarksons Platou

Helge Møgster

Chairman

Born 1953. Helge Møgster was appointed to the Board in 1988. He is one of the main owners in the Møgster family's holding company, Laco AS. Mr. Møgster has extensive experience from the offshore service sector and all aspects of the fisheries sector. He chairs and serves on numerous Boards of Directors, including being the Chairman of the Board for DOF Subsea AS.

Helge Singelstad

Deputy Chairman

Born 1963. Helge Singelstad was appointed to the Board in 2008. He is CEO in Laco AS. Mr. Singelstad holds a degree in computer engineering from Bergen Technical College, a degree in Business Administration from the Norwegian School of Economics (NHH) and a 1st degree of law from the University of Bergen. He chairs and serves on numerous Boards of Directors, including being the Chairman of the Board in Austevoll Seafood ASA and Lerøy Seafood Group ASA. Mr. Singelstad has extensive experience from various business sectors such as oil & gas and seafood sector.

Lars Purlund

Director

Born 1965. Lars Purlund was appointed to the Board in 2016. Mr. Purlund is a Danish citizen residing in Denmark. He holds a Master degree in International Economics and has worked for several banks, hereunder Danske Bank AS and Svenska Handelsbanken. He has a background as Investment Manager with Sparinvest S.A. and currently holds various board positions, among them with Norwegian Energy Company ASA (Noreco).

Kathryn M. Baker

Director

Born 1964. Kathryn M. Baker was appointed to the Board in 2016. Ms. Baker is a United States citizen residing in Norway. She holds a bachelor degree in Economics from Wellesley College and an MBA from the Tuck school of Business at Dartmouth. She currently serves on the Executive Board of the Central Bank of Norway (Norges Bank), where she is also a member of the audit and ownership committees. Ms. Baker is chairman of Catena Media plc and Navamedic ASA, in addition to several other board and advisory positions. Ms Baker was previously a partner at the Norwegian private equity firm Reiten & Co for 15 years, and has held positions with Morgan Stanley and McKinsey.

The Board of Directors

Marianne Møgster

Director

Born 1974. Marianne Møgster was appointed to the Board in 2016. She holds a degree in Economics and Business Administration from the Norwegian School of Economics and Administration (NHH). Ms. Møgster currently serves as Senior Vice President of Finance in DOF Subsea AS and has experience from several other positions in DOF, StatoilHydro and Norsk Hydro. Ms. Møgster has experience as a board member with companies in the DOF Group and has been a board member of Lerøy Seafood Group ASA since 2012.

Mons S. Aase

CEO

Born 1966. Mons S. Aase has been part of the management team since 1998, he served as CFO and Deputy Managing Director in the company before becoming CEO of DOF ASA from 2005. Mr. Aase holds a MSc from the Norwegian Institute of Technology, and a cand.merc. from the Norwegian School of Economics (NHH). Mr. Aase has various experiences from financing and ship broking industries. He chairs and serves on numerous Boards of Directors.

2016 Corporate Governance

1. Introduction

1.1 Background

DOF ASA ("DOF" or the "Company"), is the parent company in DOF's group of companies ("The Group"). It is established and registered in Norway and subject to Norwegian law, hereunder corporate and other laws and regulations.

In 2006 the Company adopted its first formal Corporate Governance Policy. The Company is at all times obliged to act in compliance with laws and regulations as applicable from time to time in respect of handling and control of insider trading rules and information to the shareholders and the market. The latest revision to the Corporate Governance guidelines was published by Norwegian Committee for Corporate Governance (NUES) on 30 October 2014 (www.nues.no), and the Company's current Corporate Governance Policy is effective as of that date. This fully reflects the Board's approval of these guidelines without reservation.

1.2 Objective

The Corporate Governance Policy of the Company is a governing document containing measures which are continuously implemented to secure efficient management and control of the activities of the Company. The main objective is to establish and maintain systems for communication, surveillance and incentives which will increase and maximise the financial results of the Company, its long term soundness and overall success, and investment return for its shareholders. The development and improvement of the Company's Corporate Governance is a continuous and important process, on which the Board of Directors and the Executive Management keep a keen focus.

1.3 Rules and regulations

As a Norwegian public limited company listed on the Oslo Stock Exchange, the Company is subject to corporate governance regulations contained in the Public Limited Companies Act 1997 (asal.), the Securities Trading Act 2007 (vhpl.), the Stock Exchange Act with regulations (børsreg.) and other applicable legislation and regulations, including the NUES recommendations.

1.4 Management of the Company

Management of and control over the Company is divided between the shareholders, represented through the General Meeting of the shareholders, the Board of Directors and the Managing Director (CEO) in accordance with applicable legislation. The Company has an external and independent auditor.

1.5 Implementation and reporting on Corporate Governance

The Board of Directors observes and ensures that the Company implements sound Corporate Governance.

The Board of Directors is obliged to provide a report on the Company's Corporate Governance in the Directors' report or in a document that is referred to in the Directors' report. The report on the Company's Corporate Governance must cover sectional items of the Corporate Governance Code of Practice and provide an explanation of the reason for any deviation and what alternative solution it has selected.

The Group has drawn up a separate policy for Corporate Governance, and the Board of Directors has decided to follow the Norwegian Recommendation for Corporate Governance without reservation.

2. Business

The Company's business is defined in its Articles of Association.

The Company aims at securing and developing the Company's position as a leading participator within its business activities, to the benefit of its owners, and based on strategies founded on ethical behaviour within applicable laws and regulations.

The objective of the Company is to be engaged in trading and shipping business and other offshore related activity, including participation in other companies with the same or similar objects. This statement of objective appears in §2 of the Company's Articles of Association.

3. Equity and dividends

The Company aims to have an equity at a level appropriate to its objectives, strategy and risk profile.

The aim of the Company is to produce a competitive return on the investment of its shareholders, through distribution of dividends and increase in share prices. The Board of Directors, is in its assessment of the scope and volumes of dividend, emphasises security, predictability and stability, dividend capacity of the Company, the requirement for an optimal equity as well as adequate financial resources to create a basis for future growth and investment, and considering the wish to minimise capital costs.

The background to any proposal for the Board of Directors to be given a mandate to approve the distribution of dividends will be explained.

Mandates granted to the Board of Directors to increase the Company's share capital are subject to defined purposes and frames and are limited in time to no later than the date of the next annual General Meeting. If a General Meeting is to consider mandates to the Board of Directors for the issue of shares for different purposes, each mandate will be considered separately by the meeting. This also applies to mandates granted to the Board of Directors for the Company to purchase own shares.

Equity:

Due to a continued weak market, the Board of Directors proposed in June an overall financial restructuring plan to provide the company with satisfactory financing and liquidity through an expected demanding period. The restructuring was completed in 4Q 2016 and included new equity in a rights issue, and conversion of the outstanding bonds into a Subordinated Convertible Bond.

The shareholders approved in an Extraordinary General Meeting, on 6 July 2016, a rights issue of up to 1,200,000,000 new shares at a subscription price of NOK 1 per share. It was further decided to reduce the nominal value of the shares from NOK 2 to NOK 0,50 per share. In total 1,059,869,852 new shares in the rights issue were registered on 5 August resulting in substantial change in number of shares in the Company. 750,000,000 shares were subscribed by the main shareholder, Møgster Offshore AS. The bond loans were converted to a Subordinated Convertible Bond at a price of 50% of par value of the existing bonds. A new Subordinated Convertible Bond of NOK 823,640,482 was registered on 10 August after repurchase of NOK 209,859,518 post the rights issue. The owners of the Subordinated Convertible Bond may convert their bonds to shares in the Company at NOK 1 per share during a period of 5 years. By 31 December, 330,400,000 bonds have been converted to shares, hence the remaining nominal value of the Subordinated Convertible Bond is NOK 493,240,482. The Company is obliged to convert bonds to shares when bond holders owning convertibles of NOK 10,000,000 or more give notice of conversion to shares, at any time during the 5 years period. At the end of the 5 years period, unconverted bonds will automatically be converted to shares.

The Board of Directors considers the Company's consolidated equity to be satisfactory. The Company's need for financial strength is continuously reviewed at all times in the light of its objective, strategy and risk profile.

Current Mandate for purchase of treasury shares:

The Board of Directors has been given authority, valid until the ordinary General Meeting in 2017, to purchase treasury shares in the Company, limited to 10% of the Company's share capital. Shares may not be purchased for less than NOK 1 per share, and no more than NOK 100 per share. At 31 December 2016, the Group owned no treasury shares.

4. Equal treatment of shareholders and transactions with close associates

The Company has only one class of shares.

Any decision to waive the pre-emption right of existing shareholders to subscribe for shares in the event of an increase in share capital must be properly justified.

Any transactions the Company carries out in its own shares must be carried out either through the stock exchange or at prevailing stock exchange prices if carried out in any other way. In the event of any not immaterial transactions between the Company and shareholders, members of the

Board of Directors, members of the Executive personnel or close associates of any such parties, the Board shall arrange for valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the General Meeting pursuant to the requirements of the Public Limited Companies Act. Independent valuation will also be arranged in respect of transactions between companies in the same group where any of the companies involved has minority shareholders.

Members of the Board of Directors and the Executive personnel are obliged to notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

Voting Rights:
The Company's Articles of Associations place no restrictions on voting rights. All shares are equal.

Trading in treasury shares:
The Board's authorisation to acquire treasury shares is based on the assumption that any acquisition will take place in the open market. Acquired shares may be disposed in the market or used as payment for acquisitions.

Transactions between related parties:
See note 29 for related party transactions.

5. Freely negotiable shares

No restrictions on negotiability of the Company's shares are included in the Company's Articles of Association.

6. General meetings

Exercising rights

The Board of Directors takes steps to ensure that as many shareholders as possible may exercise their rights by participating in General Meetings of the Company, and that General Meetings are an effective forum for the views of shareholders and the Board. Such steps include:

- making available on the Company's website no later than 21 days prior to the date of the General Meeting the notice of meeting including supporting information on resolutions to be considered at the meeting and recommendations of the Board of Directors and the Nomination committee
- ensuring that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting
- setting a deadline as close to the date of the meeting as possible for shareholders to give notice of their intention to attend the meeting, and in compliance with the Articles of Association
- if the General Meeting is to consider mandates to the Board of Directors for the issue of shares for different purposes, each mandate will be considered separately by the meeting
- ensuring that the members of the Board of Directors and the Nomination committee and the Company's auditor are present at the General Meeting
- providing shareholders who cannot attend the meeting in person with the opportunity to vote, by giving information on the procedure and form for representation at the meeting by proxy
- nominating a person who will be available to vote on behalf of shareholders as their proxy
- preparing a form for appointment of a proxy, which allows separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election

The Company, at the earliest possible opportunity, makes available on its website:

- information on the right of shareholders to propose matters to be considered by the General Meeting
- proposals for resolutions to be considered by the General Meeting, alternatively comments on matters where no resolution is proposed
- a form for appointing a proxy

By virtue of the annual General Meeting, the shareholders are guaranteed participation in the Group's supreme governing body. The following matters are discussed and resolved at all annual General Meetings:

- adoption of the annual financial statement and the annual report for the previous year, including distribution of dividends
- any other matters which by virtue of law or the Articles of Association pertain to the General Meeting

Notification:
The annual General Meeting is held each year no later than six months after the end of each financial year. The 2017 annual General Meeting is scheduled for 24 May. Notification will be sent out within the deadlines in the Code of practice, and relevant documentation will be available on the Group's website at least 21 days prior to the General Meeting. The Financial Calendar is published on the internet and through a notification to Oslo Stock Exchange.

Participation:
It is possible to register by post, or e-mail. Shareholders who cannot attend the meeting can authorise a proxy, and the system facilitates the use of proxies on each individual item for discussion.

7. Nomination committee

The Nomination committee has contact with shareholders, the Board of Directors and the Company's Executive personnel as part of its work on proposing candidates for election to the Board.

The appointment and election of the Nomination committee is imbedded in the Company's Articles of Association.

The selection of members of the Nomination committee takes into account the interest of shareholders in general. The majority of the committee are independent of the Board of Directors and the Executive personnel. No more than one member of the Nomination committee may be a member of the Board of Directors, and such member may not offer him/herself for re-election. Neither the Company's CEO nor any other member of the Company's Executive personnel is a member of the Nomination committee.

The Nomination committee proposes candidates for election to the Board of Directors and proposes remuneration to be paid to members of the Board of Directors.

The Nomination committee is obliged to submit arguments for its recommendations.

The Company provides information on the membership of the Nomination committee and provides suitable arrangements for shareholders to submit proposals to the committee for candidates for election.

The Nomination committee are elected by the General Meeting for terms of two years at a time. The General Meeting determines the remuneration of the committee's members.

The current Nomination committee, with the exception of Mr. Roy Reite who has been elected for the period ending in 2017, was re-elected in the annual General Meeting held on 25 May, 2016 for a period of two years and consists of:

- Kristine Herrebrøden. Ms. Herrebrøden currently serves in the position of attorney with the Bergen Municipal Attorney's Office. She has extensive experience in financial and corporate transactions and in dispute resolution from private law firm practice.
- Harald Eikesdal. Mr. Eikesdal is a lawyer in private practice in Haugesund.
- Roy Reite. Mr. Reite is CEO & Executive Director of Vard Holdings Ltd. He has served as CEO of VARD since 2001.

All members of the Nomination committee are independent of DOF's main shareholder(s) and the Executive personnel.

8. Board of Directors: composition and independence

The composition of the Board of Directors ensures that it can attend to the common interests of all shareholders and meets the Company's need for expertise, capacity and diversity. Attention is paid to ensuring that the Board of Directors can function effectively as a collegiate body.

The composition of the Board of Directors ensures that it can operate independently of any special interest. The majority of the shareholder-elected members of the Board of Directors shall be independent of the Company's Executive personnel and material business contacts. At least two of the members of the Board of Directors elected by shareholders shall at all times be independent of the Company's main shareholder(s). In the assessment of independency among other factors the following criteria are considered:

- whether the relevant person has been employed in an executive position with the Company during the foregoing five years
- whether the relevant person has received or is receiving other kinds of remuneration from the Company other than the annual remuneration to Directors awarded through the annual General Meeting or pension benefits, or participates in a share option program or result based remuneration arrangement
- whether the relevant person has or represents business relations with the Company

The Board of Directors does not include representatives of the Company's Executive personnel. With a view to effective group management, representatives from the Executive personnel may however serve as Directors in group subsidiaries.

The Chairman of the Board of Directors is elected by the General Meeting.

Members of the Board of Directors are not elected for more than two years at a time.

The annual report provides information on participation in the meetings of the Board of Directors and information to illustrate the expertise and capacity of the members of the Board of Directors and identify which members are considered to be independent.

Members of the Board of Directors are encouraged to own shares in the Company.

Composition of Board of Directors:
According to the Articles of Association § 5 The Company's Board of Directors shall consist of four to seven directors elected by the shareholders. The Company endeavours to adapt Directors' backgrounds, competence, capacity and affiliation to the Group's business activities and its need for diversity.

A detailed presentation of the Board members can be found in the annual report as well as on the company webpage.

The Board's autonomy:
Except for the Chairman Helge Møgster, the Deputy Chairman Helge Singelstad and Marianne Møgster, the members of the Board of Directors are independent of the Company's major shareholders and the Company's main business relations. All members of the Board are independent of Company's Executive personnel. There are no conflicts of interest between any duties to the Company of the members of the Board of Directors or the Company's management, and their private interests or other duties. No members of the management team of the DOF Group are Directors.

Directors are elected by the annual General Meeting for a term of two years.

The note to the accounts shows an overview of Board members' shares in the Company.

9. The work of the Board of Directors

The Board of Directors agrees on an annual schedule for its work, with particular emphasis on objectives, strategy and implementation.

The Board of Directors from time to time issues instructions for its own work as well as for the Executive personnel with particular emphasis on clear internal allocation of responsibilities and duties. The Chief Executive Officer/ Managing Director (CEO), the Chief Financial Officer (CFO) and the Director of Legal Affairs are obliged and authorised to participate in the meetings of the Board of Directors so long as nothing to the contrary has been decided.

In total nine ordinary Board meetings have been arranged during 2016. All Board members have attended all meetings.

In order to ensure a more independent consideration of matters of a material character in which the Chairman of the Board is, or has been, personally involved, the Board of Directors' consideration of such matters, if any, is chaired by another member of the Board.

The Company has an Audit committee. The majority of the members of the committee are independent of the Company's executive personnel and material business contacts.

The Board of Directors evaluates its performance and expertise annually.

Board responsibilities:
Norwegian law regulates the tasks and responsibilities of the Board of Directors. These include overall management and supervision of the Company. Towards the end of each year the Board adopts a detailed plan for the subsequent financial year. This plan covers the monitoring of the Company's operations, internal control, strategy development and other issues. The Company complies with the deadlines published by the Oslo Stock Exchange with regards to interim reports.

Instructions to the Board of Directors:
The Board's instructions are extensive and were last revised on 28.03.2008. The instructions cover the following points: the Board's responsibilities and obligations, the guidelines and instructions for the CEO's information and reporting to the Board and the Board's procedures.

Board committees:
The appointment and election of a Nomination committee is regulated by the Company's Articles of Association.

The Audit committee has responsibilities related to financial reporting, the independent auditor and risk management, and prepares issues for consideration by the Board of Directors.

The two committees are solely responsible to the full Board of Directors and their authority is limited to making recommendations to the Board. The independent auditor usually attends the meetings of the Audit committee. The CEO and other Directors are entitled to attend if they so desire.

Current members of the Audit committee are Helge Singelstad and Lars Purlund.

The Board of Directors' self-evaluation:
Each year, a special Board meeting is organised on topics related to the Group's operations and the Board of Directors' duties and working methods. The Board's working methods and interaction are discussed on an ongoing basis.

10. Risk management and internal control

The Board of Directors ensures that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. Internal control and the systems also encompass the Company's corporate values and ethical guidelines.

The Board of Directors carries out review of the Company's most important areas of exposure to risk and its internal control arrangements. This is done on a dynamic basis throughout the calendar year.

The Board of Directors regularly receives reports that cover financial status and important Key Performance Indicators for the operating companies within the Group.

The quarterly financial statements and management reports are also subject to review at quarterly meetings of the Board of Directors.

The Board holds an annual meeting with the Company's auditor where the auditor gives an assessment on important internal control areas. The Directors present a review of the Company's financial status in the annual report.

11. Remuneration of the Board of Directors

The remuneration of the Board of Directors shall at all times reflect the Board's responsibility, expertise, time commitment and the complexity of the Company's activities.

The remuneration of the Board of Directors is not linked to the Company's performance. The Company shall not grant share options to members of the Board of Directors. Members of the Board of Directors and/or companies with which they are associated will normally not take on or be given specific assignments for the Company. If they nevertheless are requested to take on such assignments this will be disclosed to and discussed by the full Board. The remuneration for such additional duties must in any case be approved by the Board.

The annual report provides information on remuneration paid to each member of the Board of Directors. Remuneration, if any, in addition to normal directors' fees will be specifically identified.

The directors' fees are decided by the annual General Meeting. The directors' fees are not linked to the Company's performance.

None of the members of the Board have during 2016 received remuneration from the Company in addition to being directors.

12. Remuneration of the Executive personnel

The Board of Directors is required by law to establish guidelines for the remuneration of the members of the Executive personnel. These guidelines are communicated to and approved by the annual General Meeting. The Board of Directors' statement on the remuneration of Executive personnel is a separate appendix to the agenda for the General Meeting. It will in each case be made clear which aspects of the guidelines are advisory and which, if any, are binding. The General Meeting vote separately on each of these aspects of the guidelines.

The guidelines for the remuneration of the Executive personnel set out the main principles applied in determining the salary and other remuneration of the Executive personnel. The guidelines help ensure convergence of the financial interests of the Executive personnel and the shareholders.

Performance-related remuneration of the Executive personnel in the form of bonus programmes or the like are linked to value creation for shareholders or the Company's earnings performance over time. Such arrangements emphasise performance and are based on quantifiable factors over which the employee in question can have influence. See note 30 in respect of guidelines for remuneration to Executive personnel.

The existing remuneration policy, approved on the 2016 annual General Meeting, allows performance related remuneration. The Executive personnel currently have no performance-related remuneration or share option programmes.

13. Information and communication

The Board of Directors has established guidelines for the Company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market.

The Company each year publishes an overview of the dates for major events, such as its annual General Meeting, publication of interim reports, public presentations, dividend payment date if appropriate etc. A calendar of most important dates is published on the Oslo Stock Exchange and the Company's website.

All information distributed to the Company's shareholders is published on the Oslo Stock Exchange and on the Company's web site simultaneously with distributions to shareholders.

14. Take-overs

The Board of Directors adheres to generally accepted and approved Corporate Governance principles for how it will act in the event of a take-over bid.

During the course of a take-over process, the Boards of Directors and management of both the party making an offer and the target company, have an independent responsibility to help ensure that shareholders in the target company are treated equally, and that the target company's business activities are not disrupted unnecessarily. The Board of the target company has a particular responsibility to ensure that shareholders are given sufficient information and time to form view of the offer.

The Board of Directors will not seek to hinder or obstruct take-over bids for the Company's activities or shares.

In the event of a take-over bid for the Company's shares, the Company's Board of Directors will not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid.

If an offer is made for a Company's shares, the Company's Board of Directors will issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. If the Board finds itself unable to give a recommendation to shareholders on whether or not to accept the offer, it will explain the background for not making such a recommendation. The Board's statement on a bid will make it clear whether the views expressed are unanimous, and if this is not the case it will explain the basis on which specific members of the Board have excluded themselves from the Board's statement. The Board will consider whether to arrange a valuation from an independent expert. If any member of the Board or Executive personnel, or close associates of such individuals, or anyone who has recently held such position, is either the bidder or has a particular personal interest in the bid, the Board will arrange an independent valuation in any case. This also applies if the bidder is a major shareholder. Any such valuation will be either appended to the Board's statement, reproduced in the statement or referred to in the statement.

Any transaction that is in effect a disposal of the Company's activities will be decided by a general meeting of shareholders.

The Company's Articles of Association contain no limitations with regard to share acquisitions. The shares are freely transferable. Transparency and equal treatment of shareholders is a fundamental policy. If and when a bid is made for the Company, the Board of Directors will make a well founded evaluation of the bid.

15. Auditor

The Company's auditor submits the main features of the plan for the annual audit of the Company to the Audit committee.

The auditors participate in meetings of the Board of Directors that deal with the annual accounts. At these meetings the auditor reviews any material changes in the Company's accounting principles, comments on material estimated accounting figures and reports material matters on which there has been disagreement between the auditor and the Executive personnel of the Company.

The auditor once a year presents to the Audit committee a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement. In addition the auditor attends all the meetings in the Audit committee.

The Board of Directors holds a meeting with the auditor at least once a year at which neither the CEO nor any other member of the Executive personnel is present.

The Board of Directors reviews guidelines in respect of the use of the auditor by the Company's Executive personnel for services other than the audit of the Company.

The Board of Directors reports the remuneration paid to the auditor at each annual General Meeting, including details of the fee paid for audit work and any fees paid for other specific assignments, provided such information is available at the time of the annual General Meeting.

The auditor each autumn prepares a plan for auditing activities in the subsequent year.

In addition to ordinary audit, the auditing company has provided consultancy services related to accounting.

Reference is made to the notes to the consolidated financial statements.

REPORT OF THE BOARD OF DIRECTORS

Report of the Board of Directors

Key notes

The market within oilfield service has continued to be very challenging throughout the year, hence DOF ASA has in 2016 completed a comprehensive refinancing program to be prepared for a sustained weak market. In 2016 the DOF Group achieved an underlying EBITDA of NOK 2,828 million and a utilisation rate of the fleet of 83%. The Group result has been negatively influenced by impairments due to drop in vessel values and positively impacted by currency and refinancing effects. Net result before taxes was NOK 359 million in 2016.

Introduction

DOF ASA ("the Company") is the parent company of an international corporation involved in the ownership and operation of a fleet with activities within three main segments: PSV (platform supply vessels), AHTS (anchor handling tug support vessels) and Subsea (construction and subsea vessels). Included in the subsea segment are engineering companies to provide services within the subsea project market. The DOF Group's ("the Group") PSVs and the majority of the AHTS fleet are owned via wholly-owned subsidiaries in Norway and in Brazil. The engineering companies and the main share of the subsea fleet are owned via the 51% owned subsidiary DOF Subsea AS.

The Group owns a modern fleet of offshore vessels with an average age of approximately nine years, a fleet of ROVs (Remote Operated Vehicles) and AUVs (autonomous underwater vehicles).

As of 31 December 2016, the Group comprised 63 vessels in operation, including one vessel hired in from external owner and two vessels partly-owned. By year-end the Group had additional four vessels (partly-owned) under construction, with scheduled delivery from 2017 and onwards.

The Group's fleet, (wholly and partly owned) including vessels under construction, had the following composition at year-end:

- 19 platform supply vessels (PSV)
- 19 anchor handling tug supply vessels (AHTS)
- 28 subsea/construction vessels (CSV)
- 69 ROVs and 2 AUVs

The Group has offices on all five continents and owns and operates six engineering companies with expertise within the subsea project operations.

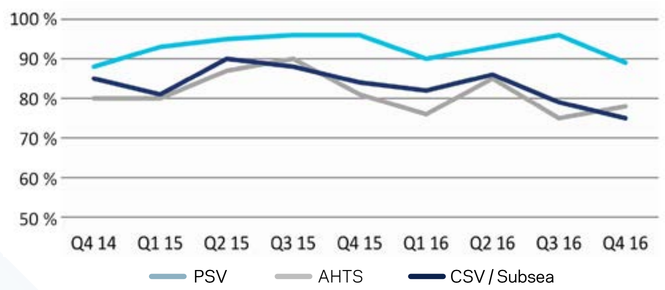
The head office is located at Storebø in Austevoll municipality in Norway.

The Group's business concept is to engage in long-term and industrial offshore business. The Group is an international supplier of offshore services and follows a main strategy of investing in advanced offshore vessels combined with highly qualified personnel. The Group operates with a contract strategy which focuses on long-term contract coverage for its fleet. The nominal value of the Group's contract backlog was NOK 27 billion at year-end, in addition to options valued at NOK 33 billion.

Operating segments in 2016

2016 has been highly influenced by a weak market, which again has had a negative impact on both the earnings and the utilisation of the Group's fleet. Yet the Group has achieved a fairly good utilisation of the fleet compared to peers, mainly due to a high back-log at the start of the year and the benefit of high local content in certain regions (i.e. Brazil). The Group has during 2016 sold three vessels and taken delivery of two new buildings.

Average utilisation of the Fleet



The PSV segment

The Group's PSV fleet has in 2016 achieved a utilisation rate of 94% including two vessels partly in lay-up during the year. The majority of the fleet has operated in the North Sea on firm contracts, and three vessels have operated on firm contracts in Canada and the Mediterranean. The subsidiary Norskan Offshore Ltda. (Norskan) has during 2016 continued to operate four vessels that were sold in 2015. Norskan still has market risk on two of the sold vessels, and for one vessel the market risk has caused a negative impact on the earnings due to low utilisation during periods in the year. The Company owns a minority share in one PSV, which has operated in the North Sea and commenced a 2-year contract in December.

The technical and operational performance of the PSV fleet has generally been good, however rates from vessels in the spot market and rates on contract renewals have declined during the year. The contract coverage has historically been high, but declined during 2016 with a back-log of 48% for 2017. A weak market has had a further negative impact on vessel values, hence an impairment loss has been booked in 2016 representing approximately 22% of the fleet value within the PSV segment.

The AHTS segment

The Group's AHTS fleet has in 2016 achieved a utilisation rate of 78% including three vessels partly in lay-up. The vessels have operated in South America, the Atlantic region and in Asia Pacific. The fleet in Brazil comprising nine vessels all have Brazilian flags and are protected by local regulations related to the flag, hence the back-log is high and the utilisation rate in 2016 has been close to 100% for this fleet. The Brazilian flagged fleet is owned by the subsidiary Norskan. One new building, Skandi Paraty, was delivered from the shipyard in Brazil and started on a 4-year contract with Petrobras in May. Skandi Paraty is the last vessel in a series of three AHTSs, all built in Brazil and secured long-term contracts with Petrobras. Norskan further acts as the operational manager of one vessel that was sold in 2015.

DOF Deepwater AS, 50/50 owned by the Company and Akastor ASA, owns five AHTSs. The utilisation and earnings from these vessels have in 2016 dropped compared to previous years, mainly due to contracts not being renewed and vessels in transit between regions. Two of DOF Deepwater's vessels were in lay-up by the end of the year.

The remaining fleet comprises six vessels of which one was sold in November. The vessels have operated in the North Sea, Asia Pacific, and in South America. The utilisation and earnings have been variable and impacted by vessels in transit and one vessel was idle during periods in the year due to mobilisation for Brazilian flag. One vessel was in lay-up by year-end.

There has been a drop in fair market value of the AHTS fleet with an impairment representing approximately 7% of the fleet value being booked in 2016.

The Subsea segment

At the end of the year, the Group comprised 29 Subsea vessels including vessels under construction and one vessel hired in from external owners. The 51% owned subsidiary, DOF Subsea AS (DOFSUB), owns the majority of the subsea fleet and the ROV fleet. DOFSUB further owns and manages six subsea service companies with expertise in survey, diving services, ROV operations, construction and IMR (Inspection, Repair & Maintenance) among others. DOFSUB's subsea services comprise a global operation with offices on every continent and a staff of approximately 1,300 employees at year-end. DOFSUB also hires in external vessels to serve its project activity.

DOFSUB sold two vessels during 2016; Skandi Protector was sold to Commonwealth of Australia in January and Skandi Santos was sold to a joint venture owned by Akastor ASA and another interest in November. Both vessels were sold at fair market values and net cash proceeds from the sales were approximately NOK 650 million. DOFSUB and Norskan will continue to serve the ROV and marine operations under separate contracts with Petrobras for the Skandi Santos.

DOFSUB's revenues are a mix of time charter contracts and subsea project contracts whereof the project activity represents 65% of total revenue in 2016. The number of vessels utilised in the projects activity vary from time to time, and totalled on average 10 vessels during 2016. Vessels hired in from external owners have decreased from four to one vessel during 2016, and the vessel currently utilised operate in the Gulf of Mexico and fulfil the requirements of Jones-Act.

The subsea project operations have been divided into the following regions: The Atlantic region (North Sea, Mediterranean and West Africa), North America, Asia Pacific and South America. Total earnings from the subsea project activity have dropped during 2016 and have resulted in external vessels being redelivered and vessels being repositioned between regions. There has been a drop in earnings and activity in the Atlantic region. In the North America region the activity in the Gulf of Mexico has declined, but increased in Canada. In Asia Pacific the utilisation and earnings have been stable mainly due to several IMR contracts won during 2015 and 2016. Asia Pacific represents the largest hub within the subsea project activity and where DOFSUB over the last 10 years has succeeded to build a strong market position within IMR. The Brazil region is characterised with firm contracts, however in 2016 one vessel has been idle between contracts during periods in the year. The average utilisation for the Group's subsea vessels was 79% in 2016; 77% for the vessels in the project fleet and 80% for the vessels on time charter contracts.

As for the AHTS segment the Group has high exposure in Brazil within the subsea segment and with Petrobras as the main client. In 2016 this activity included 10 vessels, of which three pipe-laying vessels (PLSV), are owned by a joint venture 50/50 owned by DOFSUB and TechnipFMC. The utilisation rate for two of the PLSVs has been variable during 2016 due to class dockings and the vessels being idle between contracts. A new building, Skandi Açu, was completed from the yard in July and started on an eight year contract with Petrobras in August. The vessel is the first vessel in a series of four PLSVs, all secured on 8-year contracts.

DOFSUB has been awarded several important contracts in 2016, where the 5+2+2 year IMR contract at the Shell Prelude FLNG facility outside Australia represents a major achievement.

Marine management

The Group's management activities are performed by the subsidiaries DOF Management AS (DOFMAN), and Norskan. DOFMAN's main office is in Norway and the company further controls subsidiaries /branch offices in UK, Singapore, Australia, Argentina and Egypt. DOFMAN is responsible for the marine management of the Group's fleet with operations outside Brazil and is further responsible for project management of the Group's new buildings and conversion projects. Norskan is responsible for marine management of the fleet operating in Brazil. The average number of vessels under marine management has been 72 vessels including project management of six new buildings during the year. In total 2,794 persons are employed within the marine management including offshore and onshore personnel.

New buildings

As of December 2016, the Group had four vessels under construction and scheduled for delivery in the period from 2017 and onwards, all owned by DOFSUB via joint ventures and associated companies.

Vessel	Yard	Delivery	Type	Contract
Skandi Búzios (NB 824)	Vard Norway	2017	PLSV	8 yrs Petrobras
Skandi Olinda (EP 09)	Vard Brazil	2018	PLSV	8 yrs Petrobras
Skandi Recife (EP10)	Vard Brazil	2019	PLSV	8 yrs Petrobras
Skandi Vinland (NB 834)	Vard Norway	2017	MPSV	10 yrs Husky

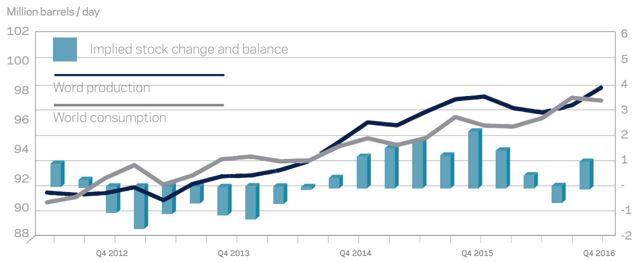
The Group has during 2016 taken delivery of two vessels; Skandi Açu (PLSV) and Skandi Paraty (AHTS).

Skandi Búzios, the second PLSV in a series of four PLSVs, was delivered from the Norwegian yard in September and completed the installation of the pipe-laying equipment by the end of the year. The vessel is currently mobilising for an 8-year contract with Petrobras. The last two PLSVs, Skandi Olinda and Skandi Recife, are currently under construction in Brazil and are delayed from the yard. DOFSUB owns a 45% share in a company that has the new building Skandi Vinland under construction in Norway. Skandi Vinland is scheduled for delivery in May and will be chartered on a B/B contract by DOF Subsea to serve a 10-year contract with Husky Energy in Canada.

The market

Oil price

The oil price continued to fall from 2015 into 1st quarter 2016 with prices below USD 30/bbl for the first time in ten years. During the year the oil price has increased and stabilised around USD 50-55/bbl, however crude oil prices are still under pressure as US shale producers have started to hire more rigs, weaker global economic growth, and increasing geopolitical instability. Oil prices jumped by almost 20% after OPEC agreed to the first oil output cut agreement in eight years in November, and have since traded within a narrow range of USD 50-55/bbl.



OSV market

2016 marks the worst downturn for the OSV industry within modern offshore history. The oil companies have continued their cost cutting and improvement programs within logistic operations, which again has reduced rig and OSV demand. Lower offshore activity and high supply growth coupled with a fragmented market and high leverage, have resulted in severe pressure both on day rates and utilisation. This has forced a consolidation in the OSV industry, as it is still needed to improve marked discipline and reduce costs.

The North Sea has been through two years of significant overcapacity, declining rig activity, and a continued inflow of vessels mobilising from other regions and especially from Brazil and West Africa. This has resulted in spot rates well below break-even for a prolonged period, and term rates just at break-even. Due to a relatively fragmented market with more than 70 vessel managers and an even higher number of vessel owners, discipline has been limited. The majority of vessel owners have been willing to accept terms at low levels just to ensure utilisation.

In Brazil the OSV activity has been negatively impacted by a significant decline in Petrobras activity over the past two years. This has resulted in a reduction in their rig fleet and has as such significantly lowered demand for OSVs. Brazilian flagged vessels have preferential rights over foreign flagged vessels and can "block" foreign flagged vessels on term charters, under circularisation regulation. There are Brazilian flagged vessels that have replaced several vessels under existing charters, hence, utilisation for foreign flagged vessels in Brazil has dropped rapidly, whilst utilisation for Brazilian flagged vessels has held up relatively well.

The Asian OSV market continues to be negatively impacted by high supply growth driven by the entry of the Asian yards in the OSV industry since early 2000, and with a 30% discount compared to European yards, these vessels are particularly competitive in the PSV and medium sized AHTS segment. The subsea segment has on the other hand been slightly better with higher tendering activity especially within the IMR market.

Sustainability

'Sustainable Operations' take into account risks and opportunities associated with our social and environmental performance, whilst ensuring that mitigation of risks and realisation of opportunities remains economically feasible.

The values of the Group further support this by promoting the following core ideals for all personnel and throughout all Group activities: Respect – Integrity – Teamwork – Excellence – Above all we are SAFE. Our slogan is Safe the RITE way.

Regardless of where DOF operates in the world, safety is held as the highest priority, and DOF strives to be a leader in the fields of health, safety, and working environment.

The most important document in the Group is the Code of Business Conduct, and through the combination of the Group's policies and how they frame our management systems, we operate taking into account all of our stakeholders.

The Group promotes transparency and standard disclosures of information relating to key sustainability aspects. As part of this, the Group reports according to the Carbon Disclosure Project and the Global Reporting Initiative. For detailed reporting on these matters please find the Group's Sustainability Report on www.dof.no

Employees

It is the Board of Directors' view that the employees are the Group's most important resource. Human Resources are recognised as the key business enabler and the Group is committed to continuously improve the processes, which support managing the Group's human capital.

The current downturn for the global oil and gas industry has worsened in 2016. Demand has decreased in all regions and the entire industry is challenged in regards to costs, leading to a scale down for most companies. The circumstances has required organisations to adapt to the reduced demand while at the same time threatening the human capital in the industry.

Adapting to these market challenges, the Group's workforce was reduced by 742 employees in 2016, from 4,814 to 4,072. The downturn is expected to continue in 2017, and with a high degree of uncertainty surrounding the following years, the Board of Directors are continuously monitoring the need for the Group to further adapt to the market. The goal going forward will be to maintain a flexible organisation and retain core competencies.

Equal opportunities and anti-discrimination

The Group has a high focus on diversity and equal opportunities. The Board of Directors supports the promotion of diversity among the Group's employees and has a clear goal of employing the best employees

REPORT OF THE BOARD OF DIRECTORS

based on their skills and competence.

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

Human Rights and Labour standards

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

Major steps have been taken throughout the year to ensure that slavery and human trafficking is not occurring within the supply chain or in any part of the Group. The Group's human rights and slavery statement is available on our website.

Health, safety, and the working environment

The Group strives to improve safety and environmental performance across all worksites, globally. Nevertheless, the Group experienced some lost time injuries (LTIs) during the year. All employees are back in normal duties and none of the injured suffered permanent disabilities. All injuries have been investigated and root causes vary from weakness in risk perception to technical issues. However, no trends have been identified, but an increase in hand and finger injuries. Based upon the investigations, a separate program for "hand safety" has been launched. The injury frequency rate at the end of the year is 0.7 per million man-hours and recordable Incident Frequency Rate of 2.2 per million man-hours.

Despite improved performance, our ambition is to be an incident free organisation. In 2014 work commenced reinforcing the Group's safety culture by increasing focus on HSE training sessions and by rolling out a new safety programme, Safe the RITE way. The aim for 2017 is to continue the programme by simplifying the HSE toolbox in use offshore in order to ensure easy access and a common approach. During the year we have been able to establish a more unified safety culture through the Safe the RITE way programme, as well as stronger safety cooperation with our clients, industry partners, and suppliers.

The Group launched a global incident notification system in 2014. The system allows all managers active involvement at the point of "First Alert" when an incident occurs and increases HSE awareness across the organisation, every day. To strengthen learning and proactive prevention initiatives, incidents are used as a basis for regular safety communication and training. Over 600 notifications have been sent over the incident flash address in 2016.

The Group's working environment is continuously being monitored, also by conducting regular working environment surveys. A new global survey will be conducted during the year, with the aim of becoming a better workplace by further improving leadership and trust. Absence due to sickness has been below 3 percent during 2016.

During the year, the subsea part of the Group was successfully re-certified by DNV-GL of the new management and environmental standards ISO 9001-2015 as well as ISO 14001-2015. The OHSAS 18001-2007 was also re-issued by DNV-GL. An implementation plan for the entire group to be certified for the new standard has been developed in 2016 and will be initiated in 2017.

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 our governing core values, we intend to establish integrity permanently throughout our organisation. This ensures sound business practices and decisions determined and executed in accordance with DOF's Code of Business Conduct, promoting everyone to display professional competence, due-diligence, confidentiality, and professional behaviour at all times and in everything they do on behalf of the company.

Anti-corruption and anti-bribery

The Group has a zero tolerance 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 Board of Directors' intention that DOF shall be recognised by a high ethical standard. The Group's anti-corruption and anti-bribery measures are regularly evaluated in order to ensure that sufficient measures are in place. During 2016, improvements have been made on the Group's approach to suppliers through an overall improvement project, which aims to establish more robust supply chain management.

Compliance to law

The Group acknowledges, for its internal and external stakeholders, the importance of a reliable partner, and that is why compliance is a key topic for us. For the Group, compliance with law and industry standards is of strategic priority.

In 2016, under the jurisdictions where the Group operates there were no cases of fines or non- monetary sanctions related to fraud, corruption, bribery or workplace discrimination.

External environment

The Group's environmental management system ensures that the Group's operations are effectively managed and that continuous improvement of environmental performance is achieved. The energy efficiency program in the Group is continuously challenged with the aim of improving environmental performance.

During 2016, the focus on energy efficiency has increased by implementing key performance indicators relating to environmental performance on the operations of our vessels. Onshore the focus has increased by introducing KPIs regarding energy consumption and CO2 emissions. During the year, there have been no spills from the vessels to the external environment recorded that require reporting to local government or international bodies.

Climate change and greenhouse gas emissions

The Group has a number of processes which ensures that direct and indirect activities that influence climate change are consistent with the Group's overall approach to climate change.

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

The Group has reported its environmental performance within CDP since 2010. For the year 2015, the Group achieved a score of 99B which is a significant result and DOF is now established among the industry leaders within the oil and gas industry with regards to driving transparency on this important topic.

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

Continuous improvement of our operations

The Group has continued its effort to strengthen the Integrated Management System (IMS). During the year, the Group has focused on simplifying the IMS in order to improve both quality and efficiency. The Group has achieved a step change by improving processes within the entire value chain, including execution of projects, subsea operations and marine operations. As part of the improvement initiative, the Group has effectively enabled global alignment of our technical solutions and further development as a more streamlined, global organisation. The Group is committed to continuously improve the processes and systems, which constitute the Group's organisational capital.

Risk Management and Control

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

The Group has established routines for weekly and monthly reporting regarding operations, liquidity, financing and investments. Based on a challenging market and completion of a refinancing program in 2016 the focus on liquidity, profit & loss and forecast control has been high during the year. The Group carries out annually detailed budget processes at all levels. The Board of Directors considers the Group's reporting procedures to be satisfactory and in compliance with the requirements on risk management and internal control.

The Group has during 2016 continued its work to strengthen the Business Management System (BMS) to further standardise the technical solutions in order to improve the quality and efficiency. Several improvement initiatives have enabled global alignment of various software solutions and further development of a streamlined organisation.

Shareholders

There have been significant changes in the share structure of the Company following the rights issue and the subsequent conversion of bonds to new shares done in 2016. As of 31 December the Company had 5,436 shareholders, and the share price was NOK 1.07 per share.

The Company issued in August 1,059,869,852 new shares through a rights issue at a subscription price of NOK 1 per share, of which Møgster Offshore as the main shareholder subscribed 750,000,000 shares. It was further decided to reduce the nominal value of the Company's shares to NOK 0.50 per share. At the same time a subordinated convertible bond loan was registered, with the obligation to convert bonds to new shares at a price of NOK 1 per share within a period of 5 years. Møgster Offshore AS owns as per year-end 53.74% of the company, and will on a fully diluted basis own 40.5%.

The annual general meeting in May 2016 authorised the Board of Directors to purchase up to 10% of treasury shares at a lowest price of NOK 1 per share and highest price of NOK 100 per share. These mandates were not exercised in 2016.

The Board of Directors

Based on a change in the shareholding of the Company the Shareholders meeting decided to change the composition of the Board of Directors. Hence Kathryn Baker, Lars Purlund and Marianne Møgster replaced Kristian Falnes, Nina K. Sandnes and Karoline Møgster in the Board.

Financial performance

Group revenue in 2016 totalled NOK 8,134 million (NOK 10,291 million), with an operating profit before depreciation (EBITDA) of NOK 2,621 million (NOK 3,362 million). EBITDA includes gain on sale of assets and shares totalling NOK 171 million (NOK 332 million). The drop in revenue compared to 2015 reflects fewer vessels in operation and lower earnings from the project activity. The Group has during 2016 sold three vessels and taken delivery of two new buildings.

Operating profit amounted to NOK -203 million (NOK 1,822 million), of which depreciation and impairment totalled NOK 2,825 million (NOK 1,541 million).

The Group has made impairment of NOK 1,762 million (NOK 500 million) and in addition NOK 195 million in impairment has been booked in associated companies and joint ventures. The basis for the impairment are fair market values received from independent brokers and value in use calculations. There has been a substantial drop in values of which the PSV segment and parts of the AHTS fleet have experienced the largest drop.

Net financial items in 2016 totalled NOK 562 million (NOK -2,232 million), of which unrealised gain on foreign exchange totalled NOK 990 million (NOK -761 million). The restructuring of the bond debt had one-off positive effect on the financial income of NOK 1,041 million.

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

The Group reported a profit before tax for 2016 of NOK 359 million (NOK -410 million) and profit after tax of NOK 201 million (NOK -323 million). Adjusted for other comprehensive income the net result is NOK 1,130 million (NOK -1,577 million).

The consolidated balance sheet at year-end 2016 totalled NOK 29,731 million (NOK 31,617 million). The reduced consolidated balance reflects the disposal of vessels and redemption of three bond loans after the refinancing done in August. Non-current assets mainly comprise vessels, subsea equipment and investments in associated companies and joint ventures. The Group has by December four vessels under construction, all owned by joint ventures and associated companies. The Group's deferred tax asset totalled NOK 951 million (NOK 1,341 million). Goodwill of NOK 330 million (NOK 436 million) has been impaired with NOK 72 million (NOK 0 million) during the year.

The Group reported net interest-bearing debt of NOK 17,494 million (NOK 21,765 million) as of 31 December 2016. The current portion of non-current liabilities due for payment in 2017 totals NOK 1,805 million (NOK 3,034 million), and represent scheduled amortisation the next 12 months. The Group has no balloons maturing before 2019.

Net cash flow from operating activities for the Group was NOK 1,684 million (NOK 2,016 million). Net cash flow from investing activities was NOK -443 million (NOK -1,890 million) and cash flow from financing activities was NOK -1,036 million (NOK -803 million).

Cash and cash equivalents for the Group at 31 December 2016 totalled NOK 2,192 million (NOK 2,056 million) of which NOK 405 million (NOK 520 million) are restricted cash.

Parent company financial statements

The parent company financial statements show revenue of NOK 209 million (NOK 261 million) and an operating profit of NOK 29 million (NOK 115 million). Net financial items are NOK 527 million (NOK -167 million) and a profit before taxes of NOK 556 million (NOK -52 million).

The parent company's balance sheet as of 31 December 2016 totals NOK 8,430 million (NOK 9,268 million), of which booked equity totalled NOK 7,176 million (NOK 4,743 million). The equity increase reflects the impact from the rights issue and restructuring of bond debt. By December 2016 the parent company has no external debt.

Financing and capital structure

The Group's operations are essentially financed via long-term loans secured with vessels and equipment and via unsecured bond loans. After restructuring of the Company's bond debt, the bond debt amounts to approximately 6% of total external financing. Export credits, mainly in Norway and Brazil, constitute a substantial share of the Group's long-term mortgage debt.

The Group's vessels built in Brazil are financed via BNDES (Brazilian Development Bank), with tenor up to 18 years, and secured by a fixed interest rate for the entire duration of the loans. The vessels built in Norway are partly financed by Export Credit Norway, with a maturity of 12 years, and with GIEK and commercial banks providing guarantees and via ordinary bank loans secured by mortgages.

Due to expected sustained challenging markets and increased financial risk for the Group, a comprehensive refinancing program was completed in August. The refinancing includes conversion of the Company's three bond loans to a new subordinated convertible bond, and a rights issue. A refinancing of 27 vessels in a new loan facility was further drawn in October.

The three bond loans DOF09, DOF10 and DOF11 were converted to a subordinated convertible bond at a price of 50% of par value. The new subordinated convertible bond has a 5-year tenor, zero coupon and no financial covenants. The bondholders in the subordinated convertible bond may convert their bonds to shares in the Company at NOK 1 per share through the period.

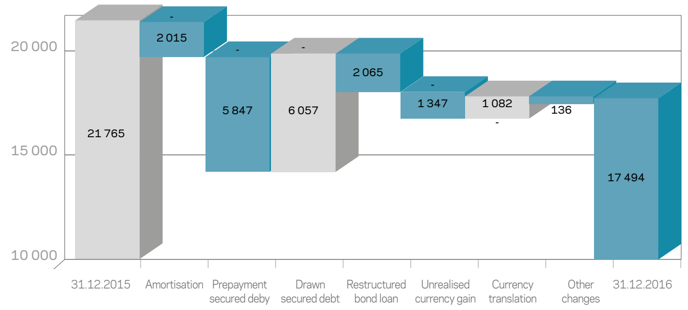
On the final maturity date the remaining bonds will automatically be converted to shares. As of 31 December the outstanding amount under the convertible bond was NOK 493 million following the repurchase of bonds in connection with the rights issue and the subsequent conversion of bonds to shares of NOK 330.4 million. The rights issue of in total NOK 1,060 million was registered in August, of which NOK 209 million was utilised to repurchase bonds in the subordinated convertible bond. Net liquidity effect after the repurchase of bonds, cash issue, costs and expenses totals approximately NOK 830 million. The impact on net interest bearing debt after the rights issue and restructuring of bonds totalled approximately NOK 2,900 million, hence the Group's equity ratio has increased from 16% to 27%.

In October a new loan of NOK 3,800 million was drawn in DOF Rederi to refinance 27 vessels. The new facility has a 5-year tenor and an amortisation schedule representing 75% reduction of normal instalments the first three years. Amended financial covenants are agreed upon, and mainly include minimum liquidity of NOK 500 million for DOF ASA consolidated (excluding DOF Subsea AS), and a minimum consolidated book equity of NOK 3,000 million. The market value of DOF Rederi's fleet should for the first three years be minimum 100% of outstanding loans (LTV). By year end the Group is in compliance with the financial covenants.

Further, the 50% owned company DOF Deepwater has entered into agreements to reduce instalments with up to 75% for the next 3-year period, including amended financial covenants.

No changes have been effectuated for the long-term funding of the Brazilian subsidiary Norskan, where the vessels are financed by BNDES and secured by the Brazilian flagged vessels on firm contracts. Further no changes have been effectuated for financing DOF Subsea AS' fleet.

Net interest bearing debt



The Group's remaining new building program includes three PLSVs jointly owned by DOFSUB and Technip-FMC, of which all vessels are secured 8-year contracts with Petrobras. One PLSV, Skandi Búzios, was completed from the yard in January and is expected to be on-hire in April. The vessel was funded by standardised Norwegian export credit scheme and commercial banks. The two PLSVs under construction in Brazil are secured long-term financing with BNDES. The remaining commitments after delivery of Skandi Búzios is approximately USD 235 million.

DOFSUB owns a minority share in a new building, Skandi Vinland, and is committed to hire in this vessel to serve its 10-year IMR contract with Husky Energy in Canada.

The Group is mainly exposed to NOK and BRL against USD. Unrealised gain/loss on foreign exchange totals NOK 1,689 million, of which NOK 742 million is booked to the profit and loss account and NOK 927 million to other comprehensive income. Net unrealised change in fair value of financial instruments totals NOK 248 million. The portion of long-term debt secured with fixed rate of interest is approximately 73% of total debt and includes the long-term funding with BNDES. Vessels and equipment constitute approximately 75% of the Group's total assets. Broker estimates received as per December 2016 for the Group's vessels show a continued decline in fair market values throughout the year. A continued weak market has an impact on the value of the Group's assets and liquidity going forward, and further increases the risk of a decline in revenues. The Group receives broker estimates from minimum two independent ship brokers and perform impairment testing in order to confirm the book value of the Group's fleet.

Risk

Financial and liquidity risk

The Group is exposed to financial and liquidity risk through the continuous requirement for refinancing and securing long-term financing of new buildings and conversion of existing vessels. Long-term financing is yet to be secured for one of the Group's four new building, Skandi Vinland, currently under construction and owned via a minority share. The vessel is secured with a 10-year contract with Husky Energy.

Over the past 10 years, the Group has executed a substantial new building programme and has achieved satisfactory new long-term financing and refinancing for its fleet, mainly due to the stable market values of the Group's fleet and high contract coverage. The sustained low oil prices and the substantially weaker market since 2014 have however caused a reduction in market values for the Group's fleet and an increased risk in terms of maintaining high contract coverage. A reduction in market values and expectations that the market will remain difficult may increase the risk for financing of the Group's new building programme, and future refinancing. The Group has however postponed the refinancing risk until 2019 based on refinancing completed in 2016 and year to date in 2017.

If the market value of the Group's fleet continue to decline, it may be necessary to carry out further impairments going forward, which in turn will have a negative impact on financial position. As a result, the Group has re-negotiated the prevailing financial covenants in loan agreements in order to prevent a situation where they are in breach of such covenants.

The Norwegian high yield bond market has historically been an important financing recourse for the Group. Due to a continued challenging market within the OSV market and several companies forced into restructuring of their bond debt, the bond market has been practically closed in 2016. This situation could result in a higher liquidity risk for the Group going forward.

Currency risk

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

The Group's new building programme is currency-neutral as commitments to shipyards, charter parties, and long-term financing are all in the same currency.

Interest rate risk

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

Of the Group's total long-term debt, 73% has a fixed rate of interest, and this includes financing via BNDES and Export Credit Norway.

Credit risk

The Group's credit risk has historically been low as the Group's customers traditionally have had good financial capability to meet their obligations and have had high credit ratings. The sustained low oil price and difficult market situation has resulted in changes to the credit ratings for the Group's customers, and thereby increased the credit risk.

Market and price risk

The Group is exposed to cost increases in general, including new buildings and costs related to delayed deliveries. All the Group's building contracts are based on fixed prices, with scheduled instalments during the construction period. The Group attempts to reduce price risk by signing contracts with suppliers with the necessary financial strength and expertise to complete projects in accordance with agreements.

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

The market has further deteriorated in all regions where the Group operates and has negatively impacted the earnings and utilisation of the Group's fleet. A sustained challenging market situation is assumed to continue until the oil companies increase their exploration activity, hence the counter-party risk is increased and contracts may be cancelled or not renewed.

Going concern

The global offshore market has continued to deteriorate during 2016, primarily as a result of the lower oil prices. As a consequence of prolonged weak markets a comprehensive restructuring of debt and consolidation among the OSV companies has happened during the year. A consolidation of the OSV industry is positive, which historically has been highly fragmented. To secure sufficient equity and liquidity through a sustained weak market the Group completed as mentioned above a refinancing program in 2016 including restructuring of bond debt of in total NOK 2,065 million, a rights issue of NOK 1,060 million and a financing of 27 vessels in a new fleet loan of NOK 3,800 million. DOF Subsea AS has further in 2017 fully refinanced its bond loan maturing in May 2018.

Based on the above both the consolidated financial statements and the Parent Company's financial statements are submitted on a going concern assumption, in accordance with IAS 1.

Profit allocation

The parent company financial statements have returned a profit of NOK 566 million. The Board of Directors proposes to allocate this figure to other reserves.

The consolidated financial statements have returned profit of NOK 201 million, and total comprehensive income of NOK 1,130 million, of which NOK 264 million is attributed to non-controlling interests and NOK 866 million is allocated to other reserves.

Events after balance sheet date

The Company has in January and March entered into three agreements for the management and operation of three vessels, Olympic Hera (AHTS), Olympic Commander (Subsea), and Far Shogun (AHTS with an option to purchase the vessels at prices corresponding to the outstanding debt within a period of three years. The vessels will be operated by DOF Management AS.

DOF Subsea AS has successfully completed a new unsecured bond issue of USD 175 million with maturity in March 2022. Net proceeds from the new bond issue will be used to refinance existing bonds and for general corporate purposes.

The share capital of the Company has in 2017 been increased with NOK 64,028,298 by issuance of 128,056,597 new shares after conversion of bonds from the subordinated convertible bond. By April share capital is NOK 814,688,898, , and the outstanding amount of the subordinated convertible bond is NOK 365,183,885.

Further one vessel has been sold in March and several contracts have been awarded, ref. note 35 to the accounts.

Outlook

The OSV market has been challenging throughout the entire year 2016 with low activity in all regions. Despite the fact that more vessels are laid-up in the North Sea, the utilisation of the fleet in operation has not improved. However, there are signs of increased exploration activity causing an increased demand for rigs and a higher tender activity within the OSV segment in certain regions.

The Group maintains its strategy to secure the fleet on long-term contracts, and is actively working on increasing the firm employment of the fleet as much as possible. The Group will further continue its focus to reduce costs and secure sufficient liquidity going forward.

As of 31 December 2016 the nominal contract value totals approximately NOK 27 billion, in addition to options valued at approximately NOK 33 billion. The contract coverage for 2017 is 57% and represents a lower back-log than normal for the Group. The contract coverage is however expected to increase throughout the year, as several contracts are under discussion. An important note is that the highest valued vessels in the fleet are secured on long-term contracts.

The market is expected to continue to be challenging in 2017, and as such increases the risk for reduced utilisation and earnings for the Group's fleet, and a risk for a further deterioration of the vessel values. The Group's global presence and a flexible business model within the subsea segment in a combination of high local content and back-log are expected to mitigate these risks.

The Board of Directors currently expects a lower operational EBITDA in 2017 compared to the operational EBITDA in 2016.

Storebø, April 20th, 2017
The Board of Directors for DOF ASA

Helge Møgster Chairman	Helge Singelstad Deputy Chairman	Marianne Møgster Director
Lars Purlund Director	Kathryn Baker Director	Mons S. Aase CEO

Accounts

DOF GROUP

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DOF GROUP

Consolidated Income Statement

Amounts in NOK million	Note	2016	2015
Operating income	7,15	8 134	10 291
Payroll expenses	8, 30	-3 340	-4 159
Other operating expenses	9, 15, 29, 30	-2 259	-3 166
Share of income of associates and joint venture	31, 32	-85	65
Net gain (loss) on sale of tangible assets	14	171	332
Operating expenses		-5 512	-6 929
Operating profit before depreciation and impairment - EBITDA		2 621	3 362
Depreciation	4, 14	-1 063	-1 041
Impairment	4, 14	-1 762	-500
Operating profit - EBIT		-203	1 822
Finance income	10	1 144	99
Finance costs	10	-1 134	-1 238
Realised gain/loss on currencies	10	-437	-332
Unrealised gain/loss on currencies	10	742	-869
Net change in unrealised gain/loss on derivatives	10	248	108
Net financial items		562	-2 232
Profit (loss) before taxes		359	-410
Tax income (expense)	11	-158	87
Profit (loss) for the year		201	-323
Attributable to:			
Non-controlling interest		141	120
Controlling interest		60	-443
Earnings per share (NOK)	12	0,09	-4,00
Diluted earnings per share (NOK)	12	0,07	-4,00

Consolidated Statement of Comprehensive Income

Profit (loss) for the year		201	-323
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		-59	89
Cash flow hedge	11, 26, 27	762	-979
Share of other comprehensive income of joint ventures and associates	32	230	-377
Total		933	-1 267
Items that not will be reclassified to profit or loss			
Defined benefit plan actuarial gains / losses	8	-4	13
Total		-4	13
Total other comprehensive income for the year, net of tax		929	-1 253
Total comprehensive income for the year net of tax		1 130	-1 577
Attributable to:			
Non-controlling interest		264	-60
Controlling interest		866	-1 517

DOF GROUP

Consolidated Statement of Financial Position

Amounts in NOK million	Note	31.12.2016	31.12.2015
Assets			
Tangible assets	14,15,22	22 199	23 188
Goodwill	13	330	436
Deferred tax assets	11	951	1 341
Investments in associated companies and joint ventures	10, 31, 32	808	513
Non-current receivables	16, 27	1 152	905
Total non-current assets		25 440	26 383
Trade receivables	17, 27	1 506	2 112
Other receivables	18, 26, 27	592	589
Current receivables		2 098	2 701
Restricted deposits		405	520
Cash and cash equivalents		1 787	1 536
Cash and cash equivalents included restricted deposits	19, 27	2 192	2 056
Asset held for sale	14	-	477
Total current assets included asset held for sale		4 290	5 234
Total assets		29 731	31 617

DOF GROUP

Consolidated Statement of Financial Position

Amounts in NOK million	Note	31.12.2016	31.12.2015
Equity and liabilities			
Paid in equity	20	2 675	1 452
Other equity		1 950	439
Non-controlling interests	21	3 521	3 281
Total equity	20	8 146	5 172
Bond loan	22, 27	1 297	3 347
Debt to credit institutions	15, 22, 27	16 729	17 354
Non-current derivatives	22, 26, 27	135	244
Deferred tax	11	1	42
Other non-current liabilities	8, 23, 27	51	70
Non-current financial liabilities		18 212	21 057
Current bond loan and debt to credit institution	22, 27	1 805	3 034
Trade payables	24, 27	1 061	1 439
Tax payable	11	122	151
Other current liabilities	25, 26, 27	384	503
Current liabilities		3 372	5 127
Liabilities directly associated with asset held for sale	22	-	260
Current liabilities included liabilities held for sale		3 372	5 387
Total liabilities		21 584	26 445
Total equity and liabilities		29 731	31 617

Storebø, April 20th, 2017
The Board of Directors for DOF ASA

Helge Møgster
Chairman

Helge Singelstad
Deputy Chairman

Marianne Møgster
Director

Lars Purlund
Director

Kathryn Baker
Director

Mons S. Aase
CEO

DOF GROUP

Consolidated Statement of Changes in Equity

Amounts in NOK million	Share capital	Share premium fund	Paid in capital	Other contribut-ed capital	Other equity - Retained earnings	Other equity - Currency translation differences	Other equity - Cash flow hedge	Total other equity	Non-controlling interest	Total equity
Balance at 01.01.2016	222	1 230	1 452		1 516	222	-1 299	440	3 281	5 172
Profit (loss) for the year			-		60	-	-	60	141	201
Other comprehensive income net of tax			-		114	-69	762	807	123	929
Reclassification between CTA and cash flow hedge			-		-	156	-156	-		-
Total comprehensive income for the year			-		174	87	606	866	264	1 130
Reduced share capital with reduced nominal value	-167	-	-167		167			167		-
Convertible bond			-	824	-			824		824
Converted bond	165	165	330	-330	-			-330		-
Share issue settled in cash	530	530	1 060		-16			-16		1 044
Dividends			-		-			-	-22	-22
Changes in non-controlling interest			-		-			-	-2	-2
Total transactions with owners	529	695	1 224	493	151	-	-	644	-24	1 844
Balance at 31.12.2016	751	1 925	2 675	493	1 840	309	-693	1 950	3 521	8 146
Balance at 01.01.2015	222	1 230	1 452		2 141	250	-435	1 957	3 458	6 866
Profit (loss) for the year			-		-443	-	-	-443	120	-323
Other comprehensive income net of tax					-181	99	-991	-1 073	-181	-1 254
Reclassification between CTA and cash flow hedge			-			-126	126	-	-	-
Total comprehensive income for the year			-		-625	-27	-865	-1 517	-60	-1 577
Changes in non-controlling interests					-			-	-116	-116
Total transactions with owners	-	-	-	-	-	-	-	-	-116	-116
Balance at 31.12.2015	222	1 230	1 452	-	1 516	222	-1 299	439	3 281	5 172

DOF GROUP

Consolidated Statement of Cash flows

Amounts in NOK million	Note	2016	2015
Operating profit		-203	1 822
Depreciation and impairment	14	2 825	1 541
Profit/loss on disposal of tangible assets	14	-171	-332
Share of net income of associates and joint ventures	32	85	-65
Change in trade receivables	17	606	219
Change in trade payables	24	-378	247
Change in other working capital		64	208
Exchange rate effect on operating activities		-57	-196
Cash from operating activities		2 770	3 444
Interest received		59	36
Interest paid		-1 087	-1 248
Tax paid		-59	-215
Net cash from operating activities		1 684	2 016
Payments received for sale of tangible assets	14	1 531	1 953
Purchase of tangible assets	14	-1 610	-3 833
Payments received for sale of shares		-	417
Purchase of shares		-7	-
Received dividends		-	3
Net cash flow from other non-current receivables		-356	-431
Net cash used in investing activities		-443	-1 890
Proceeds from borrowings		5 088	6 613
Repayment of borrowings		-6 935	-7 299
Share issue		1 044	
Purchase of convertible bond		-209	
Non-controlling interest	21	-24	-117
Net cash flow from financing activities		-1 036	-803
Net changes in cash and cash equivalents		204	-677
Cash included restricted cash at the start of the period	19	2 056	2 609
Exchange gain/loss on cash and cash equivalents		-68	124
Cash included restricted cash at the end of the period	19	2 192	2 056

DOF GROUP

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DOF GROUP

Notes to the Consolidated Financial Statements

1 General

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

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

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

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

The Annual Accounts were approved for publication by the Board of Directors on 20 April 2017.

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

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

2 Summary of significant accounting principles

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

The consolidated financial statements have been prepared in accordance with the historical cost convention with the following exceptions: financial instruments at fair value through profit or loss and non-derivative financial instruments designated as hedging instruments are subsequently carried at fair value.

Going concern

The Group has as a satisfactory economical and financial position which provides the basis for the going concern assumption in accordance with IAS 1.

Consolidation principles

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

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of previously held equity interest is re-measured to fair value at the acquisition date; any gain or loss arising from such re-measurement is recognised in the income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in the income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within consolidated statement of changes in equity.

Goodwill is measured as excess of consideration transferred plus the amount of non-controlling interest over the fair value of the identifiable net assets acquired in the business combination. Per IFRS 3, where a business combination is achieved in stages, the amount of previously held equity interests is remeasured to fair value as at the acquisition date. The goodwill calculation now becomes the excess of purchase consideration, the fair value of previously held equity interests and the amount of non-controlling interest over the fair value of identifiable net assets acquired. Where 'negative' goodwill arises from this calculation, the difference is recorded directly in the income statement.

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

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

Joint arrangements

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

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

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

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

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income.

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

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate has been impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, recognising the amount in the income statement adjacent to 'share of net income of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in the income statement.

Segment reporting

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

CVS includes subsea engineering activities.

The Group's business is reported in the main geographical areas where the customers are located.

Conversion of foreign currency

a) Foreign currency

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

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transactions date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the conversion at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as financial income or costs. Where assets and liabilities are settled at period end, this will give rise to a realised exchange gain or loss, which will be carried to the income statement. Where accounting balances are reassessed at the period end but not settled, this will give rise to an unrealised exchange gain or loss also taken to the income statement.

c) Group companies

The results and financial position of all the Group entities that have a functional currency, which differs from the presentation currency, are converted into the presentation currency as follows:

I. assets and liabilities presented at consolidation are converted to presentation currency at the foreign exchange rate on the date of the consolidated statement of financial position,

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

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

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

Classification of assets and liabilities

Assets are classified as current assets when:

- the asset forms part of the entity's service cycle, and is expected to be realised or consumed over the course of the entity's normal operations; or
- the asset is held for trading; or
- the asset is expected to be realised within 12 months of consolidated statement of financial position date

All other assets are classified as non-current assets.

Liabilities are classified as current liabilities when:

- the liability forms part of the entity's service cycle, and is expected to be settled in the course of normal production time; or
- the liability is held for trading; or
- settlement of the liability has been agreed upon within 12 months of the consolidated statement of financial position date; or
- the entity does not have an unconditional right to postpone settlement of the liability until at least 12 months after the consolidated statement of financial position date.

All other liabilities are classified as non-current liabilities.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks. Restricted deposits are classified separate from unrestricted bank deposits under cash and cash equivalents. Restricted deposits include deposits with restriction past twelve months.

Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected within one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Accrued, not invoiced revenues are classified as trade receivables. Work in progress is presented as part of accrued uninvoiced revenue.

Trade receivables are subject to value adjustments where their recovery are uncertain. A provision for impairment of trade receivables is made

when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the estimated recoverable value. Changes to this provision are recognised in the income statement.

Tangible Assets

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

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

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

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

For vessels, residual value is determined based on estimated fair value at the end of their useful lives.

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

Assets under construction

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

Impairment of assets

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

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 recognised in previous years no longer exists or has decreased reversals of impairment will be recognised except of goodwill. For further information on the calculation see note 4 'accounting estimates and assessments'.

Periodic maintenance

Ordinary repairs and maintenance costs of assets are charged to the income statement during the financial period in which as they are incurred.

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

Leases

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

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

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the purchase consideration transferred plus the amount of non-controlling interest over the fair value of identifiable net assets acquired. Goodwill comprises the difference between nominal and discounted amounts in terms of deferred tax, synergy effects, organisational value and key personnel and their expertise.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

The goodwill in the Group is allocated to and monitored on the level of operational segments, except for goodwill allocated to CSL UK Ltd.

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

Debt

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

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

Interest expenses related to the borrowing are recognised as part of cost of an asset when the borrowing costs accrue during the construction period of a qualifying asset. Borrowing costs are capitalised until the time the fixed asset has been delivered and is ready for its intended use.

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

Provisions

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

Provisions are reviewed at each consolidated statement of financial position date and adjusted to the best estimate. When timing is significant for the amount of the obligation, it is recognised at the present value. Subsequent increases in the amount of the obligation due to interest accretion are reported as interest costs.

Contingent assets and liabilities:

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

Contingent liabilities are defined as:

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

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

Equity

Ordinary shares are classified as equity.

Transaction costs related to equity transactions, including tax effect of transaction costs, are directly charged against equity.

Transactions with non-controlling interests

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

Revenue recognition

The Group recognises income when it is probable that future economic benefits will flow to the entity and when the amount of income can be reliably measured. Operating income is shown net of discounts, value-added tax and other taxes on gross rates.

a) Chartering of vessels

The Group's operational vessels are mainly leased out on charter parties; that is bareboat charter or time charter. On the time charter contracts, customers lease the vessels with crew included. The charterer determines (within the contractual limits) how the vessel is to be utilised. There is no time charter revenue when the vessels are off-hire, for example during periodic maintenance, unless you have agreed maintenance days on contracts.

In addition to the lease of vessels, the company has a number of agreements for lease of bedspace on vessels (hotel), provisions and extra crews.

Lease income related to the vessels is recorded on a linear basis over the lease period. The lease period starts from the time the vessels is made available to the customer and expires on the agreed return date. Crew rental and compensation for coverage of other operating costs are recorded over the contract period on a linear basis.

b) Subsea projects

Some contracts are based on daily rates while others are lump sum/fixed price contracts. Lump sum contract income is recognised in accordance with the stage of completion of the contract, see note 4.

Income in projects may increase or decrease based on variations to the original contract. These variations will be recognised based on signed purchase /variation orders.

c) Dividend income

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

d) Interest income

Interest income is recognised using the effective interest method.

Current and deferred income tax

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

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

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

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

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

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

Companies under the shipping company tax regime

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

Employee benefits

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

(a) Defined contribution plans

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

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

(b) Defined benefit plans

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

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

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

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

Financial assets

The Group classifies its financial assets in the following categories: financial instruments at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of profiting from short-term price fluctuations. Derivatives are also categorised as held for trading unless they are designated for hedge accounting. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the consolidated statement of financial position date. Loans and receivables are classified as "accounts receivable" and "other receivables", and as "cash and cash equivalents" in the consolidated statement of financial position. Those exceeding 12 months are classified as financial assets. Loans and receivables are carried at amortised cost.

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category, including interest income and dividends, are presented in the income statement within financial income or financial loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of financial income when the Group's right to receive payments is established. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques.

The Group assesses at consolidated statement of financial position date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. See separate paragraph in the note regarding trade receivables.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured on a continuous basis at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has various types of hedging relationships that are not documented as hedge accounting and measured at their fair value with the resulting gain or loss recognised immediately in the income statement. The Group designates certain derivatives and non-derivative financial instruments as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The fair values of various derivative instruments used for hedging purposes are disclosed in note 26. Movements on the hedging reserve in other comprehensive income are shown in the consolidated statement of changes in equity.

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

The Group applies hedge accounting on two types of cash flow hedges;

a) the hedging of interest rate risk on non-current debt; and

b) the hedging of USD/BRL spot exchange rate risk arising from highly probable income denominated in USD.

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

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

Amounts accumulated in equity are reclassified to income statement when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate debt is recognised in the income statement within 'finance income/ expenses'.

When a hedging instrument expires or is sold or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Subsequent events

New information regarding the Group's financial position at the reporting date is included in the accounts. Events occurring after the reporting date, which do not impact the Group's financial position, but which have a significant impact on future periods, are presented in the notes to the accounts.

Use of estimates

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

Consolidated statement of cash flows

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

Government grants

The Group recognises grants when it is reasonably secured that it will comply with the required conditions for the grant and the grant will be received. The Group receive grants related to net salary scheme for vessel. Government grants are presented as a deduction in the Payroll expenses in the Income Statement and Statement of Comprehensive income.

New standards, amendments and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2015:

- Annual Improvements to IFRSs – 2010-2012 Cycle and 2011 – 2013 Cycle
- Defined Benefit Plans: Employee Contributions – Amendments to IAS 19

The adoption of these amendments did not have any impact on the current reporting period or any prior reporting period and is not likely to affect future periods.

New standards, amendments and interpretations not yet adopted

Standards to be implemented in 2017 or later years:

- IFRS 9 Financial Instruments, effective date 1 January 2018
- IFRS 15 Revenue from Contracts with Customers, effective date 1 January 2018
- IFRS 16 Leases, effective date 1 January 2019

IFRS 9 Financial instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted, but adoption after 1 February 2015 requires that the new rules must be adopted in their entirety and that the standard has been adopted by the EU. EU adoption of FRS 9 is expected to be given in 2016. Following the changes approved by the IASB in July 2014, the Group no longer expects any impact from the new classification, measurement and derecognition rules on the Group's financial assets and financial liabilities. There will also be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. As a general rule it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation. The new impairment model is an expected credit loss (ECL) model, which may result in the earlier recognition of credit losses. Management has not yet assessed how the Group's hedging arrangements and impairment provisions would be affected by the new rules.

IFRS 15 Revenue from Contracts with Customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and

rewards. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The standard was approved by EU 29 October 2016.

The Group is currently assessing impact of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- The application of IFRS 15 may result in the identification of separate performance obligations, which could affect the timing of the recognition of revenue.
- Certain costs which are currently expensed may need to be recognised as an asset under IFRS 15.

At the current stage, the Group is not able to estimate the impact of the new standard on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

The Group will use the modified retrospective method to implement IFRS 15. The standard will be implemented 1st of January 2018, with a cumulative catch up as of this date. This means that all contracts that are not finalised as of 1 January 2018 must be restated. In addition, the result in 2018 must be disclosed under both IFRS 15 and IAS 11/IAS 18.

IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and the disclosure of leases. IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not be significantly changed.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of NOK 272 million, see note 15. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. The standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3 Financial risk management

Financial risk factors

The Group is through its activities exposed to a variety of financial risks: Market risk (including foreign exchange risk, interest rate risk and price risk), credit -and liquidity risk, capital structure risk and tax risk. The Group's overall risk management seeks to minimise potential adverse effects of the Group's financial performance.

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

Market risk

Foreign exchange risk

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

The Group's reporting currency is NOK and the parent company's functional currency is NOK. Foreign exchange risk arises when future commercial transactions, contractual obligations (assets) and liabilities are denominated in a currency which is not a company's functional currency. The Group aims to achieve a natural hedge between cash inflows and cash outflows and manages remaining foreign exchange risk arising from commercial transactions, assets and liabilities through forward contracts and similar instruments as appropriate.

Hedging of foreign exchange exposure is executed on a gross basis and foreign exchange contracts with third parties are generated at Group level. The Group's risk management policy is to hedge anticipated transactions in each major currency. The Group has implemented hedge accounting for parts of the revenues (in Brazil) with the objective to reduce the volatility in the operational and financial result due to foreign exchange risk.

Currency changes in receivables, liabilities and currency swaps are recognised as a financial income/expense in the profit and loss statement.

	5% appreciation	5% depreciation
	USD	USD
Derivative financial instruments [1]	154	-150
Financial instruments directly to equity [2]	253	-253
Debt to credit institutions	301	-301

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

Fluctuation in foreign exchange rates will therefore have an effect on the future results and balances.

The Group has a significant amount of debt denominated in USD. The table below shows the effect of an appreciation/ depreciation of NOK against USD. A foreign exchange sensitivity analysis as per year-end 2016 shows how a hypothetical 5% appreciation/ depreciation of NOK against USD would affect the value of the USD debt as of 31 December 2016, and increase/ decrease the consolidated statement of comprehensive income, see table below. The Group's subsidiaries with functional currency BRL have USD debt only. The effect of change in BRL to USD is included in the sensitivity results below. The Group's exposure to other foreign exchange movements is not material.

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

Interests rate risk
The Group's existing debt arrangements are long term loans both with floating and fixed interest rates. Movements in interest rates will have effects on the Group's cash flow and financial condition. The Group's policy is to maintain parts of its debt at fixed interest rates.

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

The long term funding of the Group's vessels built in Brazil are secured at fixed interest rates for the entire duration of the loans. The duration of these loans is usually between 18 to 20 years. The portion of long term debt secured with fixed rate of interest is 74% per year-end and includes debt with fixed interest in BNDES.

The Group has an interest risk in the change in value for the interest rates swaps. In accordance with IFRS, the Group provides information about the potential risk with a sensitivity analysis. The table below shows the change in MTM on interest swaps at year end with an increase and decrease of 100bps in 2016. Interest rates are not reduced to less than zero.

When interest rates increase, equity (liability) will increase (decrease) and profit (loss) will increase (decrease) unless hedge accounting is applied, which only applies to equity.

	+ 100BPS		- 100BPS	
	USD	NOK	USD	NOK
Interst rate swaps	15	126	-16	-115

Price risk
The Group is exposed to price risk at two main levels:

- The costs of construction of new assets and replacements of assets are sensitive to changes in market prices.
- The demand for the Group's vessels is sensitive to changes to oil price developments, exploration results and general activity within the oil industry. This can affect both the pricing and the utilisation of the Group's assets.

The market has weakened considerably during 2016, mainly due to the low oil price and increased focus on cost cutting and capital rationing.

There is reason to believe that the markets will be demanding over the coming years. The counterparty risk increases as contracts may not be renewed or cancelled.

The Group aims to reduce the price risk by having the majority of its vessels on long term charter contracts. All new building contracts are based on fixed prices of the assets, and the vessels are fixed on longer-term contracts upon delivery.

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

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

The Group's business is capital intensive and the Group may in periods need to raise additional funding through bond loans or equity financing to execute the Group's strategy and fund capital expenditures. A difficult market within the OSV segment during 2015 and 2016 led to a restructuring of DOF ASA's balance sheet, which secured the parent company with satisfactory financing and liquidity through the expected demanding period going forward.

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

Repayments for loans and derivatives	2017	2018	2019	2020	2021->	Total
Bond loans *)	-	-	1 300	-	-	1 300
Other interest bearing liabilities	1 661	2 984	1 594	2 641	9 575	18 455
Calculated interest	865	699	569	464	1 326	3 923
Total	2 526	3 683	3 464	3 105	10 900	23 678

*) DOF Subsea AS completed a new 5-year unsecured bond issue of USD 175 million in March 2017, please refer to note 35.

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

The Group monitors its capital structure by evaluating the debt ratio, which is defined as net interest bearing debt divided by equity plus net interest bearing debt. The Group policy is to achieve debt financing corresponding to 70-80% funding of new vessels and to continue to have high contractual coverage of the entire fleet.

Debt ratio	2016	2015
Interest-bearing debt	19 686	23 821
Restricted deposits	405	520
Cash	1 787	1 536
Other interest bearing asset (+)/debt (-)	-	-
Net debt	17 494	21 765
Total equity	8 146	5 172
Total equity and net debt	25 640	26 937
Debt ratio	68 %	81 %

The Group has established similar financial covenants on all long term funding (except for DOF Subsea AS) which implies minimum cash and minimum book equity. DOF Subsea group has similar minimum cash requirements on its long-term funding, in addition to requirements to minimum value adjusted equity ratio. Mortgaged loans have minimum value clauses included. A negative market development has led to lower contract coverage for the Group's vessels, which again increases the risk for further fall in broker estimates. DOF ASA and DOF Rederi have re-negotiated the financial covenants in its loan agreements in 2016. DOF ASA has further carried out a restructuring of its bond debt and completed a rights issue in 2016, hence the Group's refinancing - and liquidity risks are reduced.

Tax risk

Changes in tax regimes may adversily affect the Group's cash flow and financial conditions. A number of the vessels are operating within the special offshore taxation regimes in different jurisdictions, hence there is a risk that changes in bilateral tax treaties and local tax regulations might have a negative effect on the Group's cash flows and financial condition. Further, Transfer Pricing regulations in the various jurisdictions might impose a tax risk for the Group. Different jurisdictions may have different views on how Group internal transactions shall be priced, i.e. the Group`s Transfer pricing principles and documentation may be challenged. There is also a risk that the Group`s historical tax compliance might be questioned in tax audits performed by local tax authorities, imposing a risk of supplementary taxation.

4 Accounting estimates and assessments

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

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

Vessels
The carrying amount of the Group's vessels represents 75% of the total statement of financial position. Consequently, policies and estimates linked to the vessels have a significant impact on the Group's financial statements. Depreciation is calculated on a straight-line basis over the useful life of the asset. Depreciable amount equals historical cost less residual value.

Useful life of vessels
The level of depreciation depends on the vessels estimated useful lives. Estimated useful life is based on strategy, past experience and knowledge of the types of vessels the Groups owns. Useful life of older vessels is individually assessed. There will always be a certain risk of events like breakdown, obsolescence e.g. with older vessels, which may result in a shorter useful life than anticipated.

Residual value of vessels
The level of depreciation depends on the calculated residual value at the statement of financial position date. Assumptions concerning residual value are made on the basis of knowledge of the market for second hand vessels. The estimate of residual value is based on a market value of a charter free vessel, and today's fair value forms a basis for the estimate. Fair values are adjusted to reflect the value of the vessels as if it had been of an age and in the condition expected at the end of the useful life.

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

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

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

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

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

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

For vessels fixed on firm long-term contracts, the assumption is that the contracts run up until expiry of the contracts. Options held by the customers are not assumed to be exercised, unless the options are at or below current market rates. For vessels without contract, assumptions derived from the evaluation of broker estimates, combined with other market information are considered when estimating future revenues. It is expected to be a weak market the next 2-3 years, and gradually normalise to historical average levels thereafter. Due to the current market situation there is a high level of uncertainty related to the estimates.

The Weighted Average Cost of Capital (WACC) is used as a discount rate, and reflects a normalised capital structure for the industry. The WACC represents the rate of return the Group is expected to pay to its sources of finance for cash flows with similar risks. Cash flows are calculated after tax and discounted with an after tax discount rate. The nominal WACC used in the value in use calculations are ranging from 8.3%-10.0%.

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

ROVs
A value in use calculation is performed for ROVs as a pool of assets. Principles for calculation of future cash flows and WACC are the same as described for vessels.

Goodwill
Goodwill is allocated to the operating segments, which represents the lowest level within the entity which the goodwill is monitored. Each operational segment consists of several cash generating units (CGU). As a consequence of organisational changes in 2016, goodwill related to the acquisition of CSL UK Ltd previously allocated to the CSV segment has been reported and monitored separately from other goodwill in the CSV segment. CSL UK Ltd is a separate cash generating unit, and the Group has therefore concluded to allocate 100% of the goodwill identified in the original transaction as the method that best reflects the goodwill associated with the reorganised unit.

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

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

Projects income and costs
Lump sum projects, contract revenue and expenses are recognised in accordance with the stage of completion of a contract as set out in IAS 11. The stage of completion method is calculated by dividing contract costs incurred to date by total estimated contract costs. Revenue earned to date can then be calculated by allocating the percentage of completion based on cost to total contract revenue.

Contract revenue comprises the set amount of revenue agreed by the client in the contract plus variation orders where applicable. Variation orders will only be included in contract revenue to the extent they will likely result in revenue, they are capable of being reliably measured and they have been reviewed and approved by the client.

Cost forecasts are reviewed on a continuous basis and the project accounts are updated monthly as a result of these reviews.

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

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

In the event that it is probable total contract costs will exceed contract revenue, the anticipated loss is immediately recognised as an expense in the consolidated statement of comprehensive income. Expected losses are determined by reference to the latest estimate of project results at completion.

At year end the Group has recognised a liability amounted to NOK 40 million that are related to onerous contracts. The onerous contracts are a result of additional cost due to overruns and delays, and there are ongoing discussions with the client regarding allocations of responsibilities. The estimated liability is based on the available information as of the statements of the financial position date. New information about circumstances and result of negotiations with client might affect the estimate losses.

Provisions
A provision is recognised when there is a legal or constructive obligation arising from past events, or in cases of doubt as to the existence of an obligation, when it is more likely than not that a legal or constructive obligation has arisen from a past event and the amount can be estimated reliably.

The amount recognised as a provision is the best estimate of the expenditure to be incurred. The best estimate of the expenditure required to settle the present obligation is the amount that rationally will have to be paid to settle the obligation at the statement of financial position date or to transfer it to a third party at that time.

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

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

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

In general, attention from tax authorities are increasing in all tax jurisdictions. This should be seen in relation to the OECD project Base Erosion and Profit Shifting (BEPS) and the general trend that each individual country has become more concerned about protecting their tax basis, in the context the Group experience more tax audits. All present claims are in an administrative process with tax authorities and are at year end disputed by the Group. The Group consider the risk of negative outcomes in these cases to be lower than 50% and has not recognised any liability regarding tax claims. Outcome of such processes are uncertain and changes in assumption, interpretations and circumstances might result in future cash outflow for the Group.

5 Management reporting

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

Income Statement	2016			2015		
	Management reporting	Reconciliation to equity method	Financial reporting	Management reporting	Reconciliation to equity method	Financial reporting
Operating income	8 569	-435	8 134	10 809	-518	10 291
Operating expenses	-5 745	147	-5 598	-7 439	113	-7 326
Net profit from associated and joint ventures	-10	-76	-85	-26	91	65
Net gain on sale of tangible assets	171	-0	171	375	-43	332
Operating profit before depreciation EBITDA	2 986	-364	2 621	3 719	-357	3 362
Depreciation	-1 142	80	-1 063	-1 119	78	-1 041
Impairment	-1 932	170	-1 762	-531	31	-500
Operating profit - EBIT	-89	-114	-203	2 070	-248	1 822
Financial income	1 116	28	1 144	88	11	99
Financial costs	-1 190	56	-1 134	-1 290	53	-1 238
Net realised gain/loss on currencies	-483	46	-437	-386	55	-332
Net unrealised gain/loss on currencies	800	-59	742	-925	56	-869
Net changes in fair value of financial instruments	249	-1	248	109	-2	108
Net financial items	492	70	562	-2 405	173	-2 232
Profit (loss) before taxes	403	-44	359	-335	-76	-410
Taxes	-202	44	-158	11	76	87
Profit (loss)	201	-	201	-323	-	-323

Financial Position	Balance 31.12.2016			Balance 31.12.2015		
	Management reporting	Reconciliation to equity method	Financial reporting	Management reporting	Reconciliation to equity method	Financial reporting
ASSETS						
Tangible assets	27 469	-5 270	22 199	25 910	-2 722	23 188
Goodwill	330	-	330	436	-	436
Deferred taxes	1 023	-72	951	1 505	-164	1 341
Investments in associated companies and joint ventures	70	738	808	106	407	513
Other non-current receivables	619	533	1 152	424	481	905
Total non-current assets	29 511	-4 071	25 440	28 381	-1 998	26 383
Receivables	2 243	-145	2 098	2 772	-71	2 701
Cash and cash equivalents	2 370	-178	2 192	2 220	-164	2 056
Asset held for sale	-	-	-	477	-	477
Total current assets	4 614	-323	4 290	5 469	-235	5 234
Total assets	34 125	-4 394	29 731	33 850	-2 233	31 617
EQUITY AND LIABILITIES						
Equity	8 146	-	8 146	5 172	-	5 172
Non-current liabilities	22 123	-3 911	18 212	23 067	-2 010	21 057
Current liabilities	3 856	-484	3 372	5 350	-223	5 127
Liabilities directly associated with asset held for sale	-	-	-	260	-	260
Total liabilities	25 979	-4 394	21 584	28 678	-2 233	26 445
Total equity and liabilities	34 125	-4 394	29 731	33 850	-2 233	31 617

6 Segment information

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

Business segment

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

Geographical areas

The Group's main geographical areas are the Atlantic region, Asia Pacific, South-America and North America. See note 7 Operating income divided on countries.

In 2016, two clients accounted for more than 10% of the Group's revenue. The segments AHTS and CSV have revenue from these clients.

The Group has not reported the carrying amount of assets by geographical areas as most of the vessels are owned and controlled via Norway and other countries but are utilised worldwide. The Group is therefore of the opinion that the distribution of assets according to geographical areas would not provide meaningful information.

			2016		
Business segment	PSV	AHTS	CSV	Other *)	Total
Operating income	961	1 652	5 957		8 569
EBITDA	336	682	1 969	-	2 986
Depreciation	-184	-268	-691		-1 142
Impairment	-696	-513	-723		-1 932
EBIT	-544	-98	554	-	-89
Net financial items	-56	-176	-319	1043	492
Profit before taxes	-601	-275	235	1043	403
Balance					
Assets	3 976	9 282	15 202		28 461
Jointly controlled companies	-	707	4 957		5 664
Total assets	3 976	9 990	20 159		34 125
Additions	53	1 071	3 047		4 171
Liabilities	2 652	8 300	15 026		25 979

*) Income related to refinancing bond loan DOF09, DOF10, and DOF11

			2015	
Business segment	PSV	AHTS	CSV	Total
Operating income	1 217	1 640	7 952	10 809
EBITDA	461	829	2 430	3 719
Depreciation	-174	-247	-698	-1 118
Impairment	-60	-257	-215	-531
EBIT	228	325	1 517	2 070
Net financial items	-312	-793	-1 299	-2 405
Profit before taxes	-84	-469	218	-335
Balance				
Assets	5 096	7 483	18 143	30 722
Jointly controlled companies	-	876	2 252	3 128
Total assets	5 096	8 360	20 395	33 850
Additions	49	961	3 571	4 581
Liabilities	3 720	9 462	15 496	28 678

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7 Operating income

	2016		2015	
Turnover:	NOK	Ratio %	NOK	Ratio %
Brazil	2 556	31 %	2 764	27 %
United Kingdom	1 329	16 %	1 838	18 %
Norway	958	12 %	1 863	18 %
Australia	800	10 %	951	9 %
United States	661	8 %	928	9 %
Argentina	421	5 %	338	3 %
Netherland	145	2 %	377	4 %
Singapore	56	1 %	244	2 %
Other	1 208	15 %	986	10 %
Total	8 134	100 %	10 291	100 %

Geographical distribution of operating income is based on the location of clients.

8 Payroll expenses

	2016	2015
Salary and holiday pay	-2 421	-2 786
Hired personnel	-331	-666
Employer's national insurance contributions	-273	-313
Pensions costs	-72	-92
Other personnel costs	-242	-302
Total	-3 340	-4 159
No. man-years employed in financial year	4 420	5 102

Government grants related to the net salary scheme for vessels are reported as a reduction in payroll costs of NOK 58 million (NOK 61 million).

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

Defined benefit pension

DOF Group has a company pension scheme with life insurance companies. As of 31 December 2016, the Group defined pension benefit plan covered total 658 (746) active members and 66 (52) pensioneers.

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

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

The Group's cost of defined pension plan in 2016 was NOK 24 million (NOK 31 million). Pension obligation as of 31 December 2016 was NOK 30 million (NOK 44 million).

9 Other operating expenses

	2016	2015
Technical costs vessel	-630	-765
Vessel hire	-357	-949
Bunkers	-171	-180
Equipment rental	-523	-496
Other operating expenses	-578	-776
Total	-2 259	-3 166

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10 Financial income and expenses

	2016	2015
Interest income	78	57
Gain on convertion of bond loans (DOF09, DOF10, DOF11)	1 043	
Other financial income	23	42
Financial income	1 144	99
Interest expenses	-1 030	-1 203
Capitalisation of interest	-	30
Impairment of shares and loans	-34	-
Other financial expenses	-70	-64
Financial costs	-1 134	-1 238
Net gain/(loss) on currency derivatives	-29	-264
Net gain/(loss) on non-current debt	-361	-167
Net gain/(loss) on operational capital	-47	99
Net realised gain/loss on currencies	-437	-332
Net unrealised gain/(loss) on non-current debt	761	-835
Net unrealised gain/(loss) on operational capital	-20	-34
Net unrealised gain/loss on currencies	742	-869
Net change in unrealised gain/loss on interest swap	171	82
Net change in unrealised gain/loss on currency derivatives	76	26
Net change in unrealised gain/loss on derivatives	248	108
Total	562	-2 232

In 2016, there has been no capitalised interest cost as newbuilds (2015; NOK 30 million), ref. note 14.

11 Tax

The tax income (expenses) comprises;	2016	2015
Current tax on profit for the year	-91	-220
Adjustments in respect of prior years	-5	-6
Change in deferred taxes	-51	343
Impact on change in tax rate on deferred tax	-10	-30
Tax income (expense)	-158	87

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

Reconciliation of nominal and effective tax rate		
Profit before tax	359	-410
Tax calculated at domestic tax rates applicable to profits in the respective countries *)	-256	142
		-
Tax effect of:		-
Tax effect on non-deductible expenses	-20	-5
Tax effect on items not included in deferred tax	-109	-73
Estimate deviations from previous years	-11	-8
Impact of changes in tax rate	-16	-30
Withholding tax and effect of different tax regime	-47	9
Associates and joint ventures result reported net of tax	44	53
Financial income related to subordinary convertible bond	258	-
Total tax income (expense)	-158	87

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

Weighted average applicable tax rate	44 %	-21 %

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11 Tax (continued)

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

2016	Before tax	Tax (charge)/ credit	After tax
Cash flow hedges	-1 154	-392	-762
Remeasurements of post employment benefit liabilities	2	1	1
Other comprehensive income	-1 153	-391	-762

2015	Before tax	Tax (charge)/ credit	After tax
Cash flow hedges	1 516	515	1 000
Remeasurements of post employment benefit liabilities	19	5	14
Other comprehensive income	1 535	521	1 014

The gross movement on the deferred income tax account is as follows;

	2016	2015
At 1 January	-1 299	-589
Exchange differerences	-104	123
Income statement charge	61	-313
Tax charge/(credit) relating to components of other comprehensive income	391	-521
At 31 December	-950	-1 299

Deffered tax

The table below specifies the temporary differences between accounting and tax values, and the calculation of deferred tax/deferred tax assets at year end. The Group's deferred tax assets are reviewed for impairment. Deferred tax assets from tax losses carried forward are expected to be offset against taxable income within a period of 2-16 years.

Basis of deferred tax	2016	2015
Fixed assets	1 168	1 466
Current assets	5	14
Other differences (deferred capital gain etc)	70	295
Liabilities	-2 231	-3 444
Total temporary differences	-987	-1 668
Loss carried forward	-3 251	-2 912
Total temporary differences and losses carried forward	-4 238	-4 580
Temporary differences not included as deferred tax asset (+)	60	
Tax deficit not included in basis for calculation of deferred tax/deferred tax assets	805	294
Basis for calculation of deferred tax/deferred tax assets (-)	-3 373	-4 286
Total deferred tax/deferred tax assets (-)	-950	-1 299
Gross deferred tax	1	42
Gross deferred tax asset	-951	-1 341
Total deferred tax/deferred tax assets (-) recognised in balance sheet	-950	-1 299

Deferred tax asset per jurisdiction

Country	Company	Tax rate	Temporary differences	Tax loss carried forward	Deferred tax assets
Norway	DOF ASA and 100% owned companies in Norway	24 %	136	516	157
Norway	DOF Management Group	24 %	16	-	4
Brazil *)	Norskan Offshore Ltda	34 %	1 205	120	451
Norway	DOF Subsea Holding Group	24 %	-559	1 541	236
Brazil	DOF Subsea Holding Group	34 %	38	112	51
Singapore	DOF Subsea Holding Group	17 %	44	123	28
Other countries	DOF Subsea Holding Group	30 %	43	38	25
Total			924	2 451	951

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

12 Earnings per share

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

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

Basis for calculation of earning per share	Date	2016	2015
Profit (loss) for the year after non-controlling interest (NOK million)		60	-443
Earnings per share for parent company shareholders (NOK)		0,09	-4,00
Diluted earnings per share for parent company shareholders (NOK)		0,07	-4,00
Number of shares 01.01.		111 051 348	111 051 348
Share issue	03.08.2016	1 059 869 852	
Convertion of bond loan to shares	11.08.2016	137 500 000	
Convertion of bond loan to shares	22.08.2016	97 250 000	
Convertion of bond loan to shares	15.09.2016	82 500 000	
Convertion of bond loan to shares	15.11.2016	6 500 000	
Convertion of bond loan to shares	22.12.2016	6 650 000	
Number of shares 31.12.		1 501 321 200	111 051 348
Convertible bond loan	03.08.2016	823 640 482	
Converted bond loan to shares		-330 400 000	
Outstanding covertible bond loan 31.12		493 240 482	
Potential number of shares 31.12.		1 994 561 682	111 051 348
Average number of shares		658 878 610	111 051 348
Potential average number of shares		882 981 813	111 051 348

13 Goodwill

	2016				2015			
	PSV	AHTS	CSV	Total	PSV	AHTS	CSV	Total
Acquisition cost at 01.01	3	3	438	444	3	3	452	458
Additions			-	-			-	-
Disposals			-	-			14	14
Currency translation differences			-	-			-	-
Acquisition cost at 31.12	3	3	438	444	3	3	438	444
Adjustment at 01.01	-	-	-8	-8			-40	-40
Impairment loss			-72	-72			-	-
Currency translation differences			-33	-33			32	32
Adjustment 31.12.	-	-	-113	-113	-	-	-8	-8
Book value 31.12.	3	3	325	330	3	3	430	436

Goodwill relates to the acquisition of subsidiaries. Goodwill comprises the difference between nominal and discounted amounts in terms of deferred tax, synergy effects, organisational value, brandname and key personnel and their expertise. The Group has defined the different entities as separate Cash Generating Units (CGU). Goodwill classified under the CSV segment above is attributable to the DOF Subsea AS group.

Goodwill in relation to the acquisition of CSL UK Ltd has since acquisition been allocated to the cash generating unit CSV. As a result of changes in 2016, goodwill related to CSL UK Ltd will be defined as separate cash generating unit and impairment for 2016 is based on this definition. The fair value of goodwill related to CSL UK Ltd is calculated to NOK 10 million and an impairment with NOK 72 million is recognised in 2016.

Impairment testing of goodwill is carried out according to the description given in note 4 "Accounting estimates and assessments". Negative changes in EBITDA margin with 20% or negative changes in WACC with 300 basis points might result in impairment for parts of the goodwill. The Group use an EBITDA margin in the range of -3.5-10% and a nominal WACC before tax of 9.8% in it's impairment calculations. There is no real growth element in the calculations. See also note 4 "Accounting estimates and assessments" for further information about the impairment test and growth.

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14 Tangible assets

2016	Vessels	Periodic maintenance	ROV	New buildings	Operating equipment	Total
Acquisition cost as of 01.01.2016	26 316	1 541	1 551	106	1 050	30 564
Additions	188	306	12	1 061	93	1 660
Vessel completed	1 083	30	-	-1 113	-	-
Reallocation	11	-22	44	-32	5	5
Disposals	-1 149	-123	-3	-	-37	-1 313
Currency translation differences	987	47	21	4	7	1 067
Acquisition cost as of 31.12.2016	27 435	1 779	1 624	26	1 118	31 983
Depreciation as of 01.01.2016	4 593	982	602	-	512	6 689
Depreciation for the year	520	247	163	-	133	1 063
Reallocation	-14	2	-3	-	16	2
Depreciation on disposals for the year	-189	-82	-	-	-17	-289
Currency translation differences	56	28	-4	-	5	84
Depreciation 31.12.2016	4 967	1 177	757	-	648	7 549
Impairment 01.01.2016	678	-	6	-	3	687
Impairment	1 666	-	5	-	19	1 690
Reversal impairment	-138	-	-	-	-	-138
Currency translation differences	-4	-	-	-	-	-4
Impairment 31.12.2016	2 202	-	11	-	22	2 235
Book value 31.12.2016	20 267	602	855	26	448	22 199
Depreciation period	30-35 years	30-60 months	5-12 years		5-15 years	
Depreciation method	*)	Linear	Linear		Linear	

2015	Vessels	Periodic maintenance	ROV	New buildings	Operating equipment	Total
Acquisition cost as of 01.01.2015	26 548	1 698	1 450	483	964	31 142
Additions	227	237	142	3 138	157	3 901
Vessel completed	3 334	62	70	-3 466	-	-
Reallocation	14	-96	-80	-	-53	-215
Reallocation asset held for sale	-527	-25	-	-	-	-552
Disposals	-2 432	-284	-	-	-35	-2 751
Currency translation differences	-848	-51	-31	-49	17	-962
Acquisition cost as of 31.12.2015	26 316	1 541	1 551	106	1 050	30 564
Depreciation as of 01.01.2015	5 130	1 091	448	-	470	7 139
Depreciation for the year	509	234	182		115	1 041
Reallocation	-56	-89	-15		-36	-196
Reallocation asset held for sale	-72	-3	-		-	-75
Depreciation on disposals for the year	-895	-235	-		-16	-1 145
Currency translation differences	-23	-16	-13		-22	-74
Depreciation 31.12.2015	4 593	982	602	-	512	6 689
Impairment 01.01.2015	137	-	-	-	-	137
Impairment reclassification	491	-	6	-	3	500
Currency translation differences	50					50
Impairment 31.12.2015	678	-	6	-	3	687
Book value 31.12.2015	21 045	558	943	106	535	23 188
Depreciation period	30-35 years	30-60 months	5-12 years		5-15 years	
Depreciation method	*)	Linear	Linear		Linear	

*) Residual value vessel varies based on market valution of the vessel.

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

14 Tangible assets (continued)

Disposals

The Group sold 3 vessels in 2016; Skandi Protector, Skandi Santos and Skandi Stord. Gain on sale of non-current assets in the consolidated income statement is mainly related to sale of these vessels.

Asset held for sale

At 31.12.2015 the vessel Skandi Protector was classified as asset held for sale. The vessel was part of the CSV segment and was delivered to new owner in January 2016.

Impairment

The drop in oil price starting in 2014 has resulted in reduced activity and demand for vessels in the oil service industry. The weakening market has resulted in a drop in vessel values, hence an impairment of vessels and equipment totaling NOK 1,690 milllion has been booked in 2016.

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

	Number of vessel impaired			Book value 31.12.2016 impaired vessels			Impairment			
Age	PSV	AHTS	CSV	PSV	AHTS	CSV	PSV	AHTS	CSV	Total
0-10 years	6	2	6	1 293	1 973	2 172	325	33	418	776
11-15 years	6	1	2	625	129	426	231	125	92	448
15+ years	3	2	3	182	180	628	141	184	117	442
Total	15	5	11	2 100	2 282	3 226	697	342	627	1 666

The basis for recoverable amount in the impairment is fair value less cost of sell, except for five vessels were the basis is value in use.

The vessels impaired in 2016 have mainly short term contracts with duration up to 12 months.

Imairment	2 016	2 015
Impairment vessel	1 666	491
Impairment other tangible assets	24	9
Impairment goodwill	72	
Total impairment	1 762	500

Impairment tests have in addition resulted in impairment of vessel in joint ventures with NOK 170 million. The impairments are spread on 5 vessels, all owned by DOF Deepwater AS. DOF's 50% share of the impairment is as follows;

	Number of vessel impaired			Book value 31.12.2016 impaired vessels			Impairment			
Age	PSV	AHTS	CSV	PSV	AHTS	CSV	PSV	AHTS	CSV	Total
0-10 years		5			611			170		170
Total	-	5	-	-	611	-	-	170	-	170

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

Sensitivity analyses of impairment

A 10 % drop in broker estimates as per 31 December 2016 will bring broker value below book value by additional NOK 850 million. In total this will affect 35 of the Group's vessels. This effect might result in an additional impairment loss for the Group. An impairment test will in addition consider possible positive contract values and other elements in a value in use calculation.

Broker estimates calculated in USD has dropped significantly in the period 2014-16. However, the change in USD-NOK currency rates have partly offset the drop in broker estimates when converting the values to NOK. When testing the reasonableness of broker estimates, the Group has concluded that the implied rates and utilisation in the broker estimates are within the range of budgets and forecasts. While testing the reasonableness of the broker estimates the Group has applied a nominal WACC after tax in the range of 8.3-10.0 %.

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

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14 Tangible assets (continued)

Finance leases of tangible assets - the Group as lessee

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

New building

In 2016 DOF has taken delivery of Skandi Paraty. The balance at year end 2016 on newbuilds relates to subsea equipment under construction.

In addition the Group has four vessels under construction as of 31 December 2016, of which three vessels under construction are owned by a 50/50 joint venture between DOF Subsea and TechnipFMC and one is owned by a associate where DOF Subsea owns 45%. Joint ventures and associate are consolidated using equity method, see note 32 for further information.

15 Leases

Operational lease of tangible assets - the Group as lessee

In 2016 the Group has leased 2 vessels on term contracts: Harvey Deep-Sea and Normand Reach. The vessels have been leased by DOF Subsea and utilised as project vessels in the Gulf of Mexico and North Sea. Normand Reach was delivered in July 2016 and Harvey Deep-Sea is firm until August 2017.

The Group has entered into a Letter of Intent with Canadian Subsea Shipping Company to lease a subea vessel on a bareboat charter from medio 2017. The figures stated below do not reflect this lease. For further information on this arrangement, please refer to note 26 'Investments in associates and joint ventures'.

Within the subsea segment, the Group leases third party vessels on short-term basis depending on operational requirements in order to serve the Group's clients.

Overview of future minimum lease:	2017	2018 - 2021
Vessels	118	150
Lease of IT equipment	2	1
Total	120	152

Lease income - the Group as lessor

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

The table below shows the minimum future lease payments arising from contracts on vessels at year-end 2016 (TC contracts). The amounts are nominal and stated in NOK million.

2016	Within 1 year	2-5 years	After 5 years	Total
Minimum operating lease revenue	3 505	6 624	1 755	11 884
Minimum operating lease revenue including joint ventures	4 435	12 210	7 591	24 236

Total future minimum operating lease revenues include firm contracts from DOF Group vessels and the Group's share of vessels in the joint ventures. Joint ventures are consolidated using equity method, see notes 5, 6 and 32 for further information.

15 Leases (continued)

Financial lease

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

Financial lease	2016	2015
Cost at 01.01.	596	451
Additions	51	144
Disposals	-	-
Cost at 31.12.	646	596
Depreciation at 01.01.	88	35
Depreciation for the year	64	53
Impairment for the year	3	-
Depreciation at 31.12.	154	88
Book value at 31.12.	492	508

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

Overview of future minimum lease payments	Within 1 year	2-5 years	After 5 years	Total
Minimum lease amounts falling due in the periods	85	208	45	339

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

Some of the Group's ROVs held under finance leases are further subleased to external clients. Lease payments received are recognised in the statement of comprehensive income. Future minimum sublease income arising from these contracts at year-end 2016 is shown in the table below:

Overview of future minimum lease payments	Within 1 year	2-5 years	Total
Minimum lease amounts falling due in the periods	15	10	26

16 Non-current receivables

	Note	2016	2015
Non-current receivables from joint ventures		1 051	826
Non-current derivatives	26	42	4
Other non-current receivables		59	75
Total		1 152	905

17 Trade receivable

	2016	2015
Trade receivable at nominal value	993	1 456
Earned, not invoiced income	597	732
Provision for bad debts	-84	-76
Total	1 506	2 112

The Group's credit exposure is mainly towards customers who historically have had good financial capability to meet their obligations and high credit rating. The company's credit risk to clients is considered low, however the weak markets could increase the credit risk and impact the clients rating going forward.

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

	Total	Not matured	<30d	30-60d	60-90d	>90d
2016	993	633	121	6	13	221
2015	1 456	794	336	82	31	213

Trade receivable divided on currencies:

	2016			2015		
	Currency	NOK	Ratio %	Currency	NOK	Ratio %
USD	62	531	35 %	89	784	37 %
BRL	113	300	20 %	133	466	22 %
AUD	49	303	20 %	62	402	19 %
NOK		209	14 %		346	16 %
GBP	10	101	7 %	9	114	5 %
Other currencies		62	4 %		(1)	0 %
Total		1 506	100 %		2 112	100 %

18 Other current receivables

	Note	2016	2015
Pre-paid expenses		141	172
Accrued interest income		8	24
Government taxes (VAT)		175	126
Current derivatives	26	28	8
Fuel reserves and other inventory		87	79
Other current receivables		154	180
Total		592	589

19 Cash and cash equivalents

	2016	2015
Restricted deposits *	405	520
Bank deposits	1 787	1 536
Cash and cash equivalents at 31.12.	2 192	2 056

* A non-current loan has been provided by Eksportfinans and is invested as a restricted deposit. The repayment terms on the loan from Eksportfinans is equivalent with the reduction on the deposit. The loan is fully repaid in 2021. The cash deposit is included in Restricted deposits with a total of NOK 380 million (2015; NOK 481 million).

20 Share capital and share information

Share capital: The share capital in DOF ASA as of 31.12.2016 was NOK 750.660.600 distributed between 1.501.321.200 shares. each with a nominal value of NOK 0.50.

Nominal value ot the shares: The nominal value per share is reduced with NOK 1.50. from NOK 2.00 to NOK 0.50.

Share issues in 2016: There has been six share issues during 2016. One right issue with increases of 1.059.869.852 shares and five share issues related to converted bond loan with increases of 330.400.000 shares.

Share issue authorisation: An Extraordinay General Meeting on 6 July 2016 has allocated authorisation to the Board of Directors for a capital increase of up to 823.640.482 shares at a nominal value of NOK 0.50 related to a Subordinated Convertible Bond. Remaining authorisation is 493.240.482 shares.

Shareholders: The 20 largest shareholders of DOF ASA and shares owned by management and board members including shareholdings held by closely related persons and companies at 31 December 2016 were as follows:

	2016		2015	
Shareholders at 31.12.	No of shares	Shareholding	No of shares	Shareholding
MØGSTER OFFSHORE AS	806 876 050	53.74 %	56 876 050	51.22 %
PERESTROIKA AS	138 500 000	9.23 %		
BNP PARIBAS SECURITIES SERVICES	67 500 000	4.50 %		
ARCTIC FUNDS PLC	22 782 359	1.52 %		
DRAGESUND INVEST AS	17 600 000	1.17 %		
GERDA MARIE AS	16 641 368	1.11 %		
MOCO AS	14 844 184	0.99 %	1 094 184	0.99 %
TOPDANMARK LIVSFORSIKRING AS	12 500 000	0.83 %		
PARETO AS	11 734 975	0.78 %	994 000	0.90 %
THE NORTHERN TRUST COMP. LONDON BR	8 589 578	0.57 %		
NORDNET LIVSFORSIKRING AS	8 278 155	0.55 %		
SKANDINAVISKA ENSKILDA BANKEN AB	7 763 139	0.52 %	596 830	0.54 %
CLEARSTREAM BANKING S.A.	7 664 735	0.51 %		
DEUTCSHE BANK AG	6 775 198	0.45 %		
KRISTIAN FALNES AS	6 250 000	0.42 %		
SIGFISK AS	6 000 000	0.40 %		
VENADIS AS	5 180 000	0.35 %		
BNP PARIBAS SECURITIES SERVICES	5 000 000	0.33 %		
JAN AS	3 772 327	0.25 %		
NORDNET BANK AB	3 614 074	0.24 %		
Total	1 177 866 142	78.46 %	85 232 965	76.75 %
Other shareholders	323 455 058	21.54 %	25 818 383	23.25 %
Total	1 501 321 200	100.00 %	111 051 348	100.00 %

		2016		2015	
Shares controlled directly and indirectly by Board of Directors and Management		No of shares	Shareholding	No of shares	Shareholding
Board of Directors					
Helge Møgster (Lafjord AS)	Chairman of the Board	164 407 302	10.95 %	12 016 135	10.82 %
Helge Singelstad	Deputy Chairman	2 512 000	0.17 %	12 000	0.01 %
Marianne Møgster (Lafjord AS)	Director	39 206 548	2.61 %		
Kathryn M. Baker	Director	-	0.00 %		
Lars Purlund	Director	-	0.00 %		
Karoline Møgster (Lafjord AS)	Director (resigned Aug 2016)			2 795 851	2.52 %
Kristian Falnes	Director (resigned Aug 2016)			-	0.00 %
Nina G. Sandnes	Director (resigned Aug 2016)			-	0.00 %

Via Laco AS. the Møgster family. including Helge Møgster and Marianne Møgster. have indirect control of 99.53% of the shares in Møgster Offshore AS. the main shareholder of DOF ASA.. Lafjord AS is one of the owners in Laco AS.

Management group					
Mons S. Aase (Moco AS)	CEO	14 844 184	0.99 %	1 094 184	0.99 %
Hilde Drønen (Djupedalen AS)	CFO	2 826 675	0.19 %	76 675	0.07 %
Total		223 796 709	14.91 %	15 994 845	14.40 %

21 Non-controlling interest

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

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

	DOF Subsea Holding AS	DOF Installer ASA	Other	2016	DOF Subsea Holding AS	DOF Installer ASA	Other	2015
Ownership share of non-controlling interest	49 %	15 %			49 %	16 %		
Non-controlling share of;								
Operating income	2 498	29	228	2 755	3 592	33	23	3 648
EBITDA	864	27	19	910	1 049	25	3	1 077
Depreciation and impairment	-559	-43	-9	-612	-339	-7	-3	-349
Operating result	305	-16	10	298	710	18	1	728
Result pre tax	217	-23	8	202	133	15	-	148
Taxes	-58	-	-3	-61	-26	-	-1	-27
Result	159	-23	5	141	107	15	-1	121
Balance								
Tangible assets	5 787	244	13	6 044	6 621	302	8	6 931
Financial assets	916	18	1	935	585	-	-	585
Non-current debt	4 166	117	6	4 289	5 609	140	4	5 753
Current portion of non-curent debt	535	22	5	562	883	20	2	905
Changes in non-controlling interest;								
Non-controlling interest 1.1.	3 019	261	1	3 281	3 191	265	2	3 458
Non-controlling interest share of result	159	-23	5	141	107	15	-1	121
Non-controlling interest share of result OCI	123	-	-1	123	-181	-	-	-181
Dividends to non-controlling interest	-20	-4	-	-24	-98	-18	-	-116
Non-controlling interest 31.12.	3 281	234	5	3 521	3 019	261	1	3 281

Please see note 31 for more information about the subsidiaries.

22 Interest bearing debt

Bond loans

DOF's subsidiary DOF Subsea AS has one bond loan that matures in 2018. See figures next page. The trustee for the bond loan owners is Nordic Trustee ASA, and Nordea Bank Norge ASA is the account operator. The terms and conditions for the bond loans comprise a floating rate of interest, 3 month NIBOR + 500bp. Quarterly interest rate regulations are carried out for all the bond loans. DOF Subsea AS is free to purchase its own bond.

DOF ASA' three bond loans with maturity from 2017-2019 were refinanced in August 2016 and replaced with a new subordinated convertible bond loan at price 50% of par value of the existing bonds, equal to NOK 1,032.5 million. The convertible bond loan is classified as other equity. The convertible bond has a 5-year tenor, zero coupon and no financial covenants. The bondholders in the convertible bond may convert their bonds to shares in the company at NOK 1 per share through the period. On the final maturity date the remaining bonds will automatically be converted to shares.

Non-current liabilities to credit institutions

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

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

The most important financial covenants for DOF Subsea AS' fleet are as follows:
* DOF Subsea AS and its subsidiaries shall have a book equity of at least NOK 3,000 million, and value adjusted equity ratio of at least 30%.
* DOF Subsea AS and its subsidiaries shall at all times have available cash of at least NOK 500 million and positive working capital excl. current portion of debt to credit institutions.
* The fair market value of vessels shall be at least 100% - 130% of outstanding debt.
* Certain change of control clauses related to DOF ASA's ownership in DOF Subsea Holding AS.

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

Per 31 December 2016 the book equity is NOK 8,146 million and free liquidity (excluding DOF Subsea AS and its subsidiaries) is NOK 1,004 million. Group is in compliance with it's financial covenants as of 31 December 2016.

Non current interest bearing liabilities	Note	2016	2015
Bond loans		1 297	3 347
Debt to credit institutions		16 729	17 354
Total non current interest bearing liabilities		18 025	20 701
Current interest bearing liabilities			
Bond loans		-	422
12 month instalment non-current debt		1 661	2 266
Liabilities directly associated with asset held for sale		-	260
Overdraft facilities		-	172
Total current interest bearing liabilities *)		1 661	3 120
Total non-current and current interest bearing liabilities		19 686	23 821
Cash and cash equivalents	19	2 192	2 056
Net Interest-bearing debt **)		17 494	21 765

*) Current interest bearing debt in the statement of financial position includes accrued interest expenses NOK 144 million. Accrued interest expenses are excluded in the figures above.
**) Derivatives are not included in the net interest bearing liabilities. Comparable figures are restated.

		2016	2015
Average rate of interest		4.69 %	5.29 %

DOF GROUP

22 Interest bearing debt (continued)

Instalments, balloons and interest profile	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017	2018	2019	2020	2021	Subse-quent	Total
Bond loans *)	-	-	-	-	-	1 300	-	-	-	-	1 300
Debt to credit institutions	434	391	432	404	1 661	1 684	2 894	2 641	3 362	6 213	18 455
Overdraft facilities	-	-	-	-	-	-	-	-	-	-	-
Total instalments and balloon	434	391	432	404	1 661	2 984	2 894	2 641	3 362	6 213	19 755
Calculated interest profile	216	222	209	219	865	699	569	464	346	980	3 923
Total instalments, balloons and interest	649	613	641	623	2 526	3 683	3 464	3 105	3 708	7 192	23 678

*) DOF Subsea AS completed a new 5-year unsecrued bond issue of USD 175 million in March 2017, please refer to note 35.

Current debt to credit institutions amounts to NOK 1,661 million and are normal amortisaton (excluding accrued interest).

DOF ASA completed a refinancing of 27 vessels in October 2016. The new facility has a duration of five years. The covenants are amended and the amortisation is reduced with 75% compared with normal amortisation the first three year of the facility.

Interest repayment is based on current repayment profile and the yield curve for the underlying interests from Reuters as of December 2016.

Financial lease liabilities

Financial lease liabilities are included in debt to credt institutions. Repayment profile for debt to credit institutions includes repayment of financial lease debt. Total liability on financial lease debt amounts to NOK 339 million as of 31 December 2016. Financial leases are repaid on a monthly basis with maturity from 3 to 10 years. The current portion of financial lease debt as of 31 December 2016 is NOK 85 million.

Liabilities secured by mortgage	2016	2015
Liabilities to credit institutions incl current debt	18 390	19 620
Total liabilities	18 390	19 620
Assets provided as security		
Tangible assets	22 173	23 082
Total assets provided as security	22 173	23 082

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

	2016			2015		
Interest-bearing liabilities, divided by currency:	Currency	NOK	Ratio %	Currency	NOK	Ratio %
USD	1 218	10 496	53 %	1 262	11 115	47 %
GBP	-	-	0 %	42	550	2 %
NOK		9 260	47 %		12 155	51 %
Total		19 755	100 %		23 820	100 %

Fair value of non-current loans

The fair value of the company's bond loan at 31.12.2016 was as follows:

Loan	Due date	Margin	Price *) 31.12.2016	Outstanding amount 31.12.2016	Initial amount 31.12.2016	Price *) 31.12.2015	Outstanding amount 31.12.2015	Initial amount 31.12.2015
DOF09						75.30	700	700
DOF11						60.50	665	700
DOF10						62.50	700	700
DOFSUB05						99.70	422	750
DOFSUB07	22.05.2018	500	83.13	1 300	1 300	83.50	1 300	1 300
Total				1 300	1 300		3 787	4 150

*) Price at par price.

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

23 Other non-current liabilities

	2016	2015
Pension	30	44
Other non-current liabilities	20	26
Total	51	70

24 Trade payables

	2016	2015
Trade payables	1 061	1 439
Total	1 061	1 439

Trade payable has the following currency split;

	2016			2015		
	Currency	NOK	Ratio %	Currency	NOK	Ratio %
USD	34	296	28 %	59	519	36 %
NOK		300	28 %		403	28 %
BRL	89	235	22 %	100	221	15 %
AUD	10	59	6 %	20	130	9 %
GBP	9	94	9 %	7	89	6 %
Other currencies		77	7 %	-	76	5 %
Total		1 061	100 %		1 439	100 %

25 Other current liabilities

	Note	2016	2015
Public duties payable		74	91
Prepayments from customers		23	58
Fair value forward contracts	26	94	175
Other current liabilities		193	179
Total		384	503

26 Hedging activities

Derivatives

As of 31 December 2016, the Group had 25 forward contracts, 42 options and 5 foreign exchange swaps to hedge future cash flow from time charter contracts in USD and GBP. Forward exchange derivatives are utilised to hedge currency risk related to projected future sales. The Group has not applied hedge accounting for any foreign exchange derivate agreements.

Interest rate swaps are utilised to manage interest rate risk by converting from floating to fixed interes rates. The Group has not applied hedge accounting for any of the interest rate swap agreements.

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

The table below displays the fair value of derivative financial instruments as of 31 December 2016.

		2016		2015	
	Measurement level	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	2	30	125	9	275
Foreign exchange contracts	2	40	105	3	144
Total		71	230	12	419
Non-current portion					
Interest rate swaps	2	30	117	1	228
Foreign exchange contracts	2	12	18	3	16
Non-current portion		42	135	4	244
Current portion		28	94	8	175

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

Measurements of financial instruments

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

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

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

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

Interest rate derivatives

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

Instrument	Fixed rate	Floating rate	Notional amount	Effective from	Maturity date
31.12.2016					
Interest rate swaps - USD	1.15% - 1.43%	Libor 3m - 6m	76	2 016	2017-2021
Interest rate swaps - NOK	0.85% - 4.41%	Nibor 3m - 6m	5 720	2011-2016	2018-2021
Interest rate swaps - GBP	0.81%	Libor 3m	10	2 013	2 017
31.12.2015					
Interest rate swaps - USD	1.15% - 3.57%	Libor 3m - 6m	245	2011-2012	2016-2017
Interest rate swaps - NOK	1.61% - 4.97%	Nibor 3m - 6m	5 383	2011-2015	2016-2020
Interest rate swaps - GBP	0.81%	Libor 3m	12	2 013	2 017

26 Hedging activities (continued)

Foreign exchange derivatives

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

Instrument	Received	Committed Amount	Remaining term to maturity
31.12.2016			
Foreign exchange forwards	NOK	1 698	<1 year
Foreign exchange options	NOK	526	<1 year
Foreign exchange options	NOK	392	>1 year
Foreign exchange swaps	NOK	598	<1 year
31.12.2015			
Foreign exchange forwards	NOK	929	<1 year
Foreign exchange options	NOK	893	<1 year
Foreign exchange options	NOK	257	>1 year
Foreign exchange swaps	NOK	456	<1 year

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

Derivatives are settled at various dates during the next 12 months. Gains and losses recognised in the forward foreign exchange contracts and interest rate swaps as of 31 December 2016 are recognised in the income statement in the period or periods during which the transaction affects the income statement.

Hedge accounting

Cash flow hedge involving future highly probable revenue

The cash flow hedges hedge a portion of the foreign currency risk arising from highly probable revenues in USD relating to time charter contracts on vessels owned by Norskan Offshore Ltda. The present value of the hedge items as at 31.12.2016 was NOK 4,997 million including fixed and option periods.

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

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

Hedging instrument	Hedge items	Nature of the risk	Maturity	Amount of the hedging instrument
Non-Derivative Financial Instruments	Portion of expected monthly Highly Probable Revenue in USD	BRL/USD spot exchange-rate risk	January 2017-June 2027	5 058

	Effective portion of cash flow hedges recognised in other comprehensive income		Gains (losses) reclassified from accumulated other comprehensive income to income statement	
	2016	2015	2016	2015
Non derivative financial instruments, pre-tax	-947	1 665	-207	-182

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

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

	2017	2018	2019	2020	After
Non derivative financial instruments, pre-tax	-182	-174	-163	-130	-402

27 Financial assets and liabilities: Information on the balance sheet

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

31.12.2016	Financial instruments at fair value through income statement	Financial instruments as cash flow hedging instruments	Financial liabilities measured at amortised cost	Loans and receivables	Total	Of this interest bearing	Fair value
Assets							
Non-current derivatives	42				42		42
Non-current receivables				59	59		59
Current derivatives	28				28	-	28
Trade receivable and other current receivables				1 842	1 842		1 842
Restricted deposits				405	405	405	405
Cash and cash equivalents				1 787	1 787	1 787	1 787
Total financial assets	71	-	-	4 093	4 164	2 192	4 164
Liabilities							
Non-current bond loans and debt to credit institution			18 025		18 025	18 025	17 806
Current bond loans and debt to credit institution			1 805		1 805	1 661	1 805
Non-current derivatives	135	-	-		135		135
Other non-current liabilities			20		20		20
Current derivatives	94	-			94		94
Trade payable and other current liabilities			1 328		1 328		1 328
Total financial liabilities	230	-	21 178	-	21 408	19 686	21 189
Total financial instruments	-159	-	-21 178	4 093	-17 244	-17 494	-17 025

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

31.12.2015

	Financial instruments at fair value through income statement	Financial instruments as cash flow hedging instruments	Financial liabilities measured at amortised cost	Loans and receivables	Total	Of this interest bearing	Fair value
Assets							
Non-current derivatives	4				4		4
Non-current receivables	5			70	75		75
Current derivatives	8				8		8
Trade receivable and other current receivables				2 442	2 442		2 442
Restricted deposits				520	520	520	520
Cash and cash equivalents				1 536	1 536	1 536	1 536
Total financial assets	17	-	-	4 568	4 585	2 056	4 585
Liabilities							
Non-current bond loans and debt to credit institution			20 701		20 701	20 701	19 789
Current bond loans and debt to credit institution			3 034		3 034	2 859	3 034
Non-current derivatives	244	-			244		244
Other non-current liabilities			26		26		26
Current derivatives	175	-			175		175
Trade payable and other current liabilities			1 617		1 617		1 617
Liabilities directly associated with asset held for sale			260		260	260	260
Total financial liabilities	419	-	25 639	-	26 059	23 821	25 145
Total financial instruments	-402	-	-25 639	4 568	-21 474	-21 765	-20 560

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

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

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

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

28 Guarantee

The Group has commitments to clients to ensure proper performance of construction contracts. These commitments are mainly parent company guarantees from DOF Subsea AS on behalf of its subsidiaries or counter guarantees given by bank. The guarantees are limited to fulfillment the contract and are released after delivery of the project. In some cases, there is a warranty period after delivery of the project. Normally this warranty will have a duration of 12-24 months.

Furthermore, guarantees are given to suppliers for fulfillment of payment for deliveries of goods and services including vessels.

DOF ASA has guaranteed for the obligations of DOFCON Navegacao Ltda., (a company owned 50% by DOF Subsea AS and 50% by Technip Coflexip Norge AS) towards BNDES. Total amount as per 31.12.2016 is USD 126 million. DOF ASA has also guaranteed for certain obligations of DOF Subsea Brasil Servicos Ltda. in favor of BNDES.

The Group has issued pre-delivery guarantees in relation to construction of new buildings. See note 32 for future commitments related to new buildings as part of joint venture with TechnipFMC.

The Group has on behalf of DOF Deepwater AS guarantee commitments in favour of financial institutions totalling NOK 535 million. The Group has further guarentee commitments in favour of DNB ASA on behalf of Iceman AS in the amount of NOK 429 million. Vard Group has counter guaranteed 50% of the commitment on behalf of Iceman AS.

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

29 Related parties

Board members and management of DOF ASA and its subsidiaries will be regarded as related parties. Transactions with related parties are governed by market terms and conditions in accordance with the "arm's length principle".

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

Long-term agreements:

Møgster Offshore AS owns 53.74% of the shares in DOF ASA , (please see note 35). Laco AS is the main shareholder of Møgster Offshore AS.

Møgster Management AS provides administrative shared services to DOF ASA. Møgster Management AS is owned by Laco AS. Total administrativ fee for 2016 is NOK 8 million (NOK 9 million).

Austevoll Eiendom AS is a subsidiary of Austevoll Seafood ASA, which in turn is a subsidiary of Laco AS. DOF ASA leases premises from Austevoll Eiendom AS. Reference is made to note 15.

Individual transactions:

Group
The Group has used the shipyard Fitjar Mekaniske Verksted AS to do maintenance and repairs on the vessels. Total costs in 2016 are NOK 1,9 million (NOK 2,6 million) and was at market terms. Fitjar Mekaniske Verksted AS is owned by Laco AS.

Loans to joint ventures
Loans of in total NOK 1 051 million is provided to joint venture. DOF Subsea AS also guaranteed for 40% of the purchase price of each new vessel to the yard. For further information on joint ventures see note 32.

Guarantee
DOF ASA has issued a guarantee in the maximum amount of NOK 429 million on behalf of Iceman AS in favor of DNB ASA. Guarantee income in 2016 was NOK 8 million (NOK 8 million). Iceman AS is owned with 40% by DOF Iceman AS. DOF ASA and Vard Group ASA are owners with 50% each in DOF Iceman AS. In addition DOF ASA owns 5% in Iceman AS.

30 Remuneration to executives, Board of Directors and auditor

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

	Year 2016			Year 2015		
Amount in TNOK	CEO	CFO	Total	CEO	CFO	Total
Salary incl bonus	4 003	2 103	6 107	6 712	2 241	8 953
Pension premium	297	266	562	295	410	705
Other remuneration	564	135	700	16	139	155
Total	4 864	2 504	7 368	7 022	2 790	9 812

CEO = Mons Aase, CFO = Hilde Drønen

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

In addition EVP in DOF Subsea is entitled to a bonus based on the result of DOF Subsea and personal performance.

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

Board fees in 2016 totalled NOK 1 ,225,000 (NOK 1,225,000). Board fees were granted on the General annual meeting as of 25th of May 2016. This comprises NOK 300,000 (NOK 300,000) to the Chairman of the Board and NOK 175,000 (NOK 175, 000) each to the board members. In addition compensation for meetings have been paid to the Audit Committee (NOK 150,000) and the Election Committee (NOK 75,000).

Specification of auditor's fee (amount in TNOK):	2016	2015
Audit	12 172	11 168
Fee for other confirmatory services	747	48
Tax consultation	225	1 512
Fee for other services	341	720
Total	13 486	13 447

All amounts in the table are excl VAT.

Guidelines for determination of salary and other remuneration to the CEO and senior employees of DOF in 2016

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

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

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

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

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

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

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

31 Companies within the Group

Investments in subsidiaries	Owner	Registered office	Nationality	Ownership and voting share
DOF Subsea Holding AS	DOF ASA	Bergen	Norway	51,0 %
DOF Rederi AS	DOF ASA	Austevoll	Norway	100 %
DOF UK Ltd	DOF ASA	Aberdeen	UK	100 %
DOF Egypt	DOF ASA	Cairo	Egypt	100 %
Norskan AS	DOF ASA	Austevoll	Norway	100 %
Norskan Holding AS	DOF ASA	Austevoll	Norway	100 %
PSV Invest II AS	DOF ASA	Oslo	Norway	100 %
DOF Offshore India Private Ltd	DOF ASA	Mumbai	India	100%
DOF Management AS	DOF ASA/DOF Subsea AS	Austevoll	Norway	100 %
Marin IT AS	DOF ASA/DOF Subsea AS	Austevoll	Norway	75 %
DOF Subsea AS	DOF Subsea Holding AS	Bergen	Norway	100 %
DOF Subsea Chartering AS	DOF Subsea AS	Bergen	Norway	100 %
DOF Subsea Rederi AS	DOF Subsea AS	Bergen	Norway	100 %
DOF Subsea Rederi III AS	DOF Subsea Rederi II AS	Bergen	Norway	100 %
DOF Subsea Norway AS	DOF Subsea AS	Bergen	Norway	100 %
DOF Subsea Atlantic AS	DOF Subsea AS	Bergen	Norway	100 %
DOF Subsea ROV AS	DOF Subsea AS	Bergen	Norway	100 %
DOF Installer ASA	DOF Subsea AS	Austevoll	Norway	84,9 %
Semar AS	DOF Subsea AS	Oslo	Norway	50 %
DOF Subsea US Inc	DOF Subsea AS	Houston	US	100 %
DOF Subsea Brasil Servicos Ltda	DOF Subsea AS	Macaè	Brazil	100 %
DOF Subsea UK Holding Ltd	DOF Subsea AS	Aberdeen	UK	100 %
DOF Subsea UK Ltd	DOF Subsea AS	Aberdeen	UK	100 %
DOF Subsea S&P UK Ltd	DOF Subsea AS	Aberdeen	UK	100 %
DOF Subsea Ghana Ltd	DOF Subsea UK Ltd.	Accra	Ghana	49 %
DOF Subsea Angola Lda	DOF Subsea AS	Luanda	Angola	100 %
DOF Subsea Asia Pacific Pte. Ltd.	DOF Subsea AS	Singapore	Singapore	100 %
PT DOF Subsea Indonesia	DOF Subsea Asia Pacific Pte Ltd	Jakarta	Indonesia	95 %
DOF Subsea Australian Pty.	DOF Subsea Asia Pacific Pte Ltd	Perth	Australia	100 %
DOF Subsea Labuan (L) Bhd	DOF Subsea Asia Pacific Pte Ltd	Labuan	Malaysia	100 %
DOF Subsea Malaysia Sdn Bhd	DOF Subsea Asia Pacific Pte Ltd	Kuala Lumpur	Malaysia	100 %
DOF Subsea Offshore Services Pte Ltd	DOF Subsea Asia Pacific Pte Ltd	Singapore	Singapore	100 %
DOF Subsea Asia Pacific Pte. Ltd, Philippine Branch	DOF Subsea Asia Pacific Pte Ltd	Muntinlupa City	Philippines	100 %
Mashhor DOF Subsea Snd	DOF Subsea Australian Pty.	Negara Brunei	Darussalam	50 %
DOF Subsea Canada Corp	DOF Subsea US Inc.	St. Johns	Canada	100 %
DOF Subsea S&P US LLP	DOF Subsea US Inc.	Houston	US	100 %
CSL UK Ltd	DOF Subsea UK Holding Ltd.	Aberdeen	UK	100 %
CSL Norge AS	DOF Subsea UK Holding Ltd.	Bergen	Norway	100 %
Norskan Offshore SA	Norskan AS	Rio	Brazil	100 %
Norskan Offshore Ltda.	Norskan SA	Rio	Brazil	100 %
Norskan GmbH	Norskan AS	Vienna	Austria	100 %
Norskan Norway AS	Norskan Gmph	Austevoll	Norway	100 %
DOF Rederi II AS	Norskan Gmph	Austevoll	Norway	100 %
DOF Argentina	DOF Management AS	Buenos Aires	Argentina	100 %
DOF Sjø AS	DOF Management AS	Austevoll	Norway	100 %
DOF Management Pte.	DOF Management AS	Singapore	Singapore	100 %
DOF Management Australia Pty	DOF Management AS	Perth	Australia	100 %
DOF Subsea Congo SA	DOF ASA /DOF Subsea AS	Pointe-Noire	Congo	100 %

DOF Subsea Holding AS is a private limited company incorporated in Norway where the minority owner First Reserve Corporation owns the remaining 49%. The Company has a shareholders' agreement with First Reserve Corporation regarding the ownership in DOF Subsea Holding AS.

32 Investments in jointly controlled companies and associated companies

2016	DOFCON Brasil Group	DOFTECH DA	DOF Deepwater AS	Associates	Total
Booked value of investments 01.01.	312	-	157	44	513
Addition	-	-	150	7	157
Profit / loss for the period *)	139	-	-215	-14	-89
Other comprehensive income	230	-	-	-	230
Divident received	-	-	-	-3	-3
Booked value of investments 31.12.	682	-	92	34	808

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

2015					
Booked value of investments 01.01.	571	370	228	77	1 246
Addition	-	-0	-	-1	-1
Profit / loss for the period *)	119	47	-72	-30	65
Other comprehensive income	-377	-	-	1	-377
Disposal	-	-417	-	-	-417
Divident received			-	-3	-3
Booked value of investments 31.12.	312	-	157	44	513

*) Includes gain on sale of DOFTech DA of NOK 43 million.

Name of entity	Place of business/country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
DOFCON Brasil Group	Norway	50 %	Note 1	Equity
DOF Deepwater AS	Norway	50 %	Note 2	Equity
DOF Iceman AS	Norway	50 %	Note 3	Equity
PSV Invest II IS	Norway	15 %	Note 3	Equity
Master & Commander	Norway	20 %	Note 3	Equity
DOF OSM Marine Services AS	Norway	50 %	Note 3	Equity
Canadian Subsea Shipping Company AS	Norway	45 %	Note 4	Equity

Note 1 DOFCON Brasil Group consists of DOFCON Brasil AS, TechDOF Brasil AS and DOFCON Navegacao Ltda. DOFCON Brasil AS is a holding company located in Bergen and jointly owned by DOF Subsea AS and Technip Coflexip Norge AS with 50% each. DOFCON Brasil AS owns TechDOF Brasil AS and DOFCON Navegacao Ltda. DOFCON Brasil Group owns three vessels and has three vessels under construction. DOFCON Navegacao Ltda owns and operates Skandi Niteroi and Skandi Vitoria and has two PLSV's under contruction in Brasil. TechDOF Brasil AS owns and operate Skandi Acu and one vessel under construction, Skandi Buzios, which was delivered in January 2017. All PLSV's are secured long term contracts with Petrobras. The two PLSV's under construction in Brasil are secured long term financing with BNDS. The remaining committments after delivery of Skandi Buzios is approximately USD 235 million.

Newbuilds	No vessels	Completion
Newbuilds under construction in Norway	1	2017
Newbuilds under construction in Brazil	1	2018
Newbuilds under construction in Brazil	1	2019

DOF Subsea AS has guaranteed for 40% of the purchase price of each vessel to the yard, see also note 28.

DOFCON Brasil Group is not involved in any disputes or ongoing legal matters involving potential losses, and therefore no provision has been made for possible claims arising from same.

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

DOF Deepwater signed in June 2016 a restructuring agreement with its shareholders and secured lenders. The refinancing solution included new liquidity from the shareholders, reduced instalments on secrured debt the next three years and amended financial convenants in the existing facilities.

There are no contingent liabilities relating to the Group's interest in the joint venture. DOF Deepwater AS is not involved in any disputes or ongoing legal matters involving potential losses, and therefore no provision has been made for possible claims arising from same.

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

Note 3 a) DOF Iceman is owned by DOF ASA and Vard Group ASA where each part owns 50% each of the liable capital. DOF Iceman AS owns 40% in Iceman IS. In addition DOF ASA owns 5% in Iceman IS.
b) PSV Invest II IS; DOF ASA is shareholder with 15%.
c) Master & Commander AS; DOF Subsea AS is shareholders with 20%.
d) OSM Marine Services AS; DOF Management is shareholder with 50%.
e) Other associated companies includes investments in DOF Subsea Australia Pty, Semar AS and Simsea AS.

Note 4 Canadian Subsea Shipping Company AS has a new building contract for one vessel, Skandi Vinland. DOF Subsea Group has entered into a Letter of Intent to lease the vessel on a bareboat charter from medio 2017. Financing of the vessel is in progress.

Jointly controlled companies

Statement of comprehensive income	DOFCON Brasil Group 2016	DOF Deepwater AS 2016	DOFCON Brasil Group 2015	DOF Deepwater AS 2015	DOFTECH DA 2015
Operating income	658	207	640	316	81
Operating costs	-94	-194	-54	-149	-24
Operating result before depreciation (EBITDA)	564	13	587	168	56
Depreciation	-86	-64	-33	-71	-31
Impairment	-	-341	-	-62	-
Operating result (EBIT)	478	-392	554	35	25
Net financial result	-99	-40	-151	-177	-13
Profit (loss) before taxes	379	-431	403	-143	12
Tax	-90	2	-151	-1	-
Profit (loss) for the year	290	-429	252	-143	12
Other comprehensive income, net of tax	460	-	-753	-	-
Total comprehensive income, net of tax	750	-429	-501	-143	12

Statement of financial information	31.12.2016	31.12.2016	31.12.2015	31.12.2015	31.12.2015
Tangible assets	9 142	1 221	3 671	1 604	-
Deferred tax assets	144	-	327	-	-
Financial assets	-	-	1	-	-
Total non-current assets	9 286	1 221	4 000	1 604	-
Current receivables	374	92	209	116	-
Cash and cash equivalents	255	101	295	32	-
Total current assets	629	193	503	149	-
Total assets	9 914	1 415	4 504	1 753	-
Total equity	1 261	184	511	314	-
Non-current liabilities	7 619	1 122	3 585	1 218	-
Current liabilities	1 035	108	408	221	-
Total liabilities	8 654	1 230	3 993	1 439	-
Total equity and liabilities	9 914	1 415	4 504	1 753	-

Reconciliation of summarised financial information	DOFCON Brasil Group 31.12.2016	DOF Deepwater AS 31.12.2016	DOFCON Brasil Group 31.12.2015	DOF Deepwater AS 31.12.2015	DOFTECH DA 31.12.2015
Group's interest in the joint venture at 50%	630	92	255	157	-
Excess values booked in DOF Group	52		58		-
Group's carrying amount of the investment	683	92	312	157	-

Financial statements of the joint ventures are not audited and based on figures consolidated in the DOF Group at year-end.

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

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

Associated companies

2016	Master and Commander AS	PSV Invest II IS	DOF Iceman AS	DOF OSM Marine Services AS	Other	Total
Carrying amount 01.01.2016	30	8	-4	5	4	43
Additions/disposals	-	-	7		-	7
Share of result	-3	-8	-1	1	-4	-14
Dividend	-3	-	-	-	-	-3
Carrying amount 31.12.2016	24	-	2	7	1	33
Carrying amount 01.01.2015	45	19	6	2	4	77
Additions/disposals	-	-	-1	-	-	-1
Share of result	-12	-11	-9	3	-	-30
Dividend	-3	-	-	-	-	-3
Carrying amount 31.12.2015	30	8	-4	5	4	44

Summarise financial information for associates (100%):

Name	Registered office	Ownership	Assets	Liabilities	Turnover	Result
2016						
Master & Commander AS	Oslo	20.0 %	450	330	164	-15
Canadian Subsea Shipping Company	Bergen	45.0 %	56	53	-	-
PSV Invest II IS	Oslo	15.0 %	245	245	26	-58
Iceman IS	Oslo	25.0 %	650	440	76	-102
2015						
Master & Commander AS	Oslo	20.0 %	578	419	191	22
Canadian Subsea Shipping Company	Bergen	45.0 %	26	26		
PSV Invest II IS	Oslo	15.0 %	327	269	55	-30
Iceman IS	Oslo	20.0 %	752	465	77	-28

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

33 Significant acquisitions in the year

2016 Transactions

The Group has not had any significant aquisitions in 2016.

2015 Transactions

The Group has not had any significant acquistions in 2015.

34 Contingencies

The Group and its subsidiaries are not involved in any ongoing court cases as of 31 December 2016.

Tax assessment Brazil

The Group has in the period from 2009 until 2016 received notices of assessment of customs penalty from the Brazilian Tax Authorities regarding importation of vessel and equipment to Brazil. The Group has disputed the assessments and based on legal opinions from a reputable law firm decided not to make a provision in the accounts for 2016 related to these penalty assessments. The tax assessments are ranked as low due to favorable court decision recently on similar cases in Brasil.

35 Subsequent events

Fleet

DOF has entered into three agreements for the management and operation of three vessels, Olympic Hera (AHTS), Olympic Commander (Subsea), and Far Shogun (AHTS). DOF has an option to purchase the vessels at a price corresponding to the outstanding debt within a period of three years. The vessels are renamed Skandi Hera, Skandi Darwin, and Skandi Bergen. Skandi Darwin will be hired in by DOF Subsea Asia Pacific as Subsea vessel under an IMR contract with Shell at the Prelude field outside Australia. Skandi Bergen is scheduled for delivery in the period from 15 June – 15 July.

Sale of vessel

DOF has sold its PSV vessel Skandi Waveney, built 2001, to a company outside Norway, which is not engaged in the offshore oil service industry. Delivery of the vessel took place mid March, 2017.

New contracts

DOF has been awarded a 2 years firm contract + options with Asco Marine Ltd for the vessel Skandi Aukra and a 13 months call-off, with minimum 60 days firm with Eni Norge AS for the vessel Skandi Iceman.

DOF has been a awarded a 3 years firm contract + 2 years options with Total Austral in Argentina for the vessel Skandi Pacific.

Petrobras has awarded Skandi Vitória a contract of 532 days. The vessel is owned through a joint venture with TechnipFMC.

Norskan Offshore Ltda has been awarded a 1+1 year contract with Petrobras for Skandi Botafogo.

In Asia Pacific, DOF Subsea has been awarded a 3-year IMR frame agreement. Geoholm will be available in the Asia Pacific region from Q2 2017.

DOF has been awarded two contracts in Egypt for the vessels Skandi Saigon and Skandi Sotra. Both contracts have a duration of 75 days firm + 30 days options.

DOF has entered into a management agreement for management and operation of two new vessels, Olympic Hera (AHTS) and Olympic Commander (Subsea) from February. DOF has an option to purchase the vessels at a price corresponding to the outstanding debt or approximately 50-60% of historical build costs.

DOF Subsea has received a LOA for one subsea vessel for operations in the Atlantic region. The duration of the contract is over a year and has commencement in Q1 2017.

DOF Subsea in Australia has been awarded a contract by Technip Oceania Pty Ltd for (MSV) Geoholm for the Prelude FLNG project.

Fugro Subsea Services Limited and DOF signed a new 6 month contract plus options for Skandi Olympia commencing in March. Skandi Olympia has been on charter with Fugro Subsea Services Limited since 2009.

Financing

DOF Subsea AS has successfully completed a new unsecured bond issue of USD 175 million with maturity in March 2022. Net proceeds from the new bond issue will be used to refinance existing bonds and for general corporate purposes.

New shares

The share capital of the Company has in 2017 been increased with NOK 64,028,298 by issuance of 128,056,597 new shares after conversion of bonds from the subordinated convertible bond. By April the new share capital is NOK 814,688,898, divided into 1,629,377,797 shares, each with a nominal value of NOK 0.50, and the outstanding amount of the subordinated convertible bond is NOK 365,183,885.

36 Foreign exchange rates

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

As of 31.12, the following exchange rates were applied:

	2016	2015
US Dollar	8.6200	8.8090
Euro	9.0863	9.6190
GBP	10.6130	13.0726
AUD Dollar	6.2252	6.4471
Brazilian Real	2.6487	2.2240
Singapore dollar, SGD	5.9645	6.2386

Financial Statements DOF ASA

Statement of Comprehensive Income

Amounts in NOK million	Note	2016	2015
Operating income	2, 8	209	261
Payroll expenses	3	-49	-47
Other operating expenses	4, 17, 19	-74	-80
Operating expenses		-123	-126
Operating profit/(loss) before depreciation - EBITDA		87	135
Depreciation	7	-30	-20
Impairment	7	-28	
Operating profit - EBIT		29	115
Finance income	5	1 196	388
Finance costs	5	-724	-535
Realised gain/loss on currencies	5	-6	-27
Unrealised gain/loss on currencies	5	38	-1
Net change in unrealised gain/loss on derivatives	5	24	10
Net financial items	5	527	-167
Profit (loss) before taxes		556	-52
Tax income (expense)	6	10	-25
Profit (loss) for the year		566	-76
Other comprehensive income, net of tax			
Defined benefit plan acturial gains/losses		-	-1
Other comprehensive income, net of tax		-	-1
Total comprehensive income for the year		566	-78

DOF ASA

Statement of Financial Position

Amounts in NOK million	Note	31.12.2016	31.12.2015
Assets			
Tangible assets	7, 8	801	859
Investments in subsidiaries	9	6 268	6 499
Investments in associated companies and joint ventures	10	94	218
Intragroup non-current receivables		472	1 261
Other non-current receivables and investments		3	9
Non-current assets		7 639	8 846
Trade receivable	11, 16	55	51
Current receivables group companies		1	119
Other receivables	12, 16	30	51
Current receivables		86	221
Restricted deposits		1	1
Cash and cash equivalents		704	201
Cash and cash equivalents included restricted deposits	16	705	202
Current assets		791	423
Total assets		8 430	9 268

DOF ASA

Statement of Financial Position

Amounts in NOK million	Note	31.12.2016	31.12.2015
Equity and liabilities			
Share capital		751	222
Share premium fund		1 925	1 230
Other equity		4 501	3 291
Equity		7 176	4 743
Bond loan	13, 16	-	2 054
Debt to credit institutions	13, 16	-	1 638
Debt to group companies	13, 16	450	
Non-current derivatives	15, 16	25	49
Deferred tax	6	23	33
Other non-current liabilities	3	2	2
Non-current liabilities		499	3 775
Current debt to credit institutions	13, 16	-	458
Trade payables	16	26	23
Debt to group companies		715	262
Other current liabilities	14, 16	13	8
Current liabilities		754	750
Total liabilities		1 254	4 525
Total equity and liabilities		8 430	9 268

Storebø, April 20th, 2017
The Board of Directors for DOF ASA

Helge Møgster
Chairman

Helge Singelstad
Deputy Chairman

Marianne Møgster
Director

Lars Purlund
Director

Kathryn Baker
Director

Mons S. Aase
CEO

DOF ASA

Statement of Changes in Equity

Amounts in NOK million	Share capital	Share premium fund	Paid-in capital	Other contributed capital	Retained earnings	Other equity	Total equity
Balance at 01.01.2016	222	1 230	1 452	-	3 291	3 291	4 743
Profit (loss) for the year	-	-	-	-	566	566	566
Other comprehensive income net of tax					-	-	-
Total comprehensive income for the year	-	-	-	-	566	566	566
Reduced share capital with reduced nominal value	-167	-	-167		167	167	-
Convertible bond				824		824	824
Converted bond	165	165	330	-330	-	-330	-
Share issue settled in cash	530	530	1 060	-	-16	-16	1 044
Total transactions with owners	529	695	1 224	493	151	644	1 868
Balance at 31.12.2016	751	1 925	2 675	493	4 008	4 501	7 176
Balance at 01.01.2015	222	1 230	1 452	-	3 369	3 369	4 820
Profit (loss) for the year	-	-	-	-	-77	-77	-77
Other comprehensive income net of tax					-1	-1	-1
Total comprehensive income for the year	-	-	-	-	-78	-78	-78
Share issues	-	-	-	-	-		-
Total transactions with owners	-	-	-	-	-		-
Balance at 31.12.2015	222	1 230	1 452	-	3 291	3 291	4 743

DOF ASA

Statement of Cash flows

Amounts in NOK million	Note	2016	2015
Operating profit		29	115
Depreciation and impairment	7	58	20
Change in trade receivables		-4	18
Change in trade payables		3	-4
Change in other working capital		5	29
Foreign exchange losses/gains		-1	-8
Net other financial income/cost		-	25
Cash from operating activities		89	195
Interest received		73	87
Interest paid		-183	-271
Tax paid		-	-
Net cash from operating activities		-21	11
Payments received on sale of shares		-	113
Payments received on non-current receivables intragroup		633	717
Payments received on non-current receivables		32	
Purchase of tangible assets	7	-	-24
Purchase of share		-2	-
Dividened received from subsidiaries		52	221
Payments other non-currrent intragroup balances		-	-1 018
Net cash used in investing activities		715	9
Proceeds from borrowings		450	1 794
Repayment of borrowings		-2 031	-2 143
Share issue		1 044	
Purchase of convertible bond		-209	
Non-controlling interest		-	
Net change intragroup balances "cash pool"		575	401
Net cash flow from financing activities		-171	52
Net changes in cash and cash equivalents		523	71
Cash and cash equivalents at the start of the period		202	132
Exchange gain/loss on cash and cash equivalents		-19	-1
Cash and cash equivalents at the end of the period		705	202

DOF ASA

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DOF ASA

Notes to the Financial Statements

1 Accounting principles

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

Investments in subsidiaries, joint venture and associates

Investments are based on the cost method.

Dividends

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

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

2 Operating income

	2016	2015
Sales income	145	190
Other operating income	64	71
Total	209	261

3 Payroll and number of employees

	2016	2015
Salary and holiday pay	-12	-14
Hired personnel	-36	-32
Employer's national insurance contribution	-2	-2
Reinvoices salary costs	5	4
Pension costs	-1	-
Other personnel costs	-4	-3
Total	-49	-47
No man-years employed in financial year	60	56

Government grants related to the net salary scheme for vessels are reported as a reduction in payroll costs of NOK 9 million (NOK 8 million in 2015).

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

Defined benefit pension

DOF ASA has a company pension scheme with life insurance companies. As of 31 December 2016, DOF ASA defined pension benefit plan covered total 2 (2) active members.

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

The Company's cost of defined pension plan in 2016 was NOK 0.7 million (NOK 0.2 million). Pension obligation as of 31 December 2016 was NOK 2 million (NOK 2 million).

4 Other operating expenses

	2016	2015
Technical costs vessel	-27	-31
Vessel hire	-23	-22
Other operating expenses	-23	-26
Total	-74	-80

5 Financial income and expences

	2016	2015
Income from subsidiaries	52	222
Gain on sale of shares	-	38
Interest income	93	93
Gain on conversion of bond loans (DOF09, DOF10, DOF11)	1 043	-
Other financial income	7	35
Financial income	1 196	388
Other interest expenses	-176	-270
Impairment financial assets	-538	-255
Other financial expenses	-9	-10
Financial costs	-724	-535
Net gain/(loss) on currency derivatives	-1	-5
Net gain/(loss) on non-current debt	14	-24
Net gain/(loss) on operational capital	-19	2
Realised foreign exchange gain	-6	-27
Net unrealised gain/(loss) on non-current debt	38	4
Net unrealised gain/(loss) on operational capital	-	-5
Unrealised foreign exchange gain	38	-1
Net change in unrealised gain/loss on interest swap	20	11
Net change in unrealised gain/loss on currency derivatives	3	-2
Net gain/loss on currency forwards contracts	24	10
Total	527	-167

DOF ASA

6 Tax

Tax consists of:	2016	2015
Tax payable	-	-
Change in deferred tax	10	-25
Tax income (expense)	10	-25
Reconciliation of nominal and effective tax rate		
Profit before tax	556	-52
Estimated tax income (expense) (25% / 27%)	-139	14
Tax effect of;		
Tax effect of non-taxable income and non tax-deductible costs	-4	-30
Tax effect of associtated companies	114	-11
Tax effect of other items	-258	-
Impact on change in tax rate	-1	3
Tax income (expense)	10	-26

The gross movement on the deferred income tax account is as follows;		
At 1 January	33	9
Income statement	-10	25
Other comprehensive income	-	-
At 31 December	23	33

Basis of deferred tax	2016	2015
Fixed assets	454	464
Other differences (deferred capital gain etc)	-42	-73
Total temporary differences	413	391
Loss carried forward	-318	-257
Basis for calculation of deferred tax / deferred tax assets (-)	95	133
Total deferred tax / deferred tax assets (-) (24%/25%)	23	33
Gross deferred tax	-23	-33

Temporary differences and loss carried forward for 2015 are revised without any changes in totalt basis for deferred tax.

7 Tangible assets

2016	Vessels	Periodic maintenance	Operating equipment	Total
Acquisition cost as of 01.01.2016	977	51	4	1 032
Additions	-	-	-	-
Disposals	-	-		-
Acquisition cost as of 31.12.2016	977	51	4	1 032
Depreciation as of 01.01.2016	148	22	3	173
Depreciation for the year	22	8	-	30
Depreciation on disposals for the year	-	-		-
Depreciation 31.12.2016	170	29	3	203
Impairment 01.01.2016				
Impairment	28			28
Impairment 31.12.2016	28			28
Book value 31.12.2016	779	21	-	801
Depreciation period	30-35 years	30-60 months	5-15 years	
Depreciation method	*)	Straight line	Straight line	

2015	Vessels	Periodic maintenance	Operating equipment	Total
Acquisition cost as of 01.01.2015	977	27	3	1 008
Additions	-	24	-	24
Disposals		-		-
Acquisition cost at 31.12.2015	977	51	4	1 032
Depreciation at 01.01.2015	134	16	3	153
Depreciation for the year	14	6	-	20
Depreciation on disposals in the year		-		-
Depreciation at 31.12.2015	148	22	3	173
Book value at 31.12.2015	829	29	-	859
Depreciation period	30-35 years	30-60 months	5-15 years	
Depreciation method	*)	Straight line	Straight line	

*) Residual value vessel varies based on market valution of the vessel.

Impairment
The drop in oil price starting in 2014 has resultet in reduced activity and demand for vessel in the oil service industry. The weakening market has resulted in impairment of one vessel in the Company.

Segment	Book value	Impairment	Basis for recoverable amount
PSV	116	28	Fair value less cost of sale

8 Lease

Lease out

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

The table below shows the minimum future lease payments related to non-terminable operational lease agreements (TC contracts). These amounts include lease of vessels.

	2016	2015
Operational lease income 1 year	31	132
Receivable between 2 and 5 years	-	34
Receivable later than 5 years	-	-
Total	31	167

9 Investments in subsidiaries

Directly owned subsidiaries	Main business	Nationality	Registered office	Share capital	Ownership and voting share	Result for the year (100%)	Equity 31.12 (100%)	Carrying value 31.12
DOF Subsea Holding AS	Shipowning/subsea eng.	Norway	Austevoll	184	51,0 %	-3	5 566	2 977
DOF Rederi AS	Shipowning	Norway	Austevoll	169	100 %	-847	488	612
DOF Management AS	Management	Norway	Austevoll	38	66 %	13	159	58
DOF UK Ltd.	Shipowning/management	Scotland	Aberdeen	-	100 %	-2	148	145
DOF Egypt	Management	Egypt	Cairo	3	100 %	-2	5	3
Norskan AS	Shipowning/management	Norway	Austevoll	805	100 %	-166	2 691	2 452
Norskan Holding AS	Shipowning/holding	Norway	Austevoll	1	100 %	-	14	14
Marin IT AS	IT services	Norway	Austevoll	16	40 %	-	26	6
PSV Invest II AS	Shipowning	Norway	Oslo	-	100 %	-1	-1	-
Total								6 268

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

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

The impairment tests have resulted in impairment of investments in subsidiaries with total NOK 230 million (NOK 105 million). See note 5.

10 Investments in joint venture and associated companies

Joint ventures

Joint venture	Main business	Nationality	Registered office	Share capital	Ownership and voting share	Result for the year	Equity 31.12 (100%)	Carrying value 31.12
DOF Deepwater AS	Shipowning	Norway	Austevoll	-	50 %	-429	184	92
DOF Iceman AS	Shipowning	Norway	Austevoll	24	50 %	-52	-62	-
Total								92

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

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

The impairment tests have resulted in impairment of investments in joint ventures with total NOK 295 million (NOK 140 million). See note 5.

Associated companies

Associated companies	Main business	Nationality	Registered office	Share capital	Ownership and voting share	Result for the year	Equity 31.12 (100%)	Carrying value 31.12
PSV Invest II IS	Shipowning	Norway	Oslo	108	14 %	-58	-	-
Iceman IS	Shipowning	Norway	Oslo	372	7 %	-101	210	2
Total								2
Total								94

Impairment test of investment in associates has resulted in impairment of NOK 10 million.
Impairment test of other share has resulted in impairment of NOK 2 million. Other share is included in 'Other receivalbles and investments'.

11 Trade receivables

	2016	2015
Trade receivable	28	27
Trade receivable to intragroup	27	24
Total	55	51

The company's credit exposure is mainly towards customers who historically have had good financial capability to meet their obligations and high credit rating. The company's credit risk to clients is considered low, however a recent decrease in oil-price and weaker markets could increase the risk and impact the clients rating going forward.

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

	Total	Not matured	<30 d	30-60d	60-90d	>90d
Total	55	32	3	1	3	17

12 Other current receivables

	2016	2015
Intragroup receivables	9	28
Pre-paid expenses	5	2
Current derivatives	-	-
Fuel and other inventory	14	14
Other current receivables	2	7
Total	30	51

13 Interest bearing liabilities

Bond loans

DOF ASA' three bond loans DOF09, DOF10, DOF11 with maturity from 2017-2019 were refinanced in August 2016 and converted to one subordinated convertible bond loan at price 50% of par value of the existing bonds, equal to NOK 1,032.5 million.

The convertible bond loan is classified as Other equity. The convertible bond has a 5-year tenor, zero coupon and no financial covenants. The bondholders in the convertible bond may convert their bonds to shares in the company at NOK 1 per share through the period. On the final maturity date the remaining bonds will automatically be converted to shares. The calculation of diluted average number of shares is attached. Total outstanding as of 31 December 2016 is NOK 493.2 million.

Non-current liabilities to credit institutions

The main share of the Group's fleet is financed via mortgaged loans. These loans are drawn in the shipowning companies. DOF ASA has issued parent company guarantees on behalf of the 100% owned companies.

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

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

Per 31 December 2016 the consolidated book equity is NOK 8,146 million and free liquidity (excluding DOF Subsea AS and its subsidiaries) is NOK 1,004 million. DOF ASA is in compliance with it's financial covenants as of 31 December 2016.

13 Interest bearing liabilities (continued)

Non current interest bearing liabilities	2016	2015
Bond loans	-	2 054
Debt to credit institutions	-	1 638
Debt to group companies	450	-
Total non current interest bearing liabilities	450	3 692
Debt to credit institutions	-	256
Overdraft facilities	-	174
Debt to group companies**)	687	113
Total current interest bearing liabilities *)	687	542
Total interest bearing liabilities	1 137	4 234
Average rate of interest	6.27 %	6.88 %

*) Accrued interest is not included in interest bearing liabilities
**) Current debt to group companies equals cash drawn in Group cash pool

Instalment, balloons and interest profile	2017	2018	2019	2020	2021	Subsequent	Total
Debt to group companies	687	-	-	-	450	-	1 137
Total instalments and balloons	687	-	-	-	450	-	1 137
Calculated interest profile	22	20	21	22	23	-	108
Total instalments, balloons and interest	710	20	21	22	473	-	1 245

Liabilities secured by mortgage	2016	2015
Debt to credit institutions	-	1 894
Total liabilities secured by mortgage	-	1 894

Assets provided as security *)	2016	2015
Tangible assets	801	859
Total assets provided as security	801	859

*) The Company's assets are pledged as security for a mortgage loan in DOF Rederi AS.

Fair value of non-current loans

The company's three bond loans were refinanced in August 2016.

Loan	Due date	Margin (bp)	Price 31.12.2016	Outstanding amount 31.12.2016	Initial Amount 31.12.2015	Price 31.12.2015	Outstanding
DOF ASA 09	07.02.2017	725	-	-	700	75.30	700
DOF ASA 11	07.02.2018	475	-	-	700	60.50	665
DOF ASA 10	12.09.2019	700	-	-	700	62.50	700

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

14 Other current liabilities

	2016	2015
Current derivatives	3	3
Other current liabilities	10	4
Total	13	8

15 Hedging activities

As of 31 December 2016, DOF ASA had 5 interest rate swaps to manage interest risk by converting rates on interest bearing liabilities from floating to fixed interest.

The table below displays the fair value of obligations and rights as of 31 December 2016.

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	-	28	-	49
Foreign exchange contracts	-	-	-	3
Total	-	28	-	52
Interest rate swaps	-	25	-	49
Non-current portion	-	25	-	49
Current portion	-	3	-	3

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

Interest rate derivatives

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

Instrument	Fixed rate	Floating rate	Notional amount	Effective from	Maturity date
31.12.2016					
Interest rate swap - NOK	1.61% - 4.12%	Nibor 3m - 6m	900	2012-2014	2017-2019
Interest rate swap - USD	1.15%	Libor 6m	26	2 012	2017
31.12.2015					
Interest rate swap - NOK	1.61% - 4.12%	Nibor 3m - 6m	900	2012-2014	2017-2019
Interest rate swap - USD	1.15%	Libor 6m	29	2 012	2017

Derivatives are settled at various dates during the next 12 months. Gains and losses recognised in interest rate swaps as of 31 December 2016 are recognised in the income statement in the period or periods during which the transaction affects the income statement.

Foreign exchange derivatives

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

16 Financial assets and liabilities: Information on the balance sheet

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

31.12.2016	Financial instruments at fair value through income statement	Financial liabilities measured at amortised cost	Deposits and receivables	Total
Assets				
Financial investments	3			3
Intragroup non-current receivables			472	472
Other non-current receivables			-	-
Trade receivable			55	55
Current receivables group companies			1	1
Current derivatives	-			-
Other current receivables			15	15
Cash and cash equivalents			705	705
Total financial assets	3	-	1 248	1 251
Liabilities				
Non-current bond loans and debt to credit institution		-		-
Current bond loans and debt to credit institution		-		-
Debt to Group companies		450		450
Non-current derivatives	25			25
Current derivatives	3			3
Trade payables and other current liabilities		751		751
Total financial liabilities	28	1 201	-	1 229
Total financial instruments	-25	-1 201	1 248	22

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

31.12.2015	Financial instruments at fair value through income statement	Financial liabilities measured at amortised cost	Deposits and receivables	Total
Assets				
Financial investments	5			5
Intragroup non-current receivables			1 261	1 261
Other non-current receivables			4	4
Trade receivable			51	51
Current receivables group companies			119	119
Current derivatives	-			-
Other current receivables			36	36
Cash and cash equivalents			202	202
Total financial assets	5	-	1 672	1 677
Liabilities				
Non-current bond loans and debt to credit institution		3 692		3 692
Current bond loans and debt to credit institution		458		458
Non-current derivatives	49			49
Current derivatives	-			-
Trade payables and other current liabilities		292		292
Total financial liabilities	49	4 442	-	4 491
Total financial instruments	-44	-4 442	1 672	-2 813

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

17 Remuneration to auditor

Specification of auditor's fee (amount in TNOK):	2016	2015
Audit	2 577	1 733
Tax consultation	-	-
Fee for other services	441	373
Total	3 018	2 105

All amounts in the table are excl VAT.

18 Guarantee commitments

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

DOF ASA has to some extent issued guarantees on behalf of partly owned subsidiaries. On behalf of DOF Deepwater AS, DOF ASA's guarantee commitment in favor of financial institutions totals NOK 535 million as of 31.12.2016. On behalf of Iceman AS, total commitment is NOK 429 million per end of 2016, of which 50% is counter guaranteed by Vard Group AS.

DOF ASA has guaranteed for the obligations of DOFCON Navegacao Ltda., (a company owned 50% by DOF Subsea AS and 50% by Technip Coflexip Norge AS) towards BNDES. Total amount as per 31.12.2016 is USD 126 million. DOF ASA has also guaranteed for certain obligations of DOF Subsea Brasil Servicos Ltda. in favor of BNDES.

19 Related parties

Transactions with related parties are governed by market terms and conditions in accordance with the "arm's length principle".

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

Long-term agreements:

Møgster Offshore AS owns 53,74 % of the shares in DOF ASA at year end 2016 (please see note 21). Laco AS is the main shareholder of Møgster Offshore AS. Møgster Management AS provides administrative shared services to DOF ASA. Møgster Management AS is owned by Laco AS. Adminstration fee for 2016 is NOK 3 million (NOK 4 million).

Individual transactions:

Guarantee
DOF ASA has issued a guarantee in the maximum amount of NOK 429 million (NOK 451 million) on behalf of Iceman AS in favor of DNB ASA. Guarantee income in 2016 was NOK 8 million (NOK 8 million). Iceman AS is owned with 40% by DOF Iceman. DOF ASA and Vard ASA are owners with 50% each in DOF Iceman AS. In addition DOF ASA owns 5% in Iceman AS.

Loans to joint venture
DOF ASA has provided loans to joint ventures in the amount of NOK 110 million (NOK 137 million).

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

20 Contingencies

DOF ASA is not involved in any ongoing court cases as of 31 December 2016.

21 Subsequent events

New shares

The share capital of the Company has in 2017 been increased with NOK 64,028,298 by issuance of 128,056,597 new shares after conversion of bonds from the subordinated convertible bond. By April the new share capital is NOK 814,688,898, divided into 1,629,377,797 shares, each with a nominal value of NOK 0.50, and the outstanding amount of the subordinated convertible bond is NOK 365,183,885.

As a consequence Møgster Offshore AS has reduced their shares in DOF ASA to 49.52%.

Confirmation from the Board of Directors and CEO

We confirm, to the best of our knowledge, that the financial statements for the period from 1 January to 31 December 2016 has been prepared in accordance with approved accounting standards, and gives a true and fair view of the Company's consolidated assets, liabilities, financial position and result of operations and that the Report of the Board of Directors provides a true and fair view of the development and performance of the business and the position of the Group and the Company together with a description of the key risks and uncertainty factors that the company is facing.

Storebø, April 20th, 2017
The Board of Directors for DOF ASA

Helge Møgster Chairman	**Helge Singelstad** Deputy Chairman	**Marianne Møgster** Director
Lars Purlund Director	**Kathryn Baker** Director	**Mons S. Aase** CEO

To the General Meeting of DOF ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of DOF ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the statement of financial position as at 31 December 2016, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to § 3-9 of the Norwegian Accounting Act.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Key Audit Matters

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

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INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment *(See also note 14)* DOF ASA group has vessels and related assets with a carrying amount of MNOK 22,199 as at 31st December 2016. Due to the general downturn in the industry and the increased uncertainty, management has assessed the carrying amounts for impairment. Management calculates fair value for all their vessels using a discounted cash flow model. An impairment provision of MNOK 1,690 has been recorded to reduce the carrying amounts of certain vessels to their estimated recoverable values. For the remaining vessels, management concluded that the recoverable amount was higher than their carrying amounts. These conclusions depends on significant management judgement related to factors such as, estimated utilization, disposal values, charter hire rates, operating expense and discount rates applied to future cash flows as well as estimated fair values, provided by two independent external brokers. The risks connected to valuation of vessels has increased during 2016 due to the challenging market conditions. This has increased the need for judgement in the valuations. We focused on this area due to the magnitude of the amounts and the significant management judgement necessary.	Our procedures directed at management's impairment assessment of vessels includes obtaining managements valuation model and evaluating whether the model contains the elements required by accounting regulation. We challenged management on the assumptions used in the model. This includes tracing input data to contracts and budgets approved by the board of directors, considering whether charter hire rates and utilization are consistent with our knowledge of the industry. To consider the reliability of estimated operating expense, we compared the estimates to historical performance, and considered whether deviations from the budget had a reasonable explanation. Available evidence supported that management's assumptions were reasonable. When we considered management's analysis of sensitivity, we noted that the forecasted cash flows are highly sensitive to even minor changes to assumptions. We assessed the discount rate by comparing the assumptions used to build the discount rate with external market data. We considered that the discount rate used was within an appropriate range. Management use their own fair value calculations to support the independent external broker certificates they obtain for all their vessels. To consider the reliability of the certificates, we obtained them and evaluated the independent external broker's competence, capabilities and objectivity and we considered the appropriateness of the fair values estimated by the external broker. Our work did not uncover anything that reduced the reliability of the certificates. Based on available evidence we found management's assumptions in relation to the fair value less costs of disposal and value in use calculations to be reasonable.
Impairment of Goodwill *(See also note 13)* The DOF ASA group has a goodwill of MNOK 330 in their balance sheet. Goodwill was allocated to the Group's operating segments; PSV, AHTS and CSV. An impairment of MNOK 72 was recognized during 2016.	We evaluated management's impairment review of goodwill. The documentation include assessment of cash generating units (CGUs) and key assumptions made by management. We performed a comparison of the assumptions used by management within the impairment review model.

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The challenging market conditions in the oil service industry due to the current low oil price continued reduced prices within the industry and over-supply of vessels in the market increase the risk for further impairment of the Group's intangible assets.

We focused on this because the impairment assessments require significant management judgement with respect to cash flows and expected margin growth, as well as the discount rate.

The comparison was made to approved budgets and business plans. We also benchmarked the key assumptions used, including discount rates and growth rates, against external data including sensitivity analysis. We noted that the value of goodwill is highly sensitive to even minor changes to cash flow assumptions. Based on our procedures we concluded that management's assumptions were reasonable.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, statements on Corporate Governance and Corporate Social Responsibility and words from the CEO, regional reports and supplementary information about DOF ASA, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's Report - 20 April 2017 - DOF ASA

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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Auditor's Report - 20 April 2017 - DOF ASA

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 20 April 2017
PricewaterhouseCoopers AS

Sturle Døsen
State Authorised Public Accountant

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Appendix i - Definitions

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

The definitions of these measures are as follows:

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

Underlying EBITDA – Ebitda as described above adjusted for hedge accounting of revenue.

	2016	2015
EBITDA	2 621	3 362
Hedge	-207	-182
Underlying EBITDA	2 828	3 544

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

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

	2016	2015
Bond loans (non-current)	1 297	3 347
Debt to credit institutions (non-current)	16 729	17 354
Current bond loan and debt to credit institutions	1 805	3 034
Liabilities held for sale	-	260
Total bond loan and debt to credit institutions	19 830	23 996
Accured interest expenses	-144	-175
Total interest bearing liabilities	19 686	23 821

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

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

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

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

Financial reporting – Financial Reporting according to IFRS.

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

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Glossary

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

Colophon

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