

RECOVERY IN SIGHT

ANNUAL REPORT

2018



DOF SUBSEA
ANNUAL REPORT
2018





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We offer the world’s offshore energy producers integrated offshore services from a single company

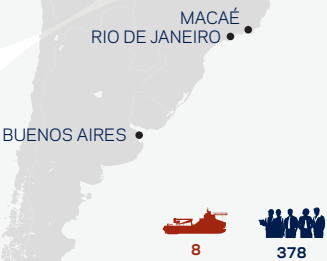
The Group is uniquely positioned globally with two business segments -
Subsea/IMR Projects and Long-term Chartering
- providing access to more market opportunities and revenue streams.

OUR VISION

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

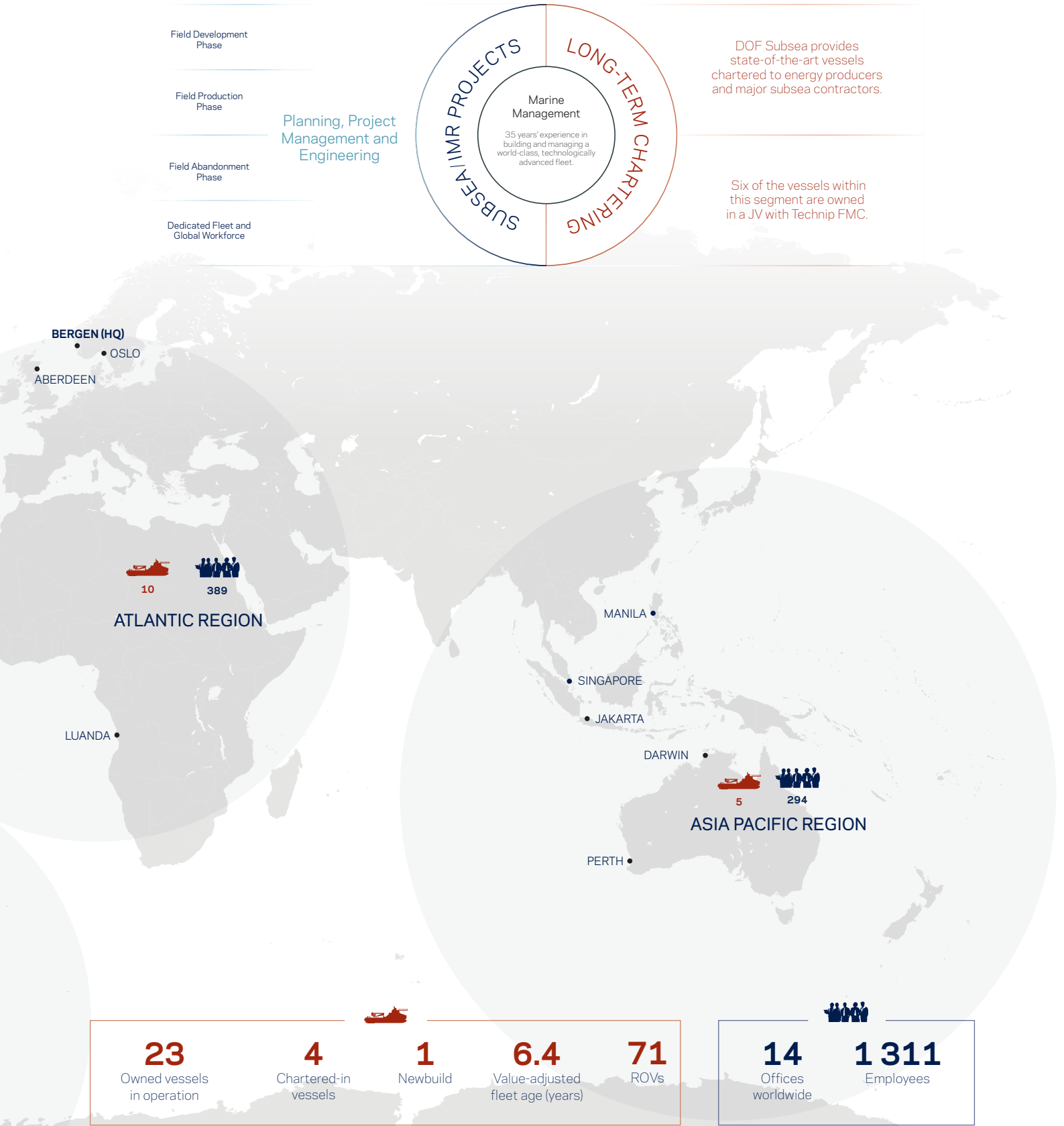


NORTH AMERICA REGION



BRAZIL REGION

4 607 NOK million operating revenue	1 402 NOK million EBITDA	342 NOK million EBIT	20 350 NOK million total assets	5 735 NOK million total equity	15.5 NOK billion firm backlog
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Highlights 2018

As reported to the Oslo Stock Exchange

Q1

Subsea/IMR Projects

- **Asia Pacific:** existing IMR contract with Chevron extended by one year utilising Skandi Singapore and Skandi Hercules.
- **Atlantic:** renewable energy contracts extended for Skandi Neptune and Skandi Constructor .
 - Skandi Skansen's contract extended with TechnipFMC and awarded a new contract securing high utilisation for the vessel the first half of 2018.
- **Brazil:** Skandi Salvador awarded short-term IMR/ROV contracts with Shell and Saipem.
 - awarded two new ROV contracts by Petrobras on Skandi Angra and Skandi Paraty. Commence Q2 18 and complete 2020.
- **North America:** Harvey Deep Sea and Skandi Achiever awarded short-term contracts.

Q2

Subsea/IMR Projects

- **Atlantic:** awarded several contracts in the IMR Projects segment. Work scopes include seabed mapping, surveys, pipeline and structure inspection, light construction and repair utilising Geosund and Skandi Skansen.
 - awarded contract to undertake a FPSO hook-up using Skandi Skansen, offshore Nigeria.
 - awarded 5 year IMR services Frame Agreement by Equinor.
 - IMR contract with ENI Angola extended with 9 months.
 - secured contracts for several decommissioning and ROV services in the North Sea utilising Skandi Neptune, Geosund and Skandi Constructor.
 - a four-year global Frame Agreement for Survey and Positioning services on third-party vessels
 - awarded contract by Fugro utilising Geosea.
- **Brazil:** awarded a 3 year contract by Petrobras for ROV and diving services utilising the DSV Skandi Achiever.
 - awarded a long-term RSV contract for Skandi Salvador with Petrobras.
- **North America:** secures contract for seismic support services with Skandi Chieftain.

Long-term Chartering

- Joint Venture with TechnipFMC took delivery of the PLSV Skandi Recife and the vessel commenced on the 8-year + 8 year option charter contract with Petrobras
- Subsea 7 extended the contract on Skandi Acergy with 2 years, the vessel has been on contract with Subsea 7 since 2008.

Financing

- DOF Subsea AS completed refinancing of two vessels and made a drawdown of the loan on Skandi Recife.



Q3

Subsea/IMR Projects

- **Asia Pacific:** several short-term contracts awarded utilising Skandi Singapore and Skandi Hercules.
- **Atlantic:** awarded a IMR Frame Agreement by Wintershall. Services to be provided within Survey, IMR and Light Construction using DOF Subsea's integrated PM&E teams and fleet of subsea vessels. Duration of the agreement is 3 years.
 - IMR Frame Agreement awarded by CNR International for operations on UKCS and West Africa
 - awarded time charter contract for Skandi Constructor by MHI Vestas Offshore Wind.

Financing

- DOF Subsea AS established a drawing facility with one of its main banks.
- DOF Subsea AS is contemplating a issue of an unsecured bonds of NOK 800-1,000 million.

Q4

Subsea/IMR Projects

- **Asia Pacific:** extended existing long-term IMR Contract with Chevron Australia to support Gorgon and Wheatstone Projects.
- **Atlantic:** awarded three new contracts in the North Sea including subsea construction support, pre-commissioning and decommissioning operations utilising Geosund.

Financing

- DOF Subsea AS completed the issuing of a new 5-year unsecured bond of NOK 900 million. In connection with the placement of the new bond, DOF Subsea AS repurchased parts of the existing bonds, DOFSUB07 and DOFSUB08.
- DOF Subsea AS completed refinancing of one vessel.

Recovery in sight

message from the CEO



Mons S Aase
CEO

The low demand environment for subsea services and vessels persisted in 2018, resulting in another challenging year for our industry. Market conditions have put pressure on both revenues, margins and terms. The full year operating revenue and EBITDA came in at NOK 4 607 million and NOK 1 402 million, respectively, compared to NOK 4 550 million and NOK 1 408 million in 2017. The overall fleet utilisation for 2018 was 73 per cent and at year-end the Group had a firm backlog of NOK 15.5 billion. The Group delivered several highlights in 2018 with IMR contract awards and extensions, new charter contracts, both long and medium-term, and the delivery of new builds PLSV Skandi Recife and in Q1 2019 PLSV Skandi Olinda, both vessels employed under 8-year contracts with Petrobras.

The continued low oil price and E&P spending has resulted in a persistent low-demand environment for our industry. Many industry players continue to struggle with low personnel and fleet utilisation and rate level. Even though DOF Subsea still has a large backlog, the challenging market conditions has led to lower personnel utilisation and revenue for the Group.

On that note, I am proud to say that we have the highest fleet utilisation in our market. The strong operational performance relative to the weak market, gives us flexibility in the financial market. In November, the Group issued a new five year bond and also refinanced several vessels during the year.

Despite the challenging market conditions, activity within the Group remained high with highlights across our Subsea IMR Projects and Long-Term Charter segments. In April, the DSV Skandi Achiever was awarded a three-year contract by Petrobras, our first Saturation Diving Services contract in the region. In June, Skandi Salvador was awarded a 650-day contract with Petrobras and commenced in August. Skandi Neptune was relocated to Caribbean and Geoholm to the Red Sea to fulfil contract commitments into 2019. Other awards saw extensions of existing long-term IMR contracts in Asia Pacific and Atlantic. In addition, the Group was awarded several Frame Agreements, securing utilisation of personnel and assets.

The Joint Venture PLSV Skandi Recife was delivered by Vard Promar and commenced her 8-year contract with Petrobras. The sister ship, Skandi Olinda, was delivered in Q1 2019, also entering an 8-year contract with Petrobras. Subsea 7 extended the contract on Skandi Acergy with two years. The vessel has been on contract to Subsea 7 since 2008. These awards and contracts provide earnings visibility and strengthen our position as a global provider of subsea IMR services and vessel solutions.

The Group used 2018 to strengthen our organisation and prepare for the market recovery by focusing on our operational workforce and management team. At the end of 2018, the Group had a total of 1 311 employees, representing an increase of 97 employees compared to 2017. As of year-end 2018, the Group operated 27 vessels, including four chartered-in vessels. In addition, the Group owns and operates a fleet of 71 ROV systems mobilised on board own and third-party vessels.

Wherever we operate, our priority number one is safety. Through our 'Safe the RITE way' program we have developed a global unified safety culture. The program continued in 2018, with new training programs and E-learning modules, ensuring we maintain a common safety culture and behave according to our values. Our Code-of-Business-Conduct was relaunched in 2018 in order to be more relevant and effective in supporting the Group to achieve "Safe, legal, ethical decision-making and operations, everywhere we do business."

“We need to continue to improve and deliver quality services to our clients.”



Recovery in sight

We expect the market to continue to be challenging in 2019. However, due to our backlog and contracts awarded in 2018, we anticipate higher vessel utilisation. Correspondingly, we have also seen increased in E&P spending forecast and rise in project sanctioning compared to recent years. This is supported by improved earnings for oil companies. Combined with aging subsea infrastructure and lower maintenance spending during the downturn, we expect that the activity in the subsea market gradually will improve going forward.

With this market view, we will use 2019 to position ourselves for the market recovery. Our focus, will be to win contracts, execute them safely and get repeat business with our clients.

To do so, we need to continue to improve and deliver quality services to our clients. With our track record, global organisation, assets and our backlog, we are well positioned for growth.

The key to our success remains unchanged – our people.

Planning for market recovery

from the CFO



Jan Nore
CFO

2018 has been yet another challenging year for our industry with pressure on rates and contracting terms. During the year the Group has paid ordinary installments, financed a newbuilding, refinanced three vessels and issued a new five year bond loan. In Q1 2019, the last newbuild was delivered and with the newbuilding program completed, focus will be shifted towards reducing the leverage of the Group.

In June 2018 and in February 2019, the two remaining newbuilds were delivered. Both vessels entered into 8-year contracts with Petrobras providing earning visibility within the Group's Long-term Chartering segment.

In 2018, the Subsea/IMR Project segment delivered an operating revenue of NOK 3 033 million with an EBITDA of NOK 199 million, compared to NOK 3 127 million and NOK 323 million in 2017 respectively. The decrease in EBITDA is mainly driven by lower utilisation of personnel and assets but is also due to project performance where the Group has faced some challenging projects during the year. At the end of 2018, the backlog in the Subsea/IMR Project segment was NOK 4.2 billion

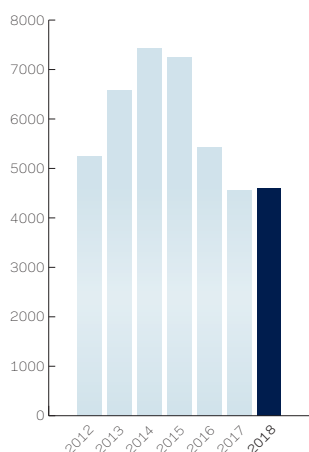
In the Long-term Chartering segment, the Group increased the operating revenue from NOK 1 423 million in 2017 to NOK 1 574 million in 2018 and the EBITDA increased from NOK 1 084 million to NOK 1 203 million. The increase in both revenue and EBITDA in the segment is due to delivery of newbuild and increased number of vessel days sold. At

the end of 2018, the Long-term Chartering segment had a backlog of NOK 11.3 billion.

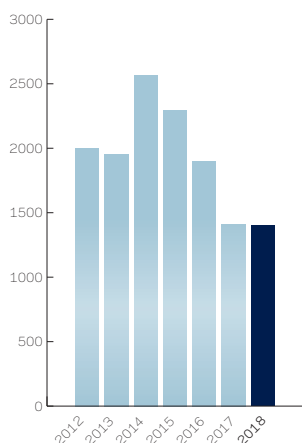
The Group's total backlog by year-end 2018 was NOK 15.5 billion, consisting of contracts mainly with major energy companies and subsea contractors, providing earnings visibility and reducing the financial risk for the Group.

In 2018, the Group secured refinancing of several vessels. Skandi Hercules and Skandi Skansen were refinanced in June and Skandi Achiever was refinanced in December. The refinancing was done with international shipping banks at terms standard for the Group. In addition to the refinancing, the Company established a drawing facility. The JV vessels Skandi Recife and Skandi Olinda were funded by BNDES through 18 year loan facilities.

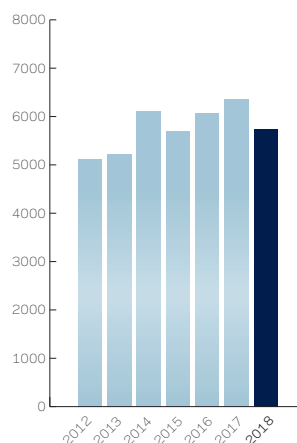
In November, the Company issued a new 5-year unsecured bond loan of NOK 900 million. The loan proceeds were used to repurchase parts of the outstanding bonds DOFSUB07 and DOFSUB08 and for general corporate purposes.



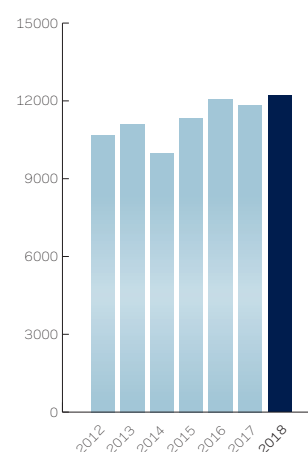
Operating revenue in NOK million



EBITDA in NOK million



Total equity in NOK million



NIBD in NOK million

During the year the Group have continued to develop the operation, reporting and decision-making systems in order to become more effective. The integration of the Groups various systems is a key in the improvement work. This development will continue in 2019 and is part of the Groups long term improvement plan.

Even though the market capacity and number of suppliers within our industry has been reduced, the market is expected to continue to be challenging in 2019. However, some industry analysts forecast that it is time to be more optimistic on behalf of the subsea industry, seeing several signs that the worst part could be behind us. The most promising signs of recovery are; more favourable economics for the oil companies, increased spending on exploration, development and maintenance and increased

tendering activity. DOF Subsea will continue to focus on operation, cost control and securing utilisation for our personnel and vessels. The Group expect an increase in number of vessel days sold in 2019 both within the Subsea/IMR Segment and in the Long-term Charter segment due to new build delivery and contract awards.

With DOF Subsea's track record, client relationships, global organisation and increased personnel and vessel utilisation for 2019, the Group are in a unique position to take a part of the expected market recovery and growth.



Position for future growth

from the COO



Raymond Semple
COO

The direction set by the executive team is to position the organisation for the market recovery. Working toward this goal, our focus is to deliver improved operations, strong client-relationships, win-work, get repeat business and never compromise on safety.

The DOF Subsea team delivered a resilient performance in 2018, recording exemplary levels of customer satisfaction across all regions and projects, as well as relatively high asset utilisation, despite the prevailing market conditions. The awards for our subsea services and vessels, with new and repeat business and the extensions to existing long-term IMR contracts demonstrate the strength of our approach.

In addition, and to ensure we are well positioned for future growth, the structure of the global organisation was simplified to support our goals.

Strong client-relationships, great teams and the right assets

In APAC, the renewal of the Chevron IMR Contract will continue to support utilisation of the Skandi Singapore and Skandi Hercules and also help to sustain continued IMR operations as the next wave of multiple large gas projects develop and progress towards their offshore construction phases. Similarly, our certification as an approved diving contractor by Shell, increases the field of IMR opportunities for the Skandi Singapore in region.

Our presence in West Africa was strengthened as the Atlantic region secured an extension of the contract for provision of Field Support Services with Eni in Angola. Skandi Skansen was relocated to West Africa to undertake a series of scopes, including mooring of Total's Egina FPSO at 1,500 meters water depth and Exxon Mobil's Ehra FPSO in Nigeria.

Brazil secured several significant awards, including the first DSV contract in the region. The recently Brazilian flagged, DSV Skandi Achiever was successfully mobilised for a three-year contract to provide saturation diving services to Petrobras with full IMCA compliant hyperbaric rescue capability, together with our partner SISTAC. In mid-2018 Petrobras awarded a long-term contract for ROV services utilising Skandi Salvador which will continue into 2019.

Relocation of the Skandi Neptune to the Caribbean Sea for contract commitments throughout 2019 establishes a strategic foothold in the growing markets of Guyana and Trinidad and Tobago, positioning us for recurrent work there and in the wider North American Region. Similarly, re-activation of the Geoholm in early 2019 for a two-year Red Sea commitment secures our entry to another key growth market and brings the long-term utilisation and presence required to sustainably develop further opportunities.

We continued to invest significantly in the renewal and maintenance of our fleet to the highest standard and numerous major milestones were reached, including establishing the program "Maintenance the RITE way".

The PLSV Skandi Recife was delivered on budget, to specification and commenced her eight-year contract with Petrobras providing deep-water flexible and umbilical installation services together with our Joint Venture partner TechnipFMC. Construction of the sister vessel, Skandi Olinda, progressed according to plan and was delivered and commenced her contract in Q1 2019.

Ensuring DOF Subsea is well positioned for future growth

In addition to continuous growth and development in Brazil and West Africa, key contract awards in late 2018 and early 2019 should deliver improved utilisation in our core Survey, IMR and Light Construction market. We start 2019 with above 60% asset coverage for the year and above 50% for the three-year period 2019 through 2021.

Overall, we will endeavour to secure the degree of backlog and fleet utilisation coverage for 2020 and beyond, to build towards strategic development and growth and we will continue to do so in accordance with our values.

Above all, we are SAFE – the RITE Way.®

2019 OPERATIONAL PRIORITIES

EXEMPLARY PROJECT EXECUTION

in our core Survey, IMR and Light Construction

BUILD CLIENT RELATIONSHIPS

and leverage established presence, backlog and asset allocation in subsea oil and gas hubs.

INCREASE

mid to long term backlog

LEVERAGE FRAME AGREEMENTS

with numerous operators to return market position in the North Sea.

USE TECHNOLOGY

for regional team connectivity, to support an integrated global organisation.



Living our values

HR



Toril Træen
VP Human Resources

DOF Subsea continues to build a dynamic, flexible and capable workforce. During 2018, we have aligned our global organisation in order to improve communication and strengthen our Win and Execution capabilities.

Our people

Our skilled and experienced workforce is key to ensuring safe and reliable operations globally. The Group continues to develop agility, navigating rapid change and maintaining the ability to work when and where the demand is highest. The Group continued to fine-tune structure and capability in-line with market development.

The trend for the HR teams is to deliver a flexible-resourcing model. DOF Subsea has carefully hired teams of core employees and committed contractors. The Group anticipates engaging skilled contractors, freelancers and more flexible working methods over the coming years. Creating these kinds of professional recruitment 'pipelines' goes hand-in-hand with high quality recruitment processes focused on capability, diversity, transparency with robust protection of privacy. We are proud of our fair and efficient non-discriminatory processes and work environment.

Living our values

Listening to and matching the expectations of our clients and employees is a key driver in the continuous improvement work in DOF Subsea. To this end we conducted a Global Employee Survey in Q4 supported by the Great Place to Work Institute. The survey evaluates leadership and trust in the organisation. Several employee engagement and leadership initiatives are anticipated in 2019, to reinforce the Group's core values and promote a productive work culture and trust-based leadership.

Positioning for the future

The Group is using technology to create a common IT-platform in order to become leaner, more transparent and enhance collaboration across regional and functional lines.

By facilitating cross-disciplinary collaboration as well as accessing deep functional expertise, we are more able to meet the needs of the dynamic environment and support a more efficient, networked and team-based way of working.

In 2019 we will continue to take advantage of technology to establish improved IT-platforms for global communication and enhance utilisation of our HR information systems. For example, by introducing mobile accessibility through 'applications' and dashboard we ensure timely availability of key metrics by making sure data is available for both employees and managers.

Connectivity comes with challenges. DOF Subsea has a culture of continuous improvement and this applies also to established systems, clear reporting lines and global standards to protect privacy and control individual data to comply with EU's General Data Protection Regulation (GDPR).

There is a strong focus on invigorating the Group's retention and development program. Secondments to develop careers and foster understanding and knowledge across the organisation has proved successful and will continue in 2019.

Additionally, organisational planning activities to identify skills, key competence and succession plans as well as enabling our people to constantly improve their capabilities will be important activities going forward. By exploring new approaches to learning (computer based learning), performance management and professional development, we will retain as well as equip our employees to meet current and future work demands. Ultimately, promoting employee engagement helps our organisation achieve our vision and goals.

1311

Total Employees

542

Onshore

769

Offshore

1.6%

Absences

1.88%

Turnover

0

Harassments



Safe the RITE way

HSEQ



Stig Clementsen
CSO / SVP HSEQ

Safeguarding our people and environment, wherever DOF Subsea operates is our highest priority. Our Code-of-Business-Conduct was relaunched in 2018 to be more relevant and effective in supporting the Company to achieve “Safe, legal, ethical decision-making and operations, everywhere we do business”.

Promoting Compliance and Governance.

The updated Code-of-Business-Conduct built on existing values-driven program, ‘Safe the RITE way’, was rolled out globally along with comprehensive awareness training and a new, revised e-learning module. The format actively supports Compliance and Governance across the global organisation by outlining legal and regulatory obligations and introduces tools such as “the DOF Watertight Integrity Test” as a quick guide to support our operations.

A new Compliance Awareness training program has been developed and forms part of senior and middle management training. The training program covers Anti-Bribery and Corruption obligations and aims to raise Compliance Awareness under the motto ‘We are all compliant officers’, emphasising all employees obligation to follow our management systems.

To further promote compliance and governance, the Group introduced the ‘DOF ethics helpline’, a service that supports queries and offers a secure, accessible platform to report unlawful, unethical behaviour or unacceptable conduct. The ‘DOF ethical helpline’ gives the Group a tool to facilitate the investigation, follow-up and filing of all reports received.

The Group recognised for efforts made towards sustainability

Creating a sustainable organisation is important to DOF Subsea. The Group has for some years measured and managed strategic, economic, social and environmental performance in line with the Global Reporting Initiative (GRI) and published the results in a joint DOF ASA Annual Sustainability report.

In Q4 2018, DOF ASA was recognised for its extensive efforts in capturing and communicating material aspects and sustainability activities. A review of companies listed on the Oslo Stock Exchange was conducted by an independent

agency, The Governance Group (TGC), and DOF ASA achieved the 6th highest score for the activities towards sustainability.

Our environmental initiatives take advantage of recent technological developments, allowing battery packs to be installed on some of our vessels. This will have a positive impact on our CO2 footprint. Our shore power project also continues, allowing for zero emission during vessel port stay where possible. A pre-study for an R&D project was undertaken in 2018 which has potential for significant fuel saving during vessel operations.

SAFE the RITE way

VALUE	Strategic area
SAFE	Health, Safety and Working Environment Safe Operations Emergency Management
RESPECT	Our People Corporate Social Responsibility Energy efficiency climate impact
INTEGRITY	Business Integrity, ethics and payment transparency Risk and Opportunity management Modern way of working Supply Chain Management
TEAMWORK	Labour and Human Rights, Anti-Slavery and trafficking Employee Satisfaction Our People Global Competence – the way forward
EXCELLENCE	Continuous Improvement Product Reliability Quality Control Customer Satisfaction



The Safe the RITE way® program and related initiatives have improved overall safety behaviour

The Group has built our safety culture on the 'Safe the RITE way program', strengthening the global safety culture, however, we recorded three Lost Time Incident (LTIs) in 2018.

During the year, a "Reflective Learning" training program was introduced. The program is the backbone for safety awareness training offshore. It was developed under the "Partner in Safety" umbrella, ensuring that we utilise and contribute to a wider experience for the best possible training and safety outcomes within our industry.

To further improve guidance and direction to plan and execute safe work, a new Occupational Health and Safety manual was released.

Communication between the onshore and offshore parts of the organisation was enhanced in 2018. By exploring new ways of leadership involvement, such as management sailing with vessels, the 'coach captains' initiative and engaging

crew members in smaller groups, the Group benefits from a more inclusive and richer dialogue.

In response to employee and other stakeholder feedback, we set the course to simplify our management systems in 2017. The initiative continued in 2018, and the launch and implementation of the marine Integrated Management System was a key achievement in the move to one common system for the Group. Additionally, a full review of all diving related standards, procedures and organisational structure was finalised and implemented.

At the centre of safe and sustainable operations are the guiding principles of 'Safe the RITE way' which is embedded in our policies, Code of Business Conduct and culture. The Group promotes transparency and standard disclosures of information relating to key sustainability aspects, reporting as per the CDP and the GRI. For detailed information please find the Group's Sustainability Report at www.dofsubsea.com



John Loughridge
EVP Asia Pacific

Under a long-term IMR contract with Chevron Australia, DOF Subsea supports some of the largest offshore projects in Australia and indeed the world. Originally awarded in 2015 for three years, the contract was extended in Q4 2018. This, and other contract awards, demonstrate the long-term relationships built in the region, a reputation for quality services and assets, smart solutions and a collaborative approach.

The Australian market is mixed, with the completion of major development projects in 2017 and around seven significant new projects in the early stages of engineering in 2018. Activity over the year reflects this and a gradual increase in decommissioning opportunities as fields and infrastructure come to an end-of-life.

Major construction work on development projects such as Gorgon Stage 2, Ichthys URF2, Scarborough, Barossa, Evans Shoal is still some years away, however there is some early offshore activity involving Geotechnical and Geophysical scopes, AUV surveys and alike. Still in the design phase, the region conducted 160 days of Geotechnical survey work from the Skandi Hercules on the PTTEP Cash Maple field and on the Conoco Phillips Barossa field.

The three-major long-term IMR projects in the region, SPEX Malampaya in Philippines, Shell Prelude in Australia and Chevron in Australia, continue with numerous campaigns over the year. Vessels, teams and the full-range of services move between IMR project scopes and vessel PSV activities in support of the production facilities into 2019 and beyond.

Innovative use of existing technology on these IMR scopes has delivered efficiencies for clients and what we believe to be a world first shallowest water dive for Hugin AUV 1000. Among the increasing number of AUV campaigns undertaken in the region, one involved a pipeline survey in water depths ranging from 6m to 165m.

Similarly, in New Zealand contracted by STOS in Q4 2018, to replace a flexible flowline utilising the Skandi Singapore.

The scope-of-work was well within vessel and DOF Subsea capabilities and experience. However, environmental restrictions and very poor visibility at the work site made this a demanding project, completed safely and to a very satisfied client.

Outlook

In Australia, the short-term market outlook remains mostly IMR focused with major construction activity due to restart in 2021. Other light construction opportunities remain aggressively bid and some of the Tier 1 SURF players are targeting these scopes for utilisation. The majority of the Australian projects are subsea tie-backs which have combined SPS and SURF packages. Some involve rigid pipelay (exotic materials), flexible flowlines and others involve FPSO solutions, such as Barossa, Browse, Equus. DOF Subsea assets and capability are a good fit for all but the rigid pipelay projects, which is not our core market. However, there will be subcontract opportunities as these projects progress.

There are a number of major construction projects in Asia. Although these projects have yet to progress to the final investment decision (FID) they will potentially go to the construction phase faster than Australia. There is a larger competition pool and experience tells us this market responds more quickly to change, as there are fewer barriers to entry.



SAFE the RITE way

A strong safety culture

With no Lost Time Incidents (LTIs) in 2016, 17 and 18 we see evidence of a strong safety culture. However, it is not something we take for granted. The region has an active 'Safe the RITE way' leadership team and our focus is to keep safety messaging fresh and relevant. Despite vast distances to cover and changing vessel schedules, we exceed the KPI for management visit aboard vessels. Added to this the EVP conducts a conference call every time a captain or offshore manager joins or re-joins the vessel and provides a

personal message to all vessel and project crews via a letter accompanying the Joining Instructions. This is revised every 3 months.

We focus on Observation Reporting and the results are used as a resource to reinforce and inspire safety behaviours across the Asia Pacific fleet. We have found this has had a positive effect and increased the number and quality of observations.



Jan-Kristian Haukeland
EVP Atlantic

Our focus is to successfully deliver projects, adapt to the market conditions and maintain a competent and flexible organisation. We continue to develop our position in West Africa, where we have experienced solid gains in 2018.

In 2018 we have seen an increase in the number of tenders from our clients compared with 2017. Competition is still high, however the region delivered operational highlights and built backlog into 2019.

The long-term relationships we have built are an important component for future success and are a differentiator in winning repeat business in a competitive market. DOF Subsea has gradually developed its position in West Africa, establishing local offices and dedicating assets to the area.

The region's first long-term IMR contract was awarded by Eni Angola in 2016. The offshore program commenced in first quarter 2017 with a 16-month firm period utilising the vessel Skandi Seven. The success of the project was validated in 2018 as the contract for vessel and IMR services was extended and Skandi Seven continues to work on the East and West Hub in Angola into 2019.

As a result of development efforts to leverage core capabilities with clients in Angola and Nigeria, two significant mooring projects were awarded to the region both utilising the Multi-Purpose Construction Support Vessel (CSV), Skandi Skansen. The first of these projects was the mooring, installation and hook-up of Egina FPSO for Total and the second, was the Ehra FPSO for Exxon Mobile, both projects were undertaken in Nigeria.

In the North Sea one of our objectives has been to secure a number of key IMR frame agreements and in 2018 we signed six new long-term IMR frame contracts with clients like Shell, Equinor, CNR, Wintershall and Faroe for vessels and subsea services.

Other wins in the North Sea included two decommissioning projects, both using the Skandi Neptune. The region was also involved in the decommissioning of the BP's Millard platform in UK sector for Saipem and the Repsol Varg FPSO in Norwegian Sector. Equinor's Johan Sverdrup development project in the Norwegian sector delivered subcontracting opportunities for the region, with the pipeline pre-commission project for undertaken for Saipem using Geosund.

Outlook

The majority of the activity in the region has been within IMR, Mooring and Light Construction segments. We anticipate a similar market outlook in 2019 as we experienced in 2018 as there is still likely to be an imbalance between supply and demand. The IMR market is expected to be the first to improve, primarily due to delayed investment in maintenance of existing infrastructure which has in itself lead to a pipeline of overdue IMR Programs.

We expect the market to improve in 2019/20, both within capex and opex spending, with further improvement in 2021. We see positive signs as a number of capital-intensive projects passed Final Investment Decision (FID) in 2017, primarily in the North Sea and West Africa.

Additionally, new development projects should lead to several Mooring and SURF opportunities in the mid-term. These include Equinor developments, Johan Sverdrup and Johan Castberg in Norway, Shell UK, Penguins and Eni in West Africa – Coral South, Mozambique and East and West Hub, Angola.



SAFE the RITE way

A strong safety culture

Safety is always a priority and we work continuously to improve safety systems and reinforce our safety culture. Nevertheless, the region recorded two 2 LTIs in 2018 and this has refocused our efforts on a 'back to basics' strategy for training, risk assessment and other safety tools.

The 'Safe the RITE way' program is reinforced through Safety and Value Moments. Our safety culture has been strengthened with individual commitments, structured operation meetings, lessons learned and risk analysis reviews: when facing problems and issues we refer to our values and barriers to assess risk and plan future action. Safety culture is supported with senior management visibility and support across all work sites.

There has been a high rate for reporting safety observations. Internal auditing has run according to plan and there has been an improvement on the close-out rate. Additionally, the DOF Ten Lifesaving Rules, roll out of new Code-of-Business-Conduct and the new lifting handbook are some of the tools we have focused on to improve our safety performance. All tools highlight the importance and responsibility of the 'Stop Work Authority' for all.

Communication and visibility are key elements for the senior management team this year. Management visits, with regional updates focusing on safety, will be a focus for the region.



Marco Sclocchi
EVP North America

The region's capability has been built across a mix of owned and operated vessels and those chartered-in to comply with the Jones Act. With two major awards, our offshore operations are extended to Guyana and the Red Sea, following our clients.

Activity in the region is predominantly focused on IMR services and light construction. As for many subsea contractors, outside the scheduled and committed work assignments, most of the demand has come with less lead-in and turnaround time before offshore operations. However, the region has a track record of safely initiating and completing projects within a short time frame.

The team in Canada achieved the 2-year milestone on the 10-year Husky contract to provide vessel, teams and the full-range of services, delivering IMR, Light Construction and field support activities. The contract was awarded in 2015 with ROVs and related services delivered from a third-party vessel until Q3 2017 when Skandi Vinland commenced the support of the White Rose development.

As anticipated, we saw a gradual increase in activity in 2018 and new opportunities driven by developments in Mexico, Guyana and Suriname. The first of the major awards was by Saipem for Liza 1, ExxonMobil development in Guyana to provide Survey and Construction support with Skandi Neptune and includes an option for Liza 2 development in 2020. The second was the award of the ARGAS, S79 Seismic Nodal Survey Support contract in the Red Sea for Geoholm.

To meet operational requirements in the Gulf of Mexico (GOM), the time-charter for the Jones Act compliant vessel, Harvey Deep-Sea, was extended in 2017. In 2018 the vessel and team won and delivered the Enbridge, Big Foot export pipeline system and tie-back project with turn-key contract

for the installation of jumpers and support activities with the sister ship Harvey Subsea.

Also, in the GOM the region undertook three offshore campaigns replacing subsea pumps for Chevron on the Jack St. Malo Deepwater project using the Harvey Subsea. By applying lesson learned and optimisation of the workscopes the team delivered improved schedule completion times within each campaign.

Outlook

Overall market rates saw some increase year-on-year and based on operators' budgets for 2019 we anticipate more activity than 2018. New development is forecasted in Mexico, Guyana, Suriname and Trinidad.

Several opportunities are anticipated within Geotechnical and Geophysical Survey activities to support offshore wind farm developments off the US East Coast and Mexico.

As production depletes and new field development is delayed, we expect to see an increase in the development of Subsea Well Intervention and stimulation along with other technical solutions to increase the oil recovery.

The mid-term market remains focused on IMR services and light construction activities as it is the smaller independent operators pushing ahead with developments not considered viable to major operators. The region expects to take its fair share of these new projects to support our clients.



SAFE the RITE way

A strong safety culture

The region recorded a Lost Time Incident (LTIs) in 2018. Safety is not something any of us take for granted and this LTI has refocused our efforts to strengthen our safety culture through greater management involvement, site visits, lessons learned and risk analysis reviews, as well as understanding safety observation trends. The 'Safe the RITE way' program is the right tool for the region as it

grows, and the Marine operation matures.

We receive positive feedback on the effectiveness of the program from our clients, that audit the region extensively. We receive positive feedback from both the audits and post project surveys, and we intend to maintain a high level of safety and satisfied clients.



Mario Fuzetti
EVP Brazil

DOF Subsea has a history of both long-term commitment and investment in the region. We have built skills and capability that have seen subsea services grow and some of the most advanced, state-of-the-art vessels in the fleet, Brazilian-built and flagged.

The region delivered several significant contract awards and charter extensions in 2018. Although competition was high, we saw an increase in demand for certain categories of vessels (ROV Support Vessels (RSV) and Anchor Handling Vessels (AHTS)) and more participation from International Oil Companies (IOCs), local independent operators and some major contractors.

Activity for Skandi Salvador in 2018 reflects the increased participation of international companies in the market. After finishing a long-term contract with Petrobras, the vessel won contracts with Saipem and thereafter a contract with Shell. The award of a long-term contract with Petrobras in Q3 secures activity through 2019.

The diving market for both saturation diving and shallow water diving is rallying as a result of the Petrobras Campos Basin revitalisation plans. In a regional first, the region was awarded a three-year contract utilising the Diving Support Vessel (DSV) Skandi Achiever in association with local SISTAC, who provide saturation diving services. The contract was signed with Petrobras in Q2 and started in Q3 2018.

Also, in the Campos Basin, the region signed a contract to provide AUV services to Petrobras on the giant Barracuda and Caratinga fields. Operations commenced in Q4 2018.

The Brazil region delivers ROV and survey services on board several DOF Group and third-party vessels. Historically a successful business line, in 2017 long-term contracts were awarded for mobilisation in 2018. There were further extensions in 2018 for the ROV assets and services taking them into 2019 and for some, committed to 2020.

The Joint-Venture between DOF Subsea and TechnipFMC took delivery of the third of four PLSVs fixed on long-term contracts with Petrobras. Skandi Recife, the third new build, Brazilian flagged state-of-the-art vessel was delivered in May and commenced her 8-year contract in June 2018. The

fourth and last of the PLSVs, Skandi Olinda was delivered in January 2019 and commenced her 8-year contract in February 2019.

Outlook

Petrobras issued a new 5-year Strategic Plan (2019 – 2023) in Q4 2018 with USD 84.1 billion investment forecast of which an investment of USD 68.8 billion will be dedicated to Exploration and Production activity. The development outlined in the plan, includes 13 new floating production systems and revitalisation of the Campos Basin.

In addition, changes to Pre-salt legislation and oil and gas opportunities, including second and third rounds of Pre-salt concessions announced in 2017, encouraged market participation from several international operators. The increasing importance and market participation from of the IOCs, principally Shell, Total and Equinor in the short to medium term, and others such as Exxon Mobil and BP in the long term is evident.

Large EPCI SURF development projects for the major deep-water pre-salt fields are expected. The contracts for the floating production and storage (FPSO) facilities, such as Libra Consortia's Mero 1 and Petrobras' Sepia, have been issued and are progressing. This will affect the market positively from 2020 and beyond. These developments are in addition to the development projected in the Petrobras' five-year plan.

The Brazilian market will require increased demand for PLSVs, Rigid Pipelay Vessels and LCVs as projects progress to the construction phase. Several AHTSs will be required for the installation of floating production systems. As a consequence of the above, the Flotel demand both for large POB and intermediate POB are expected to increase accordingly. DOF Subsea Brazil is well positioned to take advantage of this increased demand.



SAFE the RITE way

A Strong Safety Culture

We are proud of a safety culture that has achieved five consecutive years without any Lost Time Incidents (LTIs) as well as meeting all safety key metrics for 2018. DOF Subsea Brazil works in close collaboration with our sister company Norskan Offshore Ltda to ensure safe operations and maintain a common safety culture.

As the region develops and meets the challenges of new projects like AUV and DSV operations, our priority is reinforcing the 'Safe the RITE way' program and practices. This is supported with experience transfers and initiatives

like hazard hunts conducted by management offshore. There is a great deal of value in management site visits which are maintained above the targets and are a focus for us in 2019.

All planned internal audits were performed across various departments and work sites. Our main client, Petrobras, introduced a new annual audit program in addition to the monthly process audits it undertakes. It is planned to start in 2019; in the Pilot Audit of DOF Subsea Brazil we received positive feedback from Petrobras.

Successful business model



Subsea/IMR Projects

Over the last decade, DOF Subsea has built a leading subsea project division and a reputation as a global IMR partner. The Group is established globally and is present in all the major offshore regions. The long-term IMR contract awards over the last couple of years demonstrate that our assets, capabilities and reputation are well tailored for these projects.

IMR programs are essential for the smooth operation, production and planned maintenance of existing and new subsea infrastructure.

Planning, Project Management and Engineering

Highly capable Project Management and Engineering Service Teams support diverse subsea project execution across the three main phases of the Oil and Gas 'field life-cycle': Development, Production and Abandonment.

Our global experience in offshore operations combined with our proven track record and advanced technology equates to reduced project risk, increased productivity and improved safety.

Field Development Phase

Field Production Phase

Field Abandonment Phase

Dedicated Fleet and Global Workforce

Planning, Project Management and Engineering

Field Development Phase

Infrastructure (fixed, floating and subsea) and pipelines, installation and detailed engineering with additional geotechnical evaluation.

DOF Subsea provides field development support for Construction, Construction Support, Towing, Mooring and Installation and SURF (Subsea Umbilical, Riser and Flowline) and Commissioning.

Field Production Phase

Inspection, Maintenance and Repair (IMR) programs are essential across the field production phase.

DOF Subsea provides WROV, Diving and AUV based Inspection, Maintenance and Repair services for pipelines, risers, hulls and other structures.

Services include geophysical, geotechnical, data processing, 3D visualisation and metrology and Light Well Intervention.

Field Abandonment Phase

Decommissioning or preparing a field for a period of non-production.

Our teams deliver regulatory and environmentally compliant decommissioning activities to dismantle infrastructure and remediate the site.

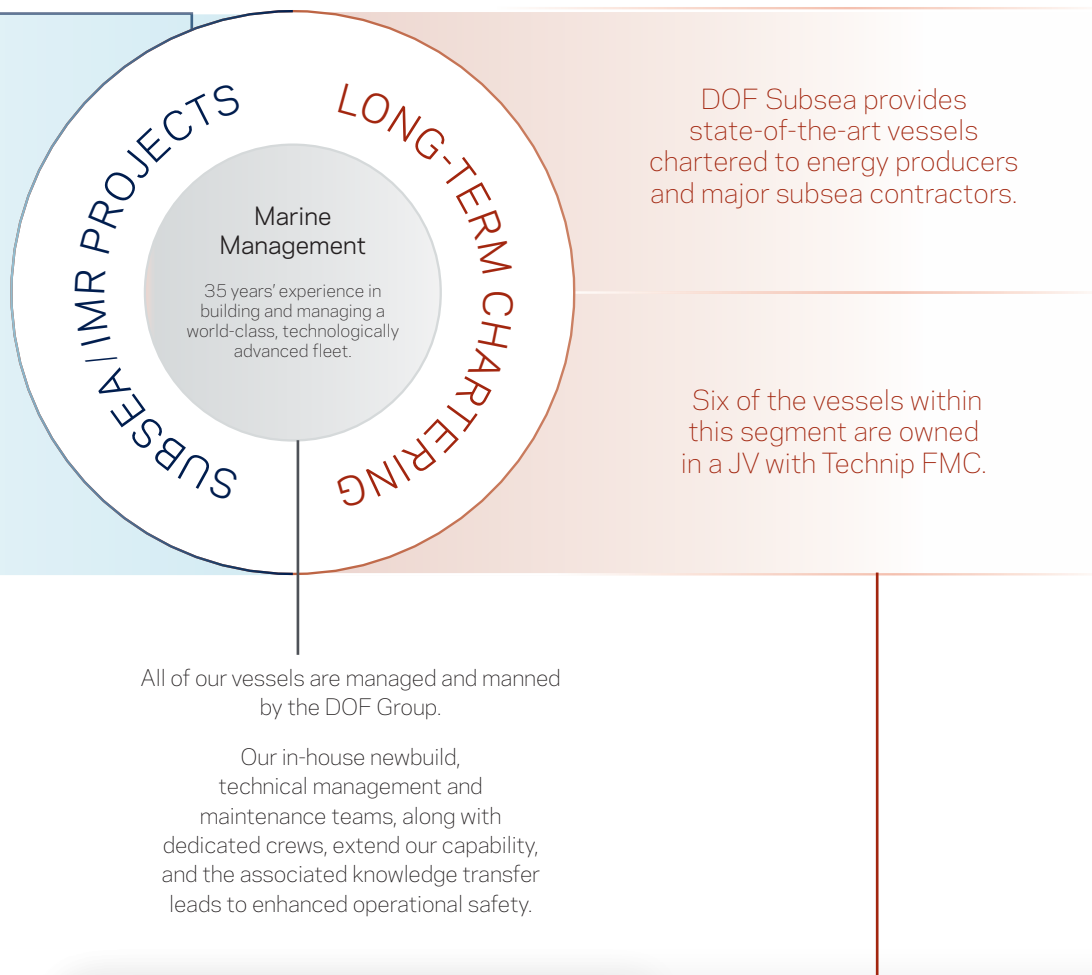
Additionally, we provide Survey and Light Well Intervention services to support this stage of the field life-cycle.

World Class Fleet and Global Workforce

Within the Subsea/IMR Projects segment, DOF Subsea operates a fleet of 19 high-powered and environmentally-friendly vessels.

Construction Support Vessels support our subsea services across the Development, Production and Abandonment phases of the Oil and Gas 'field life-cycle'. Our vessels are purpose built to match the challenges of the offshore sector.

The Group is uniquely positioned in two business segments - Subsea/IMR Projects and Long-term Chartering - providing access to more market opportunities and revenue streams.



Long-term Chartering

The Long-term Chartering segment provides state-of-the-art subsea vessels and marine management services to leading players.

The vessels are on long-term charter contracts to solid counterparties providing strong contract coverage, backlog and robust base earnings for the Group.

The Long-term Chartering segment includes the joint venture with TechnipFMC which owns six PLSVs, of which four are fixed on eight-year contracts with Petrobras in Brazil.

The final PLSVs will be delivered and enter into long-term charter contract in first quarter 2019.

Subsea/IMR Projects

DOF Subsea has built a reputation as a global IMR partner over the last decade. We believe this is because DOF Subsea has all IMR-related assets and disciplines in-house to offer integrated, accessible, subsea solutions from a single company. We have a highly professional onshore and offshore teams who understand and regularly undertake IMR work scopes, large and small. We plan and execute offshore campaigns to high HSEQ standards.

THE SEGMENT AT A GLANCE



Global IMR market

The 'useful life' of a field in its production phase can span several decades, and IMR programs are essential to the smooth operation, production and planned maintenance of existing subsea infrastructure





Current fleet

The Group has a modern purpose-built fleet of 19 ships operating in the Subsea/IMR Projects segment. Several vessels operate under long-term IMR contracts.



Key Success Factors

The awards of several long-term IMR contracts globally demonstrate that our assets, capabilities and reputation are a good fit for IMR projects.



Successful strategic alliance

DOF Subsea acquired 50 per cent of SEMAR in 2007 and have established a close collaboration across numerous projects. The alliance with SEMAR strengthens DOF Subsea's IMR and mooring capabilities and track record.

2017

2018

2019



PETROBRAS - SKANDI ACHIEVER

Awarded: Dedicated DSV, ROV and Diving Services, Brazil
Duration: 3 Years



SHELL AUSTRALIA - SKANDI DARWIN

Underwater Services and MPSV services to the Prelude FLNG facility dedicated vessel is delivered
Duration: 5 Years



CHEVRON AUSTRALIA - VARIOUS VESSELS

IMR contract for Gorgon and Wheatstone Gas fields. Various vessels to be utilised.
Options exercised, and contract extended



PETROBRAS - SKANDI SALVADOR

Awarded: Dedicated Vessel, ROV and services, Brazil
Duration: 21 months + 21 month option

ENI ANGOLA - SKANDI SEVEN

IMR Services and dedicated vessel, West Africa
Contract extended: 9 months

Long-term Chartering

Our business model allows for increased revenue opportunities with the DOF Subsea fleet divided between two segments: vessels working in the Subsea/IMR Projects segment, and the vessels chartered to third-party companies in the Long-term Chartering segment. Our fleet diversity and interchangeability is also an advantage, as vessels can move between the two segments as required. The long-term charter arrangements and JV contract awards enable earnings visibility for the Group, and the investments contribute to significant 'value increase'.

Joint Venture with TechnipFMC in Brazil - A successful strategic alliance since 2009.

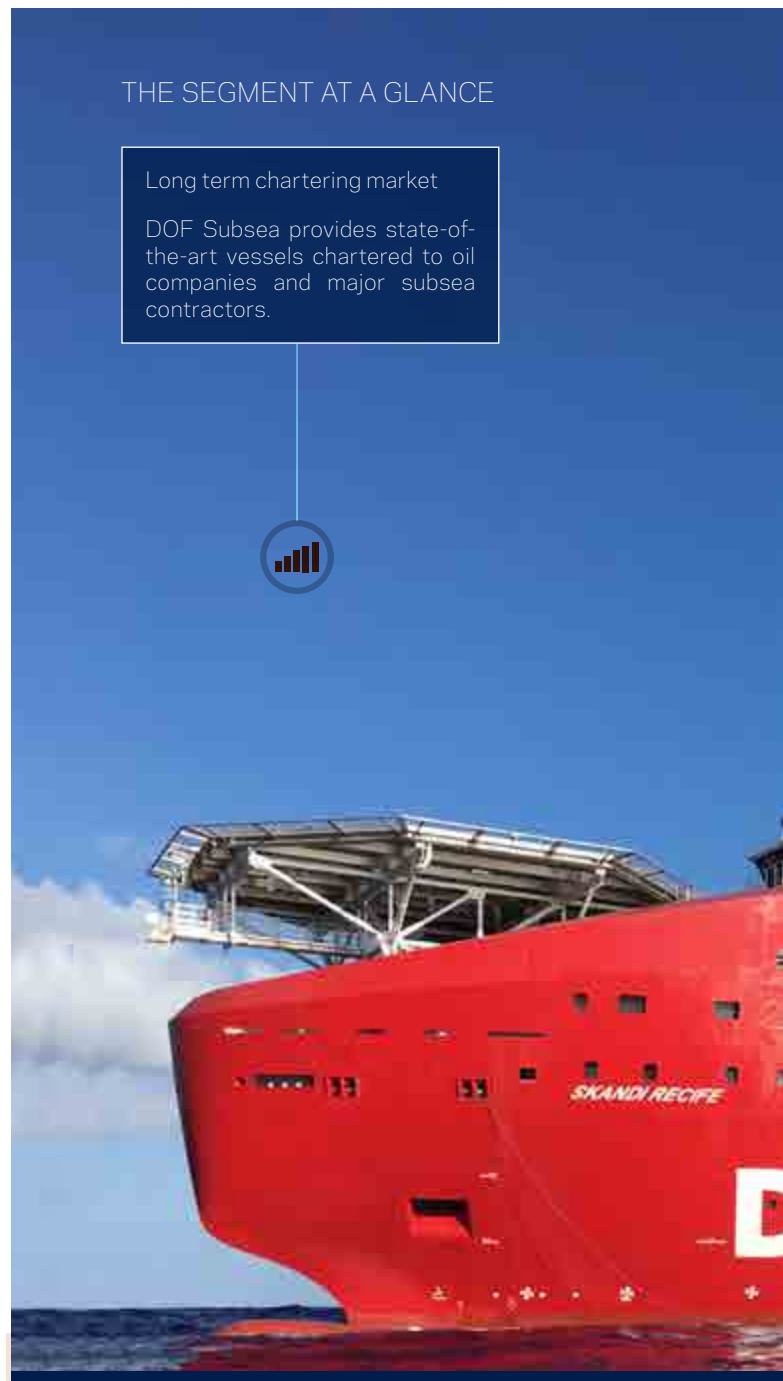
The DOF Subsea and TechnipFMC joint venture has delivered six state-of-the-art vessels and a number of notable milestones.

- 2009** The joint venture was established with the contract award for Skandi Vitória and Skandi Niterói - the first ever Pipe-Lay Support Vessels (PLSVs) built in Brazil.
- 2013** The joint venture was awarded four ground-breaking contracts by Petrobras for the construction of four new PLSVs and their operation in Brazilian waters. Two of the vessels were to be built in Norway and two in Brazil. The contracts are for eight years from start of operations, with options for renewal for an additional eight-year period. Under the joint venture agreement, TechnipFMC will manage the flexible pipelay operations and Norskan Offshore Ltda, a sister company of DOF Subsea, will be responsible for marine services.
- 2016** Skandi Açú, the first of the four new PLSVs was delivered and commenced eight-year contract with Petrobras.
- 2017** Skandi Buzios, second of the PLSVs, commenced eight-year contract with Petrobras.

THE SEGMENT AT A GLANCE

Long term chartering market

DOF Subsea provides state-of-the-art vessels chartered to oil companies and major subsea contractors.



Q2 2018

Skandi Recife

Client **Long-term contract with Petrobras**

Duration **8 years + 8 years options**

Details Third PLSV newbuild was delivered in May
Built in Brazil with 350t VLS
Vessel owned in joint venture with TechnipFMC

Current fleet

The Group has eight state-of-the-art vessels in operation and one newbuild under construction in the Long-term Chartering segment.

Key Success Factors

The vessels on long-term contracts, provides strong contract coverage, backlog and earnings visibility.

Successful strategic alliance

Six of the vessels within this segment are owned in a joint venture with TechnipFMC.



Q2 2018

Q1 2019

Skandi Acergy

Client Long-term contract with Subsea 7

Duration 2 year extension

Details Long-term time charter contract to Q2 2022, to commence when the current contract expires.

Skandi Olinda

Client Long-term contract with Petrobras

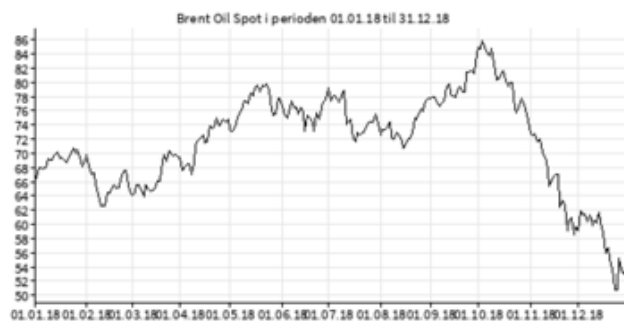
Duration 8 years + 8 years options

Details Fourth and last PLSV newbuild was delivered in January 2019
Built in Brazil with 350t VLS
Vessel owned in joint venture with TechnipFMC

Subsea market

2018 has been another challenging year for subsea services and vessels demand. The market conditions are expected to remain challenging in the medium term. However, due to the improved economics for the E&P companies, we have seen an increased activity in FIDs. Together with an aging subsea infrastructure with low maintenance spending during the downturn, we expect the subsea market to gradually improve going forward.

The most important driver for the subsea market, the oil price, has been very volatile in recent years and 2018 has been no exception. At the beginning of 2018, the oil price was USD 67.07 per barrel. The oil price increased steadily over the next ten months to a year high of USD 86.41 per barrel, before decreasing to a year low of USD 50.51 per barrel in less than two months. The oil price ended the year USD 54.22 per barrel, down 19.2 per cent compared to the beginning of the year. The average oil price for the year was USD 71.00 per barrel compared to USD 54.22 per barrel in 2017.



Even though the oil price showed weakness at the end of 2018, the start of 2019 has been positive, with the oil price increasing to above USD 60 per barrel. The combination of more favourable economics for the oil companies, low reserve replacement ratio and the fact that 94 per cent of all offshore resources are profitable at current oil price, gives incentives to increase capex and opex spending going forward.

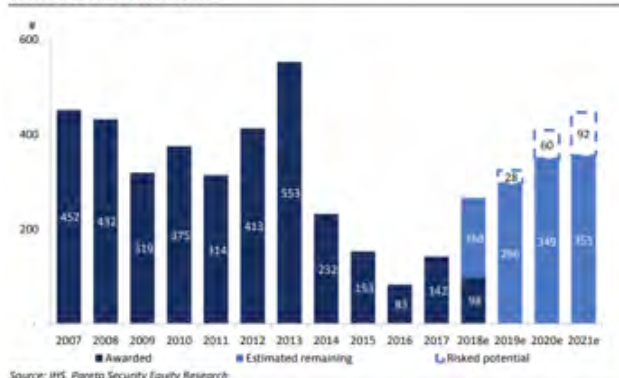
We saw an increased project sanctioning in 2018 compared to 2017 and 2016, ensuring a higher order intake for the subsea companies. In addition, the oil companies increased maintenance spending on existing fields. The low maintenance spending during the downturn is not sustainable in the long term. Consequently, we expect increased maintenance spending going forward, resulting in a gradual improvement of the overall IMR activity and fleet utilisation.

Most of the projects awarded in 2017 and 2018 commence in 2019-21. Hence, we expect the vessel market to improve somewhat in 2019. However, at the time being there is still an oversupply of vessels and the contracts awarded reflects the current market conditions.

During the downturn, there has been some consolidation in the subsea market through mergers and alliances between service providers. The rationality behind the collaborations is to combine forces to offer a more complete scope of the subsea supply chain, in addition to reducing cost and increase efficiency through synergies. This is consistent with DOF Subsea's position as a global provider of integrated subsea services and vessel solutions.

The main focus going forward will be to position DOF Subsea for the expected market recovery. Considering the Group's track record, backlog, asset and global organisation, we are well positioned for the future.

Subsea tree awards 2007-2021e



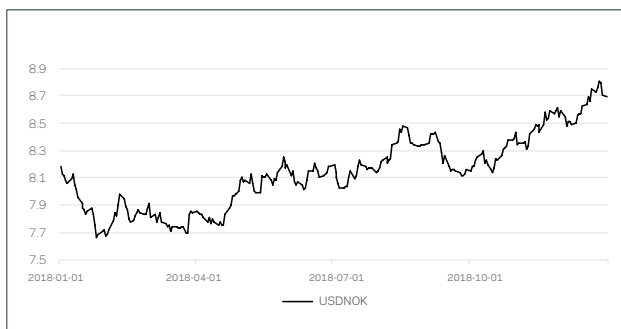


Financial market

The volatility in the foreign exchange market has remained high during the year, whilst there has been an upwards trend in the global interest rates. The Norwegian Krone (NOK) has depreciated against the US Dollar (USD), against the British Pound (GBP) and against the Australian Dollar (AUD) the NOK has been ranging, whilst the NOK has appreciated against the Brazilian Real (BRL). In the interest rate market, both the Norwegian and US interest rate were increasing during the first 10 months of the year, but decreased during the last 2 months of the year. The 3-month Norwegian interest rate (NIBOR) increased by 50 basis points during the year whilst the 3-month US interest rate (US LIBOR) increased by 10 basis point.

Foreign exchange

At the start of the year the USDNOK exchange rate was 8.19 NOK per USD. In the beginning of the year the NOK appreciated against the USD, setting a year-low in February at an exchange rate of 7.66 NOK per USD. For the remainder of the year, the NOK depreciated against the USD, ending the year at an exchange rate of 8.70 NOK per USD. The average exchange rate for the year was 8.14 NOK per USD, compared to an average of 8.40 NOK per USD in 2017.



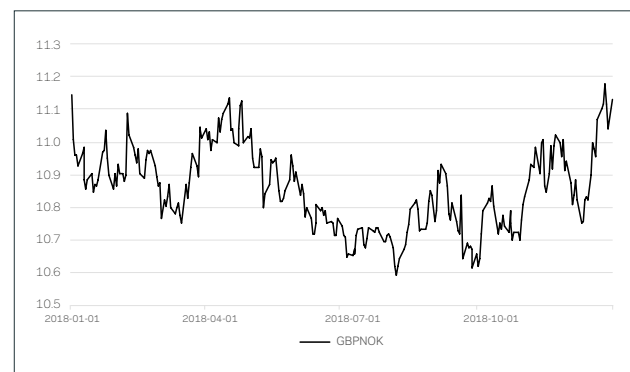
USDNOK development

The AUDNOK exchange rate was 6.39 NOK per AUD in the beginning of 2018 and ended the year at 6.13 NOK per AUD. The exchange rate at the start of the year was the year high, while the year low was 5.80 NOK per AUD. The average exchange for the year was 6.08 NOK per AUD compared to 6.33 NOK per AUD in 2017.



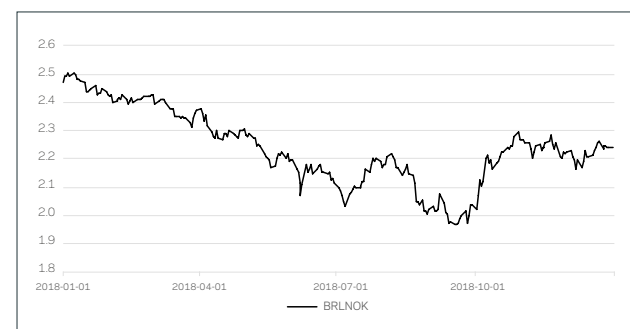
AUDNOK development

The GBPNOK exchange rate was 11.14 NOK per GBP at the beginning of 2018 and 11.13 NOK per GBP at the end of the year. 11.14 NOK per GBP also represent the highest exchange rate for the year, while the lowest exchange rate was 10.58 NOK per GBP. The average exchange rate for 2018 was 10.86 NOK per GBP compared to an exchange rate of 10.64 NOK per GBP in 2017.



GBPNOK development

The BRLNOK exchange rate was 2.47 NOK per BRL in the beginning of 2018 and 2.24 NOK per BRL at the end of the year. The BRLNOK exchange rate had a high of 2.49 NOK per BRL and a low of 1.95 NOK per BRL during the year. The average BRLNOK exchange rate for the year equalled to 2.24 NOK per BRL compared to 2.59 NOK per BRL for 2017.

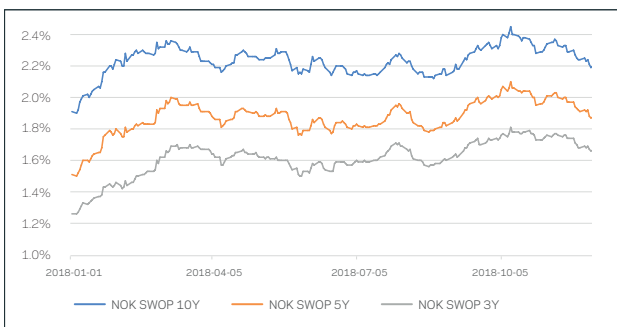


BRLNOK development



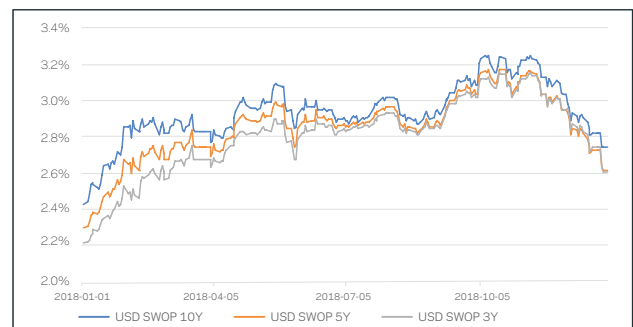
Interest rates

The six-month NIBOR rate was at 0.90 per cent at the beginning of 2018 and at 1.41 per cent at the end of the year. The average six-month NIBOR rate during 2018 was 1.18 per cent compared to an average of 1.01 per cent in 2017. The 5-year NOK interest Swap was 1.51 per cent in the beginning of 2018 and 1.73 per cent at the end of 2018.



NOK interest rates

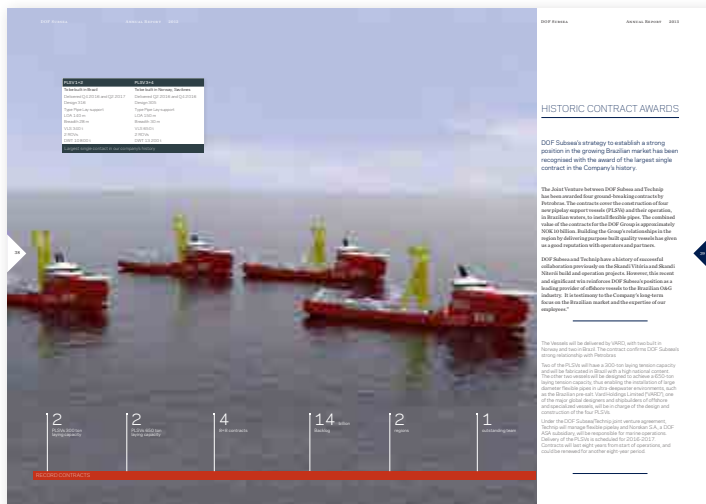
The six-month US LIBOR rate was 1.84 per cent at the beginning of 2018 and 2.88 per cent at the end of the year. The average six-month US LIBOR rate for 2018 was 2.48 per cent compared to an average of 1.48 per cent in 2017. The 5-year USD interest Swap was 2.29 per cent in the beginning of 2018 and 2.50 per cent at the end of 2018.



USD interest rates

Celebrating a milestone

The 2013 Annual Report showcased a historic contract award for the Group.



On August 12, 2013, The TechnipFMC and DOF Subsea joint venture announced the award by Petrobras of four groundbreaking contracts for the construction of four state-of-the-art PLSVs and their operation in Brazilian waters. Two of the vessels were to be built in Norway and two in Brazil.

The CEO of both companies declared in their statements the awards as a Milestone project and anticipated State-of-the-Art vessels and a successful long-term relationship. Then work began.

Skandi Açu was delivered safely, on time, on budget and went on hire in August 2016. Skandi Búzios was delivered to the same high standards and went on hire in April 2017.

Taking delivery of Brazilian built PLSVs

The two Brazilian built vessels were delivered in 2018 and 2019 by Vard Promar. Skandi Recife, also delivered safely and on budget, went on hire in June 2018. The final delivery, Skandi Olinda, went on hire in February 2019.

The contracts are for eight years from start of operations, with options for renewal for an additional eight-year period. Under the joint venture agreement, TechnipFMC manage the flexible pipelay operations and Norskan Offshore Ltda, a sister company of DOF Subsea, is be responsible for marine services.

Marking the delivery Skandi Olinda, Mons S. Aase, DOF Subsea CEO, said: "The extensive newbuild program of 4 PLSVs together with TechnipFMC has combined the subsea and vessel expertise across our organisations. Taking final delivery of Skandi Olinda and commencing the contract with Petrobras marks the successful conclusion of the newbuild program of the joint venture, which now has 6 vessels."

The delivery of Skandi Olinda also marks the conclusion of DOF Group's extensive newbuild program, which over the last 15 years has produced 59 purpose-built, state-of-the-art vessels. We have delivered several of the most powerful and capable vessels in our market.



Skandi Açu, delivered August 2016



Skandi Búzios, delivered April 2017



Skandi Recife was delivered from the Vard Promarin May 2018. The naming ceremony took place at Pier Mauá in Rio de Janeiro and the lady sponsor was Lara Miranda.

The vessel then commenced the eight-year contract with Petrobras providing deep-water flexible and umbilical installation services



Skandi Olinda was delivered from the Vard Promarin January 2019. The naming ceremony took place at Pier Mauá in Rio de Janeiro and the lady sponsor was Marianne Møgster.

The vessel commenced the eight-year contract with Petrobras providing deep-water flexible and umbilical installation services TechnipFMC



Skandi Olinda



DOF Subsea fleet

Owned vessels

DOF Subsea currently owns and operates one of the largest fleets of high-end subsea vessels in the world. Our versatile fleet of high power and environmentally-friendly vessels are purpose built to match the challenges of the offshore sector and designed for operations across a wide range of water depths and environmental conditions.



SKANDI ACERGY



SKANDI BUZIOS



SKANDI HERCULES



SKANDI ACHIEVER



SKANDI CARLA



SKANDI NEPTUNE



SKANDI AÇU



SKANDI CONSTRUCTOR



SKANDI NITERÓI



SKANDI AFRICA



SKANDI HAWK



SKANDI PATAGONIA



SKANDI RECIFE



SKANDI SKANSEN



GEOHOLM



SKANDI SALVADOR



SKANDI VINLAND



GEOSEA



SKANDI SEVEN



SKANDI VITÓRIA.



GEOSUND



SKANDI SINGAPORE



GEOGRAPH

DOF Subsea fleet

Newbuild and Chartered-in vessels

Newbuild

Through its new build program DOF Subsea has invested in the next generation of vessels. Our vessels are purpose built to match the challenges of the offshore sector and designed for operations across a wide range of water depths and environmental conditions. Skandi Olinda was delivered into long-term charter contract in Q1 2019.



SKANDI OLINDA

Chartered-in vessels

DOF Subsea expanded the fleet with two chartered-in vessels, building greater flexibility to manage risk and provide a diverse fleet mix to meet our clients' needs.



HARVEY DEEP-SEA



SKANDI CHIEFTAIN



SKANDI DARWIN



HARVEY SUBSEA

DOF Subsea ROVs

DOF Subsea's next generation ROV fleet, designed and manufactured to our own specifications, accommodates an extensive range of operational requirements. The ROV fleet has the capability of working down to 4 000 meters water depth with active heave compensated launch and recovery systems (LARS).



SCHILLING UHD



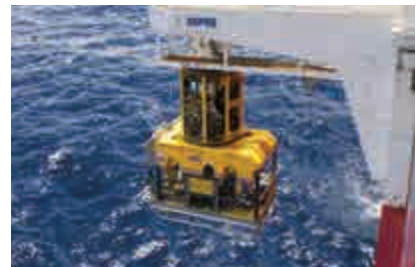
SCHILLING HD



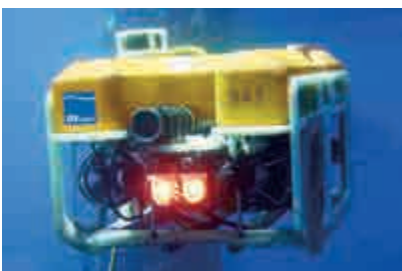
TRITON XL 150



TRITON XLS 150



TRITON XLX 150



SEAEYE MARINE TIGER



HUGIN AUV



KYSTDESIGN SUPPORTER



COUGAR XTi



FOCUS II ROTV



MOHICAN INSPECTION

Board of Directors



Helge Møgster

Chairman

Helge Møgster is the founder, majority owner and Chairman of LACO AS, the main shareholder of DOF ASA and Austevoll Seafood ASA. Mr. Møgster has long experience from both the offshore supply and fishing industry, and is holding board positions in several companies, including being chairman of DOF ASA.



Helge Singelstad

Director

Helge Singelstad is CEO of Laco AS and deputy chairman of the Board of DOF ASA, and Chairman of Austevoll Seafood ASA and Lerøy Seafood Group ASA. Mr. Singelstad holds a degree in engineering from Bergen Engineering College, he holds a MSc from the Norwegian School of Economics and Business Administration (NHH), and he has a first year degree from the law school at the University of Bergen (UiB). Mr. Singelstad has extensive experience from various types of businesses: Oil Companies, ship equipment and the seafood sector.



Neil J. Hartley

Director

Neil J. Hartley, Managing Director, joined First Reserve in 2006. His responsibilities include investment origination, structuring, execution, monitoring and exit strategy, with particular emphasis on the energy equipment, manufacturing and services sector. Prior to joining First Reserve, Mr. Hartley spent six years in Investment Banking with Simmons & Company International, most recently as a Director, where he focused on corporate finance advisory work in the energy sector. Prior to joining Simmons & Company, he was a Management Consultant at McKinsey & Company, Inc. He also spent seven years with Schlumberger, most recently as a Field Service Manager and Field Engineer. Mr. Hartley holds an M.A. from Worcester College, University of Oxford and an M.B.A. from Harvard Business School.



Ryan N. Zafereo

Director

Ryan N. Zafereo, Director, joined First Reserve in 2005. His responsibilities range from deal origination and structuring to due diligence, execution and monitoring, with a particular emphasis on the natural resources industry and energy equipment and services. Prior to joining First Reserve, he was an Investment Banking Analyst for Simmons & Company International, a premier investment banking firm specialising in the energy services market. He also spent time as a Private Wealth Management Analyst for Goldman, Sachs & Co. Mr. Zafereo holds a B.B.A. from the University of Texas.



Frederik W. Mohn

Director

Frederik W. Mohn owns the investment company, Perestroika AS, which specialises in long-term investments within offshore and rigs, shipping, property-development and financial services. He has extensive global industrial experience gained as Managing Director of Frank Mohn AS, as well as through positions with Schlumberger in the USA. His broad experience commenced in 2014, as Chairman of the Board of Directors in the listed Songa Offshore SE, where he is also a member of the Audit Committee. He also serves as Member of the Board in several privately owned property-development companies and in the tanker shipping company Viken Crude AS.



Hilde Drønen

Director

Hilde Drønen has worked as CFO in DOF ASA since 2004. Mrs. Drønen has long experience within the oil industry and has had various positions within the Møgster Group and acted as CFO in Bergen Yards (today Bergen Group) from 2002 to 2004. Mrs. Drønen holds a MSc in Controlling and Finance from the Norwegian School of Management (Oslo) and a first year law degree from the University in Bergen. Mrs. Drønen has served on numerous boards and is currently a member of the Board of Statkraft.



Alan G. Schwartz

Director

Alan G. Schwartz, Managing Director, joined First Reserve in 2006. Mr. Schwartz's responsibilities include investment origination, due diligence review, negotiation of deal documentation, portfolio monitoring and exit strategy. Prior to joining First Reserve, he spent seventeen years at Simpson Thacher & Bartlett LLP where, as a Partner in the firm's Corporate Department, he concentrated primarily in mergers and acquisitions and leveraged buyouts. He was also a member of the firm's Energy Practice Group. Mr. Schwartz holds a B.S. from the University of New Hampshire and a J.D. from Fordham Law School.

Corporate Governance

Introduction

DOF Subsea AS (“DOF Subsea” or the “Company”) is a private limited company established and registered in Norway, and is subject to Norwegian law, hereunder corporate laws and other laws and regulations. The Company is owned by DOF ASA (65 per cent) and First Reserve Corporation (35 per cent). DOF ASA is a public limited company listed on the Oslo Stock Exchange. First Reserve Corporation is a global private equity and infrastructure investment company focused on energy.

DOF Subsea’s Corporate Governance Policy is based on the latest revision of the Norwegian Code of Practice for Corporate Governance (“the Code”) published by the Norwegian Committee for Corporate Governance (NUES) on 17 October 2018.

As at year-end 2018 the Company had two listed bonds on the Oslo Stock Exchange. The Company shall 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 investors of the listed bonds and the market in general.

1. Implementation and reporting on Corporate Governance

The Company’s Corporate Governance Policy is a governing document containing measures which are continuously implemented to secure efficient management and control of the Company’s activities. The main objective is to ensure that the business is operated in an equitable and profitable manner for the benefit of shareholders and other stakeholders. The development and improvement of the Company’s Corporate Governance is a continuous and important process for which the Board of Directors and the Executive Management keep a keen focus on.

In order to secure strong and sustainable corporate governance, it is important that DOF Subsea ensures good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations across the Group.

The Corporate Governance Policy is considered and approved by the Board of Directors, and it describes DOF Subsea’s approach to corporate governance based on the Norwegian Code of Practice for Corporate Governance.

More detailed information about the Company’s corporate governance can be found in the Board of Directors report, the Code of Business Conduct and the Sustainability Report.

2. The Company’s business

DOF Subsea was founded in 2005. Since its inception, the Group has developed into a worldwide supplier of subsea project services and subsea vessels and is present in all major offshore regions in the world. As at year-end 2018, the Group had 1 311 employees, excluding marine crew. The subsea vessel fleet owned by the Group has grown from three vessels in 2005 to 24 vessels at the end of 2018, including one vessel under construction.

The Company’s objective is clearly defined in its Articles of Association. DOF Subsea’s business involves carrying out shipping and ship owning activities, hereunder contracting, purchasing, selling, possessing and letting of ships, in addition to geotechnical surveys and subsea work, light construction, mooring and inspection, maintenance and repair (IMR) activities on offshore installations and anything connected thereto. The Company may engage in partnerships with other companies with the same or similar objectives, e.g. joint ventures with selected partners to obtain expertise and market opportunities. The business model is reflected in the Group’s Vision: “To be a world class integrated offshore company, delivering marine services and subsea solutions responsibly, balancing risk and opportunity in a sustainable way, together, every day”. The DOF Subsea Group’s two business segments are Subsea/IMR Projects and Long-term Chartering. The Management regularly revises the corporate strategy and underlying business areas’ strategies and targets to ensure that the business develops in accordance with the overall objective, to the benefit of its stakeholders. The Company also issues an annual Sustainability Report covering the Group’s social responsibilities.

3. Equity and dividends

The Group has a capital strategy to align operational and financial risk in accordance with the two business segments and has an objective to achieve a good overall credit rating in order to obtain favourable terms and conditions for the long-term funding of the Group’s operations. The Board of Directors considers the Company’s consolidated equity to be satisfactory, and the need for financial flexibility is considered at any time in the light of its overall objective,

strategy and risk profile. The Company does not have a defined dividend policy since it has been through a growth phase and in addition has an ongoing investment program. In line with the capital strategy defined above, the Company does not plan to define a dividend policy at current time. Any 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. This also applies to mandates granted to the Board of Directors for the Company to purchase own shares.

4. Equal treatment of shareholders and transactions with close associates

The Company has one class of shares which carry equal rights including equal voting rights at annual or extraordinary General Meetings.

In the event of any material transactions between the Company and shareholders, related parties to the shareholders, Board of Directors, Executive Management and/or other related parties, the transactions are presented in the notes to the Financial Statements of the Company. The same applies to transactions with subsidiaries of the Company with minority shareholders. The Executive Management has a register for material transactions, and procedures are in place for valuation for all material transactions in 2018. The Company has listed all material transactions in the Financial Statements for 2018. Material transactions are defined as transactions that will be material for one of the parties in the transaction. In the event that it is related to successive deliveries or major class of transactions, materiality shall be assessed for the full year. As part of ongoing operations, the Company has from time to time the following types of material transactions with related parties:

- Equipment and asset hire
- Management services
- Purchase and sale of assets
- Loans and guarantees

Members of the Board of Directors and the Executive Management are obliged to notify the Board of Directors

if they have any material direct or indirect interest in any transaction entered into by the Company. There have not been reported any other transactions in 2018 than those listed in the notes in the Financial Statements.

5. Freely negotiable shares

This section of the Code is not applicable as DOF Subsea is a privately owned company.

6. General meetings

The Board of Directors ensures that the Company is acting in accordance with applicable Norwegian law with regards to General Meetings.

7. Nomination Committee

Due to the ownership structure of the Group (two shareholders) the Company has decided not to establish a Nomination Committee.

8. Board of Directors composition

The Board of Directors consists of members representing the two shareholders. The Chairman of the Board of Directors is elected by the General Meeting, and members of the Board of Directors are not elected for more than two years at a time. The Chief Executive Officer (CEO) in the Company also holds the position as CEO in the majority shareholder, DOF ASA. Representatives from the Executive Management may serve as Directors in the Group's subsidiaries.

Further information on each member of the Board of Directors is provided in the Annual Report.

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.

From time to time the Board of Directors issues instructions for its own work as well as for the Executive Management with particular emphasis on clear internal allocation of responsibilities and duties. The Chief Executive Officer (CEO) is obliged to participate in the meetings of the Board of Directors, and the Chief Financial Officer (CFO) is authorised to participate in the meetings of the Board

of Directors as long as nothing to the contrary has been decided.

The Board of Directors has appointed an Audit Committee for the Group. The primary purpose of the Audit Committee is to assist the Board of Directors in monitoring the Group's internal control of the risk management and financial reporting. This includes but is not limited to:

- all critical accounting policies and practices,
- quality, integrity and control of the Group's financial statements and reports,
- compliance with legal and regulatory requirements,
- qualifications and independence of the external auditors,
- performance of the internal audit function and external auditors.

10. Risk management and internal control

The Board of Directors has the responsibility to ensure that the Company has sound and appropriate internal control systems and systems for risk management, and that these are proportionate to and reflect the extent and nature of the Company's activities. Having effective internal control systems and systems for risk management in place may prevent the Group from situations that can damage its reputation or financial standing. Furthermore, effective and proper internal control and risk management are important factors when building and maintaining trust, to reach the Company's objectives, and ultimately create value for all stakeholders.

Having in place an effective internal control system means that the Company is better suited to manage commercial risk, operational risk, the risk of breaching legislation and regulations as well as other forms of risk that may be material to the Company. As such, there is a correlation between the Company's internal control systems and effective risk management. The internal control system shall also address the organisation and execution of the Company's financial reporting, as well as cover the Company's corporate values, ethical guidelines and principles of corporate social responsibility.

DOF Subsea comply with all laws and regulations that apply to the Group's business activities. The Group's Code of Business Conduct describes the main principles for compliance.

The Company has a comprehensive set of relevant corporate manuals and procedures, which provides detailed

descriptions of procedures covering all aspects of managing the Company's operational business. These procedures and manuals are continually revised to reflect the best practice derived from experience or through regulations.

The Board of Directors receives weekly, monthly, quarterly and annual reports that cover financial status and important Key Performance Indicators (KPIs) for the operating companies within the Group. The quarterly financial statements, management reports and operational reports are also subject to detailed review by the Audit Committee and at the quarterly meetings of the Board of Directors.

The Board of Directors has an annual meeting with the Company's auditor where the auditor gives an assessment on important internal control areas. The Board of Directors presents a review of the Company's financial status in the Annual Report. Internal audit reports is presented to the Audit Committee on a regular basis.

Further information about internal control and risk management is provided in the Board of Directors Report and in the notes to the Financial Statements in the Annual Report.

11. Remuneration of the Board of Directors

None of the members of the Board of Directors have during 2018 received remuneration from the Company for holding the position as a Director.

In general, any remuneration to the Board of Directors will not be linked to the Company's performance. The Company has not granted any 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 are requested to take on such assignments this will be disclosed to and discussed by the full Board of Directors. The remuneration for such additional duties must in any case be approved by the Board of Directors and the annual General Meeting.

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.

12. Remuneration of the Executive Management

The Board of Directors has established guidelines for the

remuneration of the members of the Executive Management. To execute these guidelines, the Board of Directors has established a Compensation Committee. More information about the Compensation Committee is given in the notes to the Financial Statements in the Annual Report. These guidelines are communicated to and approved by the annual General Meeting.

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

Performance-related remuneration of the Executive Management in the form of bonus programs or the like is 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. Guidelines for remuneration of the Executive Management and other information about compensations are included in the notes to the Financial Statements in the Annual Report. The existing remuneration policy allows performance related remuneration.

13. Information and communication

The Board of Directors has established routines 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 securities markets. The purpose of the routines is to ensure that timely and correct information about the Company is made available to shareholders, bond investors and the society in general. The Company follows the same financial calendar as the parent company DOF ASA, published on www.dof.com. The Chief Executive Officer (CEO) is responsible for coordinating the Group's communication with investors and the capital market, and regularly arranges meetings with investors and potential investors. All information distributed by the Company is published at the Oslo Stock Exchange and on the Company's website simultaneously. The Chief Executive Officer is responsible for ensuring that the Company

publishes information in accordance with applicable legislation and regulation.

14. Take-overs

The Code addresses governing principles for how a company should act in the event of take-over bids. As the Company's shares are not publicly traded, and the Company has only two shareholders, any take-over bids will be subject to discussions by both shareholders. On this basis there is no purpose in adopting the governing principles for take-over bids under the Code.

15. Auditor

The Auditor participates in the meeting with the Board of Directors where the annual accounts are addressed. At this meeting the Auditor walks through and comments on material changes in the Company's accounting principles, material estimated accounting figures, main elements in audit performed and material matters on which there has been disagreement between the Auditor and the Executive Management of the Company. When material weaknesses in the internal control over the financial reporting process has been identified, the Auditor summaries and comment this with his recommendations for improvements. 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 Management is present. The Board of Directors reviews guidelines in respect of the use of the Auditor by the Company's Executive Management 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 regarding the fee paid for audit work and fees paid for any other specific services provided by the Auditor, as long as such information is available at the time of the annual General Meeting. The Auditor prepares a plan each year for auditing activities in the subsequent year. In addition to the ordinary audit, the audit company might provide consultancy services related to accounting. Reference is made to the notes to the Financial Statements in the Annual Report.

Board of Directors report

Since inception in 2005, the DOF Subsea Group has become a provider of subsea project services and high-end subsea vessels in all major offshore Oil and Gas producing regions in the world. At year-end 2018, the Group had 1 311 employees, excluding marine crew, and operated a fleet of 27 subsea vessels and 71 ROVs. 23 of the operated vessels were owned by the Group, and four vessels were chartered in from third-party vessel owners. At end of 2018 there is one vessel under construction and two ROVs on order. In June 2018, the Group took delivery of Skandi Recife and she entered into a long-term contract with Petrobras. During 2018 the Group financed one newbuild and refinanced 3 vessels with international shipping banks. In November 2018 DOF Subsea AS issued a new Bond with the face value of NOK 900 million.

The Group had an operating revenue of NOK 3 742 million in 2018, compared to NOK 3 849 million in 2017. The decrease in operating revenue compared to the prior year reflects the challenging market conditions and lower activity level. The operating profit before depreciation (EBITDA) in 2018 was NOK 1 085 million (including NOK 1 million in gain from sale of non-current assets) compared to NOK 1 135 million (including NOK 5 million in loss from sale of non-current assets) in 2017. The operating profit (EBIT) was NOK 172 million (NOK 136 million in 2017) after impairment related to intangible and tangible assets of NOK 361 million (NOK 436 million) and depreciation of NOK 552 million (NOK 564 million). The Group's total assets amounted to NOK 16 476 million (NOK 16 738 million), while total liabilities were NOK 10 742 million (NOK 10 390 million), giving a total equity of NOK 5 735 million (NOK 6 348 million) and a book equity ratio of 34.8 per cent (37.9 per cent). Total net interest-bearing debt (NIBD) at year-end 2018 was NOK 8 606 million (NOK 8 350 million).

The vessel utilisation in 2018 was 73 per cent and as at 31 December 2018, the Group's firm contract backlog including JV with TechnipFMC, was NOK 15.5 billion.

Business model and Vision

The Group's business model is reflected in the Vision; *"To be a world class integrated offshore company, delivering marine services and subsea solutions responsibly, balancing risk and opportunity in a sustainable way, together, every day."*

The Group is organised into two business segments, Subsea/IMR Projects and Long-term Chartering. The Subsea/IMR Projects segment covers operations in the Asia Pacific region, the Atlantic region, the Brazil region and the North America region. Through the regions, the Group is selling and providing subsea project services directly to Oil and Gas Companies. The Long-term Chartering segment covers owned vessels chartered out to third-party charterers on long-term contracts and is

managed and operated by DOF Marine (DOF Management AS and Norskan Offshore Ltda). The flexibility of combining the Subsea/IMR Projects segment and the Long-term Chartering segment gives the Group increased market access and revenue opportunities.

At the end of 2018, 19 of the Group's vessels were operating in the Subsea/IMR Projects segment and eight of the Group's vessels were employed under charter contracts with third-party charterers in the Long-term Chartering segment. In 2018 the operating revenue in the Subsea/IMR Projects segment was lower compared to the previous year, mainly due to lower activity level in the Oil and Gas industry. The Long-term Chartering segment was strengthened during 2018 and increased operating revenue compared to the previous year due to deliveries of new vessels.

The Group has its headquarters in Bergen, and has offices located in Perth, Singapore, Manilla, Jakarta, Oslo, Aberdeen, Luanda, Rio de Janeiro, Macaé, Houston and St. Johns. The Group is also represented in Malaysia, Ghana and Nigeria

Operational events 2018

Subsea/IMR Projects

Asia Pacific

In 2018 the Asia Pacific region has delivered IMR services on the Malampaya field and Prelude field and on the Gorgon field under long-term IMR contracts and frame agreements with Shell Philippines, Shell Australia and Chevron Australia, utilising the vessels Skandi Hawk and Skandi Darwin, Skandi Hercules and Skandi Singapore.

The Asia Pacific region has also conducted several short-term projects during the year for BHP, Woodside and Quadrant in Australia and Shell in New Zealand

In addition, the region has delivered Geotechnical and AUV services to Chevron, Conoco Phillips and PTTEP in Australia.

Atlantic

In 2018 the Atlantic Region has strengthened its presence in West Africa and provided IMR services to Eni Angola and mooring and installation services for Exxon Mobil and Total in Nigeria utilising the vessels Skandi Seven and Skandi Skansen.

The Atlantic region has conducted IMR and survey work for Conoco Phillips, Total, Eni, Repsol, Maersk, Saipem, HMC and Nexans in the North Sea.

Within the renewables industry, the region has conducted work for Siemens, Prysmian and Vestas in the North Sea, utilising the vessel Skandi Constructor.

The region has also delivered ROV services on board several of the DOF Group vessels operating in the North Sea.

Brazil

In 2018, the Brazil region provided IMR services and Survey work to Petrobras, Shell and Saipem utilising the vessel Skandi Salvador. In the second quarter the Region was awarded a 3-year contract with Petrobras for diving services utilising Skandi Achiever, the contract commenced in August

The region has also delivered ROV services and survey services on board several DOF Group operating in Brazil.

North America

The North America region has delivered IMR services to Husky Energy and support services to PGC in Canada utilising the vessel Skandi Vinland and Skandi Chieftain.

In the Gulf of Mexico, the North American region has conducted several short-term IMR, installation and Survey projects for Chevron, Eni, Hess, Anadarko, Enbridge, Subsea 7, Allseas and HMC during the year, utilising the vessels Skandi Achiever, Harvey Deepsea and Harvey Subsea.

Long-term Chartering

Skandi Acergy was awarded a two-year extension of her contract with Subsea 7. The vessel has been on charter with the company since delivery in 2008.

The JV with TechnipFMC has provided pipelay services to Petrobras and McDermott/Queiroz Galvao.

The joint venture with TechnipFMC took delivery of the PLSV Skandi Recife which is the third of the four PLSV newbuilds fixed on eight-year contracts with Petrobras. The vessel was delivered in May and commenced its long-term contract in June. The remaining newbuild, built in Brazil, was delivered in 2019 and commenced her respective contract with Petrobras in February 2019.

Skandi Africa, Skandi Acergy, Skandi Patagonia and the joint venture vessels Skandi Açú and Skandi Buzios have operated under their long-term charter contracts during the year.

Asset and fleet utilisation

At year-end 2018 the Group operated a fleet of 27 subsea vessels and 71 ROVs. 23 of the operated vessels were owned by the Group, and four vessels were chartered in from third-party vessel owners. In addition, the Group had one newbuild vessel under construction, and two ROVs on order. The newbuild and five of the vessels in operation are owned in a 50/50 joint venture with TechnipFMC. The newbuild commenced a long-term contract with Petrobras in February 2019.

In May 2018, the Group added the joint venture vessel Skandi Recife to its fleet, increasing the Group's overall fleet capacity.

During the year, the vessels operating in the Subsea/IMR Projects segment had a fleet utilisation of 70 per cent, whilst the vessels operating in the Long-term Chartering segment had a fleet utilisation of 81 per cent. Vessel utilisation in the Subsea/IMR Project segment increased from 65 per cent in 2017 to 70 per cent in 2018 as a result of increased activity level in the segment and shorter period with idle time between contracts. The activity level was lower in the Long-term Chartering segment compared to the previous year reducing the overall fleet utilisation from 85 per cent in 2017 to 81 per cent in 2018. The reasons for the lower activity level were longer periods with idle time on Skandi Niterói and Skandi Vitória.

Utilisation per segment	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Subsea/IMR Projects	65%	72%	76%	67%
Long-term Chartering	88%	86%	75%	73%
Fleet	72%	76%	75%	69%

Financing and liquidity

The Group's financing, capital structure and liquidity are monitored closely through weekly, monthly and quarterly reports. Liquidity risk is monitored on short, medium and long-term, focusing on funding and liquidity requirements. During the year, the Group has continued the focus on reinforcing the balance sheet through financing, refinancing and repayment of debt.

At the end of 2018 the Group has sufficient liquidity to meet its expected financial obligations for the next 12 months. Cash and cash equivalents at year end, unutilised committed credit facilities and forecasted cash flows in finance and operation in 2019 forms the basis for the liquidity forecast.

During the year, the Group has paid ordinary instalments on debt to credit institutions and refinanced three vessels with international shipping banks at terms standard for the Group. In addition, a new loan was drawn on the JV vessel Skandi Recife, at standard terms for offshore vessel financing.

In November 2018 the Company issued a new unsecured bond of NOK 900 million. Parts of the existing bond loans

DOFSUB07 and DOFSUB08 were repurchased in the transaction.

All loan agreements contain financial covenants, and the Group was in compliance with all financial covenants at year-end 2018.

Subsea market risk

The oil price is the main driver for the Exploration and Production spending (E&P spending). At the beginning of 2018 the price of Dated Brent was USD 67.07 per barrel and during the 10 first months of the year the price increased to a peak of USD 86.41, improving the sentiment in the industry. During the 2 last months of the year the price of Dated Brent decreased with USD 35.90 per barrels and the price reached a low for the year of USD 50.51 per barrel. The average Dated Brent price for the year was USD 71.00 per barrel against USD 54.22 per barrel in 2017. Even though there was a drop in the oil price toward the end of the year the rise in the oil price from previous year has created a more positive market sentiment, and the oil companies have increased their E&P spending after three consecutive years of reduction.

The seasonality due to winter on the northern hemisphere combined with lower demand from the oil companies led to a weak subsea market in the first quarter and a more volatile peak season than normal in both the Asia Pacific region and the Atlantic region. In North America and Brazil regions we saw sign of recovery and increasing demand for services toward the end of the year.

The tendering activity increased during the year, and this trend has continued in 2019. At year-end 2018 the Group had a firm contract backlog of NOK 15.5 billion. Despite the improving fundamentals, the markets for the Group's services are still challenging with overcapacity of vessels and continued pressure on terms and rates.

Financial risk

Foreign exchange

DOF Subsea has global operations, and a significant portion of the income and costs is denominated in foreign currencies, mainly USD, AUD, GBP, CAD and BRL. Fluctuations in foreign exchange rates against the NOK affects the Group's financial statements.

The Group aims to be naturally hedged by matching income and costs for the relevant currencies. In addition, the Group has an active hedging strategy using derivatives to reduce the exchange rate risk exposure.

Interest rates

The long-term debt is denominated in NOK, USD and CAD, and the Group has both fixed and floating interest rate loans. An active hedging strategy has been adopted where the interest rate risk exposure is partly hedged by using interest rate derivatives and fixed interest rate loans with term to maturity of up to 17 years. Interest periods for the floating interest rate loans are from one to six months. The fixing of interest rates for longer periods and changing of loan currencies is continuously evaluated.

Counterparty risk

The majority of the Group's contracts are with major international oil and gas companies and other large subsea contractors. Historically, the portion of receivables not being collectable has been low, and the Group continuously evaluates the financial strength and credit worthiness of the customers and suppliers. In addition, policies and guidelines for follow-up and collection of outstanding receivables have been established.

Tax risk

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

Other financial risk

The Group has limited direct financial exposure to changes in the prices of commodities and raw materials, such as oil and refined oil products. To the extent the Group has such risk exposure, it is managed and partly hedged through clauses in the Group's contracts. The oil price is an important driver for the global demand for vessels and services within the subsea industry. The development of the oil price over the last couple of years has reduced the demand for both subsea services and vessels.

Since most of the operating revenue and operations are outside Norway, the activities carried out by the Group are exposed to risk related to compliance with local laws and regulations. The Group has established reporting routines and procedures to manage this risk, and it is focused on ensuring full compliance with all applicable international and local legislation and regulation wherever the Group operates.

In 2018, the Group recognised an impairment loss of NOK 361 million related to its assets. The current market conditions may lead to a further decrease in market values of the Group's assets which could give an additional impairment loss.

Sustainability

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

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

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

The Group is guided by the article of associations, the Corporate Governance and the Group's policies combined with the Group's Code of Business Conduct, ensuring that the Group's operations consider the interests of all stakeholders. In 2018, the Group issued a new and improved Code of Business conduct, supported by roll-out presentations and a new mandatory e-learning module.

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

DOF Subsea is certified towards ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2008. In 2019, the company will be certified towards the new ISO 45001:2018, replacing OHSAS 18001.

Employees

DOF Subsea has since its inception in 2005 grown to become a global organisation, and the key to DOF Subsea's success has remained unchanged – our people.

The downturn in the global Oil and Gas Industry continued in 2018. The market conditions required the organisation to adapt its capacity and posed a threat to the Group's human capital. In 2018 the workforce increased by 1 per cent, and at the end of the year the Group had 1 311 employees, of which approximately 16% were women.

Even though the activity has started to increase in some regions, the subsea market is still challenging with regards to contract terms and rates, and the Board of Directors is continuously monitoring the need for the Group to adapt its capacity. The aim going forward will be to maintain a flexible workforce and to retain core competencies.

Equal opportunities and anti-discrimination

The Group has focus on diversity and strives to create equal opportunities for all employees, regardless of their ethnic background, nationality, descent, colour, language, religion, lifestyle or gender. The Group's 'Equal Employment Opportunity' policy clearly states that the Group is committed to being an equal opportunity employer. This means that all business units within the Group will select and appoint the most suitable person for

a position based on their attitude, skills and qualifications. The Group also has a zero-tolerance policy for workplace harassments.

Human Rights and Labour Standards

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

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

Health, Safety and Working Environment

The Group strives to improve safety and environmental performance across all worksites, globally. DOF Subsea had 3 Lost Time Incidents (LTIs) in 2018. Including Medical Treatment Cases and Restricted Workplace Cases, the Total Recordable Frequency (TRFC) was 2 recordable incidents per million man-hours. Some activities for 2019 have been identified to change this negative trend. However, there are still good indications that our safety culture is developing in the right direction.

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

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

by establishing a Safe the RITE way Council, consisting of representatives from executive management and the workforce.

In 2018, absence due to sickness has been 1.6 per cent, which is below the Group's target of 3 per cent. The working environment is monitored by various means of activities, including working environment surveys.

Business Integrity and Ethics

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

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

Anti-corruption and anti-bribery

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

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

Compliance

The Group acknowledges the importance for its internal and external stakeholders of being a reliable partner, and that it is why compliance is a key topic for DOF Subsea. To be in compliance with both international and local laws and

regulations and industry standards is important for the Group.

External environment

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

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

Climate change and emissions to the air

As part of DOF ASA, DOF Subsea has several processes to ensure that direct and indirect climate influencing activities are kept at a minimum and consistent with the Group's overall approach to climate change.

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

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

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

Continuous improvement of operations

It is the view of the Board of Directors that continuous improvement helps to reduce risk, improve performance and align ways of working. Through the Group's improvement

program, DOF Subsea has streamlined and systematised its improvement work. Based on thorough planning, improvement projects have been carried out through the Group's value chain, focusing on standardisation and improved efficiency. The improvement initiatives will continue in 2019.

Shareholders

At year-end 2018, all shares in DOF Subsea AS are owned by DOF ASA (64.9 per cent) and First Reserve Corporation through FRC Lux Holding Limited (30.6 per cent) and Dolphin Invest 2 AS (4.5 per cent), and the total number of outstanding shares was 167 352 762.

Corporate Governance

The Group's Corporate Governance is based on principles established in the Norwegian Code of Practice for Corporate Governance, available at www.nues.no.

The Group's Corporate Governance Policy is a governing document containing measures which are continuously implemented to secure efficient management and control of the Company's activities. The main objective is to ensure that the business is operated in an equitable and profitable manner for the benefit of shareholders and other stakeholders. 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.

Both operational and financial processes are standardised, and the same reporting and control structures are in use for all companies within the Group. These processes are integrated in the Group's ERP system and supported by Group policies, guidelines and standards in the Business Management System. To strengthen the awareness surrounding the Groups compliance activities, an overall guideline and a training program has been developed in 2018. This has been implemented by use of E-learning followed up by workshops and training in the Group.

Every year, the Management carries out a detailed and thorough budgeting process at all levels of the organisation. The next year's budget is submitted to and approved by the Board of Directors. The Board of Directors receives weekly, monthly and quarterly operational and financial reports,

including information on investments, financing, cash flow, liquidity, HSEQ, HR, Tax and Legal performance. In addition, a five-year financial forecast and information of assumptions are received on a regular basis.

The Board of Directors is of the opinion that the Group's reporting procedures and quality are at a high standard and sufficient to fulfil the requirements of the Board of Directors for risk management and financial control.

The Board of Directors has appointed an Audit Committee for the Group. The primary purpose of the Audit Committee is to assist the Board of Directors in monitoring the Group's internal control of the risk management and financial control and reporting. This includes but is not limited to:

- all critical accounting policies and practices,
- quality, integrity and control of the Group's financial statements and reports,
- compliance with legal and regulatory requirements,
- qualifications and independence of the external auditors and
- performance of the internal audit function and external auditor.

The external auditor present to the audit committee the audit plan for the audit of the Groups and the Company's financial statements. Furthermore, after audit has been performed the external auditor present to the audit committee a summary and result of the audit performed.

The Group's internal audit function covers the Group's value chain, including business support functions. The purpose of the internal audits is to make sure that the Group follows internal policies, guidelines, standards, processes and statutory requirements. Internal audits of the Group's operations are carried out on a regular basis. Results of the internal audits are submitted to the Audit Committee and the Board of Directors.

Management reviews are undertaken by Corporate and the regional senior management to ensure that the quality and effectiveness of the Business Management System is maintained. Through these reviews, the management aims to:

- improve Safety Performance,
- improve the quality, environmental and safety management systems,

- improve products and services related to customer needs and requirements,
- ensure that resource allocation is effective,
- establish key business objectives and performance indicators and
- determine needs for process or product audits.

During the year management reviews are performed in all regions followed by action plans for regional improvements in order to ensure compliance with the Group's guiding principles.

For further details on Corporate Governance, see the Corporate Governance section of the Annual Report.

Presentation of Group and Parent Company financial statements

DOF Subsea AS has prepared the consolidated financial statement in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Going concern

In accordance with IAS 1.25, the Board of Directors confirms that the financial statements have been prepared under the assumption of going concern. This assumption is based on the Group's budget for the year 2019, the cash flow forecast and the contract backlog as at 31 December 2018.

Group financial statement

The Group had an operating revenue of NOK 3 742 million in 2018, compared to NOK 3 849 million in 2017. The decrease in operating revenue compared to the prior year reflects challenging market conditions and a lower activity level. The operating profit before depreciation (EBITDA) for 2018 was NOK 1 085 million (including NOK 1 million in gain from sale of non-current assets) compared to NOK 1 135 million (including NOK 5 million in loss from sale of non-current assets) in 2017. The operating profit (EBIT) was NOK 172 million compared to NOK 136 in 2017. The EBIT included impairment related to intangible and tangible assets of NOK 361 million in 2018 and NOK 436 million in 2017, in addition to depreciation of NOK 552 million in 2018 and NOK 564 million in 2017.

NOK million	2018	2017	Change
Operating revenue	3 742	3 849	-3 %
EBITDA	1 085	1 135	-4 %
Depreciation and impairment	-913	-999	-9 %
EBIT	172	136	26 %

Net financial loss was NOK 794 million in 2018 (loss of NOK 259 million in 2017), of which NOK 214 million was an unrealised loss on derivative instruments and currency positions (unrealised gain on derivative instruments and currency positions of NOK 288 million in 2017). Loss before tax was NOK 622 million in 2018 (loss of NOK 123 million in 2017), and the loss for the year was NOK 668 million in 2018 (loss of NOK 273 million in 2017).

Total assets were NOK 16 476 million in 2018 compared to NOK 16 738 million in 2017. Non-current assets were NOK 14 414 million (NOK 14 534 million).

Total current receivables were NOK 920 million (NOK 1 107 million), while cash and cash equivalents were NOK 1 142 million (NOK 1 097 million), giving total current assets of NOK 2 062 million (NOK 2 204 million in 2017). Cash and cash equivalents included restricted cash of NOK 223 million (NOK 311 million).

The Group's total equity was NOK 5 735 million (NOK 6 348 million), including non-controlling interests of NOK 194 million (NOK 226 million), representing a book equity ratio of 34.8 per cent (37.9 per cent). Non-current liabilities were NOK 7 793 million (NOK 8 481 million). Current liabilities were NOK 2 949 million (NOK 1 909 million), of which NOK 2 177 million represented current portion of debt (NOK 1 191 million). The net interest-bearing debt was NOK 8 606 million (NOK 8 350 million).

NOK million	2018	2017	Change
Tangible assets	11 100	11 773	-6 %
Cash and cash equivalents	1 142	1 097	4 %
Total equity	5 735	6 348	-10 %
NIBD	8 606	8 350	3 %

Net cash flow from operating activities was NOK 324 million (NOK 143 million). Cash flow from investing activities was NOK -239 million (NOK -678 million), of which NOK -267 million (NOK -625 million) was from investments

in tangible assets that have increased or will increase the capacity of the Group. Cash flow from financing activities was NOK 3 million (NOK 558 million). The Group's cash and cash equivalents were NOK 1 142 million in 2018 compared to NOK 1 097 million in 2017.

On a quarterly basis, the Group assesses whether there is any indication that tangible and intangible assets may be impaired. If an indication of impairment exists, the Group estimates the recoverable amount, represented by the higher of fair value less costs of disposal and value in use. If the recoverable amount of an asset is below the carrying value (book value), the asset is considered impaired, and is written down to its recoverable amount.

Parent company financial statement

The Company's operating revenue was NOK 83 million in 2018 compared to NOK 83 million in 2017. The operating loss before depreciation (EBITDA) was NOK -8 million (NOK -4 million in 2017), and the operating loss (EBIT) was NOK -22 million (NOK -19 million) after depreciation of NOK 15 million (NOK 15 million).

The net financial loss was NOK 523 million compared to a net financial income of NOK 92 million in 2017. The loss before tax was NOK 545 million (profit of NOK 73 million), and the loss for the year was NOK 547 million (loss of NOK 25 million).

The Company's total assets were NOK 7 829 million in 2018 compared to NOK 7 974 million in 2017. Non-current assets were NOK 6 815 million (NOK 7 108 million), including NOK 184 million in deferred tax assets (NOK 186 million). Total current receivables were NOK 507 million (NOK 416 million), while cash and cash equivalents were NOK 507 million (NOK 450 million), giving total current assets of NOK 1 014 million (NOK 865 million).

Total equity was NOK 4 462 million compared to NOK 5 029 million in 2017, representing a book equity ratio of 56.9 per cent compared to 63.1 per cent in 2017. Total liabilities were NOK 3 367 million (NOK 2 944 million), of which NOK 2 544 million represented non-current liabilities (NOK 2 081 million) and NOK 823 million represented current liabilities (NOK 863 million).

Net cash flow from operating activities was NOK -421 million (NOK -1 280 million), while cash flow from investing activities

was NOK -57 million (NOK 171 million). Cash flow from financing activities was NOK 591 million (NOK 1 113 million). The Company's cash and cash equivalents were NOK 507 million in 2018 compared to NOK 450 million in 2017.

Allocation of profits

The Company's total comprehensive loss for the year net of tax of NOK -547 million was covered by other equity.

Events after period end

In January, Yinson Energy awarded DOF Subsea AS a contract to provide Transportation & Installation (T&I) Services to position and moor the FPSO Helang on the Layang Field in Malaysia. The project is expected to be completed by Q3 2019 and will utilise CSV Skandi Hercules.

DOF Subsea was awarded contracts in Guyana and Saudi Arabia for survey work, utilising the Skandi Neptune and Geoholm respectively.

In February, DOF Subsea and TechnipFMC announced the delivery of Skandi Olinda and her commencement of an eight-year charter contract with Petróleo Brasileiro S.A. (Petrobras). The delivery of Skandi Olinda marks the successful conclusion of the newbuild program of the joint venture with TechnipFMC.

In March, the Group was awarded several contracts in the Subsea/IMR Project segment in all regions, securing utilisation for the regions' vessels and equipment. Among the contracts were a Hydrographic service contract with the Norwegian Mapping Authority and an Offshore Wind Farm contract with Siemens. The two contracts will utilise Geograph and Skandi Constructor, respectively.

Outlook

Over the past years the Board of Directors has focused on aligning the Group's operational and financial risk. This has prepared the Group relatively well for the challenging market conditions. However, adjustments have been made to adapt the organisation and the fleet to the challenging market conditions.

In 2018, the Group has met the challenging market conditions by implementing further cost cutting measures and adapting the Group's capacity. During 2018, the Group

was awarded new contracts with a value of NOK 4.0 billion, and the firm contract backlog as at 31 December 2018 was NOK 15.5 billion. NOK 3.8 billion of the contract backlog, including options, is related to 2019. Within the Long-term Chartering segment most of the Group's vessels is fixed on long-term contracts with solid counterparties. However, the Group is exposed to the short-term market in the Subsea/IMR Projects segment, and the management is continuously working to increase the contract backlog to reduce the risk within this segment.

The Board of Directors sees that continuing challenging market conditions with regards to both terms and margins on new contracts could lead to further impairment of

the Group's assets. However, with an oil price stabilising above USD 60 per barrel, oil companies have increased their projects sanctioning and tendering activity, which give causes to believe that the activity within the industry will gradually increase. The Board of Directors expects the market conditions to remain challenging in 2019, but slightly better than 2018. The Board of Directors further expects that the Group's global presence, flexible business model, contract backlog and strong position within the IMR segment to provide a relatively good position for the Group despite the prevailing market conditions. The Board of Directors is thankful for the effort from all employees in 2018.

Bergen, 15 March 2019

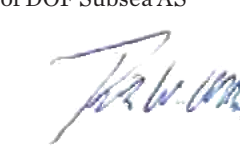
The Board of Directors of DOF Subsea AS



Helge Møgster
Chairman



Helge Singelstad
Director




Frederik W. Mohn
Director



Hilde Drønen
Director



Neil J. Hartley
Director



Ryan N. Zafereo
Director



Alan G. Schwartz
Director



Mons S. Aase
CEO

Financial statements

DOF Subsea Group

Consolidated statement of comprehensive income

	Note	2018	2017
Operating revenue	4, 5	3 742	3 849
Payroll expenses	6	-1 375	-1 420
Other operating expenses	7	-1 688	-1 593
Share of net income from associates and joint ventures	26	403	303
Profit from sale of non-current assets	11	1	-5
Operating profit before depreciation and impairment (EBITDA)	4	1 085	1 135
Depreciation and impairment	10, 11	-913	-999
Operating profit (EBIT)		172	136
Financial income	8	96	55
Financial expenses	8	-507	-521
Realised net gain / loss on derivative instruments and currency position	8	-168	-80
Unrealised net gain / loss on derivative instruments and currency position	8	-214	288
Net financial income / loss	8	-794	-259
Profit / loss before tax	4	-622	-123
Income tax expense	9	-46	-150
Profit / loss for the year		-668	-273
Other comprehensive income net of tax			
Items that may be subsequently reclassified to profit / loss			
Currency translation difference (CTA)		-19	-20
Share of other comprehensive income of associates and joint ventures	26	123	-1
Other		1	-
Items that will not be reclassified to profit / loss			
Defined benefit plan actuarial gains / losses		-	8
Other comprehensive income / loss net of tax		105	-13
Total comprehensive income / loss for the year net of tax		-563	-286
Profit / loss attributable to			
Non-controlling interests	25	-3	2
Owners of the parent	25	-666	-275
Total comprehensive income / loss attributable to			
Non-controlling interests	25	-2	1
Owners of the parent	25	-562	-287
Earnings per share			
Basic and diluted earnings per share (NOK)	29, 30	-3.98	-2.27

DOF Subsea Group

Amounts in NOK million

Consolidated statement of financial position

Assets	Note	31.12.2018	31.12.2017
Tangible assets	11	11 100	11 773
Goodwill	10	337	366
Deferred tax asset	9	220	243
Investments in associates and joint ventures	26	1 553	1 027
Non-current receivables	13, 21, 23	1 204	1 125
Total non-current assets		14 414	14 534
Trade receivables	14	631	855
Other current receivables	15, 21, 23	289	252
Current receivables		920	1 107
Restricted cash	16	223	311
Unrestricted cash and cash equivalents	16	919	786
Cash and cash equivalents		1 142	1 097
Total current assets		2 062	2 204
Total assets		16 476	16 738

DOF Subsea Group

Amounts in NOK million

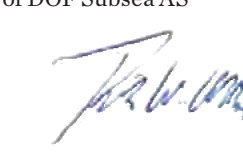
Consolidated statement of financial position

Equity and liabilities	Note	31.12.2018	31.12.2017
Paid-in equity	30	4 344	4 344
Other equity		1 197	1 778
Non-controlling interests	25	194	226
Total equity		5 735	6 348
Bond loans	17	2 480	1 914
Debt to credit institutions	17	5 278	6 518
Other non-current liabilities	6, 9, 21, 22	34	48
Total non-current liabilities		7 793	8 481
Current portion of debt	17	2 177	1 191
Trade payables	18	406	392
Other current liabilities	9, 19, 21, 23	366	325
Total current liabilities		2 949	1 909
Total liabilities		10 742	10 390
Total equity and liabilities		16 476	16 738

Bergen, 15 March 2019

The Board of Directors of DOF Subsea AS


Helge Møgster
Chairman

Helge Singelstad
Director

Frederik W. Mohn
Director

Hilde Drønen
Director

Neil J. Hartley
Director

Ryan N. Zafereo
Director

Alan G. Schwartz
Director

Mons S. Aase
CEO

DOF Subsea Group

Amounts in NOK million

Statement of changes in equity

Changes in equity	Share capital	Share premium	Other paid-in capital	Paid-in equity	Retained earnings	Currency translation differences	Other equity	Non-controlling interests	Total equity
Equity at 01.01.2018	1 674	540	2 130	4 344	1 716	62	1 778	226	6 348
Profit / loss for the year	-	-	-	-	-666	-	-666	-3	-668
Other comprehensive income net of tax	-	-	-	-	123	-19	104	1	105
Total comprehensive income net of tax	-	-	-	-	-543	-19	-562	-2	-563
IFRS 9 implementation effect	-	-	-	-	-25	-	-25	-	-25
Adjustment of merger effect	-	-	-	-	5	-	5	-	5
Changes in non-controlling interests	-	-	-	-	-	-	-	-31	-31
Total transactions with shareholders	-	-	-	-	-	-	-	-	-
Equity at 31.12.2018	1 674	540	2 130	4 344	1 155	42	1 197	194	5 735
Equity at 01.01.2017	1 197	516	2 130	3 844	1 906	81	1 987	224	6 055
Profit / loss for the year	-	-	-	-	-275	-	-275	2	-273
Other comprehensive income net of tax	-	-	-	-	7	-19	-12	-1	-13
Total comprehensive income net of tax	-	-	-	-	-268	-19	-287	1	-286
Share issue	476	24	-	500	-	-	-	-	500
Merger DOF Subsea Holding AS	-	-	-	-	79	-	79	-	79
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-
Total transactions with shareholders	476	24	-	500	79	-	79	-	579
Equity at 31.12.2017	1 674	540	2 130	4 344	1 716	62	1 778	226	6 348

The adjustment of merger effect in 2018 relates to the merger of the DOF Subsea Holding AS and DOF Subsea AS in 2017.

Consolidated statement of cash flows

	Note	2018	2017
Operating profit (EBIT)		172	136
Depreciation and impairment	11	913	999
Profit from sale of non-current assets	11	-1	5
Share of net income of associates and joint ventures	26	-403	-303
Change in trade receivables		223	-64
Change in trade payables		14	-108
Changes in other working capital		25	-3
Exchange rate effect on operating activities		-73	-4
Cash flow from operating activities		869	659
Interest received		6	28
Interest paid		-519	-494
Tax paid		-32	-50
Net cash flow from operating activities		324	143
Sale of tangible assets	11	1	-2
Purchase of tangible assets	11	-267	-625
Purchase of shares		-	-9
Net cash flows from other non-current receivables		27	-43
Cash flow from investing activities		-239	-678
Proceeds of non-current debt	17	1 558	1 932
Installments on non-current debt	17	-1 524	-1 875
Payments to non-controlling interests		-31	-
Share issue		-	500
Cash flow from financing activities		3	558
Net change in cash and cash equivalents		88	23
Cash and cash equivalents, included restricted cash, at 01.01	16	1 097	1 062
Cash and cash equivalents from merger and acquisition		-	27
Exchange rate effect on cash and cash equivalents		-43	-15
Cash and cash equivalents, included restricted cash, at 31.12	16	1 142	1 097

Restricted cash at 31.12.2018 is NOK 223 million (NOK 311 million) and is included in Cash and cash equivalents. Changes in restricted cash is reflected in the cash flow. For further information about restricted cash, please refer to note 16 'Cash and cash equivalents'.

DOF Subsea Group

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NOTES TO THE FINANCIAL STATEMENTS

1 Corporate information

DOF Subsea AS, the Company, is a limited liability company registered in Norway. The Company's head office is located at Thormøhlensgate 53 C, 5006 Bergen, Norway.

The Company is owned by DOF ASA and First Reserve Corporation. DOF ASA holds a 64.9% ownership stake, while First Reserve Corporation holds a 35.1% ownership stake through FRC Lux Holding Limited and Dolphin Invest 2 AS.

DOF Subsea AS is the parent company in the DOF Subsea Group exercising control over a number of subsidiaries. The Company also holds investments in associates and joint arrangements.

The DOF Subsea Group has two business segments, Subsea/IMR Projects and Long-term Chartering. In these segments, the Group provides integrated subsea and marine services to the world's offshore energy producers.

The combination of subsea engineering capability and an owned and operated state-of-the-art fleet enables the Group to offer differentiated services and create long-term relationships, reducing overall risk. The Group's two segments: vessels and personnel working in the Subsea/IMR Projects segment and the vessels chartered to third-party companies in the Long-term Chartering segment, increases the Group's access to market opportunities and reduces risk.

The financial report is divided into the Group financial statements and the Parent Company financial statements.

The Board of Directors approved the financial statements on 15 March 2019.

2 Financial risk management

The Group is exposed to various types of financial risk relating to its ongoing operations: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's governing risk management strategy focuses on minimising the potential negative effects on the Group's results. The primary risks managed using derivative instruments are foreign currency risk and interest rate risk. Please refer to note 32 'Accounting policies', paragraph U, for information on derivative financial instruments and hedging activities. Please also see note 21 'Financial instruments and hedging activities'.

The Group's risk management is conducted in line with policies and guidelines approved by the Board of Directors. Accordingly, financial risk is identified, evaluated and risks are managed if appropriate. The Board of Directors has issued written policies for governing risk management and defined principles for specific areas such as the foreign exchange risk, interest rate risk, credit risk, use of financial derivatives and other financial instruments.

Financial derivatives

The Group is exposed to currency risk and interest rate risk. The Group uses financial derivatives to reduce these risks. This may include use of financial derivatives linked to exposures related to statement of financial position items such as trade receivables, trade payables and similar.

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's presentation currency is NOK. Foreign exchange risk arises when future commercial transactions, contractual obligations, non-current liabilities and investments are in different currencies than NOK. The Group aims to achieve a natural hedge between cash inflows

and cash outflows, and manages the remaining foreign exchange risk arising from commercial transactions, assets and liabilities using forward contracts, derivatives and similar instruments as appropriate.

Foreign exchange rate changes in receivables, liabilities and currency swaps are recognised in the net financial income/loss section in the consolidated statement of comprehensive income. Fluctuations in foreign exchange rates will therefore influence the Group's statement of comprehensive income and statement of financial position.

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's existing debt arrangements are non-current liabilities at floating or fixed interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term liabilities with floating interest rates. The Group's policy is a portfolio of floating- and fixed interest rates taking the market outlook into consideration. The Group manages parts of its floating interest rate risk by using floating-to-fixed interest rate swaps. Of the total liability portfolio, 78% is subject to fixed interest rate as at period end (81% in 2017).

There is a continuous evaluation of the ratio between fixed interest rate versus floating interest rate liability.

The Group's interest-bearing assets of significance are bank deposits and non-current receivables, see notes 17 'Interest-bearing debt' and 22 'Financial instruments - by category'.

Sensitivity analysis

In accordance with IFRS 7 'Financial instruments: disclosures', the Group provides information about the potential impacts of market risk and hypothetical gain/loss from its use of derivative financial instruments and other financial instruments through a sensitivity analysis disclosure. The sensitivity analysis reflects the hypothetical gain/loss in fair values which would occur assuming a change in exchange rates between currencies and change in interest rates. Only effects which would ultimately be accounted for in the consolidated statement of comprehensive income, as a result of a said changes, are included. All changes are before tax.

Foreign exchange sensitivity

Changes in foreign exchange rates against subsidiaries' functional currencies as at period end would have affected the measurement of financial instruments denominated in foreign currency by the amounts described below.

Effects on the Group's statement of financial position resulting from changes in foreign exchange rates are due to changes in the NOK value of assets and liabilities denominated in currencies other than NOK. The Group has a significant amount of liability denominated in USD. In conducting the foreign exchange sensitivity analysis, a hypothetical 5% decrease/increase in USD/NOK exchange rates would affect the value of USD liability as of period end and increase/decrease the consolidated statement of comprehensive income by NOK 258 million. The Group has liability of USD 40 million in a subsidiary with functional currency BRL. The effect of a change in BRL to USD is included in the sensitivity results above. The Group's exposure to other foreign exchange movements is not material.

The Group aims to achieve a natural hedge between cash inflows and cash outflows on Group level. Current receivables and liabilities excluding current portion of liabilities are often in the same currency and are normally due within 30-60 days. Currency effects on current items excluding current portion of liabilities are not included in the figures above.

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A significant portion of the Group's operating revenue is denominated in USD. If USD depreciates against NOK over a longer period of time, this will negatively impact net profit.

Interest rates sensitivity

A parallel shift of 100 basis points in interest rates as of period end would have increased/decreased net financial income/loss and thus the equity by the amounts estimated in the below table, assuming foreign exchange rates remain constant.

Amounts in NOK million		
2018 figures	100bp decrease	100bp increase
NOK		
Derivatives financial instruments	-97	99
USD		
Derivatives financial instruments	-7	7

Credit and liquidity risk

Credit and liquidity risk arise from cash and cash equivalents, financial derivative instruments, as well as credit exposures to clients. The Group has a policy of limiting the credit exposure to any single financial institution and bank, and actively manages its exposure to achieve this.

Credit exposures are mainly towards clients that traditionally have had good financial position to meet their obligations. The Group's credit risk towards clients is therefore considered low and historical losses have been low. Other non-current receivables are mainly to DOF ASA companies and joint ventures. The Group is well informed about credit risks related to these positions. The current challenging market conditions increase these risks, but they are still considered to be acceptable.

Payment profile of debt (*)	Amounts in NOK million		
At 31 December 2018	2019	2020-2023	Thereafter
Borrowings (ex. finance lease liabilities)	1 973	6 665	968
Finance lease liabilities	87	146	16
Interest payment	495	1 209	74
Trading and net settled derivative financial instruments (interest rate swaps and foreign exchange instruments)	105	17	-
Trade and other payables	675	-	10
Total payables	3 335	8 037	1 068

(*) Table shows undiscounted cash flows

See also note 12 'Leases' regarding future cash inflows based on the Group's contract.

Liquidity risk management implies maintaining sufficient cash, marketable securities, available funding through committed and uncommitted credit facilities and ability to close market positions. The Group aims to maintain flexibility in its liquidity risk management by keeping credit lines available.

The Group's business is capital intensive and the Group may need to raise additional funds through public liability, private liability or equity

financing to execute the Group's strategy and fund capital expenditure. The Group's loan agreements include terms, conditions and covenants.

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

Fair values

The fair value of forward exchange contracts is calculated based on the midpoint of the relevant yield and forward curves. The fair value of interest rate contracts is expressed as the present value of the estimated future cash flows based on observable yield curves.

Price risk

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

- The demand for the Group's vessels and services is sensitive to changes in the offshore energy industry, for example, oil price movements, exploration and general activity level within the industry. This can affect both the pricing/valuation and utilisation of the Group's assets.
- The cost of construction of new assets and replacement of assets are sensitive to changes in market prices.

The Group aims to reduce the price risk through long-term contracts. The newbuilding contract is based on fixed prices of the asset, and the vessel is fixed on a long-term charter contract at delivery.

Capital structure and equity

The main objective in managing the Group's capital structure is to ensure that the Group maintains the best possible credit rating, thereby achieving favourable terms and conditions for the long-term funding of the Group's operations and investments. The Group manages its capital structure and carries out all necessary changes, based on continuous assessments of the economic conditions under which the operations take place.

The Group has established common financial covenants on all long-term funding which imply minimum consolidated cash, minimum total equity and minimum value adjusted equity ratio for the Group. On a quarterly basis, the Group measures its total equity and value adjusted equity ratio by receiving fair market valuations of the total fleet from several independent brokers. See also note 17 'Interest-bearing debt'.

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's intention is to maintain liability financing corresponding to approximately 70-80% funding of the newbuild vessels and to continue to have high long-term contractual coverage, either through IMR contracts in the Subsea/IMR Projects segment or time charter or bareboat contracts in the Long-term Chartering segment.

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3 Accounting estimates and assessments

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

Depreciation of vessels

The carrying amount of the Group's vessels represents 67% of the total consolidated statement of financial position. Consequently, policies and estimates linked to the vessel values have a significant impact on the Group's financial statements. Depreciation is calculated on a modified straight-line basis over the estimated useful life of the asset. Depreciable amount equals historical cost less residual value. Please see note 32 'Accounting policies' paragraph I, for information on tangible assets.

Useful life of vessels

The depreciation of vessels depends on the vessels' estimated useful lives in the Group. Estimated useful life is 20 years based on strategy, past experience and knowledge of the types of vessels the Group owns. There will always be risk of events like breakdown and obsolescence which may result in a shorter useful life than anticipated. From time to time the Group may own vessels older than 20 years. The useful life will then be estimated individually.

Residual value of vessels

The level of depreciation depends on the calculated residual value. Residual value is determined based on the estimated fair value at the end of the asset's useful life. According to the Group's strategy, the policy is not to own vessels with an age above 20 years. Consequently, the residual value differs from salvage value, and the Group has to estimate the residual value of the vessels when they reach an age of 20 years. The estimate of residual value is based on a market valuation of a charter free vessel, and the current fair value forms a basis for the estimate. However, this fair value is discounted to reflect the fair value of the vessel as if it was of an age and in the condition expected at the end of its useful life (20 years). The evaluation of residual value is done on a yearly basis or upon significant changes in market values.

Impairment of assets

Vessels

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

Fair value less cost to sell

For vessels, fair value less cost to sell is based on an average of brokers' estimates, taken into account sales commission. All vessels in the 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 contract value in associated contracts. Due to a limited number of vessel transactions in the current market the brokers' estimates only to a limited extent represent the results of transactions in the market. Because of this, the broker estimates are more influenced by the judgement of each broker. For this reason, the Group has sought to substantiate the broker valuations, inter alia with value in use calculations or tests of reasonableness of implicit rates and other assumptions derived from the valuations. The Group has deemed it necessary to perform

separate calculations for all vessels to support the broker estimates.

After the evaluation, the Group has concluded that the average of 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 charter rates, utilisation, operational and capital expenditure.

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

The Weighted Average Cost of Capital (WACC) is used as a discount rate and reflects a normalised capital structure for the industry. The WACC represents the rate of return the 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.

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

ROVs

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

Goodwill

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

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 goodwill in the Subsea/IMR Projects 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. Both budgets and forecasts covering 5 years, are presented to the Board of Directors. 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 further impairment was required. Reference is made to note 10 'Goodwill' for further information about assumptions and sensitivities.

For the Long-term Chartering segment, value in use is the sum of value in use for all vessels allocated to the segment. Goodwill is therefore supported by value in use being higher than the carrying amount for individual vessels. The impairment test demonstrated that recoverable amount was higher than carrying amount, and no impairment was required. Reference is made to note 11 'Tangible assets (incl. commitments)' for further information about assumptions and sensitivities.

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

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 provision is the best estimate of the expenditure to be incurred, see note 32 'Accounting policies', paragraph M.

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 consolidated statement of financial position date or to transfer it to a third party at that time.

Tax

Changes in tax regimes may adversely affect the Group's cash flows and financial condition. Certain companies in the Group are subject to special tax rules for ship owners in the Norwegian Taxation Act (§ 8-10 - § 8-20). The Norwegian tonnage tax scheme is approved as legal state aid under the EU guidelines for a 10-year period, from 1 January 2018 until 31 December 2027. These tax rules stipulate certain requirements which will have to be met. A failure to meet such requirements may have an adverse effect on the effective tax rate of the Group.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements per IAS 12 'Income taxes'. Please refer to note 32 'Accounting policies', paragraph R.

Deferred tax assets are recognised 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 there will be sufficient future earnings available against which the loss carried forward 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 9 'Tax'.

In general, attention and follow-up from tax authorities are increasing in all tax jurisdictions. This should be seen in relation to OECD and G20 countries implementation of the Base Erosion and Profit Shifting (BEPS) reporting requirements. The general trend that each individual

country has become more concerned about protecting their tax base, and in this context the Group experiences more tax audits in all countries where the Group operates. Present tax claims and disputes are at period end in an administrative or legal process with local tax authorities. Tax claims are disputed, and the Group considers the risk of negative outcomes of tax claims to be lower than 50% and has not recognised any liability regarding tax claims. See note 31 'Events occurring after period end' for tax dispute in DOF Subsea Brasil Ltda. Outcome of such processes are uncertain and changes in assumptions, interpretations and circumstances might result in future cash outflow for the Group.

4 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers, as defined in note 32 'Accounting policies', paragraph D. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments. The Group's business is divided into two business segments: Subsea/IMR Projects and Long-term Chartering.

The segment reporting below is presented according to internal management reporting, based on the proportionate consolidation method of accounting for joint ventures. The bridge between the management reporting and the figures reported in the financial statements is presented below. Please refer to note 26 'Investment in associates and joint ventures' for further information on investments.

The Subsea/IMR Projects segment is the Group's largest segment, accounting for 66 % of the Group's total revenues for the period ended 31 December 2018. Within the segment, the Group has been awarded several long-term contracts over the last couple of years, among others, the 7-year contract with Shell Philippines, the 3-year contract with Chevron Australia, the 5-year contract with Shell Australia, the 10-year contract with Husky Energy in Canada, the long-term contract with Eni Angola, the 3-year diving contract with Petrobras and the 2-year ROV contract with Petrobras.

Typical clients of the Group's Long-term Chartering services are major oil companies and subsea entrepreneurs.

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Amounts in NOK million

2018	Management reporting			Financial Statements	
	Subsea/IMR Projects	Long-term Chartering	Total	Reconciliation to equity method	Total
Operating revenue	3 033	1 574	4 607	-865	3 742
Operating profit before depreciation and impairment (EBITDA)	199	1 203	1 402	-317	1 085
Depreciation and impairment			-1 060	147	-913
Operating profit (EBIT)			342	-170	172
Net financial income / loss excl. unrealised net gain / loss on derivative instruments and currency position			-798	219	-579
Unrealised net gain / loss on derivative instruments and currency position			-209	-5	-214
Profit / loss before tax			-665	43	-622
Tangible assets	7 503	3 597	11 100	-0	11 100
Tangible assets jointly controlled companies	-	5 746	5 746	-5 746	-
Total tangible assets	7 503	9 344	16 847	-5 747	11 100

2017	Management reporting			Financial Statements	
	Subsea/IMR Projects	Long-term Chartering	Total	Reconciliation to equity method	Total
Operating revenue	3 127	1 423	4 550	-700	3 849
Operating profit before depreciation and impairment (EBITDA)	323	1 084	1 408	-273	1 135
Depreciation and impairment			-1 104	104	-999
Operating profit (EBIT)			304	-168	136
Net financial income / loss excl. unrealised net gain / loss on derivative instruments and currency position			-702	155	-547
Unrealised net gain / loss on derivative instruments and currency position			284	5	288
Profit / loss before tax			-114	-9	-123
Tangible assets	7 875	3 875	11 773	-	11 773
Tangible assets jointly controlled companies	-	4 624	4 624	-4 624	-
Total tangible assets	7 875	8 522	16 397	-4 624	11 773

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Amounts in NOK million

5 Operating revenue

The Group's revenue from contracts with customers has been disaggregated and presented in the tables below:

Operating revenue	Note	2018	2017
Lump sum contracts		125	362
Day rate contracts		3 617	3 487
Total operating revenue		3 742	3 849

Geographical distribution of operating revenue 2018	Norway	Great Britain	Brazil	Australia	Canada	USA	Other	Total
Operating revenue	386	877	376	601	228	381	893	3 742

Geographical distribution of operating revenue 2017	Norway	Great Britain	Brazil	Australia	Singapore	USA	Other	Total
Operating revenue	581	836	509	485	124	278	1 036	3 849

Geographical distribution of revenue from contracts with customers is based on the location of clients. No single customer exceeds 10% of total operating revenue.

The lease portion of revenue contracts are included in revenue from contracts with customers presented above. The right to use the vessel will normally be within the range 30-80% of the total contract value. Please refer to note 3 'Accounting estimates and assessments' and note 32 'Accounting policies', paragraph Q, for information on revenue recognition.

6 Payroll expenses

Payroll expenses	Note	2018	2017
Salary	24	-681	-734
Contract labor on vessels		-502	-433
Employer's contributions		-82	-101
Pension costs		-29	-30
Other personnel costs		-80	-122
Total payroll expenses		-1 375	-1 420
Full-time employees (at period end)		1 197	1 214

Pension costs above include defined benefit and defined contribution pension plans. The main part of the pension cost is related to the defined contribution pension plan. Please refer to note 32 'Accounting policies', paragraph S, for information on employee benefits.

As of 31 December 2018, the Group's defined pension plan benefit covered a total of 72 employees (69 in 2017) and 12 people in retirement (8 in 2017). The Group's defined pension plan benefit is invested with an insurance company, which manages the pension plan. Pension obligations as of 31 December 2018 were NOK 7 million (NOK 6 million). The pension obligations are included in other non-current liabilities.

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Amounts in NOK million

7 Other operating expenses

Other operating expenses	2018	2017
Vessel time charter hire	-256	-212
Technical costs	-152	-135
Hired personnel	-260	-274
Equipment cost	-398	-317
Bunkers	-123	-145
Administration cost	-223	-231
Other operating expenses	-276	-280
Total other operating expenses	-1 688	-1 593

8 Financial income and expenses

Financial income and expenses	Note	2018	2017
Interest income	23	52	49
Other financial income	23	45	5
Financial income		96	55
Interest expenses		-465	-490
Capitalisation of interest	11	-	3
Interest expenses payable to DOF ASA companies	23	-16	-17
Other financial expenses		-27	-17
Financial expenses		-507	-521
Realised foreign currency net gain / loss on non-current debt		-74	-80
Realised foreign currency net gain / loss on current receivables / liabilities		-47	-12
Realised net gain / loss on foreign exchange derivatives		-47	11
Realised net gain / loss on derivative instruments and currency position		-168	-80
Unrealised foreign currency net gain / loss on non-current debt		-149	235
Unrealised foreign currency net gain / loss on current receivables / liabilities		-40	-1
Net change in unrealised gain / loss on foreign exchange derivatives		-56	16
Net change in unrealised gain / loss on interest rate derivatives		31	38
Unrealised net gain / loss on derivative instruments and currency position		-214	288
Net financial income / loss		-794	-259

Please refer to note 32 'Accounting policies', paragraph E, for information on conversion of foreign currency and note 32 'Accounting policies', paragraph U, for information on financial derivatives.

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Amounts in NOK million

9 Tax

Income tax expense	2018	2017
Current tax on profits for the year	-32	-53
Adjustments in respect to prior years	-4	-13
Change in deferred tax	-8	-76
Impact on change in tax rate on deferred tax	-2	-9
Income tax expense	-46	-150

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 subsidiary as follows:

Reconciliation of nominal and effective tax rate	2018	2017
Profit / loss before tax	-622	-123
Tax estimated by use of domestic tax rates applicable to profits in the respective countries*	229	167
Tax effect of:		
Expenses not deductible for tax purposes	-5	-2
Unrecognised tax losses and temporary differences	-248	-260
Adjustments in respect to prior years	-4	-13
Impact on change in tax rate	-2	-9
Withholding taxes and effect of different tax regimes	-25	-49
Associates and joint ventures results reported net of tax	9	16
Income tax expense	-46	-150

* Domestic tax rates applicable to the Group vary between 0% and 35%. Tax estimates exclude withholding taxes and other business taxes.

Tax effect other comprehensive income	2018		
	Before tax	Income tax	After tax
Currency translation differences	-9	-10	-19
Share of other comprehensive income of associates and joint ventures	123	-	123
Defined benefit plan actuarial gains/losses	-	-	-
Other comprehensive income	114	-10	104

Tax effect other comprehensive income	2017		
	Before tax	Income tax	After tax
Currency translation differences	-17	-3	-20
Share of other comprehensive income of associates and joint ventures	-1	-	-1
Defined benefit plan actuarial gains/losses	10	-2	8
Other comprehensive income	-8	-5	-13

The gross movement on the deferred tax in the statement of financial position	2018	2017
At 01.01	-238	-269
Tax related to comprehensive income	-12	95
Tax related to components of other comprehensive income	-10	3
Merger effects	-	-67
At 31.12	-216	-238

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Amounts in NOK million

Deferred tax

The table below specifies the temporary differences between accounting and tax values, and the calculation of deferred tax/tax assets at period end. The Group's deferred tax assets are reviewed for impairment. Deferred tax assets from tax loss carried forward are expected to be offset against taxable income within a period of 7 years.

Basis for deferred tax	2018	2017		
Non-current assets	752	760		
Current assets	9	1		
Liabilities	-550	-260		
Tax position related to sold assets	76	95		
Other differences	11	-		
Total temporary differences	299	590		
Temporary differences not included as deferred tax (+)	84	-200		
Total temporary differences included as deferred tax	383	390		
Tax loss carried forward*	-3 806	-3 177		
Tax loss not included as deferred tax asset	2 594	1 913		
Tax loss included as deferred tax assets (-)	-1 212	-1 264		
Basis for calculating deferred tax / tax asset (-)	-829	-874		
*Tax losses carried forward from subsidiaries taxed under the shipping tonnage tax regime are excluded.				
Deferred tax / tax asset (-) calculated at domestic tax rates (22-34%)	-216	-236		
Deferred tax (included in other non-current liabilities)	3	6		
Deferred tax asset	220	243		
Total deferred tax / tax asset (-) recognised in the statement of financial position	-216	-238		
Tax-loss carried forward recognised as deferred tax asset per country				
Country	Tax-loss carried forward	Temporary differences	Tax rate	Deferred tax asset
Norway	-930	448	22 %	-106
Brazil	-92	-66	34 %	-54
Australia	-190	-10	30 %	-60
Total	-1 212	371		-220

For information on current and deferred tax, please refer to note 32 'Accounting policies', paragraph R.

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Amounts in NOK million

10 Goodwill

Goodwill is allocated to the Group's cash-generating units identified according to the operating segments, Subsea/IMR Projects and Long-term Chartering.

	Subsea/IMR Projects	Long-term Chartering	Total
2018			
Book value at 01.01	145	221	366
Cost at 01.01	251	262	513
Cost at 31.12	251	262	513
Impairment at 01.01	-155	-41	-196
Impairment for the year	-27	0	-27
Accumulated currency translation differences	47	0	47
Total adjustments at 31.12	-135	-41	-176
Book value at 31.12	116	221	337
2017			
Book value at 01.01	152	221	373
Cost at 01.01	251	262	513
Cost at 31.12	251	262	513
Impairment at 01.01	-144	-41	-185
Impairment for the year	-11	-	-11
Accumulated currency translation differences	49	-	49
Total adjustments at 31.12	-106	-41	-147
Book value at 31.12	145	221	366

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

Sensitivity analysis

The EBITDA margin in 2018 was 7% for the Subsea/IMR Projects segment. The EBITDA margins used in the impairment calculations for 2019 and 2020 are in line with the EBITDA margin achieved in 2018. From 2021 the Group expects gradual recovery in the EBITDA margin, with a target EBITDA margin above 20% for the Subsea/IMR Projects segment. There is no real growth element in the calculations after the forecast period. The Group uses a nominal WACC after tax of 10.8% for the projects in the Subsea/IMR Project segment and a nominal WACC after tax of 8.5% for the vessel impairment calculations. Minor negative changes in key assumptions such as EBITDA margin and discount rate will have a negative impact on value in use calculations, which might result in an impairment for all or parts of the goodwill. However, the assessment of recoverable amount for goodwill takes into consideration both value in use and fair value less cost to sell for the vessels and vessel related equipment allocated to the different segments. See also note 3 'Accounting estimates and assessments' for further information about the impairment test and growth.

For information on sensitivity analysis for vessels, see note 11 'Tangible assets (incl. commitments)'.

Please refer to note 32 'Accounting policies', paragraph K.

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Amounts in NOK million

11 Tangible assets (incl. commitments)

2018	Vessels	Periodic maintenance	ROVs	Operating equipments	Total
Cost at 01.01	12 855	798	1 642	862	16 157
Additions	45	155	8	59	267
Reallocation	-	-	14	-14	-
Currency translation differences	-45	-8	-3	-1	-58
Cost at 31.12	12 855	945	1 661	907	16 367
Depreciation at 01.01	-1 523	-511	-764	-459	-3 257
Depreciation for the year	-197	-113	-156	-86	-552
Reallocation	-	-	2	-2	-
Currency translation differences	-3	6	1	1	5
Depreciation at 31.12	-1 723	-618	-917	-546	-3 804
Impairment at 01.01	-1 095	-	-11	-22	-1 128
Impairment for the year	-330	-	-3	-1	-334
Currency translation differences	-	-	-	-	-
Impairment at 31.12	-1 425	-	-14	-23	-1 461
Book value at 31.12	9 707	327	730	338	11 100
Asset lifetime (years)	20	2,5-5	10-12	5-15	
Depreciation schedule	*)	Linear	Linear	Linear	

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

2017	Vessels	Periodic maintenance	ROVs	Operating equipments	Newbuilds incl. equipment	Total
Cost at 01.01	12 399	676	1 491	777	28	15 371
Additions	44	91	14	79	525	751
Additions from acquisition	-	-	-	-	110	110
Disposals	-	-	-2	-	-	-2
Vessel completed	462	36	-	-	-498	-
Reallocation	-	1	137	15	-154	-
Currency translation differences	-50	-6	-7	-9	-	-72
Cost at 31.12	12 855	798	1 632	862	11	16 157
Depreciation at 01.01	-1 334	-385	-621	-377	-	-2 717
Depreciation for the year	-199	-130	-151	-85	-	-564
Reallocation	-	-	2	-2	-	-
Currency translation differences	10	4	5	5	-	24
Depreciation at 31.12	-1 523	-511	-764	-459	-	-3 257
Impairment at 01.01	-670	-	-11	-22	-	-703
Impairment for the year	-425	-	-	-	-	-425
Currency translation differences	-	-	-	1	-	1
Impairment at 31.12	-1 095	-	-11	-22	-	-1 127
Book value at 31.12	10 238	287	856	381	11	11 773
Asset lifetime (years)	20	2,5-5	10-12	5-15	-	
Depreciation schedule	*)	Linear	Linear	Linear	Not applicable	

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

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Amounts in NOK million

Additions

During the second quarter of 2017, the Group acquired the associated Company Canadian Subsea Shipping Company AS (merged with DOF Installer ASA on 31 May 2017) and took delivery of a newbuild vessel, Skandi Vinland. Skandi Vinland commenced a 12-year bareboat charter contract with DOF Subsea Canada in July. The vessel will be utilised on a 10-year IMR contract with Husky Energy off the East Coast of Canada.

Newbuilds

Newbuild balance for 2017 relates to other subsea equipment under construction. For presentation purposes the newbuild balance has been allocated to the related asset group in 2018, this also includes the opening balance of newbuilding that was allocated to ROVs and operating equipments.

Impairment

2018

Vessel	Impairment	Basis for recoverable amount	Segment	Measurement level
Geograph	-69	Fair value less cost of disposal	Subsea / IMR Projects	3
Geoholm	-15	Value in use	Subsea / IMR Projects	3
Geosea	-48	Fair value less cost of disposal	Subsea / IMR Projects	3
Geosund	-27	Fair value less cost of disposal	Subsea / IMR Projects	3
Skandi Acergy	-10	Value in use	Long-term Chartering	3
Skandi Carla	-29	Fair value less cost of disposal	Subsea / IMR Projects	3
Skandi Hercules	-20	Fair value less cost of disposal	Subsea / IMR Projects	3
Skandi Neptune	-24	Fair value less cost of disposal	Subsea / IMR Projects	3
Skandi Skansen	-5	Fair value less cost of disposal	Subsea / IMR Projects	3
Skandi Seven	-48	Fair value less cost of disposal	Subsea / IMR Projects	3
Skandi Singapore	-36	Fair value less cost of disposal	Subsea / IMR Projects	3
Total impairment to Vessels	-330			
Total book value of impaired vessels	5 300			

2017

Vessel	Impairment	Basis for recoverable amount	Segment	Measurement level
Geograph	-32	Fair value less cost of disposal	Subsea/IMR Projects	3
Geoholm	-82	Fair value less cost of disposal	Subsea/IMR Projects	3
Geosea	-45	Fair value less cost of disposal	Subsea/IMR Projects	3
Geosund	-39	Fair value less cost of disposal	Subsea/IMR Projects	3
Skandi Achiever	-63	Fair value less cost of disposal	Subsea/IMR Projects	3
Skandi Carla	-12	Fair value less cost of disposal	Subsea/IMR Projects	3
Skandi Hercules	-1	Fair value less cost of disposal	Subsea/IMR Projects	3
Skandi Neptune	-46	Fair value less cost of disposal	Subsea/IMR Projects	3
Skandi Patagonia	-13	Value in use	Long-term Chartering	3
Skandi Seven	-11	Fair value less cost of disposal	Subsea/IMR Projects	3
Skandi Singapore	-82	Fair value less cost of disposal	Subsea/IMR Projects	3
Total impairment to Vessels	-425			
Total book value of impaired vessels	4 207			

Depreciation and impairment	Note	2018	2017
Depreciation tangible asset		-552	-564
Impairment tangible asset		-334	-425
Impairment Goodwill	10	-27	-11
Depreciation and impairment		-913	-999

The drop in oil price starting in 2014 has resulted in reduced activity and demand for vessels in the offshore energy industry. The weak market has led to impairments for several of the Group's vessels.

In addition to the vessels above the Group has impaired equipment with NOK 4 million.

For further information about tangible assets see note 3 'Accounting estimates and assessments' and for further information about measurement level see note 20 'Fair value estimation'.

Sensitivity analysis of impairment

A further 10% drop in broker estimates as per 31 December 2018 will bring broker values below book values by additional NOK -327 million, affecting 8 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 before an impairment loss is recognised.

Broker estimates calculated in USD have dropped significantly in the period 2014-2017 and levelled out in 2018. However, the change in the USD/NOK exchange rate has partly offset the drop in broker estimates when converting the values to NOK. While testing the reasonableness of the broker estimates the Group has applied a nominal WACC after tax of 8.5%.

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

Finance leases of tangible assets

The Group's assets held under finance leases include several ROVs. For further information on these, please refer to note 12 'Leases' and note 32 'Accounting policies', paragraph I and J.

12 Leases

Operating leases of tangible assets - the Group as lessee

Overview of future minimum lease payments	Within 1 year	2-5 years	After 5 years	Total
Minimum operating lease payments falling due in the periods	169	289	124	583

Within the Subsea/IMR Projects segment, the Group leases third-party vessels on short-term basis depending on operational requirements in order to service the Group's clients. Yearly lease fee for 2019 related to vessels are approximately NOK 120 million.

The lease and the sub-lease on the head office is described in note 23 'Related parties'. Yearly lease fee for the Group's office buildings and warehouses are approximately NOK 45 million. For further information on leases, please refer to note 32 'Accounting policies', paragraph J and Z.

Operating lease income - the Group as lessor

DOF Subsea Group acts as a lessor in connection to operating leases. The leases relate to the time charter and bareboat contracts on vessels and equipment in the Long-term Chartering segment. For time charter contracts both the lease component and service component are included in the overview of future minimum lease revenue. Vessels on operating lease are recognised as tangible assets, see note 11 'Tangible assets'. Lease payments received are recognised in the statement of comprehensive income. Future minimum operating lease income arising from contracts on vessels at period end is shown in overview below. All contracts in foreign currency are converted to NOK using the exchange rate at 31 December 2018.

Overview of future minimum lease revenue	Within 1 year	2-5 years	After 5 years	Total
Minimum operating lease income amounts falling due in the periods	696	1 269	330	2 295
Minimum operating lease income amounts falling due in the periods including joint ventures	1 983	6 570	2 752	11 306

Total future minimum operating lease income from contracts is NOK 2 295 million (NOK 2 633 million).

Total future minimum operating lease income including joint ventures from contracts is NOK 11 306 million (NOK 12 409 million).

Please refer to note 32 'Accounting policies', paragraph J and Z, for further information on operating leases.

DOF Subsea Group

Amounts in NOK million

Finance leases of tangible assets - the Group as lessee

The Group's assets held under finance leases include several ROVs. In addition to the lease payments, the Group is also committed to maintaining and insuring the assets. The assets held under finance leases are as follows:

Finance leases	2018	2017
Cost at 01.01	697	597
Additions	6	151
Disposals	-	-51
Cost at 31.12	703	697
Depreciation at 01.01	-145	-124
Depreciation for the year	-59	-50
Depreciation eliminated on disposals	-	28
Depreciation at 31.12	-204	-145
Impairment at 01.01	-3	-3
Impairment for the year	-	-
Impairment at 31.12	-3	-3
Book value at 31.12	496	549

ROVs under finance leases are recognised as part of tangible assets, please refer to note 11 'Tangible assets'.

Overview of future minimum lease payments	Within 1 year	2-5 years	After 5 years	Total
Minimum lease amounts falling due in the periods	87	146	16	250

For information on repayment of financial lease debt please refer to note 17 'Interest-bearing debt'.

13 Non-current receivables

Non-current receivables	Note	2018	2017
Non-current receivables from DOF ASA companies	23	97	104
Non-current receivables from joint ventures and associated companies	23	1 039	942
Derivative financial instruments	21	29	21
Other non-current receivables		38	57
Total non-current receivables at 31.12		1 204	1 125

DOF Subsea Group

Amounts in NOK million

14 Trade receivables

Trade receivables	2018	2017
Trade receivables at nominal value	417	599
Contract assets	220	263
Allowance for expected credit losses	-6	-7
Total trade receivables	631	855

Currency specification at 31.12.2018	AUD	USD	BRL	CAD	Other	Total
Trade receivables	218	167	88	73	85	631

Aging profile at 31.12.2018	Total	Not matured	< 30 d	30-60 d	60-90 d	>90d
Trade receivables at nominal value	417	305	84	4	1	24

Currency specification at 31.12.2017	USD	AUD	GBP	NOK	Other	Total
Trade receivables	414	223	37	33	147	855

Aging profile at 31.12.2017	Total	Not matured	< 30 d	30-60 d	60-90 d	>90d
Trade receivables at nominal value	599	368	93	72	32	33

The majority of the Group's trade receivables are to major international energy companies and subsea entrepreneurs. Within the Subsea/IMR Projects segment, payment milestones in the contracts and variation orders impact the cash collection for the Group and potentially lead to short-term fluctuations in trade receivables. Historically the Group has had a low level of bad debts. An impairment analysis is performed at each reporting period to measure expected credit losses. For further information about credit risk see note 2 'Financial risk management'. For further information on trade receivables, please see note 32 'Accounting policies', paragraph H.

15 Other current receivables

Other current receivables	Note	2018	2017
Receivables from DOF ASA companies	23	96	95
Receivables from joint ventures	23	33	5
Government taxes receivable (VAT)		15	50
Prepaid expenses		62	45
Insurance claims		21	8
Accrued interest income		3	4
Derivatives financial instruments	21	2	14
Fuel reserves and other inventory		51	30
Other current receivables		6	2
Total other current receivables at 31.12		289	252

DOF Subsea Group

Amounts in NOK million

16 Cash and cash equivalents

Cash and cash equivalents	2018	2017
Restricted cash	223	311
Unrestricted cash and cash equivalents	919	786
Total cash and cash equivalents at 31.12	1 142	1 097

A non-current loan has been provided by Eksportfinans and is invested as a restricted deposit. The repayment of the loan from Eksportfinans is equivalent to the reduction in the restricted cash, i.e. recognised in the financial statements on a gross basis. The loan is fully repaid in 2020. The cash deposit is included in restricted cash with a total value of NOK 136 million (NOK 221 million in 2017). The remaining restricted cash is deposit pledged as security for an outstanding bank guarantee.

The Group have an administrative cash pooling arrangement whereby cash surpluses and overdrafts residing in the Group Companies bank accounts are pooled together to create a net surplus. Liquidity is made available through the cash pooling for the Companies in the Group to meet their obligations. The bank accounts in the cash pool consists of accounts in various currencies that on a currency basis can be in surplus or overdraft. The total cash pool can never be in net overdraft. The cash pool is presented as unrestricted cash and cash equivalents. For further information about market-, credit- and liquidity risk see note 2 'Financial risk management'.

	2018		2017	
	Amount in currency	Book value	Amount in currency	Book value
Group cash pool				
NOK	901	901	666	666
USD	-70	-606	-42	-344
GBP	-4	-46	-8	-84
EUR	6	58	-4	-39
CAD	9	55	5	31
Other	1	7	1	5
Net Group cash pool		369		235

The Group has a credit facility (RCF) of NOK 250 million at year-end NOK 100 million of the facility was utilised. For further information on cash and cash equivalents, please refer to note 32 'Accounting policies', paragraph G.

17 Interest-bearing debt

Debt

The DOF Subsea Group had as per period end three bond loans, which mature in 2020, 2022 and 2023. The trustee on behalf of the bond holders is Nordic Trustee ASA. Interest rates are both floating and fixed. No particular security has been provided for the loans, and the Group is free to acquire its own bonds.

Non-current interest-bearing debt	2018	2017
Bond loans	2 480	1 914
Debt to credit institutions	5 278	6 518
Total non-current interest-bearing debt	7 759	8 433
Current interest-bearing debt		
Bond loans	100	-
Debt to credit institutions	1 969	1 085
Total current interest-bearing debt	2 069	1 085
Total non-current and current interest-bearing debt	9 827	9 518
Net interest-bearing debt		
Cash and cash equivalent	1 142	1 097
Other interest-bearing assets - non-current	79	71
Total net interest-bearing debt	8 606	8 350

Current portion of debt in the statement of financial position includes accrued interest expenses. Accrued interest expenses are excluded in the current interest-bearing debt above.

The Group has applied IFRS 9 Financial instruments from 1 January 2018. IFRS 9 Financial instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The implementation had a negative effect on the equity of NOK 25 million as of 1 January 2018, due to the modification of the remaining part of the DOFSUB07 bond loan in December 2017. The increased liability related to the DOFSUB07 bond loan will be amortised as reduced interest cost over the remaining time to maturity.

Cash and non-cash changes in total borrowings

Changes in total borrowings over a period consists of both cash effects (disbursements and repayments) and non-cash effects (amortisations and currency translation effects). The following is the changes in the Group's borrowings:

2018

Reconciliation of changes in debt		Cash changes	Non-cash changes				
	Balance 31.12.17	Cash flows	IFRS 9 effect	Amortised loan expense	Reclassification	Currency adjustment	Balance 31.12.18
Non-current interest bearing debt							
Bond loans	1 914	566	25	-7	-100	81	2 480
Debt to credit institutions	6 518	-640	-	17	-762	146	5 278
Total non-current interest bearing debt	8 433	-74	25	10	-862	229	7 759
Current interest bearing debt							
Bond loans	-	-	-	-	100	-	100
Debt to credit institutions	1 085	108	-	-	762	14	1 969
Total current interest bearing debt	1 085	108	-	-	862	14	2 069
Total interest bearing debt	9 518	34	25	10	-	243	9 827

DOF Subsea Group

Amounts in NOK million

2017

Reconciliation of changes in debt		Cash changes	Non-cash changes				
	Balance 31.12.16	Cash flows	Acquisition	Proceeds lease debt	Amortised loan expense	Currency adjustment	Balance 31.12.17
Non-current interest bearing debt							
Bond loans	1 297	697	-	-	-10	-70	1 914
Debt to credit institutions	7 208	-701	55	134	6	-184	6 518
Total non-current interest bearing debt	8 505	-4	55	134	4	-254	8 433
Current interest bearing debt							
Bond loans	-	-	-	-	-	-	-
Debt to credit institutions	1 033	61	-	-	-	-8	1 085
Total current interest bearing debt	1 033	61	-	-	-	-8	1 085
Total interest bearing debt	9 538	57	55	134	4	-262	9 518

The table below summarises the repayment profile of the Group's financial liabilities, excluding interests:

Debt repayment profile	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019	2020	2021	2022	2023	Thereafter	Total
Bond loans	-	-	-	-100	-100	-367	-	-1 278	-840	-	-2 585
Debt to credit institutions	-367	-777	-263	-553	-1 960	-1 489	-938	-695	-1 203	-984	-7 269
Total repayment	-367	-777	-263	-653	-2 060	-1 856	-938	-1 973	-2 043	-984	-9 855

Amortised costs are not included in the repayment profile above.

Repayment profile for debt to credit institutions includes repayment of financial lease debt. Total liability on financial lease debt amounts to NOK 250 million as of 31 December 2018. Financial leases are repaid on a monthly basis with maturity from 3 to 10 years. The current portion of financial lease debt as of 31 December 2018 is NOK 87 million. For further information on financial leases, please refer to note 12 'Leases'.

The table below summarises the interest payment profile of the Group's financial liabilities:

Interest payment profile	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019	2020	2021	2022	2023	Thereafter	Total
Total interest payment	-141	-110	-149	-96	-495	-425	-352	-258	-173	-74	-1 778

Interest payment is based on current repayment profile on existing debt and the yield curve for the underlying market interest rates from Reuters as end of December 2018.

Liabilities secured by mortgage	2018	2017
Liabilities to credit institutions, incl. leases	6 951	7 258
Book value of assets pledged as security*	10 608	10 999
Average rate of interest	5.05%	4.96%

*) for some of the vessels receivables are pledged as security

DOF Subsea Group

Amounts in NOK million

Currency distribution non-current liabilities	CAD	NOK	USD	Total
Bond loans	-	1 207	1 278	2 486
Debt to credit institutions	343	2 300	2 666	5 309
Total	343	3 508	3 944	7 794

Currency distribution current liabilities	CAD	NOK	USD	Total
Bond loans	-	100	-	100
Debt to credit institutions	36	969	955	1 960
Total	36	1 069	955	2 060

Debt to credit institution in USD and CAD are revaluated to NOK using exchange rate as per 31 December 2018.

A mortgage loan of NOK 136 million (NOK 221 million in 2017) is secured by a cash deposit, see note 16 'Cash and cash equivalents'. Interest rate and derivative instruments on the cash deposit cover the debt repayment on the loan.

The fair values of the Group's bond loans at period end were as follows:

Loan		31.12.2018		31.12.2017	
		Fair value rate	Book value	Fair value rate	Book value
DOF Subsea AS 13/20	DOFSUB07	100.50	467	100.00	508
DOF Subsea AS 17/22	DOFSUB08	99.25	1 278	89.25	1 419
DOF Subsea AS 18/23	DOFSUB09	100.00	840	-	-

In November 2018, the Group issued the new bond loan (DOFSUB09) of NOK 900 million with maturity date in November 2023. The Group acquired NOK 60 million of the bond loan. Net proceeds from the new bond issue will be used to refinance existing bonds and for general corporate purposes. In connection with the placement of the new bond issue, the Group has repurchased bonds with nominal value of NOK 40,1 million in the existing bond issue DOFSUB07 and USD 26 million in the existing bond issue DOFSUB08.

Financial covenants

The Group's loan agreements include the following covenants:

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

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

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

The Group is in compliance with all covenants at period end.

For further information on interest-bearing debt, please refer to note 32 'Accounting policies', paragraph L.

DOF Subsea Group

Amounts in NOK million

18 Trade payables

Currency specification at 31.12.2018	USD	AUD	GBP	BRL	Other	Total
Trade payables	115	73	64	44	110	406
Currency specification at 31.12.2017	NOK	USD	GBP	BRL	Other	Total
Trade payables	183	103	36	31	39	392

19 Other current liabilities

Other current liabilities	Note	2018	2017
Current liabilities to DOF ASA companies	23	142	116
Tax payables	9	23	28
Public duties payables		24	30
Prepayment from customers		2	5
Financial current derivatives	21	105	76
Other current liabilities		69	69
Total other current liabilities at 31.12		366	325

20 Fair value estimation

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

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

The fair value of forward exchange contracts is determined using the forward exchange rate at the end of the reporting period. The forward exchange rate is based on the relevant currency's interest rate curves. The fair value of interest swaps is determined by the present value of future cash flows, which is also dependent on the interest curves.

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

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

21 Financial instruments and hedging activities

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

Non-current and current portion	Measurement level	Assets	2018		2017	
			Liabilities	Assets	Liabilities	
Interest rate swaps	2	27	13	18	35	
Foreign exchange contracts	2	4	109	17	65	
Total non-current and current portion		31	121	35	100	
Non-current portion						
Interest rate swaps	2	27	11	18	20	
Foreign exchange contracts	2	2	5	3	4	
Total non-current portion		29	17	21	24	
Total current portion		2	105	14	76	

For further information on derivative financial instruments, please see note 32 'Accounting policies', paragraph U.

As of 31.12 the Group held the following interest rate derivatives, not qualified for hedge accounting:

Instruments	Fixed rate	Floating rate	Notional amount	Effective from	Maturity date
31.12.2018					
Interest rate swaps - USD	1.43%	USD LIBOR 3m	50	2016	2021
Interest rate swaps - NOK	0.85% - 2.98%	NIBOR 3m - 6m	3 500	2014 - 2018	2019 - 2023
31.12.2017					
Interest rate swaps - USD	1.43%	USD LIBOR 3m	50	2016	2021
Interest rate swaps - NOK	0.85% - 4.41%	NIBOR 3m - 6m	4 000	2011 - 2018	2018 - 2023

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

Instrument	Committed	Amount
31.12.2018		
Foreign exchange contracts	NOK	2 375
31.12.2017		
Foreign exchange contracts	NOK	2 225

22 Financial instruments - by category

The tables below gives an overview of the carrying 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.

31.12.2018	Note	Financial instruments at fair value through profit and loss	Financial instruments measured at amortised cost	Total	Of which included in interest bearing debt
Assets					
Non-current derivatives	21	29	-	29	-
Other non-current receivables	13	-	1 175	1 175	79
Trade receivables and other current assets	14, 15	-	918	918	-
Current derivatives	21	2	-	2	-
Restricted deposits	16	-	223	223	223
Unrestricted cash	16	-	919	919	919
Total financial assets		31	3 235	3 266	1 221
Liabilities					
Derivatives non-current	21	17	-	17	-
Interest-bearing non-current liabilities	17	-	7 759	7 759	7 759
Current portion of debt	17	-	2 177	2 177	2 069
Other non-current liabilities		-	17	17	-
Current derivatives	21	105	-	105	-
Trade payables and other current liabilities	18, 19	-	667	667	-
Total financial liabilities		121	10 620	10 742	9 828

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

31.12.2017	Note	Financial instruments at fair value through profit and loss	Financial instruments measured at amortised cost	Loans and receivables	Total	Of which included in interest bearing debt
Assets						
Non-current derivatives	21	21	-	-	21	-
Other non-current receivables	13	-	-	1 104	1 104	71
Trade receivables and other current assets	14, 15	-	-	1 093	1 093	-
Current derivatives	21	14	-	-	14	-
Restricted deposits	16	-	-	311	311	311
Unrestricted cash	16	-	-	786	786	786
Total financial assets		35	-	3 294	3 329	1 168
Liabilities						
Derivatives non-current	21	24	-	-	24	-
Interest-bearing non-current liabilities	17	-	8 433	-	8 433	8 433
Current portion of debt	17	-	1 191	-	1 191	1 085
Other non-current liabilities		-	12	-	12	-
Current derivatives	21	76	-	-	76	-
Trade payables and other current liabilities	18, 19	-	642	-	642	-
Total financial liabilities		100	10 278	-	10 378	9 519

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

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

For further information on financial instruments, please refer to note 32 'Accounting policies', paragraph T.

23 Related parties

Description of related parties and the DOF Subsea Group's relationship to these:

DOF ASA is the majority shareholder in DOF Subsea AS with a 64.9% ownership stake, while First Reserve Corporation holds a 35.1% ownership stake.

DOF ASA controls companies which hire vessels, and deliver goods and services to companies in the Group. Furthermore, the Group has contracts covering leasing of assets and delivering of services to DOF ASA companies. All related parties transactions and contracts are subject to standard terms and Group policies, and are entered into based on arm's length principle.

Operating revenue from DOF ASA companies	2018	2017
Vessel hire	175	174
Hire of ROV equipment and services	31	36
Other revenue	33	26
Total	239	236

Operating expenses to DOF ASA companies	2018	2017
Vessel hire	16	24
Crew and other personnel hire	446	408
Vessel technical costs	26	72
Management fee vessels	68	59
Other management services and IT costs	48	79
Total	603	643

Vessel hire

The Group hires vessels from and to DOF ASA companies based on the demand in the market and available tonnage.

Skandi Chieftain was hired from DOF ASA companies during the year.

Hire of ROV equipment and services

Some of the Group's ROVs are hired by DOF ASA companies. The ROVs are operated by DOF Subsea personnel.

Crew and other personnel hire

The Group hires marine crew from DOF ASA companies and external parties.

Vessel technical costs

Vessel technical costs are purchases done by DOF ASA companies on behalf of DOF Subsea Group.

Management fee vessels

The Group purchases management services from DOF Management AS and Norskan Offshore Ltda. for its entire fleet of owned vessels. The management fee during the year varied from NOK 1.1 million to NOK 4.3 million (NOK 2.8 million to NOK 4.3 million in 2017) per vessel.

Other management services and IT costs

Marin IT delivers IT services to the Group. Other management services (income and expenses) will include transactions such as hire of onshore staff, rental of office space and other reimbursable expenses invoiced from or to DOF ASA companies.

Guarantee agreement between DOF ASA and the Group

The Group has in June 2010 entered into a guarantee agreement with DOF ASA. DOF ASA has provided a parent company guarantee for obligations of DOF Subsea Brasil Serviços Ltda. and DOFCON Navegação Ltda. The outstanding loans guaranteed by DOF ASA amounts to USD 144 million at period end (USD 160 million as of 31 December 2017).

DOF Subsea Group

Amounts in NOK million

Financial income and expenses from/to DOF ASA companies	2018	2017
Interest income	-	2
Financial income	3	1
Guarantee fees	-12	-17
Finance expense	-3	-
Period end balances arising from sales / purchases of goods / services related to DOF ASA companies	2018	2017
Current receivables	96	95
Current liabilities	142	116
Loans to DOF ASA companies	2018	2017
Non-current receivables	97	104
Other current liabilities	3	-

For further information related to DOF ASA, see financial statements for DOF ASA.

Financial income and expenses from/to joint ventures	2018	2017
Interest income	41	32
Guarantee income	29	-
Loans to joint ventures	2018	2017
Other non-current receivables from joint ventures	1 039	942
Other current receivables from joint ventures	33	-

Loans are given from DOF Subsea AS to joint ventures to finance the newbuild program. For joint venture companies, DOF Subsea AS has also guaranteed 40% of the purchase price of the last newbuild to the yard by year-end. DOF Subsea AS has also provided parent company guarantees for 50% of the loan obligations for the vessels owned in the joint venture. For further information on joint ventures see note 26 'Investment in associates and joint venture'.

Period end balances arising from sales / purchases of goods / services related to joint ventures	2018	2017
Current receivables	1	5

24 Remuneration to Board of Directors, Executives and Auditor

The Board of Directors received no fees, nor compensation in fees for the year.

	2018		2017	
Remuneration to Executives	CEO	EVP	CEO	EVP
Salaries	0.2	6.0	0.3	3.2
Management fee	5.7	-	3.1	-
Payment from DOF Subsea	6.0	6.0	3.4	3.2

CEO=Mons Aase, EVP=Jan Nore

Salaries include pension, bonuses and other compensations from the Group. Senior executives are included in the general Group's pension plan, see note 6 'Payroll expenses'. For additional information on employee benefits, please refer to note 32 'Accounting policies', paragraph S.

Jan Nore held the position as EVP and CFO for the Group during the year. The EVP is entitled to a bonus based on the result of the company and personal performance.

The Group is part of the DOF ASA Group, see note 30 'Share capital and share information'. The contract with the CEO includes a 6 month termination period and 12 months termination compensation. The CEO's retirement compensation is based on 70% salary and the retirement age is set at 67 years. Cost related to CEO Mons Aase is included in the management fee between DOF ASA and DOF Subsea AS for 2018. Please refer to the DOF ASA annual report for further information of salary to CEO Mons Aase.

A loan of NOK 2.5 million was given to both the CEO and EVP in 2016. The annual interest on the loans are 2% and the loans are to be repaid in 2019. There is sufficient security related to the loans. No other loans have been given to or any security provided for the members of the Board of Directors, members of the Group management or other employees or close relatives of the same Group.

Specification of Auditor's fee (excl. VAT)	2018	2017
Fee for audit of financial statements	4.9	6.0
Fee for other attestation services	0.1	0.2
Fee for other tax consultancy	0.1	0.2
Fee for other services	-	0.1
Total	5.1	6.5

The Board has drawn up the following statement

The Board of Directors prepares annually a separate statement regarding the remuneration of executives in accordance with the Norwegian Public Limited Companies Act, Allmennaksjeloven § 6-16a. The following guideline is presented at the annual General Meeting.

Responsibilities and duties of the Compensation Committee

The Board of Directors has established a Compensation Committee. See statement on guidelines for defining salaries and other payments for the CEO and other senior executives of the Group below:

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities for establishing and reviewing the overall compensation philosophy of the Group. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board of Directors from time to time related to the purposes of the Committee.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate and shall have the sole authority to retain outside counsel or other experts for this purpose, including the authority to approve the fees payable to such counsel or experts and any other terms of retention.

The main principles guiding the Group's executive remuneration policy is that senior executives shall be offered terms which are competitive in terms of salary, benefits in kind, bonus and pension plan taken as a whole. The Company offers a salary level which reflects a comparable level in equivalent companies and businesses, taking into account the Company's need for well qualified staff in all parts of the business.

When it comes to setting salaries and other payments for senior executives, this must be in line with the principles outlined above at all times. Payments to senior executives over and above the basic salary shall be restricted to bonuses. Any bonus to the CEO and other senior executives is set by the Compensation Committee. Bonuses to other executives are set by the CEO in conjunction with the Chairman of the Board. DOF Subsea AS does not have any schemes for granting options to purchase shares in the Company or in other companies within the Group. Senior executives are members of the Group's pension plan, which provides pension benefits not exceeding 12 G (G = national insurance basic amount) per year. Senior executives may have agreements concerning Company cars and phones, but do not receive any other benefits in kind. In the event of termination by the Company, there is no provision for senior executives to receive pay after termination of employment in excess of payment of salary for the period of notice defined in the senior executive's terms of employment.

DOF Subsea Group

Amounts in NOK million

25 Companies within the Group

Subsidiary	Owner	Registered office	Proportion of ownership and votes
DOF Installer ASA	DOF Subsea AS	Austevoll, Norway	84.9%
DOF Subsea Angola Lda	DOF Subsea AS	Luanda, Angola	100%
DOF Subsea Asia Pacific Pte Ltd	DOF Subsea AS	Singapore	100%
DOF Subsea Asia Pacific Pte Ltd Philippine Branch	DOF Subsea Asia Pacific Pte Ltd	Muntinlupa City, Philippines	100%
DOF Subsea Brasil Serviços Ltda	DOF Subsea AS	Macaé, Brazil	100%
DOF Subsea Chartering AS	DOF Subsea AS	Bergen, Norway	100%
DOF Subsea Congo S.A.	DOF Subsea AS	Pointe-Noire, Republic du Congo	55%
DOF Subsea Norway AS	DOF Subsea AS	Bergen, Norway	100%
DOF Subsea Atlantic AS	DOF Subsea AS	Bergen, Norway	100%
DOF Subsea Rederi AS	DOF Subsea AS	Bergen, Norway	100%
DOF Subsea Rederi III AS	DOF Subsea AS	Bergen, Norway	100%
DOF Subsea S&P UK Ltd	DOF Subsea AS	Aberdeen, UK	100%
DOF Subsea UK Ltd	DOF Subsea AS	Aberdeen, UK	100%
DOF Subsea Ghana Ltd	DOF Subsea UK Ltd	Accra, Ghana	49%
DOF Subsea US Inc	DOF Subsea AS	Houston, USA	100%
Semar AS	DOF Subsea AS	Oslo, Norway	50%
PT DOF Subsea Indonesia	DOF Subsea Asia Pacific Pte Ltd	Jakarta, Indonesia	95%
DOF Subsea Labuan Bhd	DOF Subsea Asia Pacific Pte Ltd	Labuan, Malaysia	100%
DOF Subsea Australia PTY	DOF Subsea Asia Pacific Pte Ltd	Perth, Australia	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	100%
DOF Subsea ROV AS	DOF Subsea AS	Bergen, Norway	100%
CSL UK Ltd	DOF Subsea Atlantic AS	Aberdeen, UK	100%
Mashhor DOF Subsea Sdn	DOF Subsea Australia Pty Ltd	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, USA	100%

The profit or loss allocated to the non-controlling interest of subsidiaries is not material for the Group for the year. For further information, please refer to note 32 'Accounting policies', paragraph C for information on subsidiaries and to note 32 'Accounting policies', paragraph P for information on transactions with non-controlling interests.

26 Investments in associates and joint ventures

The Group has the following investments in associated and joint ventures accounted for using the equity method:

Name of entity	Place of business / country of incorporation	Industry	% of ownership interest	Nature of relationship	Measurement method
DOFCON Brasil Group	Norway	Subsea Chartering	50%	Joint Venture	Equity
DOF Management Group	Norway	Vessel management and operation	34%	Associate	Equity
Marin IT AS	Norway	IT	35%	Associate	Equity
Master and Commander AS	Norway	Seismic Chartering	20%	Associate	Equity

Reconciliation of the aggregate carrying amounts in investments

2018	DOFCON Brasil Group	Associated companies	Total
Book value of investments 01.01	923	104	1 027
Profit / loss for the period	389	14	403
Other comprehensive income	123	-	123
Book value of investments 31.12	1 435	118	1 553

DOF Subsea Group

Amounts in NOK million

2017	DOFCON Brasil Group	Associated companies	Total
Book value of investments 01.01	630	87	717
Reclassification to subsidiaries	-	-1	-1
Capital increase	-	8	8
Profit / loss for the period	294	9	303
Other comprehensive income	-1	-	-1
Book value of investments 31.12	923	104	1 027

Please refer to note 32 'Accounting policies', paragraph C, for discussion on joint arrangements and associates.

In April 2017 DOF Subsea purchased the remaining shares in the associated Company Canadian Subsea Shipping Company AS. The shares were sold to DOF Installer ASA in May 2017, and in October 2017 a merger with DOF Installer ASA was completed. Effective date of the merger was set to 31 May 2017.

Information about the joint ventures and associates

DOF Subsea Group has no excess values recognised related to investment in joint ventures or associates at period end.

The Group has a 50% interest in the joint venture DOFCON Brasil Group together with TechnipFMC. DOFCON Brasil Group consists of DOFCON Brasil AS, TechDOF Brasil AS and DOFCON Navegação Ltda.

DOFCON Brasil AS is a holding company located in Bergen. It is jointly owned by DOF Subsea AS and Technip Coflexip Norge AS.

DOFCON Brasil AS owns and controls TechDOF Brasil AS and DOFCON Navegação Ltda.

DOFCON Brasil Group owns five vessels and has one vessel under construction by year-end.

DOFCON Navegação Ltda owns and operates Skandi Niterói, Skandi Vitória and Skandi Recife. The vessel under construction in Brasil by year-end is a PLSV, and was delivered in January 2019 and commenced her 8-year contract in February 2019.

TechDOF Brasil AS owns and operates two vessels, Skandi Açú and Skandi Buzios.

DOFCON Navegação Ltda applied from 2013 hedge accounting related to foreign exchange risk on the portion of the company's highly probable revenue in USD hedging the company's debt in USD.

As of January 2017 DOFCON, Navegação Ltda, changed its functional currency from BRL to USD. The change in the functional currency eliminated the foreign exchange risk that, consequently, resulted in the prospective discontinuation of the cash flow hedge accounting.

The accumulated hedge reserves held in other comprehensive income was converted by use of exchange rate as of 1 January 2017. The Group's share of the other comprehensive income related to hedging as of 1 January 2017 was NOK -333 million. The recycling of the accumulated hedge reserve to the consolidated statements of comprehensive income in 2018 is NOK 40 mill (NOK 31 mill). The cost is included in the Share of net income from associates and joint ventures. The negative effect of the recycling has no cash effect, nor effect on the Group's equity.

DOF Subsea AS guaranteed for 40% of the purchase price for the newbuild and 50% of the obligations related to loans on the vessels in the joint venture, see also note 23 'Related parties' and 28 'Guarantees'.

DOF Management AS and Norskan Offshore Ltda performs vessel management, vessel operation and other related services to vessel owners in the offshore energy industry. DOF Management AS and Norskan Offshore Ltda delivers vessel management to the DOF Subsea Group's fleet. DOF Subsea own 34% of DOF Management AS, the remaining 66% is owned by DOF ASA.

Marin IT AS delivers IT services. DOF Subsea Group is a customer of Marin IT AS. The remaining shares in Marin IT AS are owned by DOF ASA and Austevoll Seafood ASA.

Master and Commander AS owns two vessels Oceanic Phoenix and Geowave Commander.

DOF Subsea Group

Amounts in NOK million

Summarised consolidated financial information for the joint venture DOFCON Brasil Group (100% basis)

The table below provides summarised the consolidated financial information for the joint venture DOFCON Brasil Group. The information disclosed reflects the amounts presented in the financial statements of DOFCON Brasil Group. The table also reconciles the summarised financial information to the DOF Subsea Group's share and carrying amount of the investment.

Statement of comprehensive income	2018	2017
Operating revenue	1 731	1 401
Operating expenses	-318	-269
Operating profit before depreciation (EBITDA)	1 412	1 133
Depreciation and impairment	-294	-209
Operating profit (EBIT)	1 118	924
Net financial income / loss	-426	-319
Profit / loss before tax	692	605
Income tax expenses	86	-18
Profit / loss for the year	778	587
Other comprehensive income / loss, net of tax	246	-1
Total comprehensive income / loss for the year, net of tax	1 024	586
DOF Subsea Group's share of profit for the year	512	293
Statement of financial position	2018	2017
Assets		
Deferred tax asset	263	128
Tangible assets	11 493	9 248
Non-current assets	11 755	9 376
Total receivables	395	467
Cash and cash equivalents	577	344
Current assets	971	811
Total assets	12 727	10 187
Equity and liabilities		
Total equity	2 869	1 845
Non-current liabilities	8 754	7 274
Current liabilities	1 103	1 068
Total liabilities	9 858	8 342
Total equity and liabilities	12 727	10 187
DOF Subsea Group's carrying amount of the investment	1 435	923

Financial statements of the joint ventures are not audited at the DOF Subsea Group reporting date. Figures above are consolidated with the use of the equity method in the DOF Subsea Group financial statements.

DOF Subsea Group

Amounts in NOK million

Summarised financial information for associates

The table below provides summarised financial information for the associate companies. The information disclosed reflects the Group's share in the IFRS financial statements of the associate companies. The financial statements of the associate companies are not audited at the Group reporting date.

2018

Associated companies	Assets at 31.12	Liabilities at 31.12	Equity at 31.12	Profit / loss for the year
DOF Management Group	134	83	50	-1
Marin IT	30	21	8	-1
Master & Commander	62	5	57	7
Group's carrying amount of the investment			118	

2017

Associated companies	Assets at 31.12	Liabilities at 31.12	Equity at 31.12	Profit / loss for the year
DOF Management Group	135	83	53	-1
Marin IT	25	16	9	-
Canadian Subsea Shipping Company AS	-	-	-	-1
Master & Commander	93	50	43	11
Group's carrying amount of the investment			104	9

27 Contingencies

The Group is not involved in any legal disputes or on-going legal matters involving potential losses, except for the tax related claims and disputes mentioned in note 3 'Accounting estimates and assessments'. Please refer to note 32 'Accounting policies', paragraph N, for discussion on contingent liabilities.

28 Guarantees

The Group has commitments to clients to ensure performance under contracts. These commitments are mainly parent company guarantees or counter guarantees given to banks for the issuance of bank guarantees and performance bonds. The guarantees are limited to fulfilment of the contract and are released after fulfilment of the contract obligation. In some cases, this is followed by a warranty period. Normally this warranty period will have duration of 12-24 months and will only be for a portion of the initial guarantee amount.

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

See also note 11 'Tangible assets' for guarantees on delivery of newbuilds in the Group and note 26 'Investment in associates and joint venture' for future commitments related to newbuilds as part of the joint venture with TechnipFMC.

29 Earnings per share

Basis for calculating earnings per share	2018	2017
Profit / loss attributable to shareholders of the parent company	-666	-275
Weighted average number of outstanding shares	167 352 762	121 038 345
Weighted average number of outstanding shares, diluted	167 352 762	121 038 345
Basic and diluted earnings per share (NOK)	-3.98	-2.27

30 Share capital and share information

Share capital

The share capital in DOF Subsea AS was NOK 1 674 million comprising 167 352 762 shares, each with a nominal value of NOK 10.00.

Shareholder overview

Shareholders at 31.12.2018	No. of shares	Proportion of ownership	Share capital
DOF ASA	108 683 241	64.9 %	64.9 %
FRC Lux Holding Limited	51 131 358	30.6 %	30.6 %
Dolphin Invest 2 AS	7 538 163	4.5 %	4.5 %
Total	167 352 762	100.0 %	100.0 %

Board of Directors	Title
Helge Møgster	Chairman
Helge Singelstad	Director
Frederik W. Mohn	Director
Hilde Drønen	Director
Neil J. Hartley	Director
Ryan N. Zafereo	Director
Alan G. Schwartz	Director
Executives	Title
Mons S. Aase	CEO
Jan Nore	CFO/EVP

The Company is a part of DOF ASA. Please refer to the DOF ASA annual report for shares held in DOF ASA by the management and the Board of Directors. The annual report is published at www.dof.no.

31 Events occurring after period end

In January, Yinson Energy awarded DOF Subsea AS a contract to provide Transportation & Installation (T&I) Services to position and moor the FPSO Helang on the Layang Field in Malaysia. The project is expected to be completed by Q3 2019 and will utilise CSV Skandi Hercules.

DOF Subsea was awarded contracts in Guyana and Saudi Arabia for survey work, utilising the Skandi Neptune and Geoholm respectively.

In February, DOF Subsea and TechnipFMC announced the delivery of Skandi Olinda and her commencement of an eight year charter contract with Petróleo Brasileiro S.A. (Petrobras). The delivery of Skandi Olinda marks the successful conclusion of the newbuild program of the joint venture with TechnipFMC.

In relation to DOF ASA's three year RSV contract awards with Petrobras, each vessel will be equipped with two state of the art work class ROVs owned and operated by DOF Subsea.

In March, the Group was awarded several contracts in the Subsea/IMR Project segment in all regions, securing utilisation for the regions' vessels and equipment. Among the contracts were a Hydrographic service contract with the Norwegian Mapping Authority and an Offshore Wind Farm contract with Siemens. The two contracts will utilise Geograph and Skandi Constructor, respectively.

In 2014, the Brazilian Federal Revenue issued a Tax Assessment Notice against DOF Subsea Brasil Ltda (the Company). Loans given by the Parent Company to DOF Subsea Brasil Ltda were deemed to be taxable revenue for the Company. The Tax Assessment Notice was disputed, but on February 7, 2019, the court of first instance in Macae ruled against the Company. Estimated amount of the claim is approximately BRL 29.5 million (NOK 66 million) plus interest and charges. On February 13, 2019, the Company filed a clarification appeal before the same court. The Company intends to defend its position and considered it to be more likely than not that the final verdict will conclude that the loans received by the Company will not be reclassified as taxable revenue. No provision related to the dispute is included in DOF Subsea Group's accounts as of 31 December 2018. However, DOF Subsea has provided security for the tax claim and the amount is included in restricted cash.

32 Accounting policies

A. Summary of significant accounting principles

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

B. Going concern

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

C. Group

Consolidation

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 consolidated from the date control is transferred to the Group. Subsidiaries are deconsolidated from the date control ceases.

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

DOF ASA companies

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

Joint arrangements and associates

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

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 by using the equity method of accounting.

Under the equity method of accounting, the investment is 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 in the investee. The Group's investment in the investee includes goodwill identified on acquisition. When the Group's share of losses equals or exceeds its interest in the investee (which includes any long-term interests that, in substance, form part of the Group's net investment in the investee), the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the investee.

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

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

The Group determines at each reporting date whether there is any

objective evidence that the investment in the 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 'share of net income from associates and joint ventures' in the consolidated statement of comprehensive income.

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

D. Segment reporting

Members of the Board of Directors are the Group's chief operating decision-makers. The Group has determined operating segments based on the information given to the Group's operating decision-makers for the purposes of allocating resources and assessing performance. These reports are defined as Management reporting.

Segments are reported to the chief operating decision-makers on a regular basis. Corporate expenses and similar are allocated to the segments proportionately based on estimated split of services delivered to each segment.

The segment reporting is presented according to Management reporting, based on the proportionate consolidation method of accounting for joint ventures. The bridge between the Management reporting and the figures reported in the financial statements is presented in the segment note. Please refer to note 26 'Investment in associates and joint ventures' for further information on investments.

The Subsea/IMR Projects segment covers operations in four regions; the Asia Pacific region, the Atlantic region, the North America region and the Brazil region. In the Subsea/IMR Projects segment, the vessels and the equipment allocated to the segment are utilised on a global basis.

The Group has gradually built the Subsea/IMR Projects segment to become a global provider of subsea services with a core focus on IMR. In addition to the IMR market, the Subsea/IMR Projects segment has focused on mooring, light construction and survey work utilising the Group's core competences and assets.

The Long-term Chartering segment covers letting of vessels to third-party charterers and is managed through the Group's associated company DOF Management AS and Norskan Offshore Ltda. The Long-term Chartering segment is built on DOF Subsea's long standing as an internationally recognised vessel owner and operator of high-end subsea vessels.

E. Conversion of foreign currency

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, AUD, GBP, CAD and BRL. The consolidated financial statements are presented in NOK.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions are presented as realised currency gain/loss under financial items. Similarly, the conversion at period end exchange rates

of monetary assets and liabilities denominated in foreign currencies are recognised as unrealised currency gain/loss.

Group companies

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

- assets and liabilities presented at consolidation are converted to presentation currency using the foreign exchange rate at the end of the reporting period,
- income and expenses are converted using the average rate of exchange, and
- all exchange differences are recognised in other comprehensive income and specified separately in the consolidated statement of changes in equity.

F. Classification of assets and liabilities

Assets are classified as current assets when:

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

All other assets are classified as non-current assets.

Liabilities are classified as current liabilities when:

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

All other liabilities are classified as non-current liabilities.

G. Cash and cash equivalents

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

H. Trade receivables

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

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

I. Tangible assets

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

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

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

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

For vessels, residual value is determined based on estimated fair value today as if the asset was at the end of its useful life. According to the Group's strategy, it intends not to own vessels older than 20 years. For further information on depreciation policy see note 3 'Accounting estimates and assessments'.

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

Assets under construction

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

Impairment of assets

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised. The recoverable amount is the higher of an asset's net selling price and value in use. Where there are circumstances and evidence that impairment losses recognised previously no longer exists or has decreased, a reversal of the impairment loss is recognized, except for goodwill. For further information on the calculation see note 3 'Accounting estimates and assessments'.

Periodic maintenance

Periodic maintenance is related to major inspection and overhaul costs which occur at regular intervals over the useful life of an asset. The expenditure is capitalised when it is probable that the Group will derive future financial benefits from upgrading the asset. Periodic maintenance of a vessel is depreciated on a straight-line basis until the vessel is due for its next periodic maintenance. When new vessels are

acquired, a portion of the cost price is classified as periodic maintenance based on best estimates. Intervals between periodic maintenance are calculated on the basis of past experience. The estimated life of each periodic maintenance program is 5 years.

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

J. Leases

Leases in which a significant proportion 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 consolidated statement of comprehensive income on a straight-line basis over the period of the lease. The Group lease external vessels classified as operating leases. At the same time, the Group leases out own vessels on both bareboat and time charter contracts.

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

K. Goodwill

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

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

The goodwill in the Group is allocated to and monitored on the level of operational segments, except for the situations where independent cash flows on lower levels can be monitored.

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

L. Debt

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

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

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

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

M. Provisions

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

For onerous contracts, provisions are made when unavoidable cost of meeting the obligations under the contract exceed the economic benefit to be received under the contract. The unavoidable costs under the contract are the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract. Unavoidable cost are costs that would not incur for the entity if it did not have the contract. Provisions are reviewed at the end of each reporting period and adjusted to the best estimate. When timing is significant for the amount of the obligation, it is measured at its present value. Subsequent increases in the amount of the obligation due to interest accretion are reported as interest costs.

N. Contingent assets and liabilities

Contingent assets are not recognised in the financial statements, but are disclosed in the notes to the financial statements if it is probable 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 in the financial statements because it is improbable that the commitment will result in an outflow of resources;
- liabilities which cannot be measured with a sufficient degree of reliability.

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

O. Equity

Ordinary shares are classified as equity.

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

P. 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 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.

DOF Subsea Group

Amounts in NOK million

Q. Revenue recognition

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

Day rate contracts

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

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

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

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

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

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

Lump sum contracts

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

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

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

date, the estimate cost to complete and the estimate cost at completion. This enables a reliable estimate for the likely outcome in terms of profitability of each project.

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

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

Variation orders

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

Mobilisation

In contracts where the Group is remunerated for mob- or demobilisation of vessel the remuneration is classified as prepayment and amortised over the contract time.

Dividend income

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

Interest income

Interest income is recognised using the effective interest method.

R. 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 on the Group's vessels' operations in the period. Tax is calculated in accordance with the legal framework in those countries in which the Group's subsidiaries, associated companies or vessels with permanent establishment operate and generate taxable income.

The Group periodically evaluates tax positions where applicable tax regulation is subject to interpretation. Provisions are recognised 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 financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. For further information on deferred tax see note 3 'Accounting estimates and assessments'.

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

DOF Subsea Group

Amounts in NOK million

Companies under the shipping tonnage tax regime

The Group has companies that 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 a non-going 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.

S. Employee benefits

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

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 an 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.

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 consolidated statement of financial position 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 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 consolidated statement of comprehensive income.

T. Financial assets

Policy applicable from 1 January 2018

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

A financial asset shall be measured at amortised cost if both of the following conditions are met and it is not designated at FVTPL:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

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

A financial asset shall be measured at FVOCI if both of the following conditions are met and it is not designated at FVTPL:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (see note 22 'Financial instruments - by category'). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets

Financial assets at FVTPL

The assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

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

Equity investments at FVOCI

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

Derecognition

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

DOF Subsea Group

Amounts in NOK million

Impairment

The Group assesses at the end of each reporting period the expected credit losses for a financial asset or a group of financial assets. See paragraph H regarding trade receivables.

Policy applicable before 1 January 2018

The Group classifies its financial assets in the following categories: at fair value through comprehensive income, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Classification of financial assets is determined at initial recognition.

Financial assets at fair value through comprehensive income

Financial assets at fair value through comprehensive income 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.

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 “trade receivable” and “other receivables”, and as “cash and cash equivalents” in the consolidated statement of financial position. Those exceeding 12 months are classified as non-current financial assets. Loans and receivables are carried at amortised cost.

Regular purchases and sales of financial assets are recognised on the trade date, that is 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 comprehensive income. Financial assets carried at fair value through comprehensive income are initially recognised at fair value and transaction costs are expensed in the consolidated statement of comprehensive income. 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 comprehensive income are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through comprehensive income” category, including interest income and dividends, are presented in the consolidated statement of comprehensive income as financial income or expenses in the period in which they arise. Dividend income from financial assets at fair value through comprehensive income is recognised in the consolidated statement of comprehensive income as part of financial income when the Group’s right to receive payment 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 each consolidated statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets are impaired. See paragraph H regarding trade receivables.

U. Derivative financial instruments and hedging activities

The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. Foreign exchange derivatives are utilised to manage

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

The fair values of various derivative instruments used for hedging purposes are disclosed in note 21 ‘Financial instruments and hedging activities’.

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

V. Events after period end

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

W. 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 3 ‘Accounting estimates and assessments’. Changes in accounting estimates are recognised in profit or loss for the period in which they occur. If the changes also apply to future periods, the effect of the change is distributed over current and future periods.

X. Consolidated statement of cash flows

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

Y. New standards, amendments and interpretations adopted by the Group

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

IFRS 9

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

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

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

IFRS 15

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

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

- The application of IFRS 15 'Revenue from contracts with customers' may result in the identification of several separate performance obligations, which could affect the timing of revenue recognition.

- Certain cost to fulfil a contract will be recognised as an asset under IFRS 15 'Revenue from contracts with customers'. Assets recognised under IFRS 15 will be amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relates.

Z. New standards, amendments and interpretations not yet adopted

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

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

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

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

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

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

IFRS 16 'Leases' redefines financial key figures such as debt ratio and EBITDA. The standard will affect primarily the accounting for the Group's operating leases. The Group does not expect any significant impact on the financial statements for leases in which the Group is a lessor, expect for sub-leases. By the end of the reporting period the Group estimates the following impact from IFRS 16 'Leases' based on the estimated lease portfolio as per the transitional date 1 January 2019 and compared to as if the standard was not implemented;

Profit or loss	2019
EBITDA is expected to increase by approximately	40
Profit or loss before tax will decrease by approximately	5

Assets	01.01.2019
Right-of-use assets of approximately	250
Finance lease receivable of approximately	180
Total assets	430

Liabilities	01.01.2019
Lease liabilities of approximately	430
Total liabilities	430

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

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

IFRS 16 'Leases' transition choices

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

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities presented are 5.6%. Right-of-use assets will be measured on transition as at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The cumulative effect of initially applying the standard to be recognised as an adjustment to the opening balance of retained earnings is hence expected to be zero.

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

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

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

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

IFRS 16 'Leases' application policy choices

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

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

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

33 Performance measurement definitions

Alternative performance measurements

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

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

Other definitions

Measure	Description
Equity ratio	Equity ratio is defined as total equity divided by total assets at the reporting date.
Market value	Calculated average vessel value between several independent brokers' estimates based on the principle of "willing buyer and willing seller".
Vessel utilisation	Vessel utilisation is a measure of the Group's ability to keep vessels in operation and on contract with clients, expressed as a percentage. The vessel utilisation numbers are based on actual available days.
Contract backlog	Sum of undiscounted revenue related to secured contracts in the future and optional contract extensions as determined by the client in the future. Contract backlog excludes master service agreements (MSAs) within the Subsea/IMR Projects segment. Under the MSAs only confirmed POs are included.
Firm contract backlog	Sum of undiscounted revenue related to secured contracts in the future. Secured contracts are contracts signed with clients in the past, covering future delivery of services.
Backlog options	Sum of undiscounted revenue related to optional contract extensions as determined by the client in the future.

Financial statements

DOF Subsea AS

DOF Subsea AS

Amounts in NOK million

Statement of comprehensive income

	Note	2018	2017
Operating revenue	17	83	83
Payroll expenses	4, 18	-52	-44
Other operating expenses	18	-39	-43
Operating profit before depreciation and impairment (EBITDA)		-8	-4
Depreciation and impairment	7	-15	-15
Operating profit (EBIT)		-22	-19
Income / loss from investments	5	329	502
Financial income	5	248	172
Financial expenses	5	-1 098	-564
Realised net gain / loss on derivative instruments and currency position	5	-74	-12
Unrealised net gain / loss on derivative instruments and currency position	5	72	-5
Net financial income / loss	5	-523	92
Profit / loss before tax		-545	73
Income tax expense	6	-2	-98
Profit / loss for the year		-547	-25
Other comprehensive income net of tax			
Items that will not be subsequently reclassified to profit / loss			
Defined benefit plan actuarial gains / losses		-	-
Other comprehensive income / loss net of tax		-	-
Total comprehensive income / loss for the year net of tax		-547	-25

DOF Subsea AS

Amounts in NOK million

Statement of financial position

	Note	31.12.2018	31.12.2017
Assets			
Tangible assets	7	9	21
Deferred tax asset	6	184	186
Investments in subsidiaries	19	4 628	4 949
Investments in associates and joint ventures	20	650	650
Non-current receivables from Group companies and joint ventures	8, 16	1 327	1 289
Other non-current receivables	15, 16	16	14
Total non-current assets		6 815	7 108
Current receivables from Group companies and joint ventures	16	502	410
Other current receivables	9, 15, 16	5	5
Current receivables		507	416
Restricted cash	10, 16	136	221
Unrestricted cash and cash equivalents	10, 16	371	229
Cash and cash equivalents		507	450
Total current assets		1 014	865
Total assets		7 829	7 974

DOF Subsea AS

Amounts in NOK million

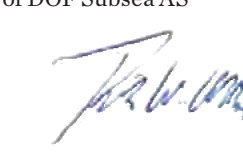
Statement of financial position

	Note	31.12.2018	31.12.2017
Equity and liabilities			
Paid-in equity	24	4 344	4 344
Other equity		118	685
Total equity		4 462	5 029
Bond loans	11, 16	2 480	1 914
Debt to credit institutions	11, 16	50	136
Other non-current liabilities	4, 15, 16	14	31
Total non-current liabilities		2 544	2 081
Current portion of debt	11, 16	339	142
Trade payables	12, 16	7	7
Current liabilities to Group companies	16	451	634
Other current liabilities	13, 15, 16	25	79
Total current liabilities		823	863
Total liabilities		3 367	2 944
Total equity and liabilities		7 829	7 974

Bergen, 15 March 2019

The Board of Directors of DOF Subsea AS


Helge Møgster
Chairman

Helge Singelstad
Director

Frederik W. Mohn
Director

Hilde Drønen
Director

Neil J. Hartley
Director

Ryan N. Zafereo
Director

Alan G. Schwartz
Director

Mons S. Aase
CEO

DOF Subsea AS

Amounts in NOK million

Statement of changes in equity

Changes in equity	Share capital	Share premium	Other paid-in capital	Paid-in equity	Other equity	Total equity
Equity at 01.01.2018	1 674	540	2 130	4 344	685	5 029
Profit / loss for the year	-	-	-	-	-547	-547
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-547	-547
IFRS 9 implementation effect	-	-	-	-	-25	-25
Adjustment of merger effect	-	-	-	-	5	5
Equity at 31.12.2018	1 674	540	2 130	4 344	118	4 462
Equity at 01.01.2017	1 197	516	2 130	3 844	631	4 475
Profit / loss for the year	-	-	-	-	-25	-25
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-25	-25
Share issue	476	24	-	500	-	500
Merger	-	-	-	-	79	79
Equity at 31.12.2017	1 674	540	2 130	4 344	685	5 029

A reverse merger between DOF Subsea AS (the acquiring company) and DOF Subsea Holding AS was executed during second quarter of 2017 with effect from 1 January 2017. The adjustment of merger effect in 2018 relates to the merger of the DOF Subsea Holding AS and DOF Subsea AS in 2017.

DOF Subsea AS

Amounts in NOK million

Statement of cash flows

	Note	2018	2017
Operating profit (EBIT)		-22	-19
Depreciation and impairment	7	15	15
Change in trade payables	12	-	6
Changes in other working capital		-331	-1 198
Exchange rate effect on operating activities		17	-9
Cash flow from operating activities		-322	-1 204
Interest received	5	160	148
Interest paid	5, 11	-259	-223
Tax paid		-	-
Net cash flow from operating activities		-421	-1 280
Purchase of tangible assets	7	-3	-4
Sale of shares / liquidation	5, 20	-	72
Investment in shares		-382	-142
Dividends / Group Contributions received		329	431
Changes in other non-current receivables		-	-185
Cash flow from investing activities		-57	171
Proceeds of non-current debt	11	840	1 489
Installments on non-current debt	11	-249	-876
Share issue		-	500
Cash flow from financing activities		591	1 113
Net change in cash and cash equivalents		113	4
Cash and cash equivalents, included restricted cash, at 01.01	10	450	435
Cash and cash equivalents from merger		-	26
Exchange rate effect on cash and cash equivalents	5	-56	-15
Cash and cash equivalents, included restricted cash, at 31.12	10	507	450

Restricted cash at 31.12. 2018 is NOK 136 million (NOK 221 million) and is included in Cash and cash equivalents. Changes in restricted cash is reflected in the cash flow. For further information about restricted cash, please refer to note 10 'Cash and cash equivalents'.

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NOTES TO THE FINANCIAL STATEMENTS

1 Corporate information

DOF Subsea AS, the Company, is a limited liability company registered in Norway. The Company's head office is located at Thormøhlensgate 53 C, 5006 Bergen, Norway.

The Company is owned by DOF ASA and First Reserve Corporation. DOF ASA holds a 64.9% ownership stake, while First Reserve Corporation holds a 35.1% ownership stake through FRC Lux Holding Limited and Dolphin Invest 2 AS.

DOF Subsea AS is the parent company in the DOF Subsea Group and provides management services to companies in the Group.

The Company and its subsidiaries (the Group) has two business segments; Subsea/IMR Projects and Long-term Chartering. In these segments, the Group provides integrated subsea and marine services to the world's offshore energy producers.

The combination of subsea engineering capability and an owned and operated state-of-the-art fleet enables the Group to offer differentiated services and create long-term relationships, reducing overall risk. The Group's two segments: vessels working in the Subsea/IMR Projects segment, and the vessels chartered to third-party companies in the Long-term Chartering segment, increases the Group's access to market opportunities and reduces risk.

This section of the financial statements covers the parent company accounts. The financial statements of the Company have been prepared in accordance with the Norwegian accounting act § 3-9 and Finance Ministry's prescribed regulations on simplified IFRS. For further information see note 26 'Accounting policies'.

The Board of Directors approved the financial statements on 15 March 2019.

2 Financial risk management

The Company is exposed to various types of financial risk relating to its ongoing business operations: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's governing risk management strategy focuses on minimising the potential negative effects on the Company's results. The primary risks managed using derivative instruments are foreign currency risk and interest rate risk. Please see note 32 'Accounting policies', paragraph U, in the consolidated financial statements, for information on derivative financial instruments and hedging activities. See also note 15 'Financial instruments and hedging activities'.

The Company's risk management is conducted in line with policies and guidelines approved by the Board of Directors. Accordingly, financial risk is identified, evaluated and risks are managed if appropriate. The Board of Directors has issued written policies for governing risk management and defined principles for specific areas such as the foreign exchange risk, interest rate risk, credit risk, use of financial derivatives and other financial instruments.

Financial derivatives

The Company is exposed to currency risk and interest rate risk. The Company uses to some extent financial derivatives to reduce these risks. However, the Company does not use financial derivatives linked to ordinary activities such as trade receivables, trade payables or similar.

Foreign exchange risk

The Company's reporting currency is NOK. Foreign exchange risk arises when future commercial transactions, contractual obligations and liabilities are denominated in a currency that is not the functional currency. The Company 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 by forward contracts and similar instrument as appropriate.

Interest risk

The Company's existing debt arrangements are long term loans partly at floating and fixed interest rates. Movements in interest rates will have effects on the Company's cash flow and financial condition. The Company's policy is to maintain part of its debt at fixed rates.

The Company manage parts of its floating interest rate risk by using floating-to-fixed interest rate swaps. Under the interest rate swaps, the Company 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.

Credit risk

Credit risk exposure arises on the values of financial assets recognised in the statement of financial position. The Company's trade receivables balance is minimal and relates to subsidiaries, joint ventures and associated companies. The Company has guidelines for monitoring and recovering trade receivables.

Credit exposures to non-current and current receivables are mainly to subsidiaries and joint ventures. The Company is well informed about credit risks related to these positions. The current challenging market conditions have increased these risks.

The derivative contracts are entered into with the main banks of the Company, and the risk associated with these contracts is considered insignificant. The same applies to bank deposits. Accordingly, the value of trade receivables recognised in the statement of financial position is considered to reflect the credit risk.

Liquidity risk

Liquidity risk management implies maintaining sufficient cash and marketable securities, funding through committed credit facilities and the ability to close market positions. The Company and its subsidiaries (the Group) aim to maintain flexibility in its liquidity risk management by keeping credit lines available.

The Company's business is capital intensive and the Company may need to raise additional funds through public or private debt or equity financing to execute the Company's strategy and fund capital expenditure. The Company's loan agreements include terms, conditions and covenants.

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

The Company owns and controls cash pooling systems within the DOF Subsea Group. Liquidity is made available through the cash pooling systems for the Company to meet its obligations. Furthermore, the Company's strategy is to strengthen the liquidity through dividends from subsidiaries.

Fair values

Fair value of forward exchange contracts is calculated based on the midpoint of the relevant yield curve. Fair value of interest rate contracts

DOF Subsea AS

Amounts in NOK million

is calculated as the present value of the estimated futures cash flows based on observables yield curves.

Capital structure and equity

The main objective in managing the Company's capital structure is to ensure that the Company maintains the best possible credit rating, thereby achieving favourable terms and conditions for the long-term funding of the Company's operations and investments. The Company manages its capital structure and carries out all necessary changes based on continuous assessments of the economic conditions under which the operations take place.

3 Accounting estimates and assessments

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

Financial assets

All financial 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 statement of comprehensive income. The recoverable amount is the higher of an asset's net selling price and value in use.

Deferred tax assets

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

For further information, reference is made to the consolidated financial statements and note 6 'Tax'.

4 Payroll expenses

Payroll expenses	Note	2018	2017
Salary	18	-44	-33
Employer's contributions		-6	-5
Pension costs		-2	-2
Other personnel costs		-1	-3
Total payroll expenses		-52	-44
Full time employees (at period end)		30	33

Pension costs above include defined benefit pension plan for one employee and defined contribution pension plan for the remaining employees.

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Amounts in NOK million

5 Financial income and expenses

Financial income and expenses	Note	2018	2017
Dividends / Group Contributions from subsidiaries		329	431
Gain / loss from sale of shares / liquidation		-	71
Income / loss from investments		329	502
Interest income from Group companies*		212	82
Interest income		27	24
Other financial income from Group companies		9	66
Financial income		248	172
Impairment of investments	19, 20	-703	-264
Impairment of loans to Group companies		-155	-57
Interest expenses payable to Group companies		-10	1
Interest expenses payable to DOF ASA companies*		-12	-14
Interest expenses		-210	-220
Other financial expenses payable to DOF ASA companies		-	1
Other financial expenses		-8	-11
Financial expenses		-1 098	-564
Realised foreign currency net gain / loss on loans		5	-7
Realised foreign currency net gain / loss on current receivables / liabilities		-56	-17
Realised net gain / loss on financial derivatives		-23	12
Realised net gain / loss on derivative instruments and currency position		-74	-12
Unrealised foreign currency net gain / loss on loans		19	16
Net change in unrealised gain / loss on financial derivatives		53	-22
Unrealised net gain / loss on derivative instruments and currency position		72	-5
Net financial income / loss		-523	92

*Guarantee income / expenses related to financing of vessels are included in interest income / expenses

DOF Subsea AS

Amounts in NOK million

6 Tax

Income tax expense	2018	2017
Change in deferred tax	-	-88
Impact on change in tax rate on deferred tax	-2	-8
Adjustments of prior years to deferred tax	-	-2
Other business taxes	-	-
Total income tax expense	-2	-98

Reconciliation of nominal and effective tax rate	2017	
Profit before tax	-545	73
Tax calculated at domestic tax rate 23% (24%)	125	-18
Tax effect of:		
Impairment of financial assets	-197	-77
Tax exemption method on dividends and gain from sale of shares	87	115
Unrecognised tax losses	-13	-114
Adjustments in respect to prior years	-	3
Impact on change in tax rate	-2	-8
Associates results reported net of tax	-2	-
Total income tax expense	-2	-98

The tax related to components of other comprehensive income is as follows:	2018		
	Before tax	Income tax	After tax
Re-measurements of post-employment benefit liabilities	-	-	-
Other comprehensive income	-	-	-

The tax related to components of other comprehensive income is as follows:	2017		
	Before tax	Income tax	After tax
Re-measurements of post-employment benefit liabilities	-	-	-
Other comprehensive income	-	-	-

The gross movement on the deferred tax in the statement of financial position	2018	2017
Deferred tax at 01.01	186	216
Impact on change in tax rate on deferred tax	-2	-
Tax related to comprehensive income	-	-98
Merger	-	67
Deferred tax 31.12	184	186

Deferred tax

The table below specifies the temporary differences between accounting and tax values, and calculation of deferred tax / tax asset at year-end. The Company's deferred tax asset is reviewed for impairment. Deferred tax assets from tax loss carry-forward are expected to be offset against taxable income within a period of 7 years.

Basis for deferred tax	2018	2017
Non-current assets	18	29
Liabilities	-14	-74
Tax position related to sold assets	48	60
Other differences	-	-1
Total temporary differences	52	13
Tax loss carryforward	-1 331	-1295
Tax loss not included as deferred tax asset	443	474
Basis for calculating deferred tax / tax asset (-)	-836	-808
Total deferred tax / tax asset (-) recognised in the statement of financial position	-184	-186

DOF Subsea AS

Amounts in NOK million

7 Tangible assets

Tangible assets	2018	2017
Cost at 01.01	128	124
Additions	3	4
Cost at 31.12	132	128
Depreciation at 01.01	-108	-93
Depreciation for the year	-15	-15
Depreciation at 31.12	-123	-108
Book value at 31.12	9	21
Asset lifetime (years)	5-10	5-10
Depreciation schedule	Linear	Linear

8 Non-current receivables from Group companies and joint ventures

Non-current receivables from Group companies and joint ventures	Note	2018	2017
Non-current receivables from joint ventures	17	1 039	942
Non-current receivables from Group companies		288	347
Total non-current receivables from Group companies and joint ventures at 31.12		1 327	1 289

9 Other current receivables

Other current receivables	2018	2017
Government tax receivables	2	-
Prepaid expenses	-	1
Accrued interest income	3	4
Total other current receivables at 31.12	5	5

10 Cash and cash equivalents

Cash and cash equivalents	2018	2017
Restricted cash	136	221
Unrestricted cash and cash equivalents	371	229
Total cash and cash equivalents at 31.12	507	450

A non-current loan has been provided by Eksportfinans and is invested as a restricted deposit. The repayment of the loan from Eksportfinans is equivalent to the reduction in the restricted cash, i.e. recognised in the financial statements on a gross basis. The loan is fully repaid in 2020. The cash deposit is included in restricted cash with a total of NOK 136 million (NOK 221 million in 2017). The Company owns and controls two administrative cash pooling systems within the Group. Liquidity is made available through the cash pooling for the Companies in the Group to meet their obligations. The bank accounts in the cash pool consists of accounts in various currencies that on a currency basis can be in surplus or overdraft. The total cash pool can never be in net overdraft. The cash pool is presented as unrestricted cash and cash equivalents. For further information about market-, credit- and liquidity risk see note 2 'Financial risk management'.

See DOF Subsea Group note 16 'Cash and cash equivalents' for further information about cash pool arrangements.

The Group has a credit facility (RCF) of NOK 250 million at year-end NOK 100 million of the facility was utilised. For further information on cash and cash equivalents, please refer to note 32 'Accounting policies', paragraph G.

DOF Subsea AS

Amounts in NOK million

11 Interest-bearing debt

Debt

DOF Subsea AS had as per period end three bond loans, which mature in 2020, 2022 and 2023. The trustee on behalf of the bond holders is Nordic Trustee ASA. Interest rates are both floating and fixed. No particular security has been provided for the loans, and DOF Subsea AS is free to acquire its own bonds.

Non-current interest-bearing debt	2018	2017
Bond loans	2 480	1 914
Debt to credit institutions	50	136
Total non-current interest-bearing debt	2 530	2 050
Current interest-bearing debt		
Bond loans	100	-
Debt to credit institutions	184	84
Current debt to Group companies	451	609
Total current interest-bearing debt	735	693
Total non-current and current interest-bearing debt	3 266	2 743
Net interest-bearing debt		
Cash and cash equivalent	507	450
Interest bearing assets from Group companies	661	707
Other interest bearing assets	5	5
Total net interest-bearing debt	2 092	1 581

Current portion of debt in the statement of financial position includes accrued interest expenses. Accrued interest expenses are excluded in the figures above. The company's cash pooling system is included in the net interest-bearing debt.

DOF Subsea AS has applied IFRS 9 'Financial instruments' from 1 January 2018. IFRS 9 'Financial instruments' addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The implementation had a negative effect on the equity of NOK 25 million as of 1 January 2018, due to the modification of the remaining part of the DOFSUB07 bond loan in December 2017. The increased liability related to the DOFSUB07 bond loan will be amortised as reduced interest cost over the remaining time to maturity.

Cash and non-cash changes in total borrowings

Changes in total borrowings over a period consists of both cash effects (disbursements and repayments) and non-cash effects (amortisations and currency translation effects). The following is the changes in the Company's borrowings:

2018

Reconciliation of changes in debt		Cash changes	Non-cash changes				
	Balance 31.12.17	Cash flows	IFRS 9 effect	Amortised loan expense	Reclassification	Currency adjustment	Balance 31.12.18
Non-current interest bearing debt							
Bond loans	1 914	566	25	-7	-100	81	2 480
Debt to credit institutions	136	-87	-	1	-	-	50
Total non-current interest bearing debt	2 050	480	25	-6	-100	81	2 530
Current interest bearing debt							
Bond loans	-	-	-	-	100	-	100
Debt to credit institutions	84	100	-	-	-	-	184
Debt to Group companies	609	-153	-	-	-	-5	451
Total current interest bearing debt	693	-53	-	-	100	-5	735
Total interest bearing debt	2 743	427	25	-6	-	76	3 266

DOF Subsea AS

Amounts in NOK million

2017

Reconciliation of changes in debt		Cash changes	Non-cash changes		
	Balance 31.12.16	Cash flows	Amortised loan expense	Currency adjustment	Balance 31.12.17
Non-current interest bearing debt					
Bond loans	1 297	697	-10	-70	1 914
Debt to credit institutions	221	-84	-	-	136
Total non-current interest bearing debt	1 518	613	-10	-70	2 050
Current interest bearing debt					
Debt to credit institutions	84	-	-	-	84
Debt to Group companies	-	604	-	5	609
Total current interest bearing debt	84	604	-	5	693
Total interest bearing debt	1 602	1 217	-10	-65	2 743

The table below summarises the repayment profile of the Company's financial liabilities, excluding interests:

Debt repayment profile	2019	2020	2021	2022	2023	Thereafter	Total
Bond loans	-100	-367	-	-1 278	-840	-	-2 585
Debt to credit institutions	-184	-52	-	-	-	-	-236
Debt to Group companies	-451	-	-	-	-	-	-451
Total repayment	-736	-419	-	-1 278	-840	-	-3 273

Amortised costs are not included in the repayment profile above.

The table below summarises the interest payment profile of the Company's financial liabilities:

Interest repayment profile	2019	2020	2021	2022	2023	Thereafter	Total
Total interest repayment	-238	-222	-205	-145	-86	-	-896

Interest repayment is based on current repayment profile on existing debt and the yield curve for the underlying market interest rates from Reuters as end of December 2018..

Liabilities secured by pledge	2018	2017
Liabilities to credit institutions	136	221
Book value of assets pledged as security	136	221
Average rate of interest	8.8%	9.9%

Currency distribution non-current liabilities incl first year repayment	NOK	USD	Total
Bond loans	1 307	1 278	2 585
Debt to credit institutions	236	-	236
Debt to Group companies	451	-	451
Total	1 995	1 278	3 273

Debt to credit institution in USD are revaluated to NOK using exchange rate as per 31 December 2018.

DOF Subsea AS

Amounts in NOK million

A mortgage loan of NOK 136 million (NOK 221 million in 2017) is secured by a cash deposit, see note 10 'Cash and cash equivalents'. Interest rate and derivative instruments on the cash deposit cover the debt repayment on the loan.

The price of the Company's bond loans as of period end were as follows:

Loan		31.12.2018		31.12.2017	
		Fair value rate	Book value	Fair value rate	Book value
DOF Subsea AS 13/20	DOFSUB07	100.50	467	100.00	508
DOF Subsea AS 17/22	DOFSUB08	99.25	1 278	89.25	1 419
DOF Subsea AS 18/23	DOFSUB09	100.00	840	-	-

In November 2018, the Company issued the new bond loan (DOFSUB09) of NOK 900 million with maturity date in November 2023. The Company acquired NOK 60 million of the bond loan. Net proceeds from the new bond issue will be used to refinance existing bonds and for general corporate purposes. In connection with the placement of the new bond issue, the Company has repurchased bonds with nominal value of NOK 40,1 million in the existing bond issue DOFSUB07 and USD 26 million in the existing bond issue DOFSUB08.

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

Financial covenants

The loan agreements of the Company and the Group include the following covenants:

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

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

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

The Company and the Group is in compliance with all covenants. Please refer to the consolidated financial statement note 17 'Interest-bearing debt'.

12 Trade payables

Trade payables	2018	2017
Trade payables at nominal value	5	3
Accrued expenses	2	4
Total trade payables at 31.12	7	7

13 Other current liabilities

Other current liabilities	2018	2017
Provision foreign tax	1	1
Public duties payables	2	3
Other current liabilities	4	19
Financial current derivatives	19	57
Total other current liabilities at 31.12	25	79

14 Fair value estimation

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

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

The fair value of forward exchange contracts is determined using the forward exchange rate at the end of the reporting period. The forward exchange rate is based on the relevant currency's interest rate curves. The fair value of interest swaps is determined by the present value of future cash flows, which is also dependent on the interest rate curves.

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

15 Financial instruments and hedging activities

As of 31 December 2018 the Company had foreign exchange derivatives to hedge future sales to customers on behalf of subsidiaries. Foreign exchange derivatives are utilised to hedge foreign exchange risk related to projected future sales. Interest rate swaps are utilised to manage interest rate risk by converting from floating to fixed interest rates. The Company has not applied hedge accounting for any of the interest rate swap agreements.

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

Non-current and current portion	Measurement level	2018		2017	
		Assets	Liabilities	Assets	Liabilities
Interest rate swaps - cash flow hedges	2	11	-7	9	29
Foreign exchange contracts - cash flow hedges	2	-	-17	-	47
Total non-current and current portion		11	-25	9	76
Total non-current portion					
Interest rate swaps - cash flow hedges	2	11	-6	9	18
Foreign exchange contracts - cash flow hedges	2	-	-	-	-
Total non-current portion		11	-6	9	18
Total current portion		-	-19	-	57

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Amounts in NOK million

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

Instruments	Fixed rate	Floating rate	Notional amount	Effective from	Maturity date
31.12.2018					
Interest rate swaps - cash flow hedges USD	1,43 %	USD LIBOR 3m	50	2016	2021
Interest rate swaps - cash flow hedges NOK	1,90-2,98%	NIBOR 3m - 6m	750	2014	2019-2020
31.12.2017					
Interest rate swaps - cash flow hedges USD	1.43%	USD LIBOR 3m	50	2016	2021
Interest rate swaps - cash flow hedges NOK	1.90-4.41%	NIBOR 3m - 6m	2 250	2013 - 2015	2018 - 2020

As of 31 December 2017 the Company held one interest rate swap with Group companies as counterparties. The notional amount of the interest rate swap was NOK 500 million with maturity in January 2018.

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

Instrument	Committed	Amount
31.12.2018		
Foreign exchange contracts	NOK	478
31.12.2017		
Foreign exchange contracts	NOK	1 098

As of 31 December 2017 the Company held some foreign exchange contracts with Group companies as counterparties. The total value of the foreign exchange rate derivatives are USD 5.5 million, all with maturity within one year.

16 Financial instruments - by category

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

31.12.2018	Note	Financial instruments at fair value through profit and loss	Financial instruments measured at amortised cost	Total	Of which included in interest bearing debt
Assets					
Non-current derivatives	15	11	-	11	-
Other non-current receivables	8	-	1 332	1 332	293
Trade receivables and other current assets	9, 15	-	507	507	373
Restricted cash	10	-	136	136	136
Unrestricted cash	10	-	371	371	371
Total financial assets		11	2 346	2 358	1 173
Liabilities					
Derivatives non-current	15	6	-	6	-
Interest-bearing non-current liabilities	11	-	2 530	2 530	2 530
Current portion of debt	11	-	339	339	284
Other non-current liabilities		-	8	8	-
Current derivatives	15	19	-	19	-
Trade payables and other current liabilities	12, 13	-	465	465	451
Total financial liabilities		25	3 342	3 367	3 265

DOF Subsea AS

Amounts in NOK million

31.12.2017	Note	Financial instruments at fair value through profit and loss	Financial instruments measured at amortised cost	Loans and receivables	Total	Of which included in interest bearing debt
Assets						
Non-current derivatives	15	9	-	-	9	-
Other non-current receivables	8	-	-	1 294	1 294	352
Trade receivables and other current assets	9, 15	-	-	416	416	360
Restricted cash	10	-	-	221	221	221
Unrestricted cash	10	-	-	229	229	229
Total financial assets		9	-	2 159	2 168	1 162
Liabilities						
Derivatives non-current	15	18	-	-	18	-
Interest-bearing non-current liabilities	11	-	2 050	-	2 050	2 050
Current portion of debt	11	-	142	-	142	84
Other non-current liabilities		-	13	-	13	-
Current derivatives	15	57	-	-	57	-
Trade payables and other current liabilities	12, 13	-	641	-	641	609
Total financial liabilities		76	2 846	-	2 921	2 743

The company's cash pooling system is included in the net interest-bearing debt.

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

17 Related parties

Detailed description of related parties and DOF Subsea AS relationship to these

DOF ASA is the majority shareholder in DOF Subsea AS with a 64.9% ownership stake, while First Reserve Corporation holds a 35.1% ownership stake.

Rental of office space

Part of the office space located at Thormøhlensgate 53 C, 5006 Bergen, rented by DOF Subsea AS, is used by DOF Management AS, DOF Subsea Norway AS and Marin IT. The rental fee charged to DOF Management AS, DOF Subsea Norway AS and Marin IT is determined at NOK 9 million per year.

Management services on behalf of subsidiaries and sales transactions

Management services and other deliveries on behalf of subsidiaries, see note 19 'Investment in subsidiaries', comprise NOK 68 million in 2018 (NOK 65 million). Revenue related to DOF ASA Group comprises NOK 12 million in 2018 (NOK 13 million).

All sales transactions are carried out in accordance with DOF Subsea policy and are entered into based on the arm's length principle.

Guarantee agreement between DOF ASA and the Company

The Company has in June 2010 entered into a guarantee agreement with DOF ASA. DOF ASA has provided a parent company guarantee for obligations of DOF Subsea Brasil Serviços Ltda. and DOFCON Navegação Ltda. The outstanding loans guaranteed by DOF ASA amounts to USD 144 million at year end (USD 160 million as of 31 December 2017).

Non-current receivables against joint ventures

For information on non-current receivables against joint ventures, please see note 8 'Non-current receivables from Group Companies and joint ventures'. Please also see note 26 'Investments in associates and joint ventures' in the consolidated financial statements.

DOF Subsea AS

Amounts in NOK million

18 Remuneration to Board of Directors, Executives and Auditor

The Board of Directors received no fees, nor compensation in fees for the year.

Remuneration to Executives	2018		2017	
	CEO	EVP	CEO	EVP
Salaries	0,2	6,0	0,3	3,2
Management fee	5,7	0,0	3,1	-
Payment from DOF Subsea	6,0	6,0	3,4	3,2

CEO=Mons Aase, EVP=Jan Nore

Salaries include pension, bonuses and other compensations from the Company. Senior executives are included in the general Group's pension plan, see note 4 'Payroll expenses'.

Jan Nore held the position as EVP and CFO for the Group during the year. The EVP is entitled to a bonus based on the result of the company and personal performance.

The Company is part of the DOF ASA Group, see note 24 'Share capital and share information'. The contract with the CEO includes a 6 month termination period and 12 months termination compensation. The CEO's retirement compensation is based on 70% salary and the retirement age is set at 67 years. Cost related to CEO Mons Aase is included in the management fee between DOF ASA and DOF Subsea AS.

Please refer to the DOF ASA annual report for further information of salary to CEO Mons Aase.

A loan of NOK 2.5 million was given to both the CEO and EVP in 2016. The annual interest on the loans are 2% and the loans are to be repaid in 2019. There is sufficient security related to the loans. No other loans have been given to or any security provided for the members of the Board of Directors, members of the Group management or other employees or close relatives of the same Group.

Specification of Auditor's fee	2018	2017
Fee for audit of financial statements	1,00	1,47
Fee for other attestation	0,01	0,12
Fee for other services	0,02	0,08
Total	1,03	1,67

19 Investments in subsidiaries

Subsidiary	Registered office	Proportion of ownership and votes	Cost price	Accumulated impairment	Booked value
DOF Installer ASA	Austevoll, Norway	85%	859	-	859
DOF Subsea Angola Lda	Luanda, Angola	100%	-	-	-
DOF Subsea Pte Ltd	Singapore	100%	513	-282	231
DOF Subsea Atlantic AS	Bergen, Norway	100%	21	-	21
DOF Subsea Brasil Serviços Ltda	Macaé, Brasil	100%	537	-50	487
DOF Subsea Chartering AS	Bergen, Norway	100%	89	-39	50
DOF Subsea Congo S.A.	Pointe-Noire, Republique du Congo	55%	-	-	-
DOF Subsea Norway AS	Bergen, Norway	100%	402	-377	25
DOF Subsea Rederi AS	Bergen, Norway	100%	2 465	-	2 465
DOF Subsea Rederi III AS	Bergen, Norway	100%	389	-298	91
DOF Subsea ROV AS	Bergen, Norway	100%	330	-	330
DOF Subsea S&P UK Ltd	Aberdeen, UK	100%	66	-8	58
DOF Subsea UK Ltd	Aberdeen, UK	100%	211	-211	-0
DOF Subsea US Inc.	Houston, US	100%	345	-345	-0
Semar AS	Oslo, Norway	50%	30	-20	10
Total			5 876	-1 630	4 628

DOF Subsea AS

Amounts in NOK million

For 2018 a total impairment loss of NOK 703 million is recognised in the statement of comprehensive income as financial expenses. Please refer to note 5 'Financial income and expenses'.

20 Investments in associates and joint ventures

For further information on associates and joint ventures, please see note 26 'Investments in associates and joint ventures' in the consolidated financial statements.

Name of entity	Place of business/ country of incorporation	% ownership interest	Cost price	Impairment	Booked value
DOFCON Brasil AS	Norway	50%	594	-	594
DOF Management AS	Norway	34%	16	-	16
Marin IT AS	Norway	35%	6	-	6
Master and Commander AS	Norway	20%	35	-	35
Total at 31.12.2017			650	-	650

21 Contingencies

The Company is not involved in any legal disputes or on-going legal matters involving potential losses, and therefore no provision has been made for possible claims arising from the same.

22 Guarantees

Guarantees	2018	2017
Parent company guarantees	10 113	9 597
Total	10 113	9 597

Parent company guarantees are given to subsidiaries in the Subsea/IMR Projects segment and the Long-term Chartering segment. The guarantees in the Subsea/IMR Projects segment are limited to the fulfilment of the construction 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.

In addition, the guarantees are given in relation to building and financing of vessels.

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

See also note 26 'Investments in associates and joint ventures' in the consolidated financial statements for future commitments related to newbuilds as part of joint venture between the Group and TechnipFMC.

23 Earnings per share

Basis for calculating earnings per share	2018	2017
Profit / loss attributable to shareholders of the Company	-547	-25
Weighted average number of outstanding shares 31.12	167 352 762	121 038 345
Weighted average number of outstanding shares 31.12, diluted	167 352 762	121 038 345
Basic and diluted earnings per share (NOK)	-3.27	-0.21

DOF Subsea AS

Amounts in NOK million

24 Share capital and share information

Share capital

The share capital in DOF Subsea AS at 31.12.2018 was NOK 1 674 million comprising 167 352 762 shares, each with a nominal value of NOK 10.00.

Shareholder overview

Shareholders at 31.12.2018	No. of shares	Proportion of ownership	Share capital
DOF ASA	108 683 241	64.9%	64.9%
FRC Lux Holding Limited	51 131 358	30.6%	30.6%
Dolphin Invest 2 AS	7 538 163	4.5%	4.5%
Total	167 352 762	100.0%	100.0%

Board of Directors	Title
Helge Møgster	Chairman
Helge Singelstad	Director
Frederik W. Mohn	Director
Hilde Drønen	Director
Neil J. Hartley	Director
Ryan N. Zafereo	Director
Alan G. Schwartz	Director

Executives	Title
Mons S Aase	CEO
Jan Nore	CFO/EVP

The Company is a part of DOF ASA Group. Please refer to the DOF ASA annual report for shares held in DOF ASA by the management and the Board of Directors. The annual report is published at www.dof.com.

25 Events occurring after period end

There have been no material events after period end.

26 Accounting policies

Summary of significant accounting principles

The financial statements of the Company have been prepared in accordance with the Norwegian Accounting Act § 3-9 and Finance Ministry's prescribed regulations from 21 January 2008 on simplified IFRS. Principally, this means that recognition and measurement comply with the International Financial Reporting Standards (IFRS) and presentation and note disclosures are in accordance with the Norwegian Accounting Act and generally accepted accounting principles. The financial statements have been prepared in accordance with the historical cost convention with the following exceptions: available-for-sale financial assets and financial instruments at fair value through profit or loss are subsequently carried at fair value. The fiscal year is the same as the calendar year.

Going concern

The Company has a satisfactory economical and financial position which provides the basis for the going concern assumption in accordance with the Norwegian Accounting Act § 3-3a.

Operating revenue

Operating revenue from management services is recognised when it is probable that transactions will generate future economic benefits that will flow to the Company, and the amount can be reliably estimated. Operating revenue is presented net of value added tax and discounts.

Investment in subsidiaries, joint ventures and associated companies

Investments in shares are based on the cost method.

DOF Subsea AS

Dividends

Dividends and Group contributions are accounted for according to IFRS. Dividends and Group contributions are recognised when approved by the General Assembly.

For further information a reference is made to the consolidated financial statements.

New standards, amendments and interpretations not yet adopted

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

The Company as a lessee leases office and cars. The Company has prepared an assessment in accordance with IFRS 16 'Leases' of all operating leases under IAS 17. By the end of the reporting period the Company estimates the following impact from IFRS 16 'Leases' based on the estimated lease portfolio as per the transitional date 1 January 2019 and compared to as if the standard was not implemented; Lease of offices of NOK 8 million per year and lease of cars of NOK 0,5 million is expected to be effected by implementation of IFRS 16. At implementation date the Company will recognise a lease liability of NOK 35 million related to lease of offices. Parts of the property is sublet, and a right-of-use asset of NOK 9 million and non-current asset of NOK 26 million will be recognised.

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

For further information see note 32 'Accounting policies' Z in the consolidated financial statements.

DOF Subsea AS

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 2018 have been prepared in accordance with approved accounting standards, and give a true and fair view of the Group's and the Company's 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 Group and the Company are facing.

Bergen, 15 March 2019

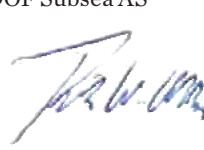
The Board of Directors of DOF Subsea AS



Helge Møgster
Chairman



Helge Singelstad
Director



Frederik W. Mohn
Director



Hilde Drønen
Director



Neil J. Hartley
Director



Ryan N. Zafereo
Director



Alan G. Schwartz
Director



Mons S. Aase
CEO



To the General Meeting of DOF Subsea AS

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company DOF Subsea AS (the Company), which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of DOF Subsea AS and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

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

Basis for Opinion

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

Key Audit Matters

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

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

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



Auditors Report - DOF Subsea AS

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment assessment of vessel and vessel related equipment

DOF SubseaGroup has vessels and vessel related assets with a carrying amount of NOK 11 100 million at 31 December 2018. In line with the Group's accounting policy for impairment of non-financial assets, the Board of Directors has assessed that there were impairment indicators present for the Group's vessels as of 31 December 2018. Consequently, they have carried out an impairment assessment. Based on the results of the impairment assessments, an impairment charge of NOK 334 million was recognised in 2018 resulting in the carrying amount of certain vessels impacted being written down to their recoverable amount.

We focused on this area because vessels and vessel related equipment constitute a significant share of the total assets in the Group, and because the assessment of the recoverable amount is complex and involves significant management judgement.

Value-in-use ("VIU") for the vessels was estimated using discounted cash flows. Each individual vessel, together with associated contract, was assessed as a separate cash generating unit. Significant management judgement was related to key assumptions such as utilisation, charter hire rates, operating expenses and discount rates.

Fair value less costs to sell ("FVLCS"), was estimated by obtaining professional valuations for each vessel from two well-reputed and independent brokers, taken into account estimated sales commission.

The uncertainty related to valuation of the company's vessels and vessel related equipment are considered to be high due to the challenging market conditions.

We refer to notes 3, and 32I for the

We obtained management's impairment model and considered whether the model contained the elements and methodology IFRS require from such models. We found the model to be in accordance with our expectations.

We challenged management's key assumptions such as the projected utilisation, charter hire rates, operating expenses and discount rates, and compared with historical performance, management's internal forecasts and long term strategic plans that were approved by the Board of Directors. We also considered publicly available information about macroeconomic assumptions relevant to the industry, and considered whether the assumptions were consistent with management assumptions and what we know about DOFs business. We found management's assumptions to be within a reasonable range.

To consider the reliability of management forecast, we compared previous year's estimates to actual historical performance. We considered whether deviations from the budget had reasonable explanations. We assessed the discount rate by comparing the key components used with external market data. We considered that the discount rates were within an appropriate range.

We evaluated the competence and objectivity of the external brokers used by the Group. The range of values derived from the two independent brokers were compared with the VIU estimates. We considered the appropriateness and reliability of the fair value estimates from the external brokers. We were able to conclude that the broker estimates were appropriate as audit evidence. However, for some of the older vessels we observed a larger spread in the broker estimates compared to previous years, which indicate that uncertainty in valuations may have increased.

We lastly evaluated the adequacy of the disclosures made on impairment of vessel and vessel related equipment, including those regarding the key assumptions and sensitivities and found that disclosures appropriately explained management's valuation process and the uncertainties inherent in some of management's assumptions.

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Auditors Report - DOF Subsea AS

Group's accounting policy for impairment of non-financial assets, and Note 11 where the Board of Directors explain their valuation process for the Group's tangible assets.

Impairment of Goodwill

DOF Subsea Group had a goodwill of NOK 337 million as of 31 December 2018. Goodwill with an indefinite useful life is subject to impairment assessments annually. The Board of Directors have assessed that there were impairment indicators present for the Group's goodwill as of 31 December 2018.

Goodwill is allocated to groups of cash-generating units identified according to the Group's operating segments, Subsea/IMR Projects and Long-term Chartering. Management has used the same expectation about market development as for the impairment assessment of vessels. The impairment assessment for goodwill demonstrated that recoverable amount was higher than carrying amount, and no impairment was required.

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

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

We refer to disclosures in notes 3 and 32K for the Group's accounting policy for impairment of goodwill, and to note 10 where the Board of Directors explain their valuation process for the Group's goodwill.

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

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

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

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



Auditors Report - DOF Subsea AS

Recoverability of Deferred Tax Assets

In their balance sheet, DOF Subsea Group has recognised a deferred tax asset with NOK 220 million. The deferred tax assets are mainly related to the Group's operations in Brazil, Norway and Australia.

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

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

We refer to notes 3 and 32R for the Group's accounting policy, and to note 9 for disclosures of the Group's Deferred Tax Assets.

Our audit procedures include obtaining an understanding of the tax positions within the Group, and relevant communication between the Group and taxation authorities regarding taxable positions in the different jurisdictions.

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

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

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

Liquidity and compliance with loan covenants

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

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

When considering the liquidity and compliance with loan agreements, the Group has, among other things,

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Auditors Report - DOF Subsea AS

compliance.

The loan agreements require the Group to comply with certain financial covenants. If any of the debt covenants are infringed, this could, depending on the terms of each loan agreement, constitute an event of default. This can allow the lender to accelerate repayment or the Group would need to take actions to remedy the infringement.

The most important covenants are related to minimum unrestricted cash, book equity, value-adjusted equity, and market value to loan ratios (LTV) for the Groups vessels.

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

We refer to Note 2 where the Group's policy for financial risk management is disclosed, and to Note 17 for disclosures on the Group's financial covenants.

prepared a liquidity forecast based on cash flow projections for 2019 on a monthly basis, prepared plans to mitigate potential shortfalls in the liquidity forecast, and assessed the risk of infringing any financial covenants.

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

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

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

Other information

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

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

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

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

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Auditors Report - DOF Subsea AS

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

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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Auditors Report - DOF Subsea AS

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

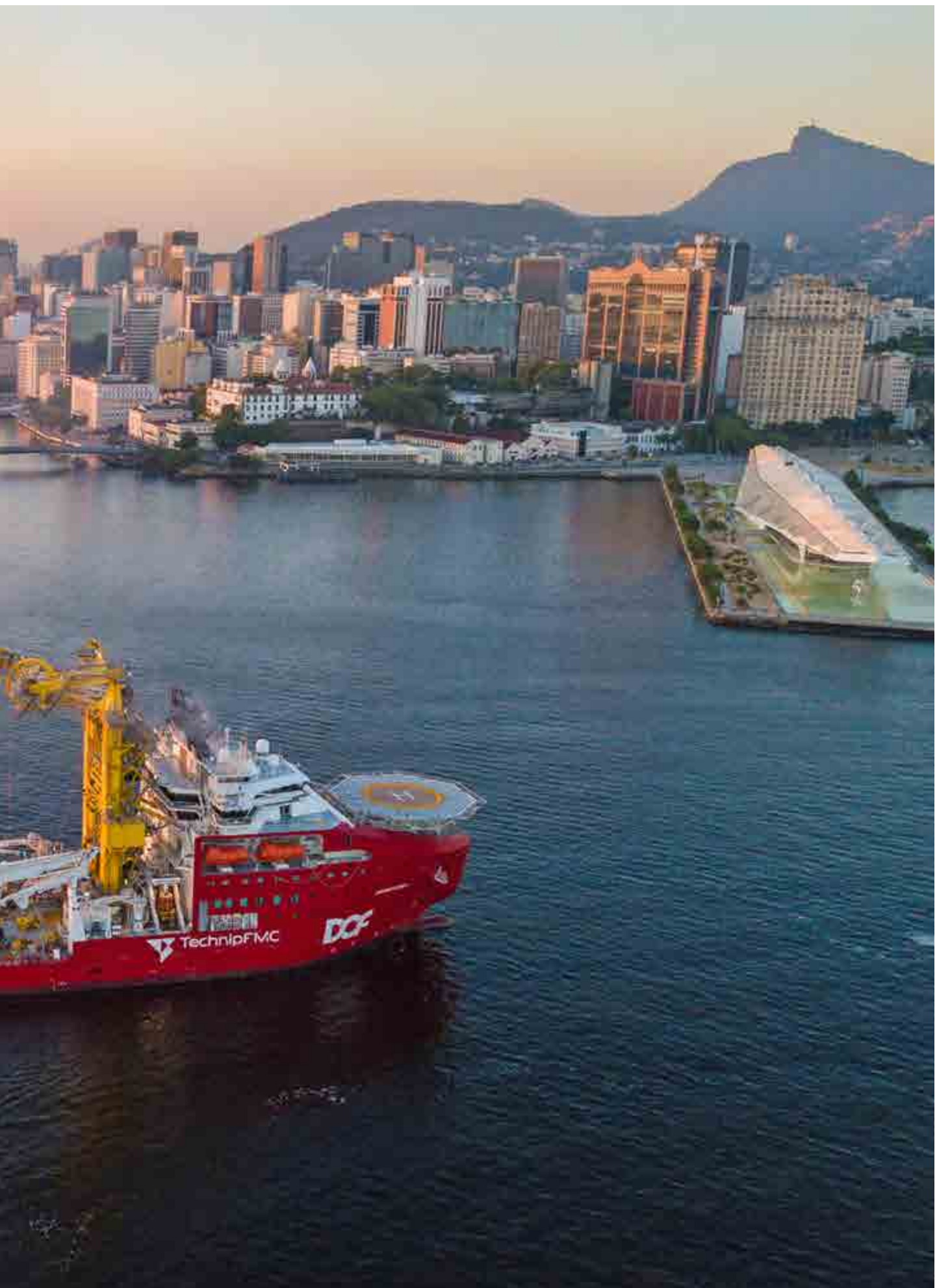
Bergen, 15 March 2019

PricewaterhouseCoopers AS

Sture Døsen

State Authorised Public Accountant





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