Q1 2021

Financial Report
DOF Subsea AS

DOF Subsea

Index

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Report distribution

The Q1 2021 financial report for DOF Subsea AS is to be published on 26th of May, 2021 and will be available on the Company website: www.dofsubsea.com.

The interim consolidated financial statements have not been subject to audit or review.

Director's report

1st Quarter 2021

Key figures

	Management reporting		Financial reporting	
(NOK million)	Q1 2021	Q1 2020	Q1 2021	Q1 2020
Operating revenue	1 041	1 329	755	997
EBITDA	321	491	165	391
EBIT	5	-599	-80	-585
Net financial costs	-254	-1 489	-149	-1 333
Profit (loss)	-268	-1 947	-268	-1 947
Equity ratio	13 %	15 %	17 %	20 %

Key financial & operational information

Operations

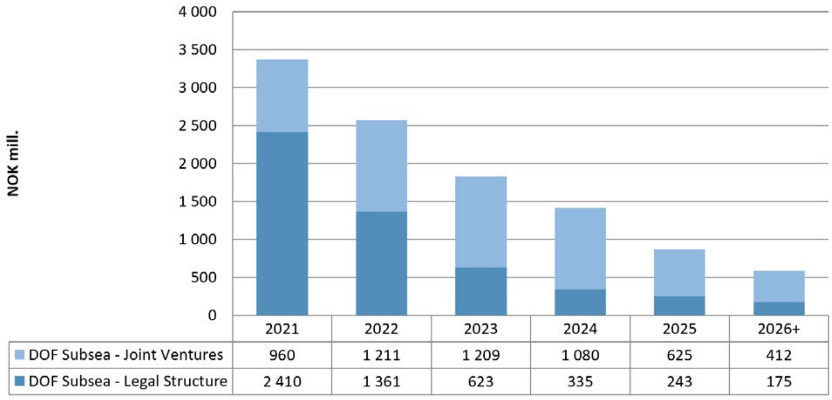
- The total fleet consist of 26 vessels including:
  - 6 vessels in the DOFCON Brasil JV
  - 2 chartered in from third party owners
  - 1 vessels in lay-up (Sold in Q2)
- Average utilisation of the fleet 72% (76%)
- Low utilisation and performance in the Asia-Pacific and North America regions
- Increased activity in the Atlantic region
- Challenging operations due to COVID-19

Finance:

- Standstill agreements signed with the secured lenders and the bondholders until 31st of May

Backlog

- Total firm contract backlog is NOK 10.6 billion, including the firm backlog of the DOFCON Brasil JV of NOK 5.5 billion.



Key ESG (Environmental, Social, & Governance) information

The ESG figures, where appropriate, are shown in comparison with previous year, as rolling average, or as running numbers. The dashboard contains results from key, non-financial, targets established in DOF Subsea. Read more about how we selected these targets in our integrated annual report 2020.

Operational health & safety

0 Lost Time injuries (LTIs) in Q1 2021	**2** Recordable incidents in Q1 2021
205 Positive safety observations in Q1 2021	**2.13** /million hrs recordable incident frequency in Q1 2021
0.36 /million hrs Lost Time Incident frequency in Q1 2021	**2,061** Safety observations in Q1 2021

Marine and Subsea service delivery

4.3 Subsea client satisfaction in Q1 2021 (out of max score of 5)	**4.1** Marine client satisfaction in Q1 2021 (out of max score of 5)
98.6% Vessel uptime available operative time in Q1 2021	**99.6%** ROV uptime available operative time in Q1 2021

People

0 GDPR breaches recorded in Q1 2021	**0** Conformed harassment cases in Q1 2021
1,282 Headcount per 31.03.2021	**0.60%** Absence due to sickness in Q1 2021

Environmental performance

-7.2% CO_2 emissions total emissions in 2020 compared to 2019	**0** No spills unrecovered over 50 litres in Q1 2021
A- Current CDP score	

Governance

0 Fines or monetary sanctions due to non-compliance recoded in Q1 2021	**47** NCRs raised in Q1 2021
5 audits completed in Q1 2021	

Q1 Operations

The Q1 operational result per segment is as follows;

Amount in NOK million	Long term chartering	Subsea/IMR projects	Total
Operating revenue	362	679	1 041
Operation result before depreciation and impairment - EBITDA	275	46	321
EBITDA margin	76 %	7 %	31 %

For the first quarter of 2021 the global Covid-19 situation, including travel restriction and outbreaks onboard vessel, has continued to impose challenges to the operations of the Group. In addition, the utilisation of the fleet has been impacted by multiple vessels undertaking main class renewals and mobilisations for new projects. The overall utilisation of the owned Subsea fleet was 72% versus 76% in 1st quarter 2020. One vessel (Geograph) has been in lay-up in the quarter, and has been sold and delivered to new owners in 2nd quarter.

During 1st quarter, in the Asia Pacific region, the Group has conducted IMR work under two long term contracts for Shell in the Philippines and in Australia. Two vessels in the region had low utilisation in the period, partly due to travel restrictions, delay of project, technical issues and one main class docking.

I the Atlantic region, one vessel has been working as a field support vessel offshore Angola. The region has also executed an FPSO class and field inspection program, an AUV and ROV seabed mapping campaign as well as subsea inspection projects.

In the North America region, the Group has executed IMR and installation work for Husky Energy in Canada and for other clients in the Gulf of Mexico and in Trinidad and Tobago. One third party vessel mobilised during the quarter.

In the Brasil region the activity has been high in the quarter with multiple vessels mobilising and working on an inspection project for Petrobras and one vessel working on a long-term diving contract for Petrobras. The utilisation of several vessels has been low, both due to mobilsations for projects, technical downtime and issues related to Covid-19

In the long-term chartering segment, all vessels have been working during the quarter. One vessel has had its main class renewal.

Utilisation	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Long term Chartering	99 %	95 %	95 %	93 %	82 %
Subsea/IMR Projects	61 %	68 %	78 %	64 %	73 %
Total	72 %	78 %	83 %	74 %	76 %

P&L 1st Quarter

Revenue and EBITDA are lower compared to the same period last year, mainly due to lower utilisation and earnings for the Subsea project fleet and a weakening of the USD towards NOK. A net result from the DOFCON Brasil JV of NOK 56 million (NOK 177 million) are included in the operational profit before depreciation and impairment (EBITDA). Total depreciations and impairment are NOK 245 million (NOK 976 million) in the period. During the quarter there was a further drop in the fair market value of the fleet. Continuing weak markets will increase the risk of reduced earnings and asset values and the risk of further impairments. The Group's assets are further sensitive to the USD/NOK rates.

The net financial loss of NOK -149 million (NOK -1,918 million) include financial expenses of NOK -139 million (NOK -163 million), and net unrealised loss on derivative instruments and currency position of NOK -3 million (NOK

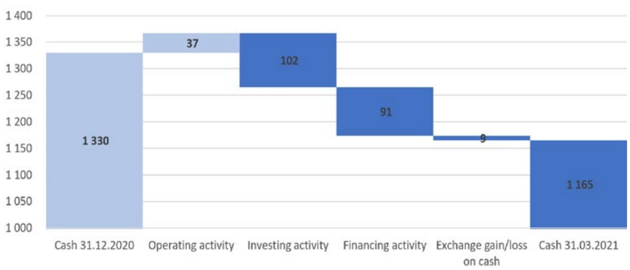
-815). The USD rate has slightly weakened towards NOK in the period. The majority of the Group's debt are in USD.

BALANCE	31.03.2021	31.03.2020	Change %
(NOK million)			
Total assets	12 549	14 841	-15 %
Tangible assets	7 519	9 696	-22 %
Cash and cash equivalents	1 165	803	45 %
Net interest-bearing debt*	7 938	9 724	-18 %
Total equity	2 160	3 010	-28 %

*) Net interest-bearing debt by end of Q1 2021 is reduced mainly due to weakening of USD towards NOK.

The Group`s cash reserve has decreased in the period due to periodical maintenance on vessels, mobilisation for new projects and instalments on non-current debt. Non-current liabilities include long-term lease agreements. All remaining liabilities has been classified as current since 2020. This classification is based on that the standstill agreements for debt service with the banks and bondholders are less than 12 months.

Cash flow Q1 2021



The operational cash flow (after net interest and taxes) of NOK 37 million (NOK 94 million) has been positive impacted by reduced interest payments and negative impacted by low utilisation of the Groups assets and planned mobilisation to contracts. Investments of NOK 102 million (NOK 51 million) are mainly class dockings and contract cost for mobilisation of new contracts. Financing activity include debt service on lease contracts and some loan facilities in the Group. Of total cash of NOK 1,165 million (NOK 803 million), NOK 102 million (NOK 112 million) is restricted.

Financing and Capital Structure

The Group's total interest-bearing debt comprise secured debt of NOK 6,633 million (NOK 7,883 million) and unsecured bonds of NOK 2,554 million (NOK 2,842 million). The main portion of the debt is drawn in USD, and main reason for reduced debt since 1st quarter 2020 is that NOK has strengthened towards USD.

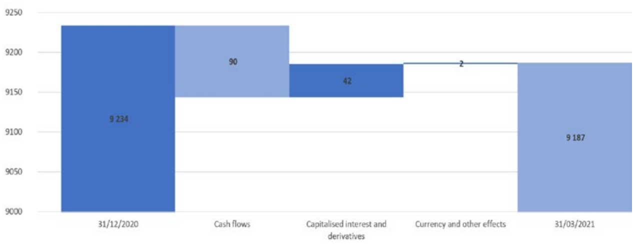
The restructuring of the Group's long-term debt is ongoing and standstill agreements have been agreed until the 31st of May 2021 with 88% of the secured lenders within the DOF Subsea Group. The standstill agreements do not include the DOFCON Brasil JV. The standstill agreements further assume payment of principal and interest of a NOK 100 million credit facility provided by certain lenders in March 2020. The outstanding amount of this facility is NOK 48 million by end of March. The relevant Group companies have imposed unilateral standstill to the lenders not participating in the standstill agreements. One of the secured lenders has requested repayment of approximately USD 47 million and has enforced account pledge on the earnings account for the relevant vessel. Another secured lender has enforced account pledge for one loan facility. The bondholders in DOFSUB07, DOFSUB08 and DOFSUB09 have further accepted a standstill until the 31st of May 2021. An Ad-hoc group of bondholders can extend the standstill until the 30th of June.

BNDES has extended the standstill of the facility in DOF Subsea Brasil until the 10th of June 2021 as part of a governmental package.

The Group aims to achieve natural hedge between cash flows and cash outflows by securing debt funding in equivalent currency as the earnings from firm contracts, and further to manage the remaining exchange risk arising through forward FX contracts. Due to the current financial position of the Group, new forward contracts have become challenging. Hence the Group's liquidity risk has increased due to currency fluctuation.

The portion of debt secured with fixed rate of interest is approximately 59% of total debt and includes the debt with fixed interest in BNDES (Brazilian Development Bank).

Interest bearing debt 31.12.2020 - 31.03.2021



Shareholders & the Board

By quarter end, the shares in DOF Subsea AS were owned by DOF ASA (100 %).

Outlook

The challenging markets have continued into 2021. There are signs of increased activity from 2022, however the timing of a recovery is highly uncertain. Hence, future earnings and asset values are difficult to forecast. Continued weak markets will increase the risk for reduced earnings and further strain the Group's financial position. If a robust long-term refinancing solution is not achieved, the Group cannot be treated as going concern, which again will require additional impairments of the Group's assets.

The 1st quarter financial report is prepared on the assumption of going concern and as mentioned above this assumption is based on agreed standstill agreements with the majority of the Group's lenders. The debt restructuring proposals currently discussed include conversion of debt to equity. The dialogue with the lenders is challenging, but constructive and a refinancing solution is not yet in place. The Group is dependent on continued standstill agreements with its creditors until a long-term financial solution is agreed to maintain as going concern.

The Board of Directors of DOF Subsea AS,

May 25th, 2021

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Accounts

1st Quarter 2021

Amounts in NOK million

Consolidated statement of comprehensive income

	Note	1Q 2021	1Q 2020	2020
Operating revenue	2,3,4	755	997	3 984
Operating expenses		-658	-771	-2 900
Share of net profit / loss of associates and joint ventures	2, 7	69	165	573
Profit from sale of non-current assets		-	-	3
Operating profit before depreciation and impairment (EBITDA)	2, 3	165	391	1 661
Depreciation	5	-158	-126	-450
Impairment	5	-87	-850	-2 471
Operating profit (EBIT)		-80	-585	-1 260
Financial income		16	30	58
Financial expenses		-139	-163	-690
Realised net gain / loss on derivative instruments and currency position		-23	-386	-465
Unrealised net gain / loss on derivative instruments and currency position		-3	-815	244
Net financial income / loss		-149	-1 333	-852
Profit / loss before tax		-229	-1 918	-2 112
Income tax expense		-39	-29	-126
Profit / loss for the period		-268	-1 947	-2 237
Other comprehensive income net of tax				
Items that may be subsequently reclassified to profit / loss				
Currency translation difference (CTA)		-10	-129	25
Share of other comprehensive income of associates and joint ventures	7	5	389	-47
Other		-	-	-
Other comprehensive income / loss net of tax		-5	261	-22
Total comprehensive income / loss for the period net of tax		-273	-1 686	-2 259
Total comprehensive income / loss attributable to:				
Non-controlling interests		-5	-19	-50
Owners of the parents		-268	-1 667	-2 209

Amounts in NOK million

Consolidated statement balance sheet

Assets	Note	31.03.2021	31.03.2020	31.12.2020
Tangible assets	5	7 519	9 696	7 696
Deferred tax asset		9	4	9
Investments	2, 7	2 465	2 413	2 391
Other non-current assets	6, 12	250	649	246
Total non-current assets		10 243	12 763	10 342
Trade receivables		668	762	628
Other current receivables		473	514	485
Current receivables		1 141	1 276	1 113
Restricted cash		102	112	118
Unrestricted cash and cash equivalents		1 063	690	1 212
Cash and cash equivalents	9	1 165	803	1 330
Total current assets included assets held for sale		2 306	2 079	2 444
Assets held for sale		-	-	20
Total current assets included assets held for sale		2 306	2 079	2 464
Total assets		12 549	14 841	12 806

Amounts in NOK million

Consolidated statement balance sheet

Equity and liabilities	Note	31.03.2021	31.03.2020	31.12.2020
Paid-in equity	11	1 674	2 753	1 674
Other equity		381	110	650
Non-controlling interests		105	146	109
Total equity		2 160	3 010	2 433
Bond loans	9	-	-	-
Debt to credit institutions	9	-	291	-
Lease liabilities	12	251	324	272
Other non-current liabilities		59	62	59
Total non-current liabilities		310	677	331
Current portion of debt	9	9 290	10 189	9 258
Trade payables		365	525	385
Other current liabilities		424	440	400
Total current liabilities		10 079	11 154	10 042
Total liabilities		10 389	11 832	10 373
Total equity and liabilities		12 549	14 841	12 806

Amounts in NOK million

Consolidated statement of cash flows

	Note	1Q 2021	1Q 2020	2020
Operating profit (EBIT)		-80	-585	-1 260
Depreciation and impairment	5	245	976	2 921
Profit from sale of non-current assets		-	-	3
Share of net profit / loss of associates and joint ventures	2, 7	-69	-165	-573
Change in trade receivables		-40	-144	10
Change in trade payables		-20	140	1
Changes in other working capital		39	46	101
Exchange rate effect on operating activities		-11	29	30
Cash flow from operating activities		65	298	1 214
Interest received		17	20	35
Interest and other finance cost paid		-30	-186	-290
Tax paid		-15	-38	-77
Net cash flow from operating activities		37	94	881
Sale of tangible assets		21	-	3
Purchase of tangible assets	5	-105	-73	-146
Purchase of intangible assets		-31	-	-45
Net cash flows from other non-current receivables		13	22	300
Dividends received		1	-	-
Cash flow from investing activities		-102	-51	112
Proceeds on non-current debt		2	230	230
Instalments on non-current debt		-93	-94	-435
Payments from non-controlling interests		-	-	-
Cash flow from financing activities		-91	136	-205
Net change in cash and cash equivalents		-156	179	788
Cash and cash equivalents, including restricted cash, at period start		1 330	934	934
Exchange rate effect on cash and cash equivalents		-9	-310	-392
Cash and cash equivalents, including restricted cash, at period end		1 165	803	1 330

The Group has standstill agreements with majority of the lenders and no interest and instalments have been paid during standstill period to these lenders.

Restricted cash at period end is NOK 102 million (NOK 112 million) and is included in Cash and cash equivalents. Changes in restricted cash is reflected in the cash flow.

Restricted cash consists of cash only available for specific purposes. A portion of restricted cash serves as security for outstanding debt following enforcements of account pledges. Some lenders have exercised their right to set off such cash balances toward the outstanding loans. The Group has therefore chosen to present all restricted cash serving as security for loans, net of debt to credit institutions.

For further information see Note 8 Cash and cash equivalents.

Amounts in NOK million

Consolidated statement of 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 01.01.2021	1 674	-	-	1 674	561	88	650	109	2 433
Profit / loss for the period	-	-	-	-	-263	-	-263	-5	-268
Other comprehensive income for the period	-	-	-	-	5	-10	-5	-	-5
Total comprehensive income for the period	-	-	-	-	-258	-10	-268	-5	-273
Equity at 31.03.2021	1 674	-	-	1 674	303	78	381	105	2 160
Equity at 01.01.2020	1 674	540	540	2 753	1 715	63	1 779	165	4 697
Profit / loss for the period	-	-	-	-	-1 929	-	-1 929	-19	-1 947
Other comprehensive income for the period	-	-	-	-	389	-129	261	-	261
Total comprehensive income for the period	-	-	-	-	-1 532	-136	-1 668	-19	-1 687
Equity at 31.03.2020	1 674	540	540	2 753	175	-66	110	146	3 010

Notes to the accounts

1st Quarter 2021

Amounts in NOK million

Notes to the financial statements

Note 1 General

The Company is owned by DOF ASA as a sole shareholder with 100% ownership stake on 31 March 2021.

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.

These interim financial statements were approved for issue on the 25th of May 2021. The interim financial statements have not been audited.

Basis of preparation

This Financial Report has been prepared in accordance with IAS 34, 'Interim financial reporting'. The Financial Report does not include all the information and discloasure required in the annual finanaical statements, and should be read in conjunction with the Group's Annual Report for 2020.

In accordance with IAS 1.25, the Board of Directors confirms that the financial statements have been prepared under the assumption of going concern. However, the events described below give rise to significant doubt on the Group and the Company's ability to continue as going concern.

The Board of Directors and the Management in DOF Subsea AS are working on a long-term financial solution for the Group. Debt restructuring proposals have been presented and discussed with the secured lenders and bondholders, but a final solution is not yet in place. The proposals currently discussed include a comprehensive restructuring of the Group's balance sheet including conversion of debt to equity. Without a long-term financing solution in place, the Group can no longer present financial statements on the assumption of going concern.

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

Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended the 31st of December 2020, with the exception of changes in estimates that are required in determining the provision for income taxes.

Amounts in NOK million

Note 2 Management reporting

Joint ventures are accounted for by using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of profits or losses and movements in other comprehensive income in the investee.

In management reporting the Group uses the proportionate consolidation method when accounting for joint ventures. Proportionate consolidation is used to better reflect the operating performance for vessels in the joint ventures and are the basis for management reporting to the Board of Directors.

At the end of the 1st quarter of 2021 the joint venture owns six PLSVs.

	1Q 2021 Consistent with management reporting	Reconciliation to equity method	1Q 2021
Operating revenue	1 041	-286	755
Operating expenses	-733	75	-658
Share of net income of associates and joint ventures	13	56	69
Profit from sale of non-current assets	-	-	-
Operating profit before depreciation and impairment (EBITDA)	321	-155	165
Depreciation	-229	71	-158
Impairment	-87	-	-87
Operating profit (EBIT)	5	-85	-80
Financial income	4	12	16
Financial expenses	-175	36	-139
Realised net gain / loss on derivative instruments and currency position	-26	2	-23
Unrealised net gain / loss on derivative instruments and currency position	-58	54	-3
Net financial income / loss	-254	105	-149
Profit / loss before tax	-249	21	-229
Income tax expense	-19	-21	-39
Profit / loss for the period	-268	-	-268

Amounts in NOK million

Note 2 Management reporting (continued from previous page)

The bridge between the management reporting and the figures reported in the financial statements are presented below:

Consolidated statement of financial position	31.03.2021 Consistent with management reporting	Reconciliation to equity method	31.03.2021
Tangible assets	13 278	-5 759	7 519
Intangible assets	355	-347	9
Financial assets	220	2 496	2 715
Total non-current assets	13 853	-3 611	10 243
Other current assets	1 148	-7	1 141
Cash and cash equivalents	1 652	-487	1 165
Assets held for sale	-	-	-
Total current assets included assets held for sale	2 800	-494	2 306
Total assets	16 654	-4 105	12 549

Consolidated statement of financial position	31.03.2021 Consistent with management reporting	Reconciliation to equity method	31.03.2021
Total equity	2 160	-	2 160
Non-current liabilities	3 841	-3 531	310
Current liabilities	10 653	-574	10 079
Total liabilities	14 494	-4 105	10 389
Total equity and liabilities	16 654	-4 105	12 549

Consolidated statement of cash flows	31.03.2021 Consistent with management reporting	Reconciliation to equity method	31.03.2021
Net cash flow from operating activities	231	-194	37
Cash flow from investing activities	-179	77	-102
Cash flow from financing activities	-172	81	-91
Net change in cash and cash equivalents	-120	-36	-156
Cash and cash equivalent at the beginning of the period	1 782	-452	1 330
Exchange rate effect on cash and cash equivalents	-10	1	-9
Cash and Cash equivalents at the end of the period	1 652	-487	1 165

In management reporting for Q1 2021 no impairment was booked in the joint venture. (In Q1 2020 NOK 55 million was booked as impairment). In the joint venture company DOFCON Navegacao Ltda, a hedging position in Brazilian Real that was closed in 2017 in relation to conversion to functional currency USD, implying a profit and loss effect (unrealised financial cost) of NOK -7 million in Q1 2021 (NOK -16 million in Q1 2020). The correction does not affect the company's cash- or equity position.

The impairment and the hedging correction give a total negative effect on the Group`s "Share of net income of associates and joint ventures" with NOK 7 million in Q1 2021 (NOK 71 million in Q1 2020). The negative effect on NOK 7 million is included in "operating profit before depreciation and impairment (EBITDA)" in the bridge between management reporting and Financial statements. The table is presented above.

Amounts in NOK million

Note 3 Segment information

Operating segments are determined based on the information given to the Group's operating decision-makers for the purposes of allocating resources and assessing performance. Segments are reported to the chief operating decision-makers on a regular basis.

The segment reporting below is presented according to management reporting, with principle as described in note 2, and reconciled to the financial statement.

Operating revenue consistent with management reporting	1Q 2021	1Q 2020	2020
Long-term Chartering	362	470	2 055
Subsea/IMR Projects	679	859	3 282
Total consistent with management reporting	1 041	1 329	5 337
Reconciliation to equity method	-286	-333	-1 352
Total	755	997	3 984

EBITDA consistent with management reporting			
Long-term Chartering	275	349	1 583
Subsea/IMR Projects	46	141	600
Total consistent with management reporting	321	491	2 183
Reconciliation to equity method	-155	-64	-526
Total	165	427	1 657

The Group's business is divided into two business segments: Subsea/IMR Projects and Long-term Chartering.

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. In Q1 2021 Skandi Acergy was transferred from Long-term Chartering segment to the Subsea/IMR Project segment.

Note 4 Operating revenue

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

Operating revenue	1Q 2021	1Q 2020	2020
Lump sum contracts	24	9	284
Day rate contracts	731	988	3 700
Total operating revenue	755	997	3 984

Amounts in NOK million

Note 5 Tangible assets

31.03.2021	Vessels & periodic maintenance	ROVs	Operating equipments	Right-of-use assets	Total
Net booked value 01.01.	6 742	547	190	217	7 696
Additions	75	19	11	-	105
Disposal	-	-	-	-	-
Reclassification	-	9	-9	-	-
Depreciation	-107	-32	-11	-9	-158
Impairment	-87	-	-	-	-87
Currency translation differences	-35	-	-1	-1	-38
Net booked value 31.03.	6 588	543	180	208	7 519

Net booked value of right-of-use assets at 1st quarter 2021 consist of property with NOK 207 million and operating equipment of NOK 1 million.

31.03.2020	Vessels & periodic maintenance	ROVs	Operating equipments	Right-of-use assets	Total
Net booked value 01.01.	9 350	679	287	226	10 542
Additions	53	3	17	-	73
Disposal	-	-	-	-	-
Reclassification	-17	2	-10	-	-26
Depreciation	-64	-40	-13	-10	-126
Impairment	-755	-	-9	-	-764
Currency translation differences	-31	-	11	18	-2
Net booked value 31.03.	8 536	644	282	234	9 696

The outbreak of Covid-19 and the sharp decline in the oil price have negatively impact the market sentiment. The market conditions have become more challenging with oversupply of services and subsea vessels. The situation is resulting in increased pressure on earnings and challenges with utilisation of both personnel and assets. The market conditions are expected to remain challenging, and the timing of market recovery remains highly uncertain.

Considering these effects, impairment tests performed for Q1 2021 have resulted in impairment losses of NOK 87 million.

Impairment tests are highly USD sensitive and a drop in USD/NOK of NOK 0,5 will result in an additional impairment of NOK 265 million, given no change in other assumptions. While testing the reasonableness of the broker estimates the Group has applied a nominal WACC after tax of 7.41%. An increase in WACC with 50 basis points will result in an additional impairment of the vessels with NOK 63 million. Negative effect on net future cash flows with 20 % will result in an additional impairment of the vessels with NOK 1 350 million.

The Group has reassessed useful life of vessels. From 01.01.2021 useful life of vessels in the Group has changed from 20 years to 30 years. The salvation value has been set to 0 after 30 years as the cost of increasing environmental requirements related to disposal of vessels are estimated to offset the scrap value of the steel. The change in useful life has increased the monthly depreciation with about NOK 16 million.

Note 6 Contract Cost

31.03.2021	Contract cost	Total
Net booked value 01.01	51	51
Additions	31	31
Reclassification from tangible assets	1	1
Amortization	-9	-9
Impairment	-	-
Currency translation differences	-3	-3
Net booked value 31.12	**70**	**70**

Amounts in NOK million

Note 7 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
SEMAR AS	Norway	Subsea Engineering; Structural Engineers and Marine Consultants	42%	Associate	Equity
KDS JV AS	Norway	Subsea operations	50%	Joint Venture	Equity

Reconciliation of the aggregate carrying amounts in investments:

	31.03.2021
Booked value of investments 01.01	2 391
Share of net profit / loss for the period	69
Share of other comprehensive income	5
Investments in associates from reduced ownership in Semar AS	-
Booked value of investments 31.12	2 465

Note 8 Cash and cash equivalents

The Group has 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. The total cash pool cannot be overdrafted. The cash pool is presented as unrestricted cash and cash equivalents.

Surplus cash transferred to the Group's cash pool will be available at all times to meet the Group's financial obligations at any time. Some subsidiaries are not part of the cash pool. Surplus cash in these companies is not immediately available for the rest of the Group. The main part of this is the DOF Installer ASA unrestricted cash balance of NOK 503 million.

Restricted cash consists of cash only available for specific purposes. A portion of restricted cash serves as security for outstanding debt following enforcements of account pledges. Some lenders have exercised their right to set off such cash balances toward the outstanding loans. The Group has therefore chosen to present all restricted cash serving as security for loans, net of debt to credit institutions

Amounts in NOK million

Note 9 Net interest-bearing debt

The restructuring of the Group's long-term debt is ongoing and standstill agreements have been agreed until the 31st of May 2021 with 88% of the secured lenders within the DOF Subsea Group. The standstill agreements do not include the joint venture with TechnipFMC. The standstill agreements further assume payment of principal and interest of a NOK 100 million credit facility provided by certain lenders in March 2020. The outstanding amount of this facility is NOK 48 million by end of March 2021. The relevant Group companies have imposed unilateral standstill to the lenders not participating in the standstill agreements. One of the secured lenders has requested repayment of approximately USD 47 million and has enforced account pledge on the earnings account for the relevant vessel. Another secured lender has enforced account pledge for one loan facility. The bondholders in DOFSUB07, DOFSUB08 and DOFSUB09 have further accepted a standstill until the 31st of May 2021. An Ad-hoc group of bondholders can extend the standstill until the 30th of June 2021.

BNDES has extended the standstill of the facility in DOF Subsea Brasil until the 10th of June 2021 as part of a governmental package.

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

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

	31.03.2021	31.03.2020	31.12.2020
Non-current interest-bearing debt			
Bond loans	-	-	-
Debt to credit institutions	-	291	-
Lease liabilities	251	324	272
Total non-current interest-bearing debt	251	615	272
Current interest-bearing debt			
Bond loans	2 554	2 842	2 554
Debt to credit institutions	6 300	7 186	6 326
Lease liabilities	82	82	83
Total current interest-bearing debt	8 936	10 110	8 963
Total non-current and current interest-bearing debt	9 187	10 725	9 234
Net interest-bearing debt			
Cash and cash equivalent	1 165	803	1 330
Other interest-bearing assets - non-current	85	220	97
Total net interest-bearing debt	7 938	9 702	7 807

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.

Amounts in NOK million

Note 9 Net interest-bearing debt (continued from previous page)

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:

		Cash flows	Non-cash changes				
Interest bearing debt	Balance 31.12.20	Cash flows	Capitalised interest and derivatives	Proceed lease debt	Amortised loan expense	Currency adjustements	Balance 31.03.21
Bond loans	2 554	-	-	-	1	-1	2 554
Debt to credit institutions	6 326	-70	42	-	1	2	6 300
Lease liabilities	354	-20	-	-	-	-1	333
Total interest bearing debt	9 234	-90	42	-	2	0	9 187

Share of debt secured by fixed interest rate:

	Fixed rate	Balance 31.03.2021
NOK	64%	2 958
USD	53%	5 503
CAD	100%	394
Total debt	59%	8 854

Financial covenants

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

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

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

- The Group's assets shall be fully insured
- There shall not be any change 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 has further received waiver for the financial covenants as guarantor for two facilities in the joint venture with TechnipFMC. If waivers are not extended, it is a significant risk that the Group will be in breach of its covenants.

Amounts in NOK million

Note 10 Transactions with related parties

Description of transactions with related parties is given in the Group's Annual Report for 2020. There are no major changes in type of transactions between related parties during the first quarter of 2021. The Group has receivables and liabilities towards DOF ASA, Norskan, DOF Management and Marin IT related to operations.

Note 11 Shareholder information

Name	No. shares	Shareholding	Voting shares
DOF ASA	167 352 762	100 %	100 %
Total	167 352 762	100 %	100 %

Note 12 Events after period end

On the 30th of April the Group agreed to extend the standstill agreements with the secured lenders representing in total 88 % of the secured debt of the Group excluding the joint venture with TechnipFMC and DOF Subsea Brasil Servicios Ltda. DOF Subsea AS has received confirmation from the ad hoc group of bondholders that they have agreed to further extend the suspension, deferral and standstill arrangement currently in place for the bond issues from 30 April to 31 May 2021. The standstill from BNDES to DOF Subsea Brasil Servicios Ltda. has been extended to 10th of June 2021 for the vessel Skandi Salvador.

DOF Subsea Rederi AS, a wholly owned subsidiary of DOF Subsea AS, has completed the sale of the CSV Geograph (built in 2007) to an international buyer. The vessel will be delivered to the new owner in May 2021. The gain from the sale is approximately NOK 20 million.

DOF Subsea has been awarded a contract by Siemens Gamesa for Skandi Constructor. The vessel will be utilized for projects on several offshore wind farms in Germany with a duration up to 160 days, starting in April.

DOF Subsea was in May awarded multiple contracts for execution in the North Sea for a total of 340 vessel days within the Company's core service lines – Inspection, Maintenance & Repair (IMR), Construction and Decommissioning. The projects will secure utilisation for the vessels Skandi Acergy, Skandi Skansen, Skandi Iceman, Skandi Hera and a contracted third-party vessel.

DOF Subsea has been awarded several vessel and ROV contracts to support the Ocean Bottom Node Seismic campaigns by Shearwater GeoServices Holding AS on Petrobras's Jubarte, Tupi and Iracema fields offshore Brazil. The combined projects will utilise Skandi Neptune for approximately 1 year, with commencement during Q2 2021.

Amounts in NOK million

Note 13 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.
EBIT margin	EBIT margin presented is defined as EBIT divided by operating revenue.	Enables comparability of profitability relative to operating revenue.
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.
Return on net capital	Profit / loss for the period divided by equity.	Return on net capital represents the total return on equity capital and shows the Group's ability to turn assets into profits.
Equity ratio	Equity divided by assets at the reporting date.	Measure capital contributed by shareholders to fund the Group's assets.
Value-adjusted equity ratio	Value-adjusted equity divided by value-adjusted assets at the reporting date. The market value is used for the vessels.	Measure capital contributed by shareholders to fund the Group's assets.
Book value equity per share	Equity divided by number of shares outstanding.	Measures the Group's net asset value on a per-share basis.
Value-adjusted equity per share	Value-adjusted equity divided by number of shares outstanding. The market value is used for the vessels.	Measures the Group's net asset value on a per-share basis.

Amounts in NOK million

Note 13 Performance measurement definitions (continued from previous page)

Other definitions

Measure	Description
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 percentag. The vessel utilisation numbers are based on actual available days including transits and idle time, but excluding dry dock stays for class dockings and major upgrades / conversions.
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.

Supplemental information

Reporting last 5 quarters

The supplemental information below is presented according to management reporting, based on the proportionate consolidation method. Proportionate consolidation method implies full consolidation for subsidiaries, and consolidation of 50% of the comprehensive income and financial position for the joint ventures.

Amounts in NOK million

Condensed statement of comprehensive income 5 last quarters

	1Q 2021	4Q 2020	3Q 2020	2Q 2020	1Q 2020
Operating revenue	1 041	1 214	1 547	1 247	1 329
Operating expenses	-733	-758	-841	-698	-826
Share of net income of associates and joint ventures	13	2	-	-20	-12
Profit from sale of non-current assets	-	3	-	-	-
Operating profit before depreciation and impairment (EBITDA)	321	461	707	528	491
Depreciation	-229	-161	-163	-169	-187
Impairment	-87	-581	-570	-537	-903
Operating profit (EBIT)	5	-282	-26	-177	-599
Financial income	4	6	3	4	6
Financial expenses	-175	-283	-202	-230	-214
Realised gain / loss on financial instruments	-26	-39	-56	7	-395
Unrealised gain / loss on financial instruments	-58	637	159	340	-886
Net financial income / loss	-254	321	-95	121	-1 489
Profit / loss before tax	-249	40	-121	-57	-2 088
Income tax expense	-19	-155	-12	15	141
Profit / loss for the period	-268	-115	-133	-42	-1 947

Amounts in NOK million

Supplemental information (continued from previous page)

Condensed statement of financial position 5 last quarters

Assets	1Q 2021	4Q 2020	3Q 2020	2Q 2020	1Q 2020
Tangible assets	13 278	310	359	390	400
Intangible assets	355	13 509	14 866	15 771	17 062
Financial assets	220	202	283	289	329
Total non-current assets	**13 853**	14 021	15 509	16 450	17 791
Other current assets	1 148	1 175	1 223	1 123	1 212
Cash and cash equivalents	1 652	1 784	1 863	1 411	1 248
Assets held for sale	-	20	-	-	-
Total current assets included assets held for sale	**2 800**	2 978	3 087	2 534	2 460
Total assets	**16 654**	16 999	18 596	18 983	20 251

Equity and liabilities	1Q 2021	4Q 2020	3Q 2020	2Q 2020	1Q 2020
Paid in equity	1 673	2 754	2 753	2 753	2 753
Other equity	381	-438	-168	-13	110
Non-controlling interests	105	117	130	130	146
Total equity	**2 160**	2 433	2 715	2 870	3 010
Total non-current liabilities	**3 841**	3 937	4 454	4 550	5 407
Total current liabilities	**10 653**	10 629	11 426	11 563	11 834
Total liabilities	**14 494**	14 566	15 880	16 113	17 241
Total equity and liabilities	**16 654**	16 999	18 596	18 983	20 251

Cash flow 5 last quarters

	1Q 2021	4Q 2020	3Q 2020	2Q 2020	1Q 2020
Net cash flow from operating activities	231	360	644	411	290
Net cash flow from investing activities	-179	-93	-23	-7	-71
Net cash flow from financing activities	-172	-268	-148	-167	34
Net changes in cash and cash equivalents	-120	-2	473	237	253
Cash and cash equivalents at the beginning of the period	1 782	1 864	1 411	1 248	1 238
Exchange rate effect on cash and cash equivalents	-10	-80	-20	-74	-243
Cash and cash equivalents at the end of the period	1 652	1 782	1 864	1 411	1 248

Amounts in NOK million

Supplemental information (continued from previous page)

Key figures

	1Q 2021	4Q 2020	3Q 2020	2Q 2020	1Q 2020
Profit per share (NOK)	-1.60	-0.69	-0.80	-0.25	-11.64
EBITDA margin	31 %	38 %	46 %	42 %	37 %
EBIT margin	-	-23 %	-2%	-14 %	-48 %
Return on equity	-12%	-5%	1.0 %	-2 %	-65 %
Book value equity per share (NOK)	12.90	14.54	16.23	17.15	17.98
Net interest-bearing debt (NOK million)	8 337	11 341	12 531	13 375	14 468

DOF Subsea vessels

Owned vessels

DOF Subsea currently owns one of the largest fleet of high-end construction vessels (including newbuilds) in the world. These assets offer a versatile, new generation of high-powered and purpose-built vessels with broad offshore capabilities.

Geograph

Geoholm

Geosea

Geosund

Skandi Acergy

Skandi Achiever

Skandi Açu

Skandi Africa

Skandi Buzios

Skandi Carla

Skandi Constructor

Skandi Hawk

Owned vessels (continued)


Skandi Hercules


Skandi Neptune


Skandi Niteroi


Skandi Olinda


Skandi Patagonia


Skandi Recife


Skandi Salvador


Skandi Seven


Skandi Singapore


Skandi Skansen


Skandi Vinland


Skandi Vitoria

Chartered-in vessels

DOF Subsea charters in vessels on short and long-term contracts based on operational needs, building greater flexibility and a complementary fleet mix to meet our clients' subsea challenges.

Ross Candies

Skandi Darwin

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