

DOF INSTALLER ASA

ANNUAL REPORT

2019



DOF Installer ASA Directors report

DOF Installer ASA (the Company) was founded in December 2006. Since its inception, the Company has been a supplier of vessels to the subsea and AHTS market. During the years of operation, the Company has taken delivery of five high-end subsea/AHTS vessels, of which two have been sold.

In 2019, the Company's vessels have been operating in the North Sea, in the Far East and off the East Coast of Canada under charter contracts with the DOF Subsea Group. The operating revenue was NOK 197 million in 2019 compared to NOK 232 million in 2018. The operating profit before depreciation (EBITDA) was NOK 177 million (NOK 183 million), whilst the operating profit (EBIT) was NOK 1 million (NOK 90 million), after depreciation and impairment of NOK 176 million (NOK 93 million). Total assets amounted to NOK 2 396 million (NOK 2 578 million), of which NOK 1 889 million was non-current assets (NOK 2 064 million in 2018). Total equity was NOK 1 044 million (NOK 1 131 million), and net interest-bearing debt was NOK 900 million (NOK 944 million).

Since March 2020 the energy markets have been significantly disrupted initially from Covid-19 driven impact on global oil demand and then an unexpected collapse in the negotiations among OPEC and Non-OPEC (incl. Russia) which has generated a steep fall in the oil price. An imbalance between supply and demand may increase the risk for a continuing low oil price and reduced earnings within the oil service industry going forward. The Covid-19 impact and the steep fall in the oil price have also led to extreme fluctuations in the currency market impacting the DOF Subsea Group and increased the risk for the Group significantly.

The Board and Management in the parent company DOF Subsea AS have since 2nd quarter 2019 been working on a long-term financial solution for the Group and the Company, which includes discussions with the banks, the bondholders and the main shareholder. The long-term financial solution includes waivers and adjustments of interest, instalments and financial covenants. The significant uncertainties created by Covid-19 in Q1 2020 and the decrease in the oil price has delayed the ongoing work with the long-term financial solution and the Group has in consultation with its secured lenders initiated a process to take the necessary steps to secure a short-term and long-term financial solution that are sufficiently robust taking the recent events into account.

The Company's headquarters is located at Storebø in the municipality of Austevoll.

Business concept and vision

The Company's core business is ownership of subsea/AHTS vessels, and at year-end the Company owned three vessels. The vessels have mainly been chartered to DOF

Subsea Group where they have been utilised in the Subsea/IMR Projects segment. The vessels owned by the Company are among the most advanced subsea and AHTS vessels ever built with high bollard pull, offshore cranes and ROV capabilities. The vessels were built to comply with the highest international standards for Environment and Safety of Life at Sea. The vessels' size and capabilities make them suitable for global operations and create a good foundation for long-term relationships with the end users of the vessels.

DOF Installer ASA is a part of the DOF Subsea Group and is working under the DOF Subsea Group's certification and Business Management System. During the year, DOF Management AS has been responsible for the vessel management of the Company's vessels through ship management agreements.

For further reading reference is given to the annual report of the parent company DOF Subsea AS and the DOF Subsea Group.

Operational events

In 2019, the Company benefited from being part of the DOF Subsea Group, and the vessels have during the year been chartered mostly to the DOF Subsea Group and to a minor extent to external clients.

Skandi Hercules has been chartered to DOF Subsea, where it has been utilised in the subsea market in the Asia Pacific (APAC) region. The vessel has conducted decommissioning work for Woodside and subsea umbilical installation work on Jadestone Montara for PTTEP, both in Australia. The vessel has further completed moorings installation work for Yinson in Malaysia and at the end of the year, the vessel was deployed in New Zealand working for OMV to support their drilling program.

Skandi Skansen has been chartered to DOF Subsea where it has been utilised in the subsea market in the Atlantic region. The vessel has conducted mooring and installation work for Exxon and BWO in Nigeria, for Equinor and ConocoPhillips in the North Sea and for Subsea 7 in Ghana. The vessel has further completed decommissioning work for Repsol and Shell in the North Sea.

Skandi Vinland is on a 12-year bareboat charter contract with DOF Subsea Canada where she is utilised under the 10-year IMR contract with Husky Energy off the East Coast of Canada.

Subsea market risk

The oil price is the main driver for the exploration and production spending (E&P spending). At the beginning of 2019 the price of Dated Brent was USD 58.88 per barrel and during the 5 first months of the year the price increased to a peak of USD 75.69, improving the sentiment in the industry. During the 7 last months of the year the price of Dated Brent has been volatile, and the price reached a low for the year of USD 54.17 per barrel. The average Dated Brent price for the year was USD 65.22 per barrel against USD 71.00 per barrel in 2018. Even though the average Dated Brent price was lower, there was a rise in the oil price toward the end of the year, creating a more positive market sentiment. Despite the volatile oil price, the E&P companies have increased their spending over the last two years.

The seasonality due to winter on the northern hemisphere combined with a lower demand from the oil companies led to a weak subsea market in the first half of 2019, however in the second half of the year, there was some improvements in the Asia Pacific region and the North America region.

The tendering activity remained stable, however with lower tendering activity toward the end of the year. Despite some improving fundamentals, 2019 was affected by the challenges relating to overcapacity of vessels and continued pressure on terms and rates.

The outlook for the offshore industry is uncertain, after the impact of Covid-19 and the fall in the oil price. Oil prices have fallen from around USD 60 per barrel at the start of the year to below USD 30 per barrel in mid-April. Global oil consumption is expected to decrease in 2020, which is the first annual decrease since 2008. As a result of the decline in demand, the oil producers will have to reduce their production.

The outlook for the offshore sector in 2020 was positive, and initial expectations were that offshore markets would build on 2019's moderate recovery rate and utilisation gains. This now seems unlikely given recent events, and a more challenging market conditions lies ahead, with numerous operators scaling back their 2020 E&P spending.

The sharp decline in the oil price and the responses of the oil companies to this may cause attempts to renegotiate existing contracts. Further, the recent events will increase the risk for idle time, drop in rate and consequently lower earnings going forward.

Financial risk

Financial and liquidity risk

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

At the end of 2019 the Company had on a stand-alone basis, liquidity to meet its expected financial obligations for the next 12 months. Cash and cash equivalents at period end and forecasted cash flows from operation in 2020 forms the basis for the liquidity forecast.

DOF Installer is a part of the DOF Subsea Group and as such dependent on the parent company's performance and the parent company guarantee obligations. During 2019 the parent company faced financial difficulties and since October the Group have had waivers on instalment payment in order to find a long-term financial solution. The latest turbulence in the market have set the proposed long-term financial solution on hold and the Group has been given waivers in order to find a short-term and long-term financial solution that are sufficiently robust taking the recent events into account. If waivers are not extended, it is a significant risk that the Group will be in breach of its covenants. If a short-term and long-term financial solution is not obtained for the Group and the parent company goes in default, this will lead to a cross default in DOF Installer ASA.

The Company's loan agreements contain financial covenants, and the Company was in compliance with all financial covenants at period end 2019. The Company has a temporary deferral of payment of interest and instalments with its secured lenders in order to reach a long-term financial solution. If waivers are not extended, it is a significant risk that the Group and the Company will be in breach of its covenants.

Currency risk

The Company has global operations, and a significant portion of the income and costs are denominated in foreign currencies, mainly USD and CAD. Fluctuations in

foreign exchange rates against the NOK have impact on the Company's financial statements. The company has a loan in CAD of 57 million equivalent to NOK 382 million. A 20% weakening of NOK against CAD will result in currency loss and a negative impact on the equity of NOK 76 million. The currency fluctuations so far in 2020 have been extreme and at levels never experienced before. This situation have negative impact on the solidity of the Company.

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

The Company's debt is denominated in NOK and CAD, and the Company has both fixed and floating interest rate loans. An active derivative 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 10 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.

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

Historically, the portion of receivables not being collectable has been low. The sustained challenging market situation has resulted in changes to the credit ratings for some of the Company's customers, and thereby increased the credit risk. The impacts from Covid-19 and a low oil price may increase the credit risk going forward. The Company continuously evaluates the financial strength and credit worthiness of customers and suppliers including DOF Subsea. In addition, policies and guidelines for follow-up and collection of outstanding receivables have been established.

Market and price risk

The Company 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 Company has such risk exposure, it is managed and partly hedged through clauses in the Company's contracts.

The Company is exposed to cost increases in general, including conversions and maintenance of vessels. The majority of the conversion contracts and class-dockings with the yards are based on fixed prices. The Company attempts to reduce price risk by signing contracts with suppliers with the necessary financial strength and expertise to complete projects in accordance with agreements.

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

The market has further deteriorated in all regions where the vessels operates and has negatively impacted the earnings and utilisation of the fleet.

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.

External environment

The DOF Subsea 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 the year, the focus on energy efficiency has increased by implementing key performance indicators related to environmental performance, e.g. energy consumption and CO2 emissions. There have been no major spills and no spills that resulted in fines or other non-monetary sanctions from local governments.

The Group promotes transparency and standard disclosure of information relating to key sustainability aspects. As part of this, the Group reports key environmental performances

through the Carbon Disclosure Project and the Global Reporting Initiative. For detailed reporting on these matters please find the Group's Sustainability Report on www.dof.com.

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

Corporate Governance

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

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

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

Every year, the Management carries out a detailed and thorough budgeting process. 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.

The Board of Directors is of the opinion that the Company'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. For further details on Corporate Governance, see the Corporate Governance section of the Annual Report for the DOF Subsea Group.

Board of Directors and employees

The Board of Directors of DOF Installer ASA consists of two men and one woman. The Company had no employees

during the year, and the Managing Director is employed in DOF Subsea AS.

Shareholders

As of 31 December 2019, the Company's equity consists of a share capital of NOK 33 931 000 divided into 33 931 000 shares, each with a nominal value of NOK 1, and the share last traded at NOK 6.5. The Company has 40 shareholders, where DOF Subsea AS is the main shareholder with 84.92% of the shares; the other main shareholders are Euroclear Bank S.A./N.V., Meteva AS and MP Pensjon PK.

Presentation of Company accounts

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

Going concern

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

DOF Subsea AS is guarantor for the Company's debt and the long-term financial solution for the Company will be affected by the work to find a long-term financial solution for DOF Subsea AS and the DOF Subsea Group. The Board of Directors and the Management in the DOF Subsea Group are working on a long-term financial solution, and the discussion with the relevant stakeholders is constructive. The effect of not having a long-term financial solution in place or waivers covering more than 12 months after balance sheet date, has resulted in a reclassification of the company's non-current debt to credit institutions as of 31 December 2019. The Group has a temporary deferral of payment of interest, instalments and waivers in order to reach a short-term and long-term financial solution. If the Company cannot be treated as 'going concern', the valuation of the Company's assets will be further revised. Valuation of asset without the going concern assumption may result in impairment of the Company's assets.

In March 2020, the DOF Subsea Group reported through a press release that the refinancing process has been delayed due to a sudden negative market development caused by

Covid-19 and the sharp decline in oil price, in combination with extreme fluctuations in foreign exchange rates. The Group has in consultation with its secured lenders initiated a process to take the necessary steps to secure both a short-term and a long-term financial solution for the Group that are sufficiently robust taking the recent events into account. The short-term solution involves establishment of a short-term credit facility and necessary waivers. Even though there is still uncertainty if a short-term and long-term financial solution will be achieved, the Board of Directors believes that both a short-term and long-term financial solution is obtainable, but no assurance can be given. There is a risk that the Group will not reach an agreement with the lenders and in such an event, the Group could be forced to realise its assets at a lower value than their carrying amount.

Financial statement

The operating revenue was NOK 197 million in 2019 compared to NOK 232 million in 2018. The operating profit before depreciation (EBITDA) was NOK 177 million (NOK 183 million). The operating profit (EBIT) was NOK 1 million (NOK 90 million). The depreciation and impairment amounted to NOK 176 million (NOK 93 million).

NOK million	2019	2018	Change
Operating revenue	197	232	-15%
EBITDA	177	183	-3%
Depreciation and impairment	-176	-93	-89%
EBIT	1	90	-99%

Net financial loss was NOK 88 million (loss of NOK 50 million), and the loss before tax was NOK 88 million (profit of NOK 40 million). The loss for the year was NOK 88 million (profit of NOK 40 million).

Total assets were NOK 2 396 million (NOK 2 578 million), where non-current assets amounted to NOK 1 889 million (NOK 2 064 million). Current assets were NOK 507 million (NOK 515 million), of which NOK 334 million (NOK 426 million) was cash and cash equivalents.

Total equity was NOK 1 044 million (NOK 1 131 million). Non-current liabilities were nil (NOK 1275 million). Current liabilities were NOK 1 352 million (NOK 172 million), of which NOK 1 346 million (NOK 167 million) was current portion of debt. The effect of not having a long-term financial solution in place or waivers covering more than 12 months

after balance sheet date, has resulted in a reclassification of the Company's non-current debt to credit institutions. NOK 1 141 million has been reclassified from non-current debt to current debt as of 31 December 2019. Following the significant adverse developments in 2020 and as announced by the Group, the Group and the Company will be required to reach a refinancing solution with its secured lenders and bondholders, which is sufficiently robust taking the recent events into account,

NOK million	2019	2018	Change
Tangible assets	1 889	2 064	-8%
Cash and cash equivalents	334	426	-22%
Total equity	1 044	1 131	-8%
Net interest bearing debt	900	944	-5%

Net cash flow from operating activities during the year was NOK 22 million (NOK 94 million). Cash flow from investing activities during the year was NOK 3 million (NOK -16 million), while the cash flow from financing activities was NOK -121 million (NOK -13 million).

Allocation of the result

Of the Company's total comprehensive loss for the year net of tax of NOK -88 million, NOK -25 million was covered by other equity and NOK -63 million was covered by share premium.

Events after balance sheet date

In March 2020 the Group reported that the refinancing process has been delayed due to a sudden negative market development caused by Covid-19 and the sharp decline in oil price in combination of extreme currency fluctuations. A short-term liquidity loan of NOK 100 million to the Group was secured to cover the immediate short-term liquidity needs. However, the Group will also require (i) a new larger credit facility to cover the Groups short term liquidity needs, (ii) waivers from certain of the Group's covenants, including both the equity and liquidity covenants, as well as (iii) deferrals of interest payments and amortisations in order to establish a basis for a continued dialogue with its secured lenders and bondholders regarding a sustainable long term financing solution which also is sufficiently robust to cater for the additional uncertainties created by the developments in 2020. Even though there is still uncertainty if a long-term financial solution will be achieved, the Board of Directors

believes that a long-term financial solution is obtainable, but no assurance can be given.

The Board of Directors recognises there is potential risk connected to the impact of Covid-19 virus disrupting operations of the Company. This might have an adverse effect on the Company's financial performance as a consequence of both internal and external factors that could present possible challenges going forward. The Company has been able to continue normal operations of its vessels even if replacement of crew has become, and is expected to remain, increasingly difficult. There is a general increased risk in the sector of postponements of offshore projects, which also could involve the Company's vessels and assets. The Board of Directors will continuously monitor financial exposure, taking measure to mitigate the risks and ensure timely recognition of all relevant estimates in the Company's financial reporting.

Outlook

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

Skandi Hercules, Skandi Skansen and Skandi Vinland will mainly be working for the DOF Subsea Group, being utilised in the Subsea/IMR projects segment in the Asia Pacific region, Atlantic region and North America region.

The Company will maintain its strategy to secure the fleet on long-term contracts and is actively working on keeping the firm employment of the fleet as high as possible. The Company will further continue to adapt its capacity to the challenging markets. However, due to recent events there is a risk that the backlog will decline due to either cancellations or renegotiations of existing contracts and few new sustainable contract awards which again will result in risk of vessels in lay-up going forward. A continuing weak market will further reduce the earnings and increase the liquidity risk for the Company

The recent outbreak of Covid-19 and the sharp decline in the oil price is expected to negatively impact the market sentiment going forward. As a result, the Board of Directors expects the market conditions to remain challenging, and the timing of market recovery remains uncertain. As reported, the Board and Management have been working on a short-term and long-term financial solution for the DOF Subsea Group, including the Company. The discussions with the relevant stakeholders are constructive, however no assurance can be given that the DOF Subsea Group will be successful in this respect. Even though the risk has increased whether a long-term financial solution can be achieved, the Board of Directors still believe that a solution is obtainable for the Group. This is based on good operational performance, high utilisation of the fleet through a demanding period and that the backlog is still high for the Group.

Storebø, 14 May 2020

The Board of Directors of DOF Installer ASA




Mons S. Aase
Chairman



Hilde Drønen
Director



Jan Nore
Director



Marianne Møgster
Managing Director

DOF Installer ASA

Amounts in NOK million

Financial statements DOF Installer ASA

DOF Installer ASA

Amounts in NOK million

Statement of comprehensive income

	Note	2019	2018
Operating revenue	4, 11	197	232
Other operating expenses	11, 12	-22	-49
Gain/loss on sale of tangible assets		2	-
Operating profit before depreciation (EBITDA)		177	183
Depreciation and impairment	7	-176	-93
Operating profit (EBIT)		1	90
Financial income	5, 11	11	8
Financial expenses	5, 11	-81	-71
Realised net gain / loss on derivative instruments and currency position	5	5	-2
Unrealised net gain / loss on derivative instruments and currency position	5	-22	16
Net financial income / loss		-88	-50
Profit / loss before tax		-88	40
Income tax expense	6	-	-
Profit / loss for the year		-88	40
Other comprehensive income / loss, net of tax		-	-
Total comprehensive income / loss for the year, net of tax		-88	40

DOF Installer ASA

Amounts in NOK million

Statement of financial position

	Note	31.12.2019	31.12.2018
Assets			
Tangible assets	3, 7	1 889	2 064
Non-current assets		1 889	2 064
Current receivables from Group companies	10, 11	169	87
Other current receivables		4	2
Total current receivables		173	89
Unrestricted cash and cash equivalents	8, 10	334	426
Cash and cash equivalents		334	426
Current assets		507	515
Total assets		2 396	2 578

DOF Installer ASA

Amounts in NOK million


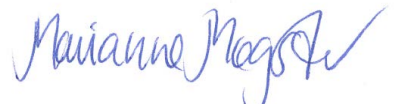
Statement of financial position

	Note	31.12.2019	31.12.2018
Equity and liabilities			
Paid-in equity	14, 15	1 044	1 106
Other equity		-	25
Total equity		1 044	1 131
Debt to credit institutions	8, 10	-	1 275
Non-current liabilities		-	1 275
Current portion of debt	8, 10	1 346	167
Trade payables	10	-	2
Current liabilities to Group companies	10, 11	6	4
Current liabilities		1 352	172
Total liabilities		1 352	1 447
Total equity and liabilities		2 396	2 578

Storebø, 14 May 2020

The Board of Directors of DOF Installer ASA


Mons S. Aase
Chairman

Hilde Drønen
Director

Jan Nore
Director

Marianne Møgster
Managing Director

DOF Installer ASA

Amounts in NOK million

Statement of changes in equity

Changes in equity	Share capital	Share premium	Paid-in equity	Other equity	Total equity
Equity at 01.01.2019	34	1 072	1 106	25	1 131
Profit / loss for the period	-	-63	-63	-25	-88
Total comprehensive income for the period	-	-63	-63	-25	-88
Equity at 31.12.2019	34	1 010	1 044	-	1 044
Equity at 01.01.2018	34	1 072	1 106	188	1 295
Profit / loss for the period	-	-	-	40	40
Total comprehensive income for the period	-	-	-	40	40
Dividends	-	-	-	-204	-204
Equity at 31.12.2018	34	1 072	1 106	25	1 131

Statement of cash flows

	Note	2019	2018
Operating profit (EBIT)		1	90
Depreciation and impairment	7	176	93
Profit/loss from sale of non-current assets		-2	-
Change in trade receivables		-	35
Change in trade payables		-2	1
Changes in other working capital		-85	-66
Exchange rate effect on operating activities		1	-2
Cash flow from operating activities		88	150
Interest received		11	8
Interest paid		-78	-65
Net cash flow from operating activities		22	94
Purchase of tangible assets	7	-5	-16
Sale of tangible assets	7	8	-
Cash flow from investing activities		3	-16
Proceeds of non-current debt		-	464
Installments on non-current debt		-121	-274
Dividend paid	16	-	-204
Cash flow from financing activities		-121	-13
Net change in cash and cash equivalents		-96	66
Cash and cash equivalents at 01.01		426	359
Exchange rate gain / loss on cash and cash equivalents		4	2
Cash and cash equivalents at 31.12		334	426

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Notes to the financial statements

1 Corporate information and going concern

Corporate information

DOF Installer ASA (the Company) was founded 4th of December 2006. The main purpose of the Company is to conduct business within the shipping-, offshore- and energy sectors. The Company owns modern high-end subsea and AHTS vessels: Skandi Hercules, Skandi Skansen and Skandi Vinland.

The office address for the Company is at Storebø, in the municipality of Austevoll, Norway.

The vessels have mainly been chartered to the DOF Subsea Group, where they have been utilised in the Subsea/IMR Projects segment. The vessels owned by the Company are among the most advanced subsea and AHTS vessels ever built with high bollard pull, offshore cranes and ROV capabilities. The vessels were built to comply with the highest international standards for Environment and Safety of Life at Sea. The vessels' size and capabilities make them suitable for global operations and create a good foundation for long-term relationships with the end users of the vessels. The Company has 40 shareholders, where DOF Subsea AS is the main shareholder with 84.92% of the shares; the other main shareholders are Euroclear Bank S.A./N.V., Meteva AS and MP Pensjon PK.

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In March 2020, the DOF Subsea Group reported through a press release that the refinancing process has been delayed due to a sudden negative market development caused by Covid-19 and the sharp decline in oil price, in combination with extreme fluctuations in foreign exchange rates. The Group has in consultation with its secured lenders initiated a process to take the necessary steps to secure both a short-term and a long-term financial solution for the Group that are sufficiently robust taking the recent events into account. The short-term solution involves establishment of a short-term credit facility and necessary waivers. Even though there is still uncertainty if a short-term and long-term financial solution will be achieved, the Board of Directors believes that both a short-term and long-term financial solution is obtainable, but no assurance can be given. There is a risk that the Group will not reach an agreement with the lenders and in such an event, the Group could be forced to realise its assets at a lower value than their carrying amount.

2 Financial risk management

The Company is exposed to various types of financial risk relating to its ongoing operations: market risk (including price, foreign exchange, interest rate risks), contract risk (contract fulfilment, credit and liquidity risks) and operational risk (downtime, cost overruns risks). 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 refer to note 17 'Accounting policies', for information on derivative 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 managed if appropriate. The Board of Directors has issued written policies governing risk management and defining principles for specific areas such as foreign exchange, interest rate and credit risks management and the use of financial derivatives and other financial instruments.

Financial derivatives

The Company is exposed to foreign exchange risk and floating interest rate risk. The Company uses financial derivatives to reduce these risks.

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 foreign exchange contracts and similar instrument as appropriate.

Foreign exchange rate changes in receivables, liabilities and foreign exchange contracts 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 Company's statement of comprehensive income and statement of financial position.

The Company has global operations, and a significant portion of the income and costs are denominated in foreign currencies, mainly USD and CAD. Fluctuations in foreign exchange rates against the NOK have impact on the Company's financial statements. The company has a loan in CAD of NOK 382 million. A 20% weakening of NOK against CAD will result in currency loss and a negative impact on the equity of NOK 76 million. The currency fluctuations so far in 2020 have been extreme and at levels never experienced before. This situation have negative impact on the solidity of the Company.

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 and liquidity risk

Credit and liquidity risk arise from cash and cash equivalents, financial derivative instruments and deposits with banks as well as credit exposures to clients. The Company has a policy of limiting the credit

exposure to any single financial institution and bank, and actively manages its exposure in order to achieve this. Credit exposures are mainly to clients that traditionally have good financial position to meet their obligations. The Company's credit risk to clients is therefore considered low and historical losses have been low. Other non current receivables are mainly to DOF Subsea Group companies. Liquidity risk management implies maintaining sufficient cash and marketable securities, the available funding through committed credit facilities and the ability to close market positions. 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 to fund capital expenditures. 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 cash positions.

At the end of 2019 the Company had on a stand-alone basis, liquidity to meet its expected financial obligations for the next 12 months. Cash and cash equivalents at period end and forecasted cash flows from operation in 2020 forms the basis for the liquidity forecast.

DOF Installer is a part of the DOF Subsea Group and as such dependent on the parent company's performance and the parent company guarantee obligations. During 2019 the parent company faced financial difficulties and since October the Group have had waivers on instalment payment in order to find a long-term financial solution. The latest turbulence in the market have set the proposed long-term financial solution on hold and the Group has been given waivers in order to find a short-term and long-term financial solution that are sufficiently robust taking the recent events into account. If waivers are not extended, it is a significant risk that the Group will be in breach of its covenants. If a short-term and long-term financial solution is not obtained for the Group and the parent company goes in default, this will lead to a cross default in DOF Installer ASA.

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.

The Company 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 DOF Subsea Group. On a quarterly basis, the DOF Subsea Group measures its total equity and value adjusted equity ratio by receiving fair market valuations of the total fleet from several independent brokers.

The Company 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 Company's intention is to maintain liability financing corresponding to approximately 70-80% funding of the Company's vessels and to continue to have high long-term contractual coverage. A continued depressed market and decline in vessel values have increased the refinancing risk of the Company's fleet and may further cause additional impairments going forward.

The Board of Directors and Management for DOF Subsea Group have since 2nd quarter 2019 been working on a long-term financial solution for the DOF Subsea Group and the Company. Work on the long-term financial solution includes waivers, deferral of instalments and amendments of financial covenants. The significant uncertainties created by Covid-19 in Q1 2020 and the dramatic decrease in the

oil price has delayed the ongoing work with the long-term financial solution. The Company consider the Covid-19 virus to be the direct root cause to the currency fluctuations and the drop in the oil price in first part of 2020. The effect of not having a long-term financial solution in place or waivers covering more than 12 months after balance sheet date, has resulted in a reclassification of the Company's non-current debt to credit institutions. NOK 1 141 million has been reclassified from non-current debt to current debt as of 31 December 2019.

The Board of Directors still believes that a long-term financial solution is achievable for the Group, however no assurance can be given at this time. The events after year-end have also made it necessary to re-assess whether the current refinancing proposals being negotiated with its creditors so far are sufficiently robust, or if other solutions are needed.

The foreign exchange sensitivity analysis demonstrates the currency effect of financing in CAD. The significant weakening of NOK against CAD in 2020 has a negative impact on equity.

See also note 8 'Interest-bearing debt' for further information about debt to credit institution

3 Accounting estimates and assessments

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

Debt to credit institutions and bondholders

The effect of not having a long-term financial solution in place or waivers covering more than 12 months after balance sheet date, has as of 31 December 2019 resulted in a reclassification of non-current debt to credit institutions to current portion of debt. Agreement on a new long-term financing solution or waiver of more than 12 months duration, will result in change in presentation of debt to credit institutions.

For further information about debt to credit institutions and bondholders, see note 8 'Interest-bearing debt'.

Depreciation of vessels

The carrying amount of the Company's vessels represents 79% of the total statement of financial position. Consequently, policies and estimates linked to the vessels have a significant impact on the Company's financial statements. Depreciation is calculated on a modified straight-line basis over the estimated useful life of the asset.

Depreciable amount equals historical cost less residual value. Please see note 17 'Accounting policies' for further information about tangible assets.

Useful life of vessels

The depreciation of vessels depends on the vessels' estimated useful life in the Company. Estimated useful life is 20 years based on strategy, past experience and knowledge of the types of vessels the Company 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 Company 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 Company'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 Company 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.

Impairment of Vessels

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

Fair value less 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 Company are assessed by obtaining independent broker estimates. The brokers' estimates are based on the principle of 'willing buyer and willing seller'. Broker estimates include mounted equipment and assume that the vessels are without any charter contracts (i.e. charter-free basis). The Company adjusts for positive or negative contract value in associated contracts. Due to a limited number of vessel transactions in the current market the brokers' estimates only to a limited extent represent the results of transactions in the market. Because of this, the broker estimates are more influenced by the judgement of each broker. For this reason, the Company has sought to substantiate the broker valuations, inter alia with value

in use calculations or tests of reasonableness of implicit rates and other assumptions derived from the valuations. The Company has deemed it necessary to perform separate calculations for all vessels to support the broker estimates. After the evaluation, the Company 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 Company. 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 continue until maturity. 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 Company 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.

4 Operating revenue

Geographical distribution of operating revenue 2019	Norway	Singapore	Canada	UK	Total
Distribution of operating revenue	56	74	55	12	197
Geographical distribution of operating revenue 2018	Norway	Singapore	Canada	UK	Total
Distribution of operating revenue	6	95	52	79	232

Geographical distribution of revenue from contracts with customers is based on the location of clients. The Company's vessels operate in the Subsea/IMR Projects market through third parties.

5 Financial income and expenses

Financial income and expenses	2019	2018
Interest income	11	8
Financial income	11	8
Interest expenses	-77	-68
Other financial expenses	-4	-3
Financial expenses	-81	-71
Realised gain / loss on non-current debt	-1	-1
Realised gain / loss on derivative financial instruments	-	-1
Realised gain / loss on currencies	5	-
Realised gain / loss on financial instruments	5	-2
Unrealised gain / loss on non-current debt	-21	12
Unrealised gain / loss on derivative financial instruments	-	4
Unrealised gain / loss on currencies	-1	-
Unrealised gain / loss on financial instruments	-22	16
Net financial income / loss	-88	-50

6 Tax

Financial income within tonnage tax regime	2019	2018
Net taxable financial income	-4	2
Unrecognised tax losses	4	-2
Basis for deferred tax		
Tax loss carry forward	-147	-114
Tax loss not included as deferred tax asset	147	114
Basis for calculating deferred tax / tax asset (-)	-	-

The Company is registered within the shipping tonnage tax regime. It is unlikely that the Company will have a future taxable income due to tonnage tax regulation and current tax loss carry forward. Therefore deferred tax asset is not recognised in the statement of comprehensive income.

The Company has temporary differences relating to effects on financial instruments. The tax effects of unrealised financial items are dependent on the future relation between financial assets and total assets. This future relation cannot be estimated reliably.

7 Tangible assets

2019	Vessels	Periodical maintenance	Total
Cost at 01.01	2 591	94	2 685
Additions	4	1	5
Disposals	-4	-	-4
Cost at 31.12	2 591	95	2 686
Depreciation at 01.01	-316	-39	-355
Depreciation for the year	-43	-22	-65
Depreciation at 31.12	-359	-61	-420
Impairment at 01.01	-266	-	-266
Impairment for the year	-111	-	-111
Impairment 31.12	-377	-	-377
Book value at 31.12	1 854	34	1 889
Asset lifetime (years)	12-20	2.5-5	
Depreciation schedule	*)	Linear	
2018	Vessels	Periodical maintenance	Total
Cost at 01.01	2 591	79	2 670
Additions	-	16	16
Cost at 31.12	2 591	94	2 685
Depreciation at 01.01	-264	-20	-287
Depreciation for the year	-49	-19	-68
Depreciation at 31.12	-316	-39	-355
Impairment at 01.01	-241	-	-241
Impairment for the year	-25	-	-25
Impairment 31.12	-266	-	-266
Book value at 31.12	2 008	55	2 064
Asset lifetime (years)	12-20	2.5-5	
Depreciation schedule	*)	Linear	

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

The vessels have been assessed for impairment on an individual basis as separate cash generating units. The impairment testing of the vessels resulted in impairment losses of NOK 11 million in Q4 and NOK 111 million in 2019. The weak market is prolonged compared to previous periods, including the uncertainty regarding DOF Subsea Group's financial position.

Impairment

Impairment tests are performed every quarter. Based on the impairment tests performed impairment of NOK 61 million was recognised related Skandi Hercules and NOK 50 million related to Skandi Skansen. For further information please see note 3 'Accounting estimates and assessments'.

Sensitivity analysis of impairment

A 10% drop in broker estimates as per 31 December 2019 will bring broker value below book value by NOK 73 million. This will affect two of the Company's vessels and might result in additional impairment loss for the Company.

While testing the reasonableness of the broker estimates the Company has applied a nominal WACC after tax of 9.3%. An increase in WACC with 50 basis points will result in additional impairment of the vessels with NOK 45 million. Negative effect on net future cash flows with 20 % will result in an additional impairment of the vessels with NOK 347 million.

DOF Installer ASA has vessels with an age below 10 years, and as a result, the future cash flows for the vessels are long. The key assumptions in a discounted cash flow calculation of vessels are utilisation and vessel rates. Changes in these assumptions would have considerable effects on the net present value of the vessels.

8 Interest-bearing debt

	31.12.2019	31.12.2018
Debt to credit institutions	-	1 231
Other non-current debt	-	45
Total non-current interest-bearing debt	-	1 275
Debt to credit institutions	1 273	136
Other current debt	50	8
Total current interest-bearing debt	1 323	144
Total non-current and current interest-bearing debt	1 323	1 420
Cash and cash equivalents	334	426
Interest-bearing receivables from Group companies	90	50
Total net interest-bearing debt	900	944

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

The table below summarises the repayment profile of the Company's financial liabilities, excluding interests, based on existing agreements:

Debt repayment profile	2020	2021	2022	2023	2024	Thereafter	Total
Debt to credit institutions	157	138	138	630	46	172	1 283
Other non-current debt	25	10	15	-	-	-	50
Total repayment	182	148	153	630	46	172	1 332

Amortised costs are not included in the repayment profile above.

Liabilities secured by mortgage	2019	2018
Debt to credit institutions	1 283	1 390
Book value of assets pledged as security	1 889	2 064

As DOF Subsea AS is guarantor for the company and the long-term financial solution in the Company will be affected by the work to find a long-term financial solution for DOF Subsea AS and DOF Subsea Group. The Board of Directors and the Management in DOF Subsea AS are working on a long-term financial solution for the Group. The discussion with the relevant stakeholders is constructive.

The effect of not having a long-term financial solution in place or waivers covering more than 12 months after balance sheet date, has resulted in a reclassification of the company's non-current debt to credit institutions as of 31 December 2019 to current liabilities.

The Group has a temporary deferral of payment of interest and instalments in order to reach a long-term solution. The deferral of payments of interest and instalments also applies for the Company. Presented repayment schedule is based on existing loan agreements.

In March 2020, the Group reported through a press release that the refinancing process has been delayed due to a sudden negative market development caused by Covid-19 and the sharp decline in oil price, in combination of extreme fluctuations in currency. Even though there is still uncertainty if a long-term financial solution will be achieved, the Board of Directors and the Management believes that a long-term financial solution is obtainable, but no assurance can be given.

Financial covenants

DOF Installer ASA financing agreements include the following covenants:

- The fair value of the Company's vessels shall always be at least 110-125% of the outstanding loan amount

In addition to the above-mentioned financial covenants, the guarantor (DOF Subsea AS) on a consolidated basis should fulfil the following covenants (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

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- 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 time

The Company has a temporary deferral of payment of interest and instalments with its secured lenders in order to reach a long-term financial solution. The Company is in compliance with financial covenants at period end. If waivers are not extended, it is a significant risk that the DOF Subsea Group (including DOF Installer ASA) will be in breach of its covenants.

9 Fair value estimation

For those financial and tangible assets and liabilities, which have been recognized at fair value in the Statements of Financial Position, the measurement hierarchy and valuation methods described below have been applied. There have been no transfers between fair value levels.

Measurement level 1 (Quoted, unadjusted prices in active markets for identical assets and liabilities). Not in use for any assets or 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 Company'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 and adjusted for any excess values in the firm existing contracts.

10 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.

	Financial instruments at fair value through profit and loss	Financial instruments measured at amortised cost	Total	Of which included in net interest bearing debt
31.12.2019				
Assets				
Trade receivables and other current receivables	-	172	172	90
Unrestricted cash	-	334	334	334
Total financial assets	-	505	505	424
Liabilities				
Current portion of debt	-	1 346	1 346	1 323
Trade payables and other current liabilities	-	6	6	-
Total financial liabilities	-	1 352	1 352	1 323

	Financial instruments at fair value through profit and loss	Financial instruments measured at amortised cost	Total	Of which included in net interest bearing debt
31.12.2018				
Assets				
Trade receivables and other current receivables	-	87	87	-
Unrestricted cash	-	426	426	426
Total financial assets	-	513	513	426

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Liabilities

Interest-bearing non-current liabilities	-	1 275	1 275	1 275
Current portion of debt	-	167	167	144
Trade payables and other current liabilities	-	6	6	-
Total financial liabilities	-	1 447	1 447	1 419

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

Trade receivables, other current receivables, and all interest-bearing debt are measured at amortised cost.

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 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 accounting policies.

11 Related parties

DOF ASA is the owner of DOF Subsea AS with a 100% holding. DOF Installer ASA is owned 84.92% by DOF Subsea AS.

DOF Management AS delivers ship management services on the Company's vessels.

The transactions and balances are as follow:

Operating revenue	2019	2018
DOF Subsea Group	195	178
Total	195	178
Operating expenses		
DOF Subsea Group	-15	-33
Total	-15	-33
Gain on sale tangible assets		
DOF Subsea Group	2	-
Total	2	-
Net financial loss		
Interest income from Group companies	6	5
Guarantee expenses to Group companies	-13	-9
Other financial expenses	-1	-2
Total	-7	-6
Current receivables from Group companies		
DOF Subsea Group	169	87
Total	169	87
Current liabilities to Group companies		
DOF Subsea Group	6	4
Total	6	4

The outstanding balance at period end is mainly in NOK, USD and CAD. Period end balances arising from sales related to DOF Subsea Group Companies is included in current receivables from Group companies with NOK 49 million in 2019 and NOK 37 million in 2018.

For further information see the financial statements for DOF ASA and DOF Subsea AS at www.dof.com and www.dofsubsea.com.

12 Remuneration to Board of Directors, Executives and Auditor

The Company has no employees. No salaries or other remuneration have been paid to the members of the Board of Directors or Managing Director. No loans or guarantees have been provided for the members of the Board of Directors, Managing Director or close associates.

Specification of auditor's fee (excl. VAT), amounts in NOK	2019	2018
Fee for audit of financial statements PWC	184 500	180 000
Total	184 500	180 000

13 Contingencies

The Company is not involved in any legal disputes or on-going legal matters involving potential losses.

14 Earnings per share

Basis for calculating earnings per share	2019	2018
Profit / loss attributable to shareholders	-88	40
Weighted average number of outstanding shares	33 931 000	33 931 000
Weighted average number of outstanding shares, diluted	33 931 000	33 931 000
Basic and diluted earnings per share (NOK)	-2.58	1.18

15 Share capital and share information

Share capital

The share capital in the Company at year end was NOK 33 931 000 comprising 33 931 000 shares, each with a nominal value of NOK 1.

Shareholder overview

The members of the Board of Directors and senior executives own shares in related companies, and thus have indirect ownership stakes in DOF Installer ASA. Please refer to the DOF Subsea AS' Annual Report for further information.

Shareholders at 31.12.2019	No. shares	Shareholding and voting shares
DOF SUBSEA AS	28 815 295	84.92%
Euroclear Bank S.A./N.V.	1 501 800	4.43%
METEVA AS	630 000	1.86%
MP PENSJON PK	508 190	1.50%
AS CLIPPER	366 100	1.08%
AS STRAEN	364 915	1.08%
EUROMAR AS	331 900	0.98%
PROFUND AS	321 380	0.95%
AS AUDLEY	225 750	0.67%
SUNDT AS	140 000	0.41%
SNIPTIND INVEST AS	129 560	0.38%
LANDE EIENDOM INVEST AS	75 000	0.22%
LEIF INGE SLETTHEI AS	69 500	0.20%
BARQUE AS	56 500	0.17%
BYGGEVIRKSOMHET AS	56 000	0.17%
Total	33 591 890	99.00%
Other shareholders	339 110	1.00%
Total number of shares	33 931 000	100%

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Board of Directors	Title
Mons S. Aase	Chairman
Jan Nore	Director
Hilde Drønen	Director
Management group	Title
Marianne Møgster	Managing Director

At the Company's ordinary general meeting 24 May 2019 the Board of Directors was granted authorization to acquire up to 10% of the company's shares and authorization to increase the Company's share capital by up to NOK 3,393,100 by subscription and issue of up to 3,393,100 shares. As per the date of publication of this report this authorization has not been used.

16 Events occurring after period end

In March 2020 the Group reported that the refinancing process has been delayed due to a sudden negative market development caused by Covid-19 and the sharp decline in oil price in combination of extreme currency fluctuations. A short-term liquidity loan of NOK 100 million to the Group was secured to cover the immediate short-term liquidity needs. However, the Group will also require (i) a new larger credit facility to cover the Groups short term liquidity needs, (ii) waivers from certain of the Group's covenants, including both the equity and liquidity covenants, as well as (iii) deferrals of interest payments and amortisations in order to establish a basis for a continued dialogue with its secured lenders and bondholders regarding a sustainable long term financing solution which also is sufficiently robust to cater for the additional uncertainties created by the developments in 2020. Even though there is still uncertainty if a long-term financial solution will be achieved, the Board of Directors believes that a long-term financial solution is obtainable, but no assurance can be given.

The Board of Directors recognises there is potential risk connected to the impact of Covid-19 virus disrupting operations of the Company. This might have an adverse effect on the Company's financial performance as a consequence of both internal and external factors that could present possible challenges going forward. The Company has been able to continue normal operations of its vessels even if replacement of crew has become, and is expected to remain, increasingly difficult. There is a general increased risk in the sector of postponements of offshore projects, which also could involve the Company's vessels and assets. The Board of Directors will continuously monitor financial exposure, taking measure to mitigate the risks and ensure timely recognition of all relevant estimates in the Company's financial reporting.

17 Accounting policies

Summary of significant accounting principles

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

The fiscal year is the same as the calendar year.

Group companies

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

Segment reporting

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

The Company operates in the Subsea/IMR Project market through third parties.

Conversion of foreign currency

a) Foreign currency

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

b) Transactions and balances

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

Classification of assets and liabilities

Assets are classified as current assets when:

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

All other assets are classified as non-current assets.

Liabilities are classified as current liabilities when:

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

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- the liability is held for trading; or
- settlement of the liability has been agreed upon within 12 months after the reporting period; or
- the entity does not have an unconditional right to postpone settlement of the liability until at least 12 months after the reporting period

All other liabilities are classified as non-current liabilities.

Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Contract 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 Company performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

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

Tangible assets

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

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

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

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

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.

Impairment of assets

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised. The recoverable amount is the higher of an asset's net selling price and value in use. Where there are circumstances and evidence that impairment losses

recognised previously no longer exists or has decreased, a reversal of the impairment loss is recognised, except for goodwill. For further information on the calculation see note 3 'Accounting estimates and assessments'.

Periodic maintenance

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

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

Debt

Debt is recognised initially at fair value, net of incurred transaction costs. Debt is subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the 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 down, the fee is recognised as a prepayment for liquidity services and amortised over the period of the liability to which it relates.

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

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

Provisions

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

Revenue recognition

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

Day rate contracts

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

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

DOF Installer ASA

Amounts in NOK million

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

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

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

Mobilisation

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

Interest income

Interest income is recognised using the effective interest method

Current and deferred income tax

The Company is compliant 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 Company.

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 financial statements per IAS 12 'Income taxes'.

Deferred tax assets are recognised in the 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 or deductible can be utilised.

The tonnage tax is payable, which is determined based on the vessel's net weight. This tonnage tax is presented as an operating expense.

Derivative financial instruments and hedging activities

The Company 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 swaps are utilised to manage interest rate risk by converting from

floating to fixed interest rates. Derivative 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 Company has currently not applied hedge accounting for any 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.

Events after period end

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

Use of estimates

The preparation of financial statements in conformity with simplified IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the 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.

Statement of cash flows

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

New standards, amendments and interpretations adopted

The Company applied IFRS 16 'Leases' 1 January 2019. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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. The standard is effective for accounting periods beginning on or after January 1, 2019. The Company adopted the standard at its mandatory date and it has a nil effect.

New standards, amendments and interpretations not yet adopted

New standards and amendments mandatory for annual reporting periods after 31 December 2019 is expected to not be significant for the Company.

18 Performance measurement definitions

Alternative performance measurements:

The Company presents alternative performance measurements (APM) that are regularly reviewed by management and aim to enhance the understanding of the Company'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 Company.	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.
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. 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 Company's net indebtedness that provides an indicator of the overall statement. It measures the Company'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 Company's capital structure
Working capital	The working capital position of the Company is equal to current assets less current liabilities.	It is a measure of the Company's liquidity and efficiency, and demonstrates the Company's ability to pay its current liabilities.
Other definitions	Description	
Market value	Calculated average vessel value between two independent brokers' estimates based on the principle of "willing buyer and willing seller".	
Equity ratio	Equity ratio is defined as total equity divided by total assets at the reporting date.	



To the General Meeting of DOF Installer ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of DOF Installer ASA, which comprise the financial position as at 31 December 2019, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for Opinion

We conducted our audit in accordance with 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 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements and the Board of Directors' report, which indicates that the Company is dependent on that DOF Subsea Group is able to secure a long-term solution with banks and to secure satisfactory financing and liquidity for the Group. As stated in Note 1 and the Board of Directors' report, these events or conditions, along with other matters as set forth in Note 2 and 16 and the Board of Directors' report, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. There is a risk that DOF Subsea Group will not reach an agreement with the lenders, and in such an event the Company could be forced to realise its assets, no assurance can be given that these assets will not be realised at a significantly lower value than their carrying amount. Our opinion is not modified in respect of this matter.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



Independent Auditor's Report - DOF Installer ASA

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.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

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



Independent Auditor's Report - DOF Installer ASA

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 concerning the financial statements, the going concern assumption 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, 14 May 2020
PricewaterhouseCoopers AS

Sturle Døsen
State Authorised Public Accountant
(This document is signed electronically)

DOF Installer ASA

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