2017

DOF ASA Annual Report



Your partner
in offshore operations.

Financial calendar 2018

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

DATE	EVENT
9 May 2018	1st quarter 2018
24 May 2018	Ordinary General Meeting
23 Aug 2018	2nd quarter 2018
13 Nov 2018	3rd quarter 2018
22 Feb 2019	4th quarter 2018

The dates are subject to change.

2017

DOF ASA ANNUAL REPORT

We offer the world's oil and gas innovators integrated offshore services.

Our vision

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

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KEY FIGURES DOF GROUP

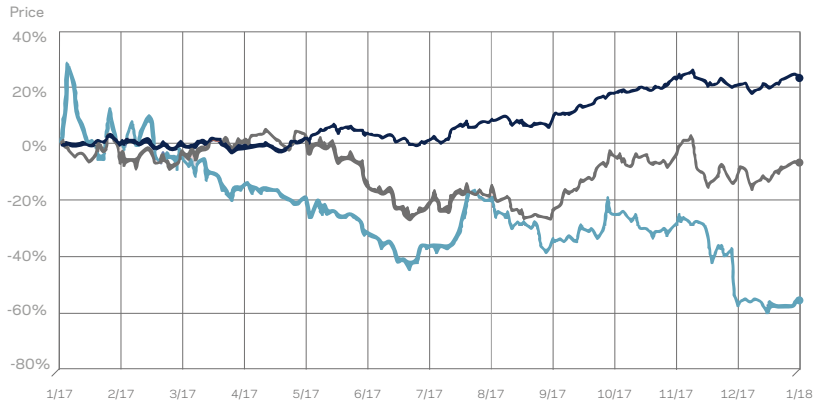
Financial performance

Key figures DOF Group

Amounts in NOK million		Management reporting		Financial reporting	
From the Comprehensive Income		**2017**	**2016**	**2017**	**2016**
Operating income		7 376	8 569	6 665	8 134
Operating expenses		-5 089	-5 583	-4 867	-5 512
Operating profit/(loss) before depreciation and impairment - EBITDA		**2 287**	**2 986**	**1 798**	**2 621**
Depreciation		-1 145	-1 142	-1 010	-1 063
Impairment		-1 322	-1 932	-1 146	-1 762
Operating profit/(loss) - EBIT		**-180**	**-89**	**-358**	**-203**
Net finance costs		-1 295	-557	-1 071	-427
Unrealised gain/(loss) on currency		299	800	245	742
Net changes in gain/loss on derivatives		64	249	64	248
Net financial items		**-932**	**492**	**-763**	**562**
Profit/(loss) before taxes		**-1 111**	**403**	**-1 120**	**359**
Tax income (expenses)		-244	-202	-235	-158
Profit/(loss) for the year		**-1 355**	**201**	**-1 355**	**201**
Non-controlling interests		-112	141	-112	141
From the Financial Position					
Vessels and other non-current assets		27 578	29 511	23 855	25 440
Current assets		4 599	4 614	4 219	4 290
Total assets		**32 177**	**34 125**	**28 075**	**29 731**
Interest free debt		1 852	2 167	1 693	1 897
Net financing of the entity		**30 326**	**31 958**	**26 382**	**27 833**
Interest bearing debt		22 984	23 812	19 040	19 686
Equity		**7 342**	**8 146**	**7 342**	**8 146**
Key Figures					
Net cash flow	1)	992	2 428	726	2 194
Current ratio	2)	1.12	1.20	1.16	1.27
Equity ratio	3)	23 %	24 %	26 %	27 %
Capex	4)	1 562	4 171	1 113	1 660
Operating margin	5)	31 %	35 %	27 %	32 %
Return on equity ratio	6)	-18 %	2 %	-18 %	2 %
Earnings per share (NOK)	7)	-0.75	0.09	-0.75	0.09
Diluted earnings per share (NOK)	8)	-0.75	0.07	-0.75	0.07
Average number of shares		1 662 925 898	658 678 610	1 662 925 898	658 678 610
Outstanding number of shares		2 552 312 512	1 501 321 200	2 552 312 512	1 501 321 200
Potential average number of shares		2 017 392 732	882 981 813	2 017 392 732	882 981 813
Potential total number of shares		2 827 895 015	1 994 561 682	2 827 895 015	1 994 561 682

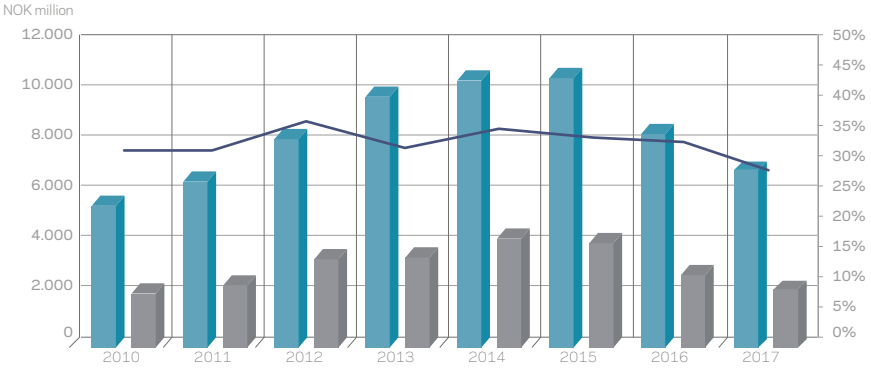
1) Profit/loss before taxes + depreciation and write downs +/- unrealised gain/loss on currency +/- net changes in gain/loss on derivatives
2) Current assets/Current liabilities
3) Equity/Total assets
4) Capex, see note 14
5) Operating result before depreciation and impairment loss/Operating income
6)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

KEY FIGURES DOF GROUP



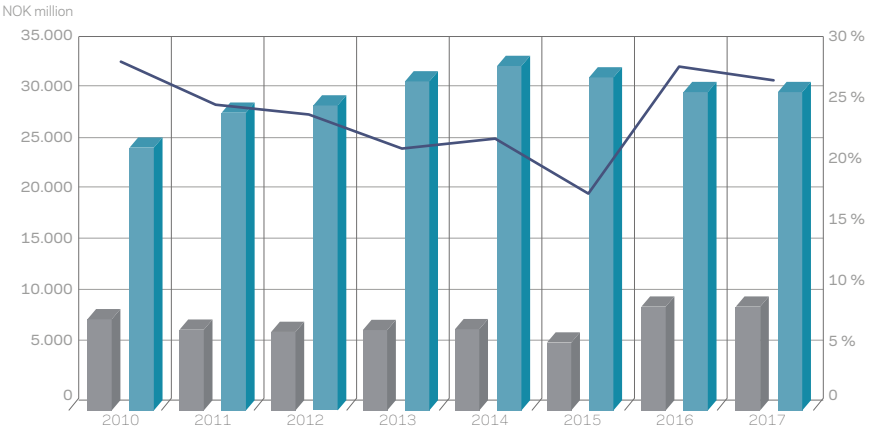
Share price developments as of 31.12.2017

OSEBX
OBOSX
DOF



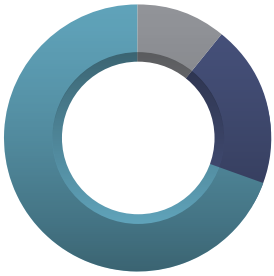
Operating Margin *)

Operating income
EBITDA
Operating margin



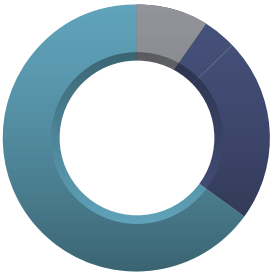
Equity ratio

Equity
Total assets
Equity ratio



Revenue per segment *)

PSV 11%
AHTS 20%
Subsea 69%



EBITDA per segment *)

PSV 8%
AHTS 28%
Subsea 64%

* Based on management reporting.

Words from the CEO

2017 has been another challenging year for our industry with historically low demand for our services and vessels. Although increased oil prices and project sanctioning give reasons for being more optimistic about the future, we expect the market conditions to remain challenging in the near term.

The operating income for the year was NOK 7376 million, down from NOK 8 569 million in 2016, and the EBITDA was NOK 2287 million, down from NOK 2986 million. The decrease in the operating income and earnings was mainly driven by lower activity in the Subsea IMR Projects segment, particularly in the North America and Asia Pacific regions. Despite the challenging market conditions, we can look back at several highlights for the year with the commencement of several long-term IMR and charter contracts.

At the end of the year, DOF completed a private placement of NOK 500 million where the proceeds were used to subscribe for new shares in DOF Subsea, increasing the ownership from 51% to 65%. In combination with the extension of the maturity of bond DOFSUB07 in DOF Subsea AS, certain amendments to an existing bank facility in DOF Rederi AS and the extension of a credit facility in DOF ASA, the transactions significantly improved the overall liquidity position of the Group.

As a result of a continued weak oil price and low E&P spending, the demand for our services and vessels has been historically low during the year. Most companies within our industry have suffered from low vessel utilisation and rate levels, and several companies have scaled down operations or entered financial distress. DOF has met the challenging market conditions by adapting the Group's capacity to the market and having a strict cost control. During the year, the Group also sold three vessels, the PSVs Skandi Waveney and Skandi Marstein and the AHTS Skandi Møgster – all sales were in line with the Group's strategy to divest in the oldest part of the fleet.

Despite the challenging market conditions, we can look back at several highlights in 2017. In January, Skandi Seven commenced a long-term IMR contract with ENI in West Africa and Skandi Vitoria commenced a long-term contract with Petrobras in Brazil. In April and July, the Group took delivery of two newbuilds, Skandi Buzios and Skandi Vinland, which both commenced long-term contracts – Skandi Buzios on an 8-year contract with Petrobras in Brazil and Skandi Vinland on a 10-year IMR contract with Husky Energy in Canada. Further, Skandi Darwin, which was added to our fleet in February, commenced the 5-year Shell Prelude IMR contract in November. These are all cornerstone contracts for the Group providing earnings visibility and strengthening our position as a global provider of subsea IMR services and vessel solutions. We have also been awarded several new contracts during the year, where one of the highlights was the award of 5-year contracts for Skandi Mongstad and Skandi Flora with Statoil.

Wherever DOF Subsea operates in the world, safety is our highest priority. We have worked hard to improve our safety culture, and our ambition is to be an incident-free organisation. With our "Safe the RITE way" program we have been able to establish a unified safety culture. The program has had a significant impact on how our values are being brought to life in the whole organisation and among our clients. Going forward, we shall continue to have "Safe the RITE way" in our minds to ensure we have a common safety culture and behave according to our values.

Quality of our work, cost efficiency and smarter solutions will be key in securing work and delivering according to our stakeholders' expectations. Several improvement projects have been ongoing to achieve a streamlined and efficient organisation. We need to continue this effort to be competitive. Defining and measuring environmental sustainability aspects and risks associated with our business activities is important, and investments in systems and equipment have been made to record, understand and improve our environmental performance.

The challenging market conditions are expected to continue in 2018, but hopefully we can start to talk about and prepare for the market recovery. The oil price, the main driver for our industry, has increased over the last two years, and the spot oil price is now above USD 60 per barrel. In 2017 we saw an increase in project sanctioning compared to 2015 and 2016, and with improved economics for the oil companies, the project sanctioning is expected to further increase in 2018. Combined with increased IMR activity due to aging subsea infrastructure and low maintenance spending during recent market downturn, the market is expected to gradually improve going forward.

We need to continue to develop our organisation and improve our operations to position ourselves for the market recovery. My expectations for the coming year is that we should have a proactive approach towards our clients to offer our services and win work. Our focus will be to win contracts, execute them safely, and get repeat business with our clients. With our track record, global organisation, assets and backlog we are well positioned for future growth.





Mons S. Aase
Chief Executive Officer

A values-driven organisation

Safe the RITE way©

The DOF Group's vision is to be a world class integrated offshore company, delivering marine services and subsea solutions responsibly, balancing risk and opportunities in a sustainable way, together, every day.

Our five values, chosen by our employees, include: Respect, Integrity, Teamwork, Excellence and above all we are SAFE.

Safe the RITE way enhances our behaviour-based programme, integrating three main elements: "Values", "Safe Behaviours" and "Rules, processes and procedures".

Health, Safety, Environment & Quality results in 2017

Safety is our highest priority regardless of where DOF operates in the world.

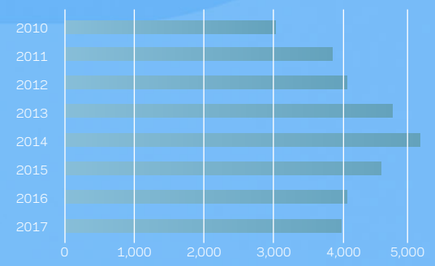
PERFORMANCE 2017

Man-hours	9,085,647
LTIs	2
Fatalities	0
Safety observations	27,165
Audits	569
Management visits	434
Lessons learned	743

Human Resources results in 2017

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

NUMBER OF EMPLOYEES 2017



B

Carbon Disclosure rating for year 2017

SEEMP

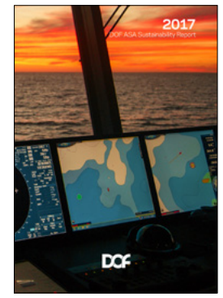
Ship Energy Efficiency Management Plans

3,903 STAFF

Total employees at year-end 2017

Sustainable operations

DOF is releasing its annual stand-alone Sustainability report according to the GRI guideline. The report has been set up in accordance with our values allowing us to present our efforts and results within our obligations towards sustainable operations. The DOF Sustainability Report for 2017 is available at: www.dof.com/sustainability



Our values in action

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

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

TEAMWORK - Everything we achieve is as a result of teamwork.

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

SAFE - Above all we are SAFE.







Left: Skandi Angra Captain Luana Marchiori Soares. Top: Pre-embarkment safety review.
Middle: An employee wins a SEA award in Asia-Pacific region. Bottom: Cadet program graduation in Philippines.

A code to work by, globally

DOF has in 2017 released a refreshed Code of Business conduct. Everywhere the DOF Group does business we act responsibly and ethically. Each employee plays an important part and takes pride in the way DOF does business. See our new Code of business conduct on our website: www.dof.com/code



This is DOF ASA

Overview

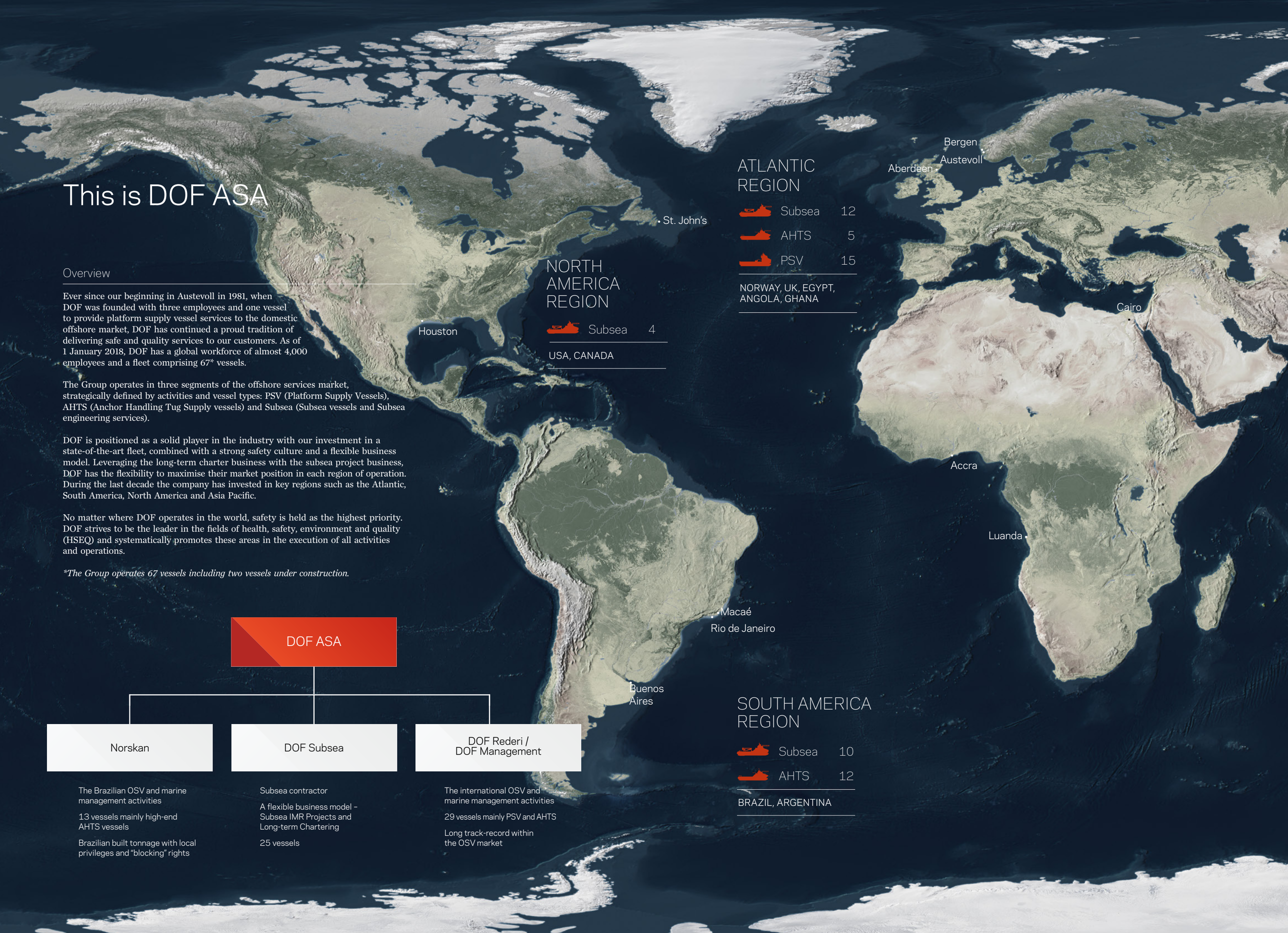
Ever since our beginning in Austevoll in 1981, when DOF was founded with three employees and one vessel to provide platform supply vessel services to the domestic offshore market, DOF has continued a proud tradition of delivering safe and quality services to our customers. As of 1 January 2018, DOF has a global workforce of almost 4,000 employees and a fleet comprising 67* vessels.

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

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

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

**The Group operates 67 vessels including two vessels under construction.*



NORTH AMERICA REGION

Subsea	4

USA, CANADA

ATLANTIC REGION

Subsea	12
AHTS	5
PSV	15

NORWAY, UK, EGYPT, ANGOLA, GHANA

SOUTH AMERICA REGION

Subsea	10
AHTS	12

BRAZIL, ARGENTINA

DOF ASA

Norskan

The Brazilian OSV and marine management activities

13 vessels mainly high-end AHTS vessels

Brazilian built tonnage with local privileges and "blocking" rights

DOF Subsea

Subsea contractor

A flexible business model – Subsea IMR Projects and Long-term Chartering

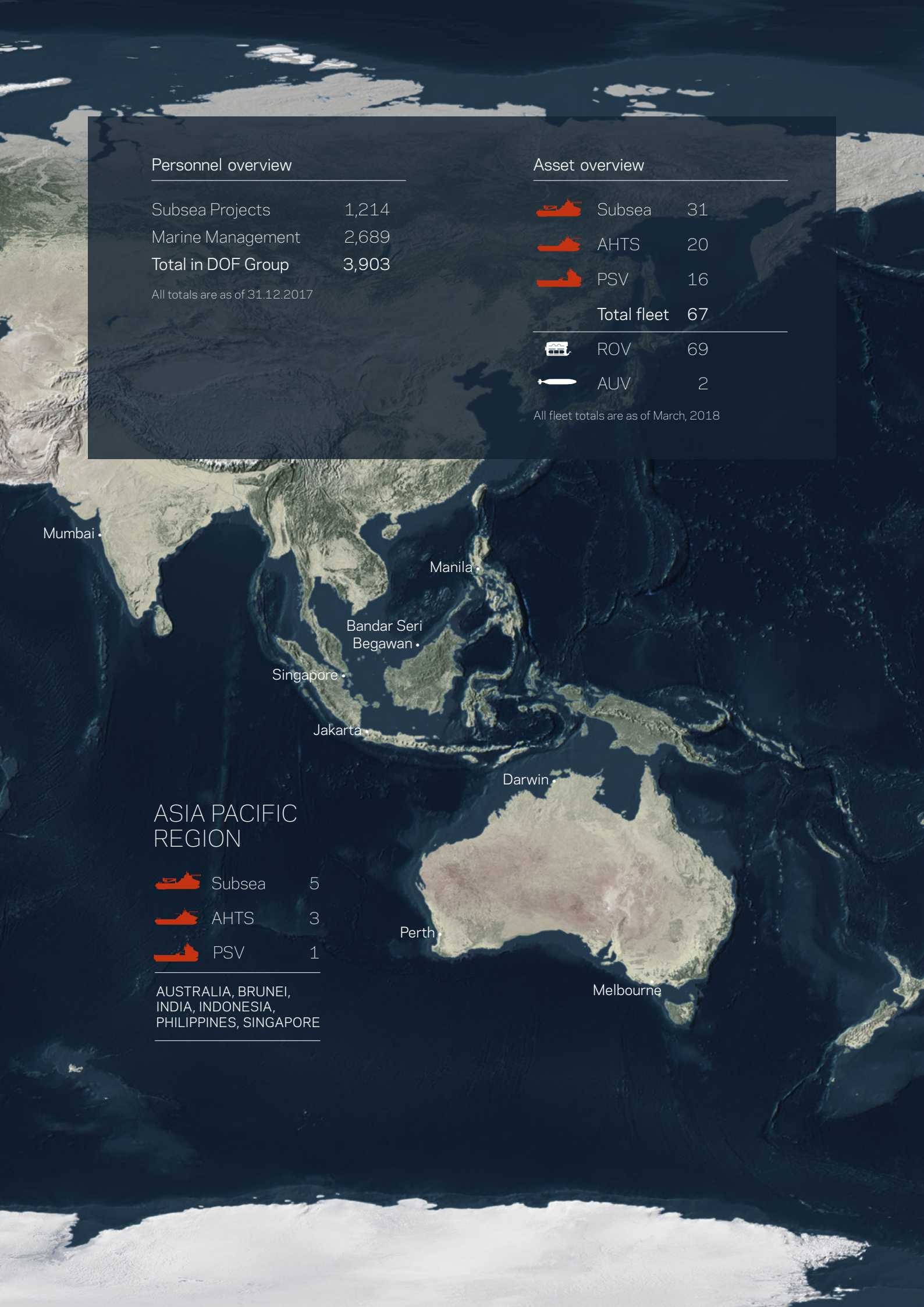
25 vessels

DOF Rederi / DOF Management

The international OSV and marine management activities

29 vessels mainly PSV and AHTS

Long track-record within the OSV market



Personnel overview

Subsea Projects	1,214
Marine Management	2,689
Total in DOF Group	**3,903**

All totals are as of 31.12.2017

Asset overview

Subsea	31
AHTS	20
PSV	16
Total fleet	**67**
ROV	69
AUV	2

All fleet totals are as of March, 2018

ASIA PACIFIC REGION

Subsea	5
AHTS	3
PSV	1

AUSTRALIA, BRUNEI, INDIA, INDONESIA, PHILIPPINES, SINGAPORE

Highlights

Key takeaways:

7.4 Billion

Total revenue (management reporting)

73%

Average fleet utilisation for 2017

700 Million

New equity in 2017

23 Billion

YTD contract backlog excluding options

All totals as of year-end 2017 and all figures in NOK.

Q1 2017

Average fleet utilisation 71%

AWARDS

Skandi Pacific (AHTS) awarded a 3+2-year contract with Total in Argentina

Skandi Vitoria (Subsea- PLSV) awarded a 532 days contract with Petrobras

Skandi Botafogo (AHTS) awarded a 1-year contract with Petrobras

Skandi Aukra (PSV) awarded a 2-year contract with Asco Marine Ltd

Skandi Sotra (PSV) and Skandi Saigon (AHTS) awarded contracts in Egypt

Geoholm (Subsea) awarded a contract with TehcnipFMC at the Prelude Field in Australia

FLEET

Management agreements including purchase options of two vessels; **Skandi Hera** (ex. Olympic Hera, AHTS) and **Skandi Darwin** (ex. **Olympic Commander**, Subsea)

Skandi Buzios (Subsea- PLSV) delivered from the yard in the Netherlands

DOF Subsea extended the charter on the Jones Act Compliant vessel **Harvey Deep Sea** at new terms until July 2018 + 2-year options.

FINANCING

DOF Subsea successfully completed a five-years bond issue of USD 175 million

Q2 2017

Average fleet utilisation 75%

AWARDS

Skandi Vega (AHTS) awarded a 1-year contract with Statoil

Skandi Flora (PSV) and **Skandi Mongstad** (PSV) awarded two 5-year contract with Statoil

Skandi Carla (Subsea), awarded 2-years extension agreed with Fugro

Skandi Chieftain (Subsea) awarded a 5-month contract in Canada

FLEET

Skandi Buzios (Subsea-PLSV) on-hire on an 8-year contract with Petrobras

Skandi Waveney (PSV, built 2001) sold and delivered to new owners

Management agreement including purchase option of **Skandi Bergen** (ex. Far Shogun, AHTS)

Q3 2017

Average fleet utilisation 73%

AWARDS

Skandi Olympia (Subsea) awarded 2-years extension contract with Fugro

Skandi Constructor (Subsea) awarded a 105-days contract with Siemens at Galloper Wind Farm in the North Sea

Skandi Skansen (Subsea) and **Skandi Caledonia** (PSV) awarded two contracts with Technip in the Mediterranean

Skandi Sotra (PSV) awarded a contract with Chevron in Australia

Skandi Salvador (Subsea) secured a 6-month extension with Petrobras

FLEET

Skandi Vinland (Subsea), delivered and on-hire on a 10-year contract with Husky Energy, Canada

Q4 2017

Average fleet utilisation 76%

AWARDS

Skandi Foula (PSV) awarded a contract in the Black Sea with Allsea

Skandi Niteroi (Subsea-PLSV) awarded a contract by McDermott in Brazil

FLEET

Skandi Darwin (Subsea) completed conversion at a Norwegian yard and started on a 5 + 3-year contract with Shell at the Prelude Field in Australia

Skandi Møgster (AHTS, built 1998) and **Skandi Marstein** (PSV, built 1996) sold and delivered to new owners

FINANCING

DOF ASA did a private placement of NOK 500 million completed in December

DOF ASA increased its ownership in DOF Subsea from 51% to 65% via an equity issue of NOK 500 million

DOF Subsea agreed extended maturity with the bondholders in DOFSUB07

DOF Rederi agreed to extend soft terms in the NOK 3,8bn facility until end of maturity

Q1 2018

AWARDS

DOF Subsea Brasil awarded two ROV contracts with Petrobras to be installed on **Skandi Angra** (AHTS) and **Skandi Paraty** (AHTS) including extension of two existing ROV contracts

Skandi Captain (PSV) awarded a 1-year with Peterson Den Helder

Skandi Admiral (AHTS) agreed an extension of 265-days with Petrobras with start up in July 2018

Skandi Vega (AHTS) awarded a 1-year frame agreement with Statoil, with 120 days firm + 2* 6 months option periods

FINANCING

DOF ASA successfully completed a subsequent offering of NOK 202 million

Activity overviews

HSEQ

To be safe is a fundamental basis of DOF and is our highest priority regardless of where DOF operates in the world.

- HSE results 35% better than benchmark (IMCA average 2016);
- Record-high number of management visits;
- Established dedicated position for energy management, with robust and committed plans for future, such as battery packs and shore power connections for vessels.

HR

The DOF Group has grown to become a global organisation, operating in a complex environment. For over 35 years, since our inception, we have seen many changes, but one thing has been constant over this time: the key to DOF's success remains unchanged – our people.

Regional operations

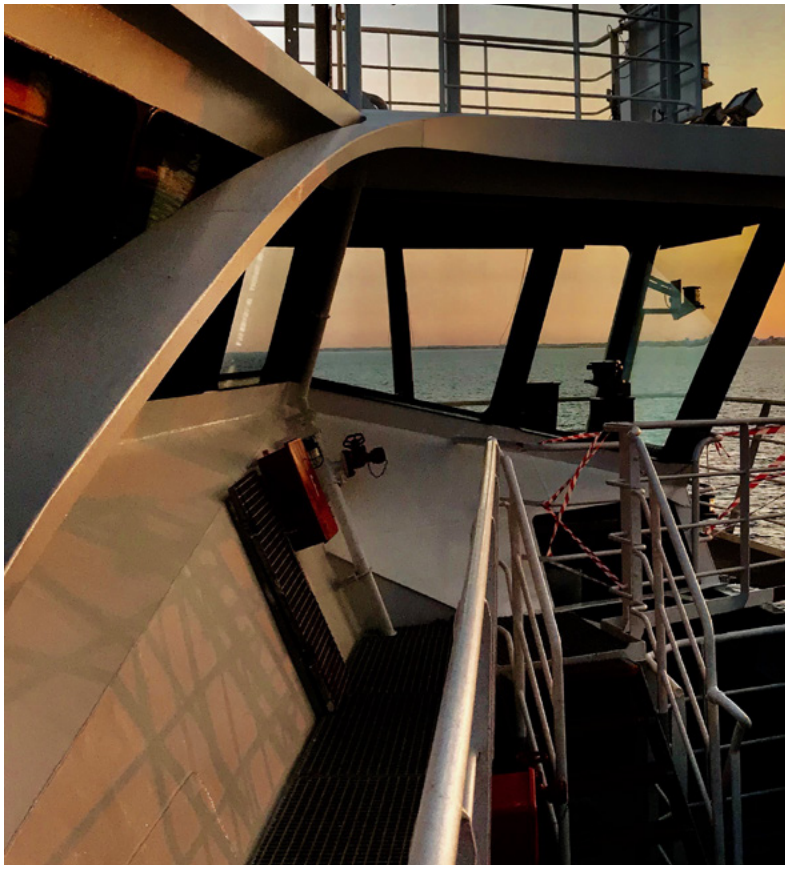
The DOF Group activities are organised based on asset capability, separated into two revenue categories: Subsea project activities & Time charter activities. The Group operates from four main regions: The Atlantic region (the North Sea, Mediterranean & Africa), the Asia Pacific region (Asia & Australia), the North America region (US-gulf and Canada) and South America (Brazil and Argentina).

Health, Safety, Environment & Quality

2017 was a breakthrough year for Safe the RITE way, reflected in the robustness of our safety culture. Safeguarding our people and external environment by our values-driven approach has been a success and is materialised in improved safety results.

2017 was in many ways focused on improving the interaction between the onshore and offshore parts of the organisation. By exploring new ways of leadership involvement, such as management sailing with vessels, coach captains and engaging crew members in smaller groups, focus has been shifted from monologue to dialogue.

Based on the dialogue with our employees, we have staked the course going forward for simplification of our management tools and systems. The new marine Integrated Management System has been designed



Our activities are organised based on asset capability, separated into two revenue categories:

SUBSEA PROJECT ACTIVITIES

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

TIME CHARTER ACTIVITIES

The time charter activities are performed by the subsidiaries, DOF Subsea AS, DOF Management Group and Norskan Offshore Ltda. The time charter activities utilise the Group's assets globally for oilfield services, Anchor Handling Tug Supply (AHTS), and Platform Supply Vessel (PSV) segments, and in the Subsea fleet committed on time charter contracts.

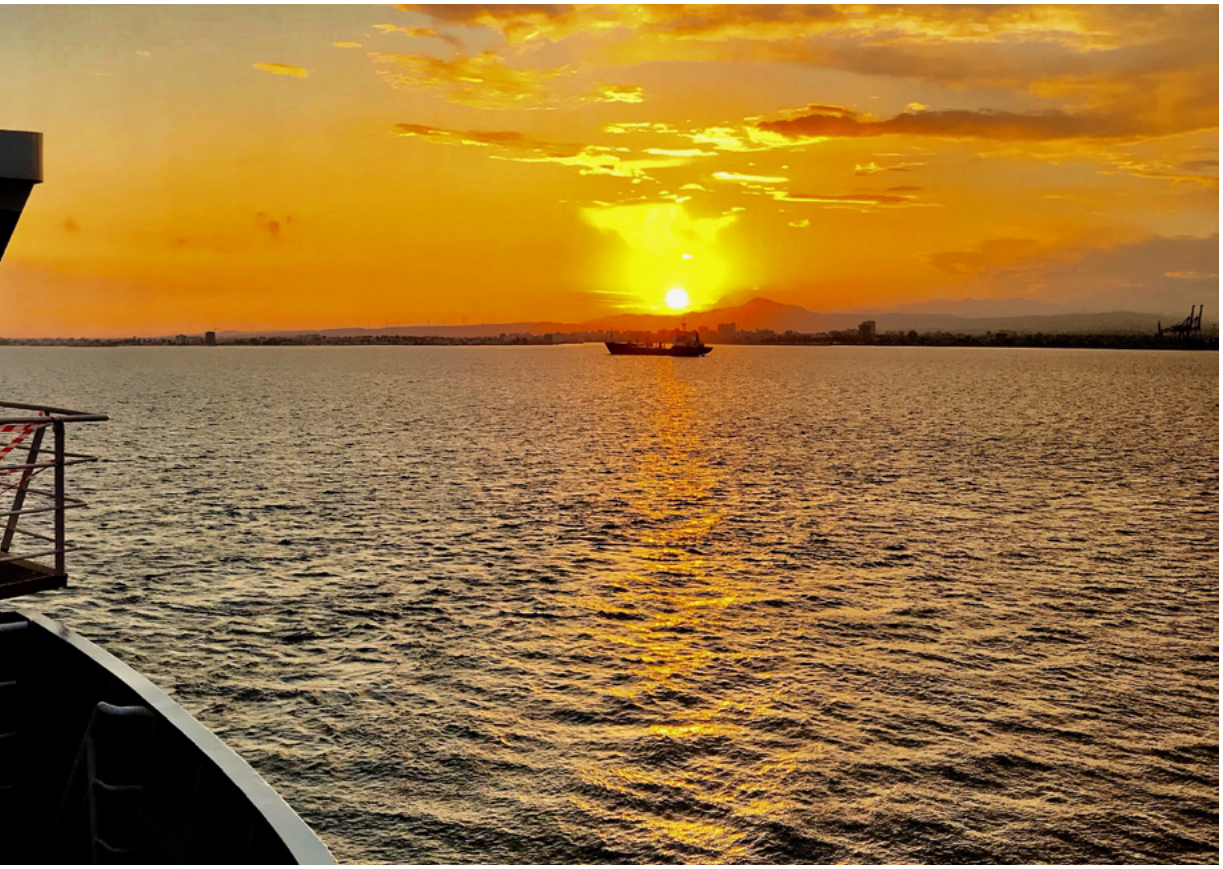
and will be implemented in early 2018, although the implementation started in 2017 within key areas such as lifting operations offshore. This includes a world-class Lifting Handbook provided, with all offshore crew involved in lifting operations receiving a personal copy. As another example, the HSE reporting system was simplified.

The world is rapidly changing, and DOF needs to keep up with these changes. During the year, several hundred employees in all parts of our global organisation participated in building a new Code of Business Conduct for the company which is fit for today's complex global community. The new Code of Business Conduct is wider in its approach, gives more accurate advice and is addressing dilemmas within all aspects of our operations with suggestions on how to solve them.

Introduction of a new digital toolkit will enable us to operate smarter and more efficient with regards to managing changes, and strengthen our Permit to Work structure. This will be supported by robust risk assessments.

Our environmental initiatives will take a new direction, taking advantage of recent technological developments, allowing battery packs to be installed on some of our vessels. This will have a severe positive impact on our CO2 footprint. Our shore power project will continue, allowing zero emission during port stay where possible.

Another important improvement area for DOF in 2018 is to adapt The Sustainable Development Goals (SDGs), developed by the United Nations. DOF is already addressing relevant strategic economic, social and environmental topics through sustainability and our corporate social responsibility statements. This is developed in conjunction with our stakeholders and communicated in materiality assessments figures. During 2018 a closer link between our KPIs and reference to SDG goals will be done.



Sunset in Cyprus from the bridge of Skandi Feistein. Photo by Håvard Otneim.

ACTIVITY OVERVIEWS

Subsea project results in 2017

3.1 BILLION

Subsea project total revenue in 2017

3.7 BILLION

Subsea project firm backlog

65%

Utilisation of Subsea project fleet

1,214

Subsea project personnel

All totals per year-end 2017 & financial figures in NOK

Human Resources

Due to the downturn in the global Oil and Gas markets, which has continued since 2015, the entire industry has been challenged with regards to costs, leading to scale downs for most of the companies. These circumstances require the organisations to adapt to the reduced demand, and pose a threat to the human capital. The Group's total workforce has since the peak in 2014 been reduced by approximately 17%. By year-end the Group headcount was 3,903 employees and contractors.

Main focus for 2018 is to continue to optimise the marine- and subsea organisations, building global teams to support the EVPs in the Group's four regions. This has resulted in appointment of new COOs for the global subsea operations and the marine operations. To build a lean organisation adjusted to the Group's activities, internal training and leadership programs, keeping and recruiting the right people are the core HR activities in 2018.

The new privacy regulations in EU, General Data Protection Regulation, will have a major positive impact on how we secure and handle our employees' privacy.

A new governing structure and set of routines has been developed and will be rolled out during the year.

SEVERAL MAJOR CONTRACTS COMMENCED IN 2017

January

SKANDI SEVEN

IMR contract offshore Angola with ENI Angola

16 months + 3x4 months options

Scope comprising project management, engineering, vessels and ROV services

January

SKANDI VITORIA

Long-term contract with Petrobras

18 months + 18 months options

On contract with Petrobras since 2010

Vessel owned in joint venture with TechnipFMC

First-pipe lay vessel built in Brazil



Skandi Vinland Officers with vessel God-mother Pauline Stead at vessel naming ceremony in Austevoll.

Regional operations

Atlantic region operations
Over the last three years our focus has been to successfully deliver projects, adapt to the market trends and maintain a competent and flexible organisation.

We continue to develop our position in West Africa, where we have experienced solid gains again in 2017. Much of the activity in the region is in the IMR segment on existing infrastructure. In 2017 the region continued to deliver operational highlights, build backlog into 2018 and deliver safety milestones. DOF Subsea has developed its position in West Africa, establishing local offices and dedicating assets to the region. The Group's first long-term IMR contract was awarded by ENI in West Africa in 2016, and commenced in Q1 2017 with a 16-month firm period, plus options utilising the Skandi Seven. In Angola, the Kaombo project, awarded under an existing Heerema Frame Agreement, commenced Q4 2016 and completed in Q3 2017. The second phase of the Yinson FPSO Installation and Hook-up project was undertaken in Ghana. The activity in Nigeria included the SA Exploration project, which utilised Geosund in the Agbami field undertaking a three-month program of seismic node installation and recovery in Q1 2017.

In the North Sea we undertook a number of large Survey, Positioning and Inspection, Mooring and Installation projects. Dana Petroleum Ltd, utilised Skandi Skansen, Skandi Iceman, Skandi Hera and Skandi Saigon to under-take Mooring installation, towing, hook-up and positioning services offshore on the development project of the Harris and Barra fields, West of Shetland, Scotland.

The activity in DOF Management has been high during 2017, with three new vessels, Skandi Hera, Skandi Bergen and Skandi Darwin added to the fleet. DOF Management was responsible for an extensive conversion of Skandi Darwin, which was completed in August, and the vessel

April

SKANDI BUZIOS

Long-term contract with Petrobras

8 years + 8 years options

Vessel owned in joint venture with TechnipFMC

Built in Norway with 650t VLS

July

SKANDI VINLAND

Long-term IMR contract offshore Eastern Canada with Husky Energy

10 years + 10 years options

IMR scope comprising project management, engineering, vessel and ROV services

High strategic importance through strengthened presence in the Canadian market

November

SKANDI DARWIN

Long-term FLNG IMR contract awarded in Australia with Shell's Prelude FLNG

5 years + 4 years options

IMR scope comprising project management, engineering, logistics, vessel and ROV services

ACTIVITY OVERVIEWS

Time charter results in 2017

3.5 BILLION
Time charter total revenue in 2017

19.3 BILLION
Time charter firm backlog

76%
Utilisation of the Time charter fleet

2,689
Marine Management personnel

All totals per year-end 2017 & financial figures in NOK

then sailed to Australia for a contract with Shell. The other two vessels have operated in the North Sea spot market or been hired in by DOF Subsea on various project contracts since delivery.

Even though the North Sea market has been weak and highly impacted by seasonal variations, DOF Management has achieved a decent utilisation of both the PSV and AHTS fleet with an average of only four vessels in lay-up throughout the year in this region. The organisation has managed to reduce the operational costs and improved the performance during 2017 and taken further steps to work smarter and more efficient.

Important contract awards in the North Sea were two five years contracts with Statoil for Skandi Mongstad and Skandi Flora. Both contracts include installation of battery packages and shore-power connection which is expected to have significant impact on future fuel consumptions.

Asia Pacific region operations
The region leverages core capability, geographical footprint, and our reputation as a leading IMR provider. The Chevron Australia long-term IMR contract has been a stand-out performance in the region since its award in 2015. The contract, which primarily utilised Skandi Hercules and Skandi Singapore, with all related IMR services, accounted for over 900 vessel days at the end of 2017. In February 2018, Chevron Australia exercised the first of the one-year options for DOF Subsea to continue to provide IMR operations support into 2019. The Shell Australia Prelude FLNG facility IMR and MPSV contract commenced offshore in Q4 2017. The contract utilises MPSV Skandi Darwin, which has been deployed in a similar arrangement to Skandi Hawk, and will work in both PSV mode and ROV mode. Additionally, DOF Subsea AUVs have been operating for both Shell Philippines Exploration and Chevron in Australia.

The activity for the AHTS and PSV fleet has been low in this region and we have seen an all-time low in drilling and exploration activity throughout 2017 with high pressure on rates and client demands.

Throughout 2017, we continue to receive positive feedback from clients. For example, the operation of Skandi Acergy in Australia received positive feedback from all parties.

North America region operations
The region continued to focus on building capability and its position in Canada. DOF Subsea was awarded the Husky 10-year IMR vessel, ROV, survey and metrology services contract in 2015. Under the contract two ROVs and related



Several DOF AHTS vessels support the positioning of a FPSO in Brazilian waters.

services were delivered from a third-party vessel until Q3 2017 when Skandi Vinland started the 10-year IMR and light construction contract in support of the White Rose development. The vessel and team marked their first milestone almost immediately with the installation of two trees from Skandi Vinland, which was an operational first in Canada as this installation scope is usually conducted from a drill rig. MPSV Skandi Chieftain, owned by the DOF Group, was reflagged to the Canadian flag in 2016. Skandi Neptune operated in Canada during July and August of 2017 on a temporary import license to execute several heavy subsea lifts for a local operator. The team won and executed four substantial vessels and ROV service projects for multiple clients. Skandi Achiever was mobilised to support Statoil's Well-head removal project in Canada and Shell's Coulomb diving activities in the GoM. The contract award in Q4 2017 for Survey, ROV and vessel services in the Gulf of Mexico, utilised both Harvey Deep Sea and Skandi Achiever for 135 days to Q1 2018.

South American region operations
The Brazil region has demonstrated a solid position in the market by delivering many significant contract awards and charter extensions. The Group's competitive advantage comes from long-term collaboration and investment in the region and by having a state-of-the-art-fleet of which many are built and flagged locally.

In Q4 the region achieved an operational first for Petrobras: Skandi Salvador successfully transported and installed a 36-ton Xmas-tree using the subsea crane. DOF Subsea Brazil delivers ROV services and survey services on board the Group's vessels. With long-term collaboration between DOF Subsea and TechnipFMC, PLSV Skandi Buzios, the second of the four ground-breaking PLSVs, was delivered in January 2017 and commenced on a fixed eight-year contract with Petrobras in April.

The AHTS fleet mainly comprise Brazilian flagged vessels, all on firm contracts with one exception, Skandi Peregrino, which has operated on a contract with Statoil at the Peregrino field since delivery in 2010. Norskan Offshore Ltda. has further successfully reflagged two vessels with Brazilian flag, and both vessels were secured firm contracts during the year. The Brazilian operations have shown stable earnings throughout the year, but the utilisation has been impacted by five vessels completed MCRs. The Group has two vessels, Skandi Patagonia and Skandi Pacific, both on firm contracts with Total. The latter vessel started on its 3+ 2-year contract in April after completion of a conversion in Norway.

The fleet

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

In 2017 we have maintained our position as a strong global service provider. Several major contracts have started during the year, which has involved deliveries of newbuildings and vessel conversions.

We have continued our focus on safe operations and have achieved a significant improved HSE statistics in the fleet, indicating a strong commitment to "Safe the RITE way". A new program, "Maintenance the RITE way", will be developed to underline the importance of keeping our vessels and assets clean, tidy and shiny. An important part of the program is to establish a new DOF standard with expectations towards maintenance and housekeeping.

We have strengthened our position within the AHTS segment by implementing new Anchor Handling (AH) guidelines focusing on AH competence and best practices, and have received very positive feedback from our clients in relation to this work. The take-over of the two high-end AHTS vessels, Skandi Hera (Ulstein A122) and Skandi Bergen (UT

Fleet overview

Vessels delivered in 2017

- Subsea – Skandi Vinland
- Subsea, PLSV – Skandi Buzios

Vessels sold in 2017

- PSV – Skandi Waveney (built 2001)
- AHTS – Skandi Møgster (built 1998)
- PSV – Skandi Marstein (built 1996)

Vessels added to the fleet in 2017

- AHTS – Skandi Hera (built 2009)
- Subsea – Skandi Darwin (built 2012)
- AHTS – Skandi Bergen (built 2010)

Newbuilding programme at year-end

- Subsea, PLSV – Skandi Olinda (EP-09)
- Subsea, PLSV – Skandi Recife (EP-10)



Fleet totals per 31.12.2017



31 SUBSEA

Subsea / Construction Support Vessels



20 AHTS

Anchor Handling Tug Supply vessel



16 PSV

Platform Supply Vessel

All fleet totals are as of report publication. Totals include two vessels owned less than 50%, three vessels on "management" with purchase options, one hired in vessel, and two newbuildings owned 50% via joint venture.

731) was further an important contribution to the Group's anchor handling fleet.

A third vessel, Skandi Darwin was added to the fleet in February, a supply vessel that was converted to Subsea/ IRM, in accordance with requirements for new 5-year contract with DOF Subsea at Prelude Field in Australia. The conversion was completed in August and the vessel on-hire with Shell as end client in November.

Another important milestone was the delivery and completion of the PLSV Skandi Buzios, built by Vard, and outfitted/completed with VLS & pipelaying equipment at Huisman facilities in the Netherlands in January. The vessel is number two in a series of four PLSVs and is owned by a joint venture owned by DOF Subsea and TechnipFMC. Skandi Buzios was on-hire on 8-year contract with Petrobras in April.

In June DOF Subsea took over 100% ownership of the new building Skandi Vinland. The vessel was the same month delivered from Vard Langsten, and thereafter sailed to Canada where she was on-hire in July, commencing 10-year contract with Husky Energy.

Remaining newbuilding programme:
Skandi Recife (Vard EP 10), PLSV, is currently under construction at Vard's yard in Recife/Brazil. The vessel is scheduled for delivery in April 2018 and is currently on sea trials.

Skandi Olinda (Vard EP 09), PLSV, is currently under construction at Vard's yard in Recife/Brazil. The vessel is scheduled for delivery in 1st quarter 2019.

Both vessel will have Brazilian flag and will be equipped with 300 tonnes tension pipelaying tower. The vessels are number 3 and 4 in a series of four PLSVs owned by the joint venture by DOF Subsea and TechnipFMC, all secured 8-year contracts with Petrobras.



Skandi Recife (Vard EP 10) during sea trials in Brazil.

THE FLEET

Subsea

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



GEOGRAPH



GEOHOLM



GEOSEA



GEOSUND



SKANDI AÇU [1]



SKANDI ACERGY



SKANDI ACHIEVER



SKANDI AFRICA



SKANDI BÚZIOS [1]



SKANDI CARLA



SKANDI CHIEFTAIN



SKANDI COMMANDER



SKANDI CONSTRUCTOR



SKANDI DARWIN [2]



SKANDI HAV

THE FLEET

Note where marked:
1) Vessel is owned 50%
2) Vessel is managed by DOF with purchase option
3) Vessel is part of the newbuilding programme
4) DOF has a minority share in this vessel



SKANDI HAWK



SKANDI HERCULES



SKANDI HUGEN



SKANDI NEPTUNE



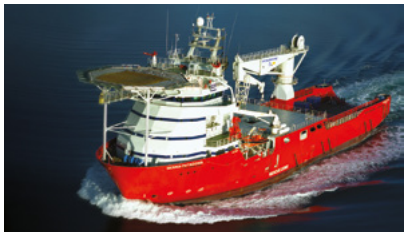
SKANDI NITEROI [1]



SKANDI OLINDA [1] [3]



SKANDI OLYMPIA



SKANDI PATAGONIA



SKANDI RECIFE [1] [3]



SKANDI SALVADOR



SKANDI SEVEN



SKANDI SINGAPORE



SKANDI SKANSEN



SKANDI VINLAND



SKANDI VITORIA [1]

THE FLEET

AHTS

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



SKANDI URCA



SKANDI ADMIRAL



SKANDI AMAZONAS



SKANDI ANGRA



SKANDI ATLANTIC [1]



SKANDI BERGEN [2]



SKANDI BOTAFOGO



SKANDI EMERALD [1]



SKANDI FLUMINENSE



SKANDI GIANT

Note where marked:
1) Vessel is owned 50%
2) Vessel is managed by DOF with purchase option
3) Vessel is part of the newbuilding programme
4) DOF has a minority share in this vessel



SKANDI HERA [2)]



SKANDI ICEMAN [4)]



SKANDI IGUAÇU



SKANDI IPANEMA



SKANDI PACIFIC [1)]



SKANDI PEREGRINO [1)]



SKANDI RIO



SKANDI SAIGON [1)]



SKANDI VEGA



SKANDI PARATY

THE FLEET

PSV

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



SKANDI SOTRA



SKANDI AUKRA [4)]



SKANDI BARRA



SKANDI BUCHAN



SKANDI CALEDONIA



SKANDI CAPTAIN



SKANDI FEISTEIN



SKANDI FLORA



SKANDI FOULA



SKANDI GAMMA

Note where marked:
1) Vessel is owned 50%
2) Vessel is managed by DOF with purchase option
3) Vessel is part of the newbuilding programme
4) DOF has a minority share in this vessel



SKANDI MARØY



SKANDI MONGSTAD



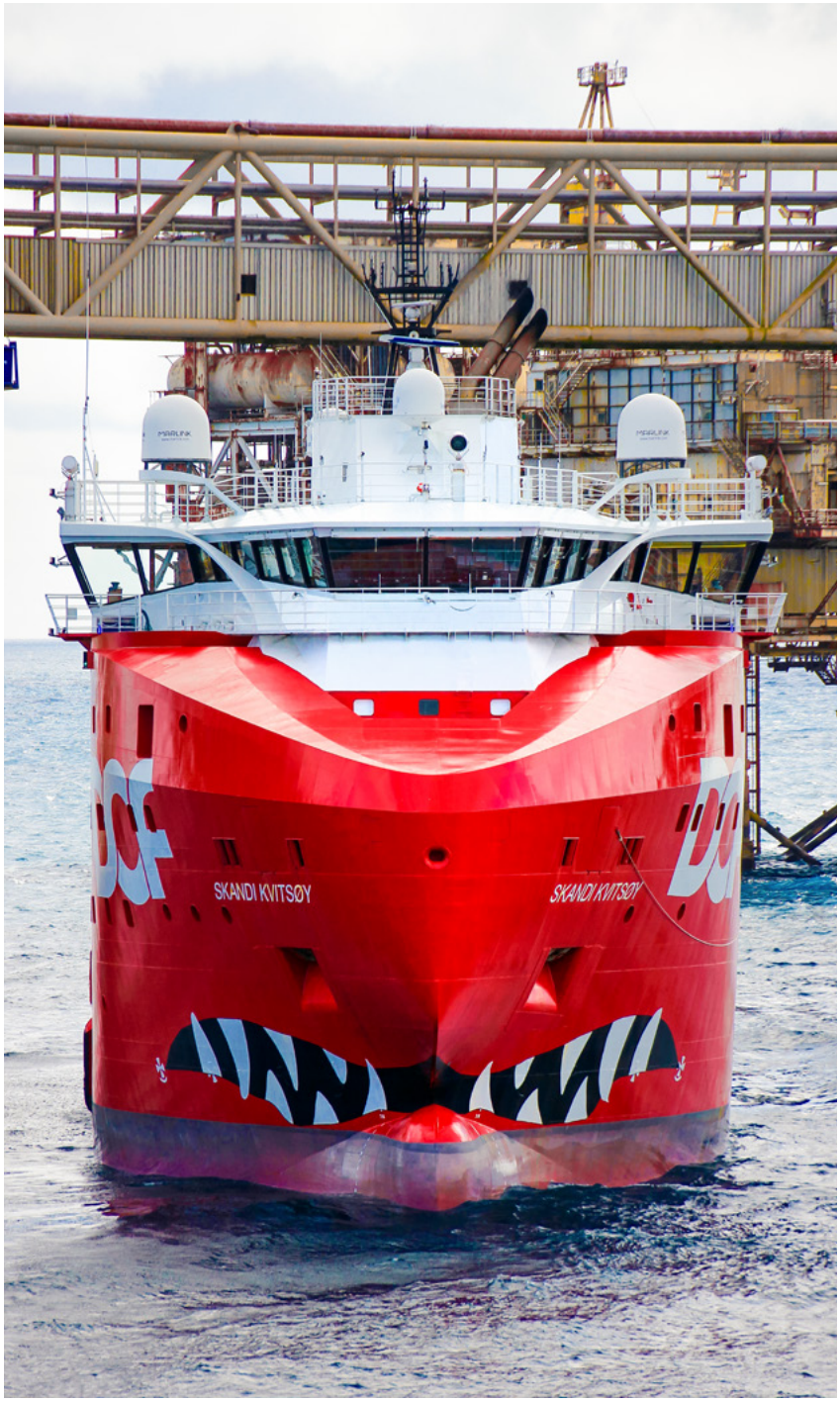
SKANDI NOVA



SKANDI RONA



SKANDI TEXEL

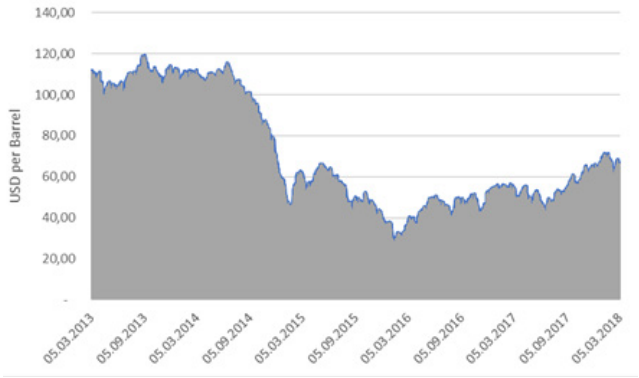


SKANDI KVITSØY

Market outlook

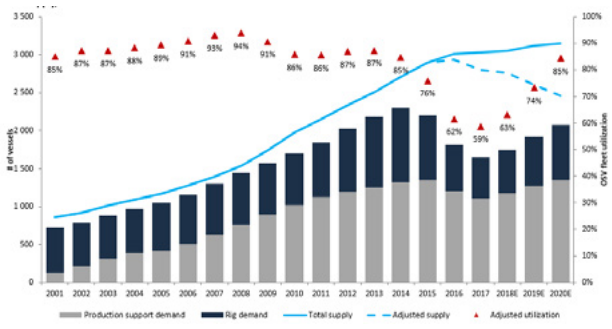
During 2017 the oil price has stabilised around $65/bbl and when E&P is cash positive after dividend, the IOCs are more comfortable to invest in new projects. New offshore project commitments from the oil companies are key indicators for increased activity. Even though the shale oil is expected to have a steep growth, the offshore oil still is a critical share of the oil supply:

Oil price development



The OSV market has seemingly stabilised, with global utilisation above 50%. This obviously varies between asset classes and regions, but even utilisation in the most supply riddled regions seem to have bottomed. Whilst the rig count remains depressed, a general increase in offshore activity has been positive and OSV tender activity is slowly improving. This has yet to materialise in higher day rates, but with utilisation stabilising, we expect the worst to be behind us.

OSV supply, demand and fleet utilisation - 2001 to 2020E



Source: Clarksons Platou

An increased oil price and the recent year's cost cutting initiatives, has caused a number of projects being sanctioned which is expected also to be an upside regarding forecasted number of subsea trees. Hence the subsea construction segment should see a recovery. The order intake for the large contractors is a key indicator for increased demand for vessels, personnel and equipment.

Regional market outlook

Atlantic region
The majority of activity has been around existing infrastructure and IMR activities, which is a good fit for the Group's Subsea assets and capability. We have seen an increase in demand for the combination of Subsea Production Systems (SPS) and Subsea Umbilicals, Risers and Flowlines systems (SURF). In general, Oil & Gas investment decisions have been delayed. However, there are positive signs as a number of capital-intensive projects have passed Final Investment Decision (FID) in 2017, primarily in North Sea and West Africa. Additionally, more greenfield projects are expected to be sanctioned in West Africa over the next 24 months.

The subsea development underway should lead to Mooring and SURF opportunities in the mid-term. These include Statoil Developments, Johan Sverdrup and Castberg in Norway, Shell UK, Penguins and Eni in West Africa - Coral South, Mozambique and East and West Hub, Angola.

If operator sentiment continues to improve, we can expect the exploration segment, including seismic, drilling and geophysical/geotechnical route to respond most rapidly.

As several traditional Oil & Gas operators enter the wind energy segment there is an increase in demand from the renewable energy industry. The major investment in Ørsted AS, Hornsea and SSE CMS renewable wind farms should see this trend increase through to 2021.

Competition remains at similar or increased market levels across all segments in the medium term.

Regarding supply, the PSV spot market is expected to be stronger during the summer and the rates for term PSV have increased during January and are expected to increase further during the year. The AHTS market has been weak in the start of the year, but the number of rigs contracted for the summer is expected to increase the demand in the North Sea. In sum the PSV segment seems to rebound first with AHTS expected to follow, hence a gradual recovery is expected. Due to the fact that the majority of the fleet currently in lay-up is out of class, an interesting question is whether all these stacked vessels will ever re-enter the market, due to high reactivation costs.

Asia Pacific region
The completion in 2017 of the legacy projects in Australia has left the Australian market a little deflated and reflecting activity levels comparable to 5-10 years ago. Major investment decisions in the region are being deferred as operators focus on return-on-investment.

There are a number of construction projects sanctioned in Australia; Woodside's Greater Western Flank II and Greater Enfield Development, additionally, Santos has the Sole project. Although not DOF Subsea's core market, as there is rigid

pipelay involved, there will be subcontracted opportunities as these projects progress. The IMR segment is active and DOF Subsea assets and capability are a good fit for such work scopes, but competition for such opportunities is fierce.

The Asian outlook remains uncertain, although in the medium term this market may be able to respond more quickly to changes in market drivers. Experience tells us this region can initiate and complete projects in a short time frame. This is proven in recent fast track repair projects such as Lamson Mid Water Arch Repair and Rectification work scope. Movements in the drilling market and subsea hardware orders is a positive sign of some movement and we are seeing higher tendering activity than the equivalent period in 2017.

Short to medium term is not good, we see very similar activity to last year, however feel mid 2018 will be the commencement of the return to what we consider the usual market. As previously mentioned most of the tenders and rig positioning within the region focus more on Q3 and Q4. From what we can see we hope to have a steady increase in activity from Q3 onwards that hopefully results in a good 2019, this of course depends on how the majors start to respond in a change of rates as the market develops.

From our perspective the drilling and exploration will grow, but we also see a potential increase in IMR activity given the increase in regional subsea assets.

North America region
Operators remain cautious and major investment decisions deferred due to factors such as budget limitations, competing with Shale ventures or reservoir profitability. This is reflected in the operators' cash preservation focus and activity reductions in the region. However, on a positive note, the number of sanctioned projects and drilling commitments in 2017 increased in respect to 2016.

The market for DOF Subsea is predominantly focused on IMR and light construction activities. We expect both a competitive market for these activities where DOF Subsea has strengths and levels to gradually increase. New opportunities are anticipated with the development in Mexico, Guyana and Suriname and the demand of gas in Trinidad.

In the US, the new Tax regime and the Environmental Protection Agency (EPA) de-regulation has the potential to attract an increase in oil production and US investment. In Mexico new Oil and Gas regulation has attracted multiple operators to commit to deep-water exploration investment in 2018.

In Canada, short term outlook remains somewhat cloudy with the only new development in the region being Husky's West White Rose project. Statoil continues to evaluate their Bay du Nord discovery with no firm plans for development at this time. Having said that offshore Newfoundland & Labrador remains one of the highest potential oil and gas regions in the world and new operators such as BP, Nexen Energy, Navitas Petroleum moving in and the return of Chevron Canada. With a return to exploration drilling in the medium term there could likely be higher demand for PSV, AHTS and rig based ROV services. We also see continued seismic vessel support requirements in the near term.

South America region
The ongoing Petrobras investigation, reorganisation and deferred investment decisions have had a major impact on the market in Brazil, in addition to the global challenges our industry faced 2017. Petrobras' five-year strategic plan (2018 – 2022) has however predicted increased activity in 2018 and 2019. This coincided with increased bidding and contracting activities late in the year. Indications are that Petrobras marine support fleet will be maintained at the current size, via replacement bids or extensions, with potential increase from 2019 onwards.

Some signs of positive change in demand came late in the Q3 and Q4 2017 as the National Agency of Petroleum, Natural Gas and Biofuels (ANP) announced oil and gas opportunities, including 2nd and 3rd rounds of Pre-salt Concessions. With the 2016 changes to Pre-salt legislation now in effect there has been strong participation from International Oil Companies (IOC).

There are other signs of improved market confidence. IOC projects that have been on hold for the last two to three years are gaining momentum. Statoil has placed all contracts for Peregrino Phase 2 development. Chevron has progressed preparations for bidding and contracting for the Frade Phase 2 development and Libra Consortia is preparing for bidding and contracting for subsea facilities in the first half of 2018. Queiroz Galvão, E&P Atlanta Field offshore has also moved to construction.

The region is also showing signs of improvement in the diving segment, both sat diving and shallow water diving as a consequence of low investment and reduced maintenance on existing subsea facilities. Additionally, IMR services segments are looking more positive.

Regarding supply, the short- to medium-term outlook in the region we expect a positive trend with the opening up for international players and we assume slow improvement from later 2018 and onwards. We expect the foremost increase to occur in the AHTS market based on the FPSO delivery programme Petrobras has. The reduction on the international flagged fleet operating in Brazil, are now at a level where there are no international vessels working in some sectors, and others are significantly reduced.

The Board of Directors



Helge Arvid Møgster

Chairman

Born in 1953. Helge Arvid Møgster was appointed to the Board in 1988. He is one of the main owners and chairman in the Møgster family's holding company, Laco AS, the majority shareholder of Møgster Mohn Offshore AS (the Company's largest shareholder) and the main shareholder of Austevoll Seafood ASA. Mr. Møgster has long experience from both the offshore supply and fishing industry, and is holding board positions in several companies, including being the chairman of the board of directors of DOF Subsea AS. Mr. Møgster is a Norwegian citizen, and resides in Norway.



Frederik Wilhelm Mohn

Director

Born in 1977. Frederik Wilhelm Mohn was appointed to the Board in 2017. He is sole owner of Perestroika AS, an investment company with long-term investments within offshore/rig, shipping, infrastructure, property-development and financial services. He holds extensive industrial experience from the world-wide family business, Frank Mohn AS, where he also has held the position of managing director. Mr. Mohn is member of the board of directors in Transocean Ltd and has been a board member of Fjord1 ASA since July 2017. He also serves as member of the board in several privately-owned property-development companies and in the tanker shipping company Viken Crude AS. Mr. Mohn holds a bachelor of Science degree from Royal Holloway, University of London. Mr. Mohn is a Norwegian citizen, and resides in Norway.



Helge Singelstad

Deputy Chairman

Born in 1963. Helge Singelstad was appointed to the Board in 2008. He is CEO in Laco AS and has extensive experience from various types of business such as oil and gas, ship equipment and the seafood sector. Mr. Singelstad chairs and serves on numerous boards of directors, including being the chairman of the board of directors in Austevoll Seafood ASA, Lerøy Seafood Group ASA, and Pelagia Holding AS. He holds a degree in computer engineering from Bergen Engineering College, a degree in Business Administration from the Norwegian School of Economics and Administration (Siviløkonom-NHH), and he has a first year degree from the law school at the University of Bergen (UiB). Mr. Singelstad is a Norwegian citizen, and resides in Norway.



Marianne Møgster

Director

Born in 1974. Marianne Møgster was appointed to the Board in 2016. She currently serves as Senior Vice President of Finance in DOF Subsea AS, and has experience from several other positions in DOF, StatoilHydro and Norsk Hydro. Ms. Møgster has experience as a board member both with the DOF Group and other listed companies such as Lerøy Seafood Group ASA and holds the position as a Board member in the University of Bergen (UiB). She holds a degree in Economics and Business Administration from the Norwegian School of Economics and Administration (NHH). Ms. Møgster is a Norwegian citizen, and resides in Norway.



Kathryn Moore Baker

Director

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



Mons Svendal Aase

CEO

Born in 1966. Mons Svendal Aase has been a part of the management team since 1998. In 2005, he became CEO of the Company, and in 2009, he also became CEO of DOF Subsea AS. Prior to 2005, he has served as CFO and Deputy Managing Director in the Company. Mr. Aase has various experience from finance and shipbroking industries and chairs, as well as serves, on numerous boards of directors. He holds a MSc from the Norwegian Institute of Technology and a Cand. Merc. from the Norwegian School of Economics and Business Administration (NHH). Mr. Aase is a Norwegian citizen, and resides in Norway.

2017 Corporate Governance

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

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

1 Governance principles

DOF ASA ("DOF" or the "Company") considers good corporate governance to be a prerequisite for value creation and trustworthiness, and for access to capital.

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

DOF has governance documents setting out principles for how business should be conducted. These apply to all DOF entities. References to certain more specific policies are included in this corporate governance policy where relevant. For further information please visit DOF ASA's website www.dof.com. DOF's governance regime is approved by the Board.

2 Applicable rules and regulations

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

The Company endorses the Norwegian Code of Practice for Corporate Governance (Nw.: "Norsk anbefaling for eierstyring og selskapsledelse"), issued by the Norwegian Corporate Governance Board, most recently revised on 30 October 2014 (the "Code").

The Code is based on "the comply or explain principle" whereby listed companies must comply with the Code or explain why they have chosen an alternative approach. DOF will follow the Code, and deviations from the Code are included in this corporate governance statement. A description of the most important corporate governance principles of the Company is made available for external parties on the Company's website in accordance with the Company's IR-policy.

3 Main objectives for corporate governance in DOF

The Corporate Governance Policy of the Company is a governing document containing measures which are continuously implemented to secure efficient management and control of the activities of the Company.

DOF's corporate governance policy is based on the Code, and as such is designed to establish a basis for good corporate governance, to support achievement of the Company's core objectives on behalf of its shareholders, including the achievement of sustainable profitability for the shareholders of DOF. The manner in which DOF is governed is vital to the development of its value over time.

DOF believes good corporate governance involves openness and trustful cooperation between all parties involved in the Group: the shareholders, the Board and executive management, employees, customers, suppliers, public authorities and society in general.

By pursuing the principles of corporate governance, approved by the Board of DOF, the Board and management shall contribute to achieving the following objectives:

- Openness. Communication with the interest groups of DOF shall be based on openness in issues relevant to the evaluation of the development and position of the Company.
- Independence. The relationship between the Board, the management and the shareholders shall be based on independence. Independence does ensure that decisions are made on an unbiased and neutral basis.
- Equal treatment. One of DOF's prime objectives is equal treatment and equal rights for all shareholders.
- Control and management. Good control and corporate governance mechanisms shall contribute to achieving predictability and reducing the level of risks for owners and other interest groups.

The development of, and improvements in, the Company's corporate governance principles are ongoing and important processes that the board of directors are focusing on.

4 Business

The operations of the Company and its subsidiaries shall be in compliance with the business objective set forth in its articles of association, which shall be stated in the Company's annual report together with the Group's primary objectives and strategies.

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

5 Equity and dividends

5.1 Capital adequacy

The Board is responsible for ensuring that the Group is adequately capitalised relative to the risk and scope of operations and that the capital requirements set forth in laws and regulations are met.

The Board shall continuously monitor the Group's capital situation and shall immediately take adequate steps should it be apparent at any time that the Company's equity or liquidity is less than adequate.

DOF ASA equity per 31 December 2017 consists of a share capital of NOK 1,276,156,256 divided into 2,552,312,512 shares each with a nominal value of NOK 0.50, and 275,582,503 outstanding bonds in the Subordinated Convertible bond established in August 2016. The Bondholders may convert their bonds to shares in the Company at NOK 1 per share and as of 31 December 2017 a total of 548,057,979 bonds have been converted. The Bondholders will be treated as shareholders in the event of a merger of the Company, split or consolidation of shares, de-merger or issue of convertible loans. The Bondholders have equal rights as shareholders to receive Dividend payments and other distributions to shareholders in the Company. The remainder of the Subordinated Convertible Bond will be converted to shares before July 2021.

In December 2017 the Company completed a private placement of NOK 500 million by issuance of 833,333,333 new shares at NOK 0.60 per share. Møgster Mohn Offshore AS was allocated 561,023,313 shares in the private placement and owned after this transaction 1,506,399,363 shares in the Company, representing 59.02% of the share capital and 53.3% on a fully diluted basis. In addition, other insiders were allocated 8,333,334 shares in the private placement.

A subsequent share offering of NOK 202 million by issuance of 336,666,667 new shares at NOK 0.60 per share has been completed in February 2018, hence Møgster Mohn Offshore AS currently owns 52.14% or 47.5% on a fully diluted basis.

5.2 Dividend policy

The Company shall, at all times, have a clear and predictable dividend policy established by the board of directors. The dividend policy forms the basis for the Board's proposals on dividend payments to the Company's general meeting and shall be disclosed. The background to any proposal for the Board to be given an authorisation to approve the distribution of dividends should be explained.

5.3 Authorisations to the Board

Any authorisation granted to the Board to increase the Company's share capital or purchase treasury shares shall be restricted to defined purposes. When the general meeting is to pass resolutions on such authorisations to the Board for different purposes, each authorisation shall be considered and resolved separately by the general meeting. Authorisations granted to the Board to increase the share capital or purchase treasury shares shall be limited in time, and shall in no event last longer than two years. However, it is recommended that an authorisation to increase the share capital or purchase of treasury shares does not last longer than until the Company's next annual general meeting and the Company will follow that recommendation.

6 Equal treatment of shareholders and transactions with close associates

6.1 Basic principles

The Company has only one class of shares. Each share in the Company carries one vote, and all shares carry equal rights, including the right to participate in general meetings. All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

6.2 Share issues without pre-emption rights for existing shareholders

In the event of an increase in share capital through issuance of new shares, a decision to deviate from existing shareholders' pre-emptive rights to subscribe for shares shall be justified. Where the Board resolves to issue shares and deviate from the pre-emptive rights of existing shareholders pursuant to an authorisation granted to the Board by the general meeting, the justification will be publicly disclosed in a stock exchange announcement issued in connection with the share issuance.

6.3 Transactions in treasury shares

Any transactions carried out by the Company of treasury shares shall be carried out on Oslo Børs, and in any case at the prevailing stock exchange prices. In the event that there is limited liquidity in the Company's shares, the Company will

consider other ways to ensure equal treatment of shareholders. Any transactions by the Company of treasury shares is subject to notification requirements, and shall be publicly disclosed in a stock exchange announcement.

6.4 Approval of agreements with shareholders and other close associates

In the event of transactions that are considered to be non-immaterial between the Company and its shareholders, a shareholder's parent company, members of the board of directors, executive personnel or close associates to any such party, the Board shall arrange for an independent third-party valuation. This will, however, not apply for transactions that are subject to the approval of the general meeting pursuant to the provisions in the Norwegian Public Limited Liability Companies Act. Independent valuations shall also be procured for transactions between companies within the Group if any of the companies involved have minority shareholders.

Members of the Board and executive personnel must notify the Board when such members have any significant, direct or indirect, interest in a transaction carried out by the Company.

7 Freely negotiable shares

The shares of the Company are freely negotiable.

8 General Meetings

8.1 General meetings

8.1.1 Exercising rights

The board of directors shall ensure that as many of the Company's shareholders as possible are able to exercise their voting rights in the Company's general meetings, and that the general meeting is an effective forum for shareholders and the Board, which shall be facilitated through the following:

- the notice to the general meeting and any supporting documents, including the recommendation by the nomination committee, as well as information on the resolutions to be considered in the general meeting shall be available on the Company's website no later than 21 days prior to the date of the general meeting;
- the resolutions and any supporting documentation shall be sufficiently detailed and comprehensive allowing shareholders to understand and form a view on all matters to be considered at the general meeting;
- deadlines for shareholders to give notice of their attendance at the general meeting shall be set as close to the date of the general meeting as practically possible. The time limit may not expire earlier than five days before the meeting;
- the Board and the chairperson of the general meeting shall ensure that the shareholders are able to vote separately on each candidate nominated for election to DOF's Board and other corporate bodies (if applicable);
- members of the Board shall be present at general meetings, while members of the nomination committee, the audit committee and the remuneration committee, as well as the auditor shall be present at general meetings where matters of relevance for such committees/persons are on the agenda; and
- the Board should make arrangements to ensure election of an independent person to chair the general meeting.

8.1.2 Participation without being present

Shareholders who are unable to be present at the general meeting shall be given the opportunity to be represented by proxy and to vote by proxy. The Company shall in this respect:

- provide information on the procedure for attending by proxy;
- nominate a person who will be available to vote on behalf of shareholders as their proxy; and
- prepare a proxy form, which shall, insofar as this is possible, be set up so that it is possible to vote on each of the items on the agenda and candidates that are nominated for election.

8.1.3 Notification

The annual general meeting is held each year no later than six months after the end of each financial year. The 2018 annual general meeting is scheduled for 24 May. Notification will be sent out within the deadlines in the Code of practice, and relevant documentation will be available on the Group's website at least 21 days prior to the general meeting. The financial calendar is published on the internet and through a notification to Oslo Stock Exchange.

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

9 Nomination committee

9.1 Composition

The Company has a nomination committee, cf. the Company's Articles of Association section 5. The Company's general meeting elects the members and the chairperson of the nomination committee and determines their remuneration.

All the members of the nomination committee are independent from the Company's board and executive management. No member of the nomination committee is a member of the Board and no more than one member of the nomination

committee may also be a member of the Board, in which case such member shall not be re-elected to the Board. The CEO and other executive management are not members of the nomination committee. The composition of the nomination committee should be such that the interests of shareholders in general are represented. The Company's guidelines for the nomination committee have established rules for rotation of the members.

The objectives, responsibilities and functions of the nomination committee shall be in compliance with rules and standards applicable to the Group and which are described in the Company's "Instructions for the nomination committee". The general meeting shall adopt the guidelines for the nomination committee.

The current nomination committee consist of the following members:

Roy Reite. Mr. Reite is CEO & Executive Director of Vard Holdings Ltd. He has served as CEO of VARD since 2001.

Kristine Herrebrøden. Ms. Herrebrøden has recently been appointed District Attorney for the county of Hordaland. She has served as attorney with the Bergen Municipal Attorney's office, and also has extensive experience in financial and corporate transactions and dispute resolution from private law firm practice.

Harald Eikesdal. Mr. Eikesdal is a lawyer in private practice in Haugesund.

Mr. Harald Eikesdal and Ms. Kristine Herrebrøden has been elected for the period ending in 2018 and Mr. Roy Reite was re-elected in the annual general meeting held on 24 May, 2017 for a period of two years.

9.2 Tasks

The nomination committee shall recommend candidates for the election of members and chairman of the Board, candidates for the election of members and chairperson of the nomination committee, and remuneration of the members of the Board and the nomination committee.

The nomination committee's recommendation of candidates to the nomination committee shall ensure that they represent a broad group of the Company's shareholders. The nomination committee's recommendation of candidates to the Board shall ensure that the Board is composed to comply with legal requirements and principles of corporate governance (cf. clause 10 below).

The proposals from the nomination committee shall include a reasoning for its proposal, as well as provide a statement of how it has carried out its work. The nomination committee's proposal shall include information about the candidates, and shall be made available in accordance with the 21 days' notice to call for a general meeting. Shareholders shall be given the opportunity to submit proposals to the nomination committee for candidates for election to the Board and other appointments in a simple and easy manner. A date shall be communicated prior to which such proposals must be submitted to be considered by the nomination committee.

10 Board; composition and independence

The composition of the Board should consider expertise, capacity and diversity appropriate to attend to the Company's goals, main challenges and the common interests of all shareholders. Each board member should have sufficient time available to devote to his or her appointment as a board member. The number of board members should be decided on this basis, and shall consist of four to seven board members. Further, individuals of the Board shall be willing and able to work as a team, resulting in the Board working effectively as a collegiate body.

The Board shall be composed so that it can act independently of any special interests. A majority of the shareholder-elected members of the Board shall be independent of the executive management and material business connections of the Company. Further, at least two of the members of the Board shall be independent of the Company's major shareholder(s). For the purposes of this corporate governance policy, a major shareholder shall constitute a shareholder that owns or controls 10% or more of the Company's shares or votes, and independence shall entail that there are no circumstances or relations that may be expected to be able to influence independent assessments of the person in question. The Company is not in compliance with the regulation to have at least two board members who are independent of a main shareholder (shareholders holding more than 10% of the shares in the Company), as only one Board member is genuinely independent. In light of composition of the Board and the background and qualifications of the Board members, the Company is comfortable with this deviation from corporate governance recommendations.

The members of the Board and the chairman of the Board shall be elected by the Company's general meeting. No member of the Company's executive management shall be members of the Board. The general manager is prohibited from being a member of the Board.

At least half of the members in the Company's Board shall reside in Norway or another EEA country unless the Ministry of Finance grants a specific exemption from the statutory residency requirement. Both gender shall be represented at

the Board with a minimum of 40% representation each. The term of office for the board members shall not be longer than two years at a time. Members of the Board may be re-elected. The election of the members of the Board should be phased so that the entire Board is not replaced at the same time.

The Company's annual report will provide information regarding the expertise, experience and independence of the members of the Board, as well as information on their history of attendance at board meetings. Further, the annual report will identify the members of the Board that are considered to be independent. Detailed information on candidates for the Board (both appointments and re-elections) shall be made available within the 21 days' notice period for calling a general meeting.

Board members' shares in the Company *(see table below)*.

11 The work of the Board

11.1 General

The Board should produce an annual plan for its work, with particular focus on objectives, strategy and implementation. The Board should implement instructions for the Board and the executive management, focusing on determining allocation of internal responsibilities and duties. The objectives, responsibilities and functions of the Board and the CEO shall be in compliance with rules and standards applicable to the Group and are described in the Company's "Instructions for the Board of DOF".

In total eight ordinary board meetings have been arranged during 2017.

11.2 Committees

The Board are encouraged to appoint board committees as such may yield efficiency in the Board's work, as well as secure a more thorough and independent handling of matters under the responsibility of the Board. In accordance with Norwegian law, the members of the Board, as a collegial body, are jointly responsible for making decisions. This means that no part of the decision-making responsibility can be delegated to board committees, thus making the role of appointed board committees preparatory for the final decision to be made by the Board as a whole. Where board committees are appointed, the Board shall issue specific instructions for their work. Furthermore, the board committees shall have the ability to make use of resources available in the Company or to seek advice and recommendations from sources outside of the Company.

11.2.1 Audit committee

The Company has an audit committee pursuant to the Norwegian public limited liability companies act.

The duties and composition of the audit committee shall be in compliance with the Norwegian public limited companies act. The committee is a working committee for the Board, preparing matters and acting in an advisory capacity.

The members of the audit committee are elected by and amongst the members of the Board of Directors for a term of up to two years. The committee members must have the overall competence required to fulfil their duties based on the organisation and operations of the Company. The entire Board shall not act as the Company's audit committee. At least one member of the audit committee should be competent in respect of finance and audit and one be independent of the Company.

The current audit committee consist of Helge Singelstad and Frederik W. Mohn.

Shares controlled directly and indirectly by Board of Directors		2017	
		No of shares	Shareholding
Board of Directors			
Helge Møgster (Lafjord AS)	Chairman of the Board	206 129 568	8,08 %
Helge Singelstad	Deputy Chairman	4 178 667	0,16 %
Marianne Møgster (Lafjord AS)	Board member	49 082 742	1,92 %
Kathryn M. Baker	Board member	-	0,00 %
Frederik Mohn (Perestroika AS)	Board member	505 307 560	19,80 %
Lars Purlund	Board member (resigned May 2017)	-	0,00 %

Via Laco AS, the Møgster family, including Helge Møgster and Marianne Møgster, have indirect control of 66,39% of the shares in Møgster Mohn Offshore AS, the main shareholder of DOF ASA. Lafjord AS is one of the owners in Laco AS. Frederik Mohn (Perestroika AS) owns 33,61% of the shares in Møgster Mohn Offshore AS.

The objectives, responsibilities and functions of the audit committee shall be in compliance with rules and standards applicable to the Company, as described in the Company's "Instructions for the audit committee".

11.3 Annual evaluations

The Board should annually evaluate its performance and expertise for the previous year. This evaluation should include the composition of the Board and the manner in which its member functions, both individually and as a group, in relation to the objectives set out for its work.

12 Risk management and internal control

12.1 General

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

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

DOF shall comply with all laws and regulations that apply to the Group's business activities. The Group's code of conduct describes the main principles for compliance and how the compliance function is organised.

12.2 Policies

The Company shall have a comprehensive set of relevant corporate manuals and procedures, which shall provide detailed descriptions of procedures covering all aspects of managing the Company's operational business. These procedures and manuals shall continually be revised to reflect the best practice derived from experience or adopted through regulations.

12.3 Annual review and risk management in the annual report

The Board shall annually review the Company's most important areas of risk exposure and the internal control arrangement in place for such areas. The review shall pay attention to any material shortcomings or weaknesses in the Company's internal control and how risks are being managed.

In the annual report, the Board shall describe the main features of the Company's internal control and risk management systems as they are connected to the Company's financial reporting. This shall cover the control environment in the Company, risk assessment, control activities and information, communication and follow-up. The Board is obliged to ensure that it is updated on the Company's financial situation, and shall continually evaluate whether the Company's equity and liquidity are adequate in relation to the risk from the Company's activities, and take immediate action if the Company's equity or liquidity at any time is shown to be inadequate. The Company's management shall focus on frequent and relevant reporting of both operational and financial matters to the Board, where the purpose is to ensure that the Board has sufficient information for decision-making and is able to respond quickly to changing conditions. Board meetings shall be held frequently, and management reports shall be provided to the board as a minimum on a monthly basis. Financial performance shall be reported on a quarterly basis.

13 Remuneration of the Board of Directors

The remuneration of the Board is determined by the shareholders at the Company's annual general meeting, based on the proposal from the nomination committee. The remuneration of the Board shall reflect the Board's responsibility, expertise, the complexity of the Company and its business, as well as time spent and the level of activity in the Board and any board committee members of the Board participate in.

The remuneration of the Board is not linked to the Company's performance and share options shall not be granted to members of the Board. The remuneration to the Board shall be such that their independence is protected.

Members of the Board, or companies associated with a board member, shall not engage in specific assignments for the Company in addition to their appointment as members of the Board. If a board member nonetheless does take on any such assignment the entire Board must be informed and the consideration for such additional duties is subject to approval by the Board.

The annual report shall provide details of all elements of the remuneration and benefits of each member of the Board, which includes a specification of any consideration paid to members of the Board in addition to their board remuneration.

14 Remuneration of executive management

The Company's guidelines for determining remunerations to the CEO and other executive personnel should at all times support prevailing strategy and values in the Company. These guidelines shall be communicated to the annual general meeting, and shall include the main principles for the Company's remuneration policy as well as contribute to align the interests of shareholders and executive personnel. Performance-related remuneration of the executive management shall be linked to value creation for shareholders or to the Company's profit over time. Such arrangements are meant to incentivise performance and shall be based on quantifiable factors the employee may influence, and then be rewarded accordingly. There should be a cap on performance-related remuneration.

The salary and remuneration of the CEO is determined by the Board in a board meeting. Based on the guidelines communicated to the annual general meeting, the Board shall produce a statement in the Company's report on corporate governance on how the salary and remuneration of the Company's CEO is determined in addition to the remuneration strategy of the executive management, as well as provide an account of the Company's remuneration policy the previous financial year. This statement shall be considered by the Company's annual general meeting before a final resolution is made by the Board.

15 Information and communications

15.1 General information

The Company shall establish guidelines for its reporting of financial and other information based on openness and taking into account the requirement of equal treatment in the securities market. The Company is obliged to continually provide its shareholders, the Oslo stock exchange and the securities market and financial market in general with timely and precise information about the Company and its operations. This information shall be published in accordance with the Oslo stock exchange's information system.

Relevant information will be given in the form of annual reports, quarterly reports, press releases, notices to the stock exchange and through published investor presentations in accordance with what is deemed appropriate and required at any given time. Such information shall be published through Oslo Børs' information system and/or be published at the Company's website. The Company shall clarify its long-term potential, including strategies, value drivers and risk factors. The Company shall maintain an open and proactive policy for investor relations, a website designed to incorporate "sound practices", and shall give regular presentations in connection with annual and provisional results.

The Company shall publish an annual, electronic financial calendar with an overview of dates for important events, such as the annual general meeting, interim financial reports, public presentations and payment of dividends, if applicable. The information shall be available in English.

Unless there are applicable exemptions, and these are invoked, DOF shall promptly disclose all inside information (as defined by the Norwegian Securities Trading Act). In any event, DOF will provide information about certain events, e.g. by the Board and the general meeting concerning dividends, amalgamations, mergers/demergers or changes to the share capital, the issuing of subscription rights, convertible loans and all agreements of major importance that are entered into by DOF and related parties.

Separate guidelines have been drawn up for handling of inside information, see "Instructions for handling of inside information" and "Instructions for primary insiders" (www.dof.com). Company shall also have in place a policy on whom in the Board who is entitled to publicly speak on behalf of the Company on various subjects. Further, the Company should have a contingency plan on how to respond to events of a particular character of interest.

15.2 Information to shareholders

In addition to the Boards' dialogue with the Company's shareholders at the general meetings, the Board should make suitable arrangements for shareholders to communicate with the Company at other times. This will enable the Board to develop an understanding of the matters regarding the Company that are of a particular concern or interest to its shareholders. Communications with the shareholders should always be in compliance with the provisions of applicable laws and regulations and in accordance with the principle of equal treatment of the Company's shareholders.

All information distributed to the Company's shareholders will be published on the Company's web site at the same time as it is sent to shareholders.

16 Takeovers

16.1 General

The Board shall have established the main principles for its actions in the event of a takeover offer.

In a takeover process, the Board and executive management each have independent responsibilities to ensure that the Company's shareholders are treated equally and that there are no unnecessary interruptions to the Company's business activities. The Board has a particular responsibility to ensure that the shareholders are given sufficient information and time to assess the offer.

16.2 Main principles for action in the event of a takeover offer

In the event of a takeover process, the Board shall abide by the principles of the Code, and ensure that the following take place:

- the Board shall not seek to hinder or obstruct any takeover offer for the Company's operations or shares unless they have valid and particular reasons for doing so;
- the Board shall not exercise mandates or pass any resolutions with the intention of obstructing the takeover offer unless this is approved by the general meeting following announcement of the bid;
- the Board shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the Company;
- the Board shall not enter an agreement with any offer that limits the Company's ability to arrange other offers for the Company's shares, unless it is self-evident that such an agreement is in the common interest of the Company and its shareholders;
- the Board and executive management shall not institute measures with the intention of protecting their own personal interests at the expense of the interests of shareholders; and
- the Board must be aware of the particular duty it has for ensuring that the values and interests of the shareholders are protected.

In the event of a takeover offer, the Board shall, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Code. This includes obtaining a valuation from an independent expert. On this basis, the Board will make a recommendation as to whether or not the shareholders should accept the offer.

A takeover process gives rise to a particular duty of care to disclose information, where openness is an important tool for the Board to ensure equal treatment of all shareholders. The Board shall strive to ensure that neither inside information about the Company, nor any other information that must be assumed to be relevant for shareholders in a bidding process, remains unpublished.

There are no other written guidelines for procedures to be followed in the event of a takeover offer. The Company has not found it appropriate to draw up any explicit basic principles for DOF's conduct in the event of a takeover offer, other than the actions described above. The Board concurs with what is stated in the Code regarding this issue.

17 Statutory auditor

The Company's auditor shall annually present the main features of the plan for the audit of the Company to the Board or the audit committee.

The auditor shall also provide the audit committee with the following:

- an annual written confirmation of its independence;
- information on services other than statutory audit provided to the Company during the course of the financial year; and
- inform about any threats to the auditor's independence, and provide evidentiary documentation of the measures implemented to combat such threats.

The auditor shall participate in meeting(s) of the Board where any of the following is on the agenda: the annual accounts, accounting principles, assessment of any important accounting estimates and other matters of importance where there has been disagreement between the auditor and the Company's executive management and/or the audit committee.

The auditor shall at least once a year present to the Board or the audit committee a review of the Company's internal control procedures, including identification of weaknesses and proposals for improvement.

The Board of Directors shall hold a meeting with the auditor at least once a year in which no representative of the executive management can be present. In order to strengthen the Board's work on financial reporting and internal control, the auditor shall provide a report to the audit committee on the main features of the audit in respect to the previous financial year, and especially mention any material weaknesses identified in the internal control relating to the financial reporting process.

The Board shall specify the executive management's right to use the auditor for other purposes than auditing.

The Board must report the remuneration paid to the auditor to the shareholders at the annual general meeting, including a break-down of the fee paid for audit work and fees paid for other specific assignments, if any.

The auditor shall attend the general meeting if the matters to be dealt with are of such nature that his or her presence is deemed necessary. However, the auditor is in any case entitled to participate in the general meeting.

Report of the Board of Directors

Key notes

The market within the offshore industry has continued to be weak throughout the year, but with signs of increased activity in certain regions due to new oil-fields project being sanctioned. DOF ASA ("The Company") has in 2017 completed a refinancing program including increased ownership in DOF Subsea AS from 51% to 65%. In 2017 the DOF Group ("the Group") achieved an underlying EBITDA of NOK 2,458 million (management reporting) and an average utilisation rate of the fleet of 73%. The Group result has been negatively influenced by impairments due to drop in vessel values. Net result before taxes was negative with NOK -1,111 million in 2017.

Introduction

The Company is the parent company of several subsidiaries and corporations which provide essential offshore and subsea services to the global offshore industry, and own and operate a fleet of PSV (platform supply vessels), AHTS (anchor handling tug support vessels) and Subsea (construction and subsea vessels). Included in the subsea segment are engineering companies to provide services within the subsea project market. The supply vessels (AHTS and PSV) support fields in production as well as development and exploration activities, with the majority of the supply fleet servicing fields in production. The Group's subsea fleet is a combination of vessels on long-term contracts and vessels utilised for subsea project activities. The subsea vessels on long-term contracts are serving the pipelaying marked, IRM (Inspection, Repair & Maintenance) and the SURF (Subsea, Umbilicals, Risers & Flowlines) market. The subsea project business includes survey, diving services, ROV operations, construction and IRM among others. The majority of the subsea fleet and all the subsea project activities are performed and owned by the subsidiary DOF Subsea.

The Group's business concept is to engage in long-term and industrial offshore business, and operates with a contract strategy which focuses on long-term contract coverage for the main share of the fleet. The nominal value of the Group's contracts (including backlog from the joint ventures) was NOK 23 billion at year-end.

The Group owns a diversified and advanced fleet of offshore vessels with an average age of approximately nine years, and a fleet of ROVs (Remote Operated Vehicles) and AUVs (Autonomous Underwater Vehicles). As of 31 December 2017, the Group's fleet comprised 65 vessels in operation, and two vessels under construction with the following composition (fully and partly owned or on management):

- 16 platform supply vessels (PSV)
- 20 anchor handling tug supply vessels (AHTS)
- 31 subsea/construction vessels (Subsea)
- 69 ROVs and 2 AUVs

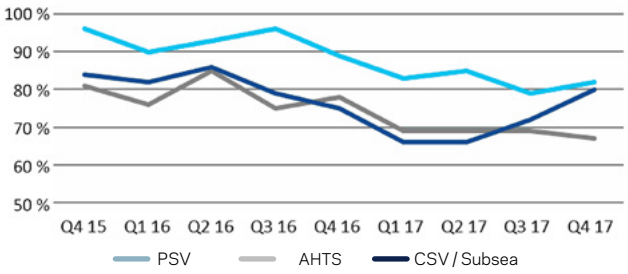
The Group has offices on all five continents and during the last decade the Group has invested in key regions such as the Atlantic, South America, North America and Asia Pacific regions whilst continuing to grow in West-Africa.

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

Operating segments in 2017

The market in 2017 has overall continued to be weak, which again has had a negative impact on both the earnings and the utilisation of the Group's fleet. The Group has continued to have a higher utilisation compared to peers partly due to the benefit of high local content in certain regions (i.e. Brazil), and a high backlog at the start of the year. The Group has further during the year commenced several new long-term contracts. The Group has in 2017 sold three vessels and taken delivery of two newbuilds.

Average utilisation of the Fleet



The PSV & AHTS segment

The PSV fleet included by year-end 16 vessels of which one vessel is owned via a minority share. This fleet has in 2017 achieved a utilisation-rate of 82% including vessels fully or partly in lay-up during the year. By year-end the Group had one PSV in lay-up. The majority of the fleet has operated in the Atlantic region; mainly the North Sea and partly in the Mediterranean and in the Asia Pacific region. The majority of the fleet is owned by the subsidiary DOF Rederi AS and one vessel is owned via a minority share. The technical and operational performance of the PSV fleet has been good throughout the year, and the utilisation rate was slightly better than previous year, however the rates have continued to be low. The contract coverage has declined the last two years and by December 2017 the backlog was approximately 53% for 2018. A weak market has had a further negative impact on the Group's vessel values, and the PSV segment represent the largest portion of impairment booked in 2017.

The subsidiary Norskan Offshore Ltda. (Norskan) has during

2017 continued to operate four vessels that were sold in 2015, whereof Norskan has market risk on two of the sold vessels. The two latter vessels are both committed on firm contracts, hence Norskan's market risk has had a minor impact on the results for 2017.

The AHTS fleet includes 18 vessels and in addition two vessels on management. The AHTS fleet has in 2017 achieved a utilisation rate of 69% which is lower compared to previous year. The utilisation has been impacted by several planned class dockings and low utilisation for the small medium sized AHTS fleet. By year-end four vessels were in lay-up. The AHTS fleet have operated in South America region (Brazil and Argentina), in the Atlantic region (the North Sea, Mediterranean and West-Africa) and in the Asia Pacific region. The AHTS fleet are owned by the subsidiaries, Norskan and DOF Rederi AS and five vessels are owned via a 50/50 joint venture owned by the Company and Akastor AS. Two vessels are operated as management vessels whereof the Company has a purchase option. The backlog varies among the fleet whereof the Brazilian flagged fleet represent the highest. Total backlog for the AHTS fleet by year end was approximately 52% for 2018. The drop in fair market values has mainly had an impact on booked impairment for small medium sized non-Brazilian flagged AHTS vessels.

The operation in South America includes one vessel on a firm contract in Argentina and 11 vessels on firm contracts in Brazil. 90% of the fleet in Brazil are protected by local regulations related to the Brazilian flag, hence the backlog and utilisation rate have been high for this part of the fleet and the utilisation has mainly been impacted due to planned maintenance and class dockings.

The Group operates three AHTS vessels in Asia Pacific and this region has been reflected by an all-time low drilling and exploration activity throughout 2017, hence high pressure on rates and client demands. The utilisation of the Group's fleet in this region has been low and by year-end all three vessels were in lay-up.

The five AHTS vessels in the Atlantic region have mainly operated in the North Sea, and two vessels have partly operated in the Mediterranean and in West-Africa during 2017. The utilisation has been impacted by the seasonal variations in the North Sea spot market. The two vessels on management are large AHTS and have operated in the North Sea spot market after delivery.

As part of the Group's strategy to sell the oldest part of the fleet, Skandi Waveney (PSV) built in 2001, Skandi Marstein (PSV) built in 1996 and Skandi Møgster (AHTS) built in 1998, have been sold during the year.

The Subsea segment

By year end the Group operated 29 vessels of which one vessels was hired in from external party, and one vessel was on management. The Group has in addition two vessels (PLSVs – pipelaying vessels) under construction. The majority of the subsea fleet (24 vessels) are owned by the subsidiary DOF Subsea AS ("DOF Subsea").

The activity from the subsea operations include operations from Subsea IRM project contracts and Long-Term Chartering. DOF Subsea has during 2017 operated 18 vessels within the Subsea IRM projects and have 1,200 employees. The Subsea IRM projects represent 47% of total revenue in the Group. The Subsea IRM project activities are operated from four regions; The Atlantic region, the Asia Pacific region, the North-America region, and the South-America region. The overall utilisation of the subsea project fleet during 2017 was 69%. Total backlog for the subsea vessels is approximately 52% for 2018, whereof the highest portion is from Long-Term Chartering.

The Atlantic region represent operations in the North Sea, Mediterranean and West-Africa where the activity mainly has been within the IRM segment on existing infrastructure, FPSO installations and mooring projects. The main focus has been to build backlog and DOF Subsea continued to develop its position in West-Africa after the first long-term IRM contract in this region was awarded in 2016.

In the Asia Pacific region various IRM frame agreements were the core activities, in addition to several diving operations. Most of the new and large field development projects have come to an end, hence there has been reduced utilisation of both people and vessels in this region. An important milestone was the Skandi Darwin on-hire on a 5 + 3 years contract with Shell at the Prelude field outside Australia. Another vessel, Skandi Hawk, has operated on firm contract at the Philippines.

The North America region represent operations in Canada and in the US-gulf. An important milestone was the Skandi Vinland on-hire with Husky Energy on a 10-years contract in Canada. In the US-gulf DOF Subsea has performed diving activities, survey and positioning and various vessel services.

The activities in South America are operations in Brazil including vessels and ROVs on firm contracts. The fleet comprise state-of-the art vessels with high local content due to Brazilian flag. The Brazilian built vessel Skandi Salvador has operated on various contracts including subsea inspections and installations during 2017. The main activity within subsea in Brazil are the PLSVs (pipelaying vessels) contracts presented as Long-Term Chartering.

The Long-Term Chartering segment represent operations from 11 vessels. The majority of the vessels are the most advanced vessels in the fleet and with contracts with an average duration of five years. Six vessels (PLSVs) are owned by a joint venture, owned by DOF Subsea and TechnipFMC, whereof four vessels are delivered and two are under construction. Skandi Buzios, as vessel number two in a series of four newbuilds, was delivered in January and on-hire on an eight-year contract with Petrobras in April 2017.

Marine management

The Group's management activities are performed by the subsidiaries DOF Management AS (DOFMAN), and Norskan. DOFMAN's main office is in Norway and the company further controls subsidiaries /branch offices in UK, Singapore, Australia, Argentina and Egypt. DOFMAN is responsible for the marine management of the Group's fleet with operations outside Brazil and is further responsible for project management of the Group's newbuilds and conversion projects. Norskan is responsible for marine management of the fleet operating in Brazil. The average number of vessels under marine management has been 70 vessels including project management of four newbuilds during the year. In total approximately 2,700 persons are employed within the marine management including offshore and onshore personnel.

Newbuildings

By December 2017, the Group had two vessels (PLSV) under construction and scheduled for delivery in 2018 and in 2019. Both newbuilds are owned by the joint venture owned by DOF Subsea and TechnipFMC. The vessels are under construction at a Brazilian yard and represent the two last vessels in a series of four, all committed on eight-year contracts with Petrobras. The progress on the first newbuild, Skandi Recife, is according to plan and the vessel has completed sea-trials.

Vessel	Yard	Delivery	Type	Contract
Skandi Recife *)	Vard Brazil	Q2 2018	PLSV	8 yrs Petrobras
Skandi Olinda *)	Vard Brazil	Q1 2019	PLSV	8 yrs Petrobras

*) 50 % ownership

The market

Oil prices have been volatile over the last years due to swings in oil supply versus demand. The price has risen nearly 50% since June 2017 and nearly tripled since the 13-year low oil-price in January 2016. However, oil prices are still under pressure as US shale producers have continued to increase their production. The high price volatility over the past couple of years is explained by fundamental changes in the dynamics of the industry. At the same time, the demand for oil has grown faster than many analysts had expected, reducing the former inventory buffer.

The OSV market has continued to be challenging throughout 2017 and a lower offshore activity and high supply have resulted in severe pressure on both rates and utilisation. By year-end the global fleet comprised approximately 3,500 vessels whereof 30% were in lay-up. This situation has forced a consolidation in the OSV industry, which has been needed to improve the market and the market discipline.

The OSV demand measured by number of vessels bottomed early in 2017 but climbed by 6% by end of the year. There have been signs of improved markets where oil companies once again are sanctioning projects, which is expected to lead to higher activity. The rise in spending commitments also reflects improved economics where fall in costs and spending per offshore projects have dropped and lowered the break-even rates in production. These factors have also affected order intake for subsea equipment providers and contractors. The OSV fleet could also likely shrink since many stacked and older vessels may lose relevance because of required remedial maintenance and technical obsolescence.

The North Sea market is the most transparent market and spot rates responded to better demand in 2017 and averaged 30% higher year-over-year. The rates in 2017 remained depressed, though in the North Sea where demand growth was strongest, rates responded to better fundamentals and rose approximately 30% for spot vessels. Term rates for the North Sea PSVs also improved and fixtures in early 2018 and high tendering activity indicate increased PSV term rates. The rig-contracting activity is growing and AHTS demand has turned positive.

The fleet of vessels operating in Brazil continued to fall in 2017 from peak in 2014 of 500 vessels to 370 vessels by year-end. Petrobras' five-year strategic plan (2018 – 2022) released last year, predicted however an increased activity in 2018 and 2019. This coincided with increased bidding and contracting activities late in the year. More activity from the IOCs in Brazil may also result in an increased demand for OSVs in this region.

The completion of several large projects in Australia has come to an end and operators mainly focus on return-on-investments on existing projects. Hence the utilisation and rate levels have been negatively impacted last year. The Asia market remains uncertain, still with increased tendering activity but low rate levels.

The subsea services industry has been suffering from weak demand, and abrupt fall in new projects in 2014-2016. As a result, the backlog for the large subsea contractors dropped leading them to hand back vessels chartered-in from subcontractors and tonnage providers. However, by the end of the year the order intake for the big contractors started to increase again.

While oil & gas has historically driven the subsea services sector, offshore wind is becoming an increasingly important component of demand. Like in offshore oil & gas fields, vessels are required to survey the seabed ahead of construction, install wind turbines and associated cables, as well as maintain the infrastructure once installed.

Sustainability

Having sustainable operations is important for DOF. The successful balance of social, environmental and economic elements not only allows the Group to view organisational performance in more than financial terms alone but, in turn, allows the Group to develop 'Sustainable Operations'. In this way, the DOF Group ensures it remains commercially feasible, socially acceptable and works within the capacity of the external environment.

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

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

The most important document in the Group is the Code of Business Conduct, and combined with the Group's policies, it ensures that the Group's operations consider the interests of all stakeholders. In 2017, the Group started the development of a new and improved Code of Business Conduct, which was finalised and issued in January 2018.

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

All companies in the Group are certified according to ISO 9001 and ISO 14001.

Employees

The DOF Group has grown to become a global organisation, operating in a complex environment. For over 35 years, since our inception, we have seen many changes, but one thing has been constant over this time: the key to DOF's success remains unchanged – our people.

The downturn in the global Oil and Gas Industry started to flat out in 2017. Even though activity is on the rise in some regions, the entire industry is still being challenged with regards to costs, leading to scale downs for most companies. The circumstances require organisations to adapt to the reduced demand, and pose a threat to the human capital in the organisations. In 2017 the Group's total workforce was reduced by approximately 3%. At the end of the year the Group headcount was 3 903 employees and contractors, of which approximately 12 per cent were women.

The market will remain challenging in 2018, and the Board of Directors is continuously monitoring the need for the Group to further adapt to the market. The aim going forward will be to maintain a flexible workforce and to retain core competencies.

Equal opportunities and anti-discrimination
The Group has a high focus on diversity and equal opportunities. The Board of Directors supports the promotion of diversity among employees, and has a clear goal of employing the best people based on their skills and competencies.

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

The Group's 'Equal Employment Opportunity' policy clearly states that the Group is committed to be an equal opportunity employer. This means all business units within the Group will select and appoint the most suitable person for a position according to their skills, qualifications and aptitudes.

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

Several initiatives have been taken during the year to ensure that slavery and human trafficking are not occurring within the supply chain nor in any part of the Group's activities. The Group's human rights and slavery statement is available on the Group's website.

Health, safety, and the working environment

The Group strives to improve safety and environmental performance across all worksites, globally. DOF experienced two Lost Time Incidents (LTIs) in 2017, resulting a frequency of 0.22 LTIs per million man-hours. During the year a total of 11 recordable incidents were logged, giving a Total Recordable Frequency (TRFC) of 1.22 per million man-hours. This is below the global average provided by the International Marine Contractors Association (IMCA).

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

The Group's ambition is to be an incident free organisation. In 2014 the Group started reinforcing its safety culture by increasing the focus on HSE training sessions, and by rolling out a new safety program, 'Safe the RITE way'. Through the 'Safe the RITE way' program, the Group has been able to establish a more unified safety culture, as well as a stronger safety cooperation with clients, industry partners and suppliers. The aim for 2018 is to continue to develop the safety program.

Absence due to sickness has been below three per cent in 2017. The working environment is monitored by various means of activities and the next global working environment surveys will be conducted in 2018, with the aim of becoming a better workplace by further improving leadership and trust.

All companies in the Group are working according to the OHSAS 18001 standard.

Business integrity and ethics

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

Anti-corruption and anti-bribery

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

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

Compliance to law

The Group acknowledges the importance for its internal and external stakeholders of being a reliable partner, and that is why compliance is a key topic for DOF. To be in compliance with laws and regulations and industry standards is important for the Group.

In 2017 there have been no cases of fines or non-monetary sanctions related to fraud, corruption, bribery or discrimination.

External environment

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

During 2017, the focus on energy efficiency has increased by implementing Key Performance Indicators (KPIs) related to environmental performance, e.g. energy consumption and CO2 emissions. During the year, there has been one minor spill from one of our vessels that was reported to local government in US. Since the spill was minor (less than 100 millilitre), there are no further actions from local authorities.

Climate change and greenhouse gas emissions

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

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

The Group has reported environmental performance within CDP since 2010. In the reporting year 2017, the DOF Group achieved a Management Score, and is now among the industry leaders in the Oil and Gas Industry with regards to driving transparency on this important topic.

Through continued focus on technologically advanced vessels and an improved environmental culture on all levels of the organisation, the Group strives to achieve the

objective of a reduction in CO2 emissions through reduced fuel consumption.

Continuous improvement of our operations
It is the view of the Board of Directors that continuous improvement helps to reduce risk, improve performance and align ways of working. Through the Group's Yearly Improvement program over the past years, DOF has streamlined and systematised its improvements work. Based on a thorough planning, improvement projects have been carried out through the Group's value chain, focusing on standardisation and improved efficiency. The improvement initiatives will continue in 2018.

The Group has increased alignment of technical solutions and alignment between worksites and organisational units to establish stronger teams globally and improve efficiency. A 'step-change' was achieved by improving processes across the entire value chain, including execution of subsea projects and operation of vessels and assets. The Group is committed to continuously improve its processes and systems.

Risk Management and Control

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

The Group has established routines for weekly, monthly and quarterly reporting regarding operations, liquidity, financing, investments, HSEQ, HR, taxes and legal performance. Five-year financial forecasts including information on market assumptions are prepared on a regular basis. The Group carries out annually detailed budget processes at all levels. Based on generally challenging markets the focus on liquidity, profit & loss forecast control and financial compliance control has been high during the year. The Board of Directors considers the Group's reporting procedures to be satisfactory and in compliance with the requirements on risk management and internal control.

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

Several improvement initiatives have enabled global alignment of various software solutions and further development of a streamlined organisation. The Group is committed to continuously improve the processes and systems to support the Group's organisational capital.

Shareholders

There have been significant changes in the share structure of the Company following a private placement in December 2017 and a subsequent offering completed in February 2018. By 31 December, the Company shareholding was 2,552,312,512 shares distributed on 6,300 shareholders. By year-end the share price was NOK 0.62 per share.

In October Møgster Offshore AS (main shareholder in the Company) and Perestroika AS, a related party to Frederik W. Mohn, Director of DOF ASA, entered into an agreement whereby Perestroika AS, as part of a capital increase in Møgster Offshore AS transferred its 138,500,000 shares in DOF ASA to Møgster Offshore AS as contribution in kind in the capital increase in Møgster Offshore AS. The company was renamed Møgster Mohn Offshore AS and owned 47,5% (on fully diluted basis) in the Company after this transaction.

In December the Company completed a private placement of NOK 500 million by issuance of 833,333,333 new shares at NOK 0.60 per share. Møgster Mohn Offshore AS was allocated 561,023,313 shares in the private placement and owned after this transaction 1,506,399,363 shares in the Company, representing 59.02% of the share capital and 53.3% on a fully diluted basis. In addition, other insiders were allocated 8,333,334 shares in the private placement.

Bondholders in the Subordinated Convertible bond has during 2017 converted 217,657,979 bonds to new shares in the Company. Following the conversion, the new outstanding amount under the Convertible bond is NOK 275,582,503.

The Board of Directors

Based on a change in the shareholding of the Company the Shareholders meeting decided to change the composition of the Board of Directors, hence Frederik W. Mohn replaced Lars Purlund in the Board.

Financial performance

Consolidate Income Statement

Amounts in NOK million	2017	2016	Change
Operating revenue	6 665	8 134	-18 %
EBITDA	1 798	2 621	-31 %
Depreciation and impairment	-2 156	-2 825	-24 %
EBIT	-358	-203	76 %

Group revenue in 2017 totalled NOK 6,665 million (NOK 8,134 million), with an operating profit before depreciation and finance (EBITDA) of NOK 1,798 million (NOK 2,621 million). EBITDA includes gain from sale of vessels totalling NOK 2 million (NOK 171 million). The drop in revenue and EBITDA compared to 2016 is mainly related to reduced activity from Subsea IRM projects and less earnings from vessels operated in the short term- and spot markets. The fleet in Brazil has shown stable revenue and earnings. The Group has during 2017 sold three old vessels (PSV and AHTS) and has taken delivery of two newbuilds (Subsea vessels). One of the newbuild is owned by a 50/50 joint venture owned by DOF Subsea and TechnipFMC.

Operating profit amounted to NOK -358 million (NOK -203 million), and is highly impacted by depreciation and impairment of in total NOK 2,156 million (NOK 2,825 million). Total booked impairment is NOK 1,146 million (NOK 1,762 million) and in addition NOK 187 million (NOK 226 million) has been booked in associated companies and joint ventures. The basis for the impairment are fair market values received from two independent brokers and value in use calculations. There has been a substantial drop in values within the PSV segment and the low and medium sized AHTS fleet. The fair market values of the Brazilian flagged fleet and the high-end AHTS and Subsea fleet has not changed significantly.

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

Net financial items in 2017 totalled NOK -763 million (NOK 562 million), of which the restructuring of bond debt had a one-off positive effect in 2016. Interest costs were NOK -967 million (NOK -1,134 million).

The Group reported a profit before tax for 2017 of NOK -1,120 million (NOK 359 million) and profit after tax of NOK -1,355 million (NOK 201 million). Tax expenses include re-allocation of deferred tax assets in subsidiaries. Adjusted for other comprehensive income the net result is NOK -1,299 million (NOK 1,130 million).

Consolidate Statement of Financial Position

Amounts in NOK million	2017	2016	Change
Non-current assets	23 855	25 440	-6 %
Cash and cash equivalents	2 238	2 192	2 %
Total equity	7 342	8 146	-10 %
Net interest bearing debt	16 802	17 494	-4 %

The consolidated balance sheet at year-end 2017 totalled NOK 28,075 million (NOK 29,731 million). Non-current assets mainly comprise vessels, subsea equipment and investments in associated companies and joint ventures. The Group had by December two vessels under construction, both owned by a joint venture and presented as associated companies and long-term receivables. The Group's deferred tax asset totalled NOK 715 million (NOK 951 million) and goodwill of NOK 324 million (NOK 330 million).

The Group reported net interest-bearing debt of NOK 16,802 million (NOK 17,494 million) as of 31 December 2017. The current portion of non-current liabilities due for payment in 2018 totals NOK 2,097 million (NOK 1,661 million), and represent scheduled amortisation the next 12 months and drawn credit facilities. The Group has no balloons maturing before 2019.

Net cash flow from operating activities for the Group was NOK 1,705 million (NOK 2,770 million) and after interest and taxes paid NOK 746 million (NOK 1,684 million). Net cash flow from investing activities was NOK -955 million (NOK -443 million) and include delivery of two newbuilds. Cash flow from financing activities was NOK 263 million (NOK -1,036 million) and include among others new loans drawn on deliveries of newbuilds, new bond loan in DOF Subsea and the private placement completed in December.

Cash and cash equivalents for the Group at 31 December 2017 totalled NOK 2,238 million (NOK 2,192 million) of which NOK 394 million (NOK 405 million) is restricted cash.

Parent company financial statements

The parent company financial statements show revenue of NOK 155 million (NOK 209 million) and an operating profit of NOK -20 million (NOK 29 million). Net financial items are NOK -1,247 million (NOK 527 million). Included in financial items in 2016 is a one-off impact from the refinancing of the Company's bond loans. Loss before taxes was NOK -1,267 million (NOK 556 million).

The parent company's balance sheet as of 31 December 2017 totals NOK 7,796 million (NOK 8,430 million), of which booked equity totalled NOK 6,409 million (NOK 7,176 million). By December 2017 the Company has no external debt.

Financing and capital structure

The Group's operations are essentially financed via long-term loans secured with vessels and related equipment and via unsecured bond loans. The Group's bond debt represented by year-end 9% of the total external financing. Export credit funding, mainly GIEK/Export Credit Norway and BNDES (Brazilian Development Bank) represented 52% and the remainder, 39%, was funding via well-reputed international banks.

The Group's has since 2003 built vessels in Brazil and all newbuilds have been financed by BNDES, with tenor up to 18 years, and fixed interest rate for the entire duration of the loans. The vessels built in Norway are mainly financed by Export Credit Norway, with a maturity of 12 years, and with GIEK and commercial banks providing guarantees and via ordinary bank loans secured by mortgages.

The Group completed a comprehensive refinancing program in 2016 including conversion of bond loans by establishment of a convertible bond loan in the Company. The bondholders in the convertible loan are obliged to convert their bonds to shares within a period until August 2021. The convertible bond loan has since registration been classified as equity. The initial value of the bond loan was NOK 1,032.5 million and outstanding loan by December 2017 was NOK 276 million.

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

A private placement of NOK 500 million at a price of 0.60 per share was done in the Company in November, and approved by the shareholders in an extraordinary meeting in December after completion of the following conditional transactions:

- An approval from the bondholders in a bond loan in DOF Subsea (DOFSUB07) for an extension of the maturity of the bond loan from May 2018 to October 2019 of NOK 100 million, and May 2020 of the remaining NOK 408 million.
- An equity issue in DOF Subsea, which increased the Company's ownership from 51% to 65% in DOF Subsea.
- An approval from the banks in the DOF Rederi NOK 3,8 billion loan facility, regarding soft amortisation terms until end of maturity in 2021.
- An approval regarding extension of a credit facility in the Company from 2019 until 2021.

Based on completion of the above transactions the Group's liquidity has improved, and the Company has strengthened its financial position with increased ownership in DOF Subsea to 65%. The total bond debt in the Group comprise two bond loans in DOF Subsea of in total NOK 1,914 million, and both loans are traded close to par value.

Vessels and equipment constitute 74% of the Group's total assets. The Group's assets values are sensitive to the fair market values received from two independent brokerage companies where the value reports indicated depressed values on several of the Group's vessels throughout 2017. By 4th quarter 2017 the total fair market values measured in NOK were not substantially changed from the previous quarter, however with a continuing drop in fair market values for the oldest PSV fleet and the medium sized AHTS fleet. A continued weak market increases the risk of further drop in vessel values and a decline in revenues, hence increases the liquidity risk for the Group.

The main financial covenants for the Group (excluding DOF Subsea) are minimum free liquidity of NOK 500 million, LTV (Loan to value) clauses of the vessels and minimum booked equity of NOK 3,000 million. The subsidiary, DOF Subsea, has similar financial covenants and in addition a requirement of minimum value adjusted equity of 30%. By year-end the Group was in compliance with its financial covenants, ref note 22 to the accounts. The JV owned by the Company and Akastor AS has an agreement with its banks to waive the LTV clauses for the fleet until July 2019. The Company is the guarantor for 50% of the external debt in the JV.

The Group is mainly exposed to NOK and BRL against USD and during 2017 there have been no significant variances in currencies. Unrealised gain/loss on foreign exchange totals NOK 361 million (NOK 1,504 million), of which NOK 245 million (NOK 742 million) is booked via net financial costs and NOK 116 million (NOK 762 million) is booked as other comprehensive income. Net unrealised change in fair value of financial instruments totals NOK 64 million (NOK 248 million).

Risk

Financial and liquidity risk

The Group is exposed to financial and liquidity risk through the continuous requirement for refinancing and conversion of existing vessels. The two vessels under construction owned by DOF Subsea and TechnipFMC are both secured long-term financing.

Over the past years, the Group has executed a substantial newbuilding programme and has achieved satisfactory new long-term financing and refinancing for its fleet, mainly due to the stable market values of the Group's fleet, high contract coverage and a long-term relationship with the banks. A

sustained weak market has however caused a reduction in market values for the Group's fleet and reduced the backlog. A continued depressed market and decline in vessel values may increase the risk for future refinancing of the Group's fleet and may further cause additional impairments going forward, which in turn will have a negative impact on financial and liquidity position for the Group.

The Norwegian high yield bond market has historically been an important financing resource for the Group. However due to the depressed market and several debt-restructuring within the OSV segment, the bond market has practically closed. One good exception is however the DOF Subsea issuance of a new bond loan of USD 175 million in February 2017.

Currency risk

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

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

Interest rate risk

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

Of the Group's total long-term debt, 77% has a fixed rate of interest, and this includes financing via BNDES and Export Credit Norway.

Credit risk

The Group's credit risk has historically been low as the Group's customers traditionally have had good financial capability to meet their obligations and have had high credit ratings. The sustained challenging market situation has resulted in changes to the credit ratings for some of the Group's customers, and thereby increased the credit risk. Historically, the portion of receivables not being collectable has been low.

Market and price risk

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

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

The market has further deteriorated in all regions where the Group operates and has negatively impacted the earnings and utilisation of the Group's fleet. If a sustained challenging market situation will continue, the counterparty risk will increase and contracts may be cancelled or not renewed.

Tax risk

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

Going concern

To secure sufficient equity and liquidity through challenging markets, the Group has completed comprehensive refinancing programs both in 2016 and in 2017, including refinancing of bond debt, improved the terms in part of the Group's secured long-term facilities and new equity into the Company. In sum the mentioned transactions have reduced the net debt by approximately NOK 3,700 million.

The consolidated financial statements and the Parent Company's financial statements are submitted on a going concern assumption, in accordance with IAS 1. This assumption is based on the Group's budget and liquidity forecast for 2018 and the current backlog for the Group.

Profit allocation

The parent company financial statements have returned a loss of NOK -1,261 million. The Board of Directors proposes to allocate this figure against other reserves.

The consolidated financial statements have returned a loss of NOK -1,355 million, and total comprehensive income of NOK -1,299 million, of which NOK -120 million is attributed to non-controlling interests and NOK -1,178 million is allocated to other reserves.

Events after balance sheet date

The Company has in February 2018 completed a subsequent share offering of NOK 202 million by issuance of 336,666,667 new shares at NOK 0.60 per share. The subsequent offering is completion of the refinancing from December last year including a private placement of NOK 500 million.

The Group has been awarded several contracts year to date in 2018, ref. note 35 to the accounts.

Outlook

The market has overall continued to be weak throughout 2017, but with growing activity in certain regions. In the North Sea the OSV demand has turned positive with tendering activity increasing with new project sanctioning. The general market conditions within the subsea segment are still challenging. The tendering activity has increased during the quarter for projects with start-up in 2018 and 2019. The market in Brazil has shown signs of improvements and a number of floating installations to be installed, is expected to be supportive for the vessel demand in the region.

The Group maintains 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 Group will continue its focus to reduce costs and to adjust its capacity to the challenging market.

The Group's backlog is approximately 52% by year-end 2017, and NOK 5 billion of the Group's revenue is firm for 2018. The majority of the Group's high-end assets are committed on firm contracts and represent the largest portion of the Group's backlog and the two remaining newbuilds are committed on firm contracts. A continuing weak market will however increase the risk of lower utilisation and earnings of the Group's vessels and as such a risk for further deterioration of the vessel values and an increased liquidity risk for the Group.

The Board of Directors expect the markets in 2018 to remain challenging, however, the Group's global presence and a flexible business model within the subsea segment, in a combination with high backlog and local content in Brazil, are expected to secure acceptable utilisation for the fleet. The Group's financial position has further improved after completion of the refinancing both in 2016 and in 2017.

Storebø, March 23rd, 2018
The Board of Directors for DOF ASA



Helge Møgster
Chairman



Helge Singelstad
Deputy Chairman



Marianne Møgster
Director



Frederik W. Mohn
Director



Kathryn M. Baker
Director



Mons S. Aase
CEO

DOF GROUP

Financial Statements DOF Group

DOF GROUP

Consolidated Income Statement

Amounts in NOK million	Note	2017	2016
Operating income	5, 6, 7,15	6 665	8 134
Payroll expenses	8, 30	-3 110	-3 340
Other operating expenses	9, 15, 29, 30	-1 821	-2 259
Share of income of associates and joint venture	31, 32	62	-85
Net gain (loss) on sale of tangible assets	14	2	171
Operating expenses		-4 867	-5 512
Operating profit before depreciation and impairment - EBITDA		1 798	2 621
Depreciation	4, 14	-1 010	-1 063
Impairment	4, 13, 14	-1 146	-1 762
Operating profit - EBIT		-358	-203
Finance income	10	82	1 144
Finance costs	10	-967	-1 134
Realised gain/loss on currencies	10	-186	-437
Unrealised gain/loss on currencies	10	245	742
Net change in unrealised gain/loss on derivatives	10	64	248
Net financial items		-763	562
Profit (loss) before taxes		-1 120	359
Tax income (expense)	11	-235	-158
Profit (loss) for the year		-1 355	201
Attributable to:			
Non-controlling interest		-112	141
Controlling interest		-1 243	60
Earnings per share (NOK)	12	-0,75	0,09
Diluted earnings per share (NOK)	12	-0,75	0,07

Consolidated Statement of Comprehensive Income

Profit (loss) for the year		-1 355	201
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		-62	-59
Cash flow hedge	11, 26, 27	116	762
Share of other comprehensive income of joint ventures and associates	32	-1	230
Total		53	933
Items that not will be reclassified to profit or loss			
Defined benefit plan actuarial gains / losses	8	3	-4
Total		3	-4
Total other comprehensive income for the year, net of tax		57	929
Total comprehensive income for the year net of tax		-1 299	1 130
Attributable to:			
Non-controlling interest		-120	264
Controlling interest		-1 178	866

DOF GROUP

Consolidated Statement of Financial Position

Amounts in NOK million	Note	31.12.2017	31.12.2016
Assets			
Tangible assets	14,15,22	20 667	22 199
Goodwill	13	324	330
Deferred tax assets	11	715	951
Investments in associated companies and joint ventures	10, 31, 32	1 021	808
Non-current receivables	16, 27	1 129	1 152
Total non-current assets		23 855	25 440
Trade receivables	17, 27	1 580	1 506
Other receivables	18, 26, 27	401	592
Current receivables		1 981	2 098
Restricted deposits		394	405
Cash and cash equivalents		1 845	1 787
Cash and cash equivalents included restricted deposits	19, 27	2 238	2 192
Total current assets		4 219	4 290
Total assets		28 075	29 731

DOF GROUP

Consolidated Statement of Financial Position

Amounts in NOK million	Note	31.12.2017	31.12.2016
Equity and liabilities			
Paid in equity	20	3 393	2 675
Other equity		1 444	1 950
Non-controlling interests	21	2 505	3 521
Total equity	20	7 342	8 146
Bond loan	22, 27	1 914	1 297
Debt to credit institutions	15, 22, 27	15 029	16 729
Non-current derivatives	26, 27	55	135
Deferred tax	11	16	1
Other non-current liabilities	8, 23, 27	70	51
Non-current financial liabilities		17 085	18 212
Current bond loan and debt to credit institution	22, 27	2 235	1 805
Trade payables	24, 27	874	1 061
Tax payable	11	125	122
Other current liabilities	25, 26, 27	415	384
Current liabilities		3 648	3 372
Total liabilities		20 733	21 584
Total equity and liabilities		28 075	29 731

Storebø, March 23rd, 2018
The Board of Directors for DOF ASA



Helge Møgster
Chairman



Helge Singelstad
Deputy Chairman



Marianne Møgster
Director



Frederik W. Mohn
Director



Kathryn M. Baker
Director



Mons S. Aase
CEO

DOF GROUP

Consolidated Statement of Changes in Equity

Amounts in NOK million	Share capital	Share premium	Paid in capital	Other contributed capital	Other equity - Retained earnings	Other equity - Currency translation differences	Other equity - Cash flow hedge	Total other equity	Non-controlling interest	Total equity
Balance at 01.01.2017	751	1 925	2 675	493	1 840	309	-693	1 950	3 521	8 146
Profit (loss) for the year			-		-1 243	-	-	-1 243	-112	-1 355
Other comprehensive income net of tax			-		-14	-37	116	65	-8	57
Reclassification between CTA and cash flow hedge			-		-	-40	40	-		-
Total comprehensive income for the year			-		-1 257	-77	156	-1 178	-120	-1 298
Converted bond	109	109	218	-218	-			-218		-
Share issue settled in cash	417	83	500		-6			-6		494
Dividends			-		-			-	-	-
Changes in non-controlling interest			-		896			896	-896	-
Total transactions with owners	525	192	718	-218	890	-	-	672	-896	494
Balance at 31.12.2017	1 276	2 117	3 393	276	1 473	232	-537	1 444	2 505	7 342
Balance at 01.01.2016	222	1 230	1 452		1 516	222	-1 299	440	3 281	5 172
Profit (loss) for the year			-		60	-	-	60	141	201
Other comprehensive income net of tax					114	-69	762	807	123	929
Reclassification between CTA and cash flow hedge			-			156	-156	-	-	-
Total comprehensive income for the year			-		174	87	606	866	264	1 130
Share capital reduction by way of reduced nominal value	-167	-	-167		167			167		-
Convertible bond	-	-	-	824	-			824		824
Converted bond	165	165	330	-330	-			-330		-
Share issue settled in cash	530	530	1 060		-16			-16		1 044
Dividends	-	-	-		-			-	-22	-22
Changes in non-controlling interests	-	-	-		-			-	-2	-2
Total transactions with owners	529	695	1 224	493	151	-	-	644	-24	1 844
Balance at 31.12.2016	751	1 925	2 675	493	1 840	309	-693	1 950	3 521	8 146

Convertible bond loan is classified as contributed capital. Please see note 22 for more information about the convertible bond.

DOF GROUP

Consolidated Statement of Cash flows

Amounts in NOK million	Note	2017	2016
Operating profit		-358	-203
Depreciation and impairment	14	2 155	2 825
Profit/loss on disposal of tangible assets	14	-2	-171
Share of net income of associates and joint ventures	32	-62	85
Change in trade receivables	17	-74	606
Change in trade payables	24	-187	-378
Change in other working capital		258	64
Exchange rate effect on operating activities		-25	-57
Cash from operating activities		1 705	2 770
Interest received		59	59
Interest paid		-956	-1 087
Tax paid		-62	-59
Net cash from operating activities		746	1 684
Payments received for sale of tangible assets	14	61	1 531
Purchase of tangible assets	14	-867	-1 610
Payments received for sale of shares		-	-
Purchase of shares		-17	-7
Received dividends		5	-
Net cash flow from other non-current receivables		-136	-356
Net cash used in investing activities		-955	-443
Proceeds from borrowings	22	2 343	5 088
Repayment of borrowings	22	-2 574	-6 935
Share issue	12, 20	494	1 044
Purchase of convertible bond		-	-209
Non-controlling interest	21	-	-24
Net cash flow from financing activities		263	-1 036
Net changes in cash and cash equivalents		54	204
Cash included restricted cash at the start of the period	19	2 192	2 056
Exchange gain/loss on cash and cash equivalents		-7	-68
Cash included restricted cash at the end of the period	19	2 238	2 192

DOF GROUP

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Notes to the Consolidated Financial Statements

1 General

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

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

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

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

The Annual Accounts were approved for publication by the Board of Directors on 23 March 2018.

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

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

2 Summary of significant accounting principles

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

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

Going concern

The consolidated financial statements and the Parent Company's financial statements are submitted on a going concern assumption, in accordance with IAS 1. This assumption is based on the Group's budget and liquidity forecast for 2018 and the current backlog for the Group.

Consolidation principles

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

Joint arrangements

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

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

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

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

Associates

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

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

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

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

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

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

Segment reporting

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

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

Conversion of foreign currency

a) Foreign currency

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

b) Transactions and balances

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

c) Group companies

The results and financial position of all the Group entities that have a functional currency which differs from the presentation currency are converted into the presentation currency as follows:
I. assets and liabilities presented at consolidation are converted to presentation currency at the foreign exchange rate on the date of the consolidated statement of financial position,

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

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

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

Classification of assets and liabilities

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

All other assets are classified as non-current assets.

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

All other liabilities are classified as non-current liabilities.

Cash and cash equivalents

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

Trade receivables

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

Trade receivables are subject to value adjustments where their recovery are uncertain. A provision for impairment of trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the estimated recoverable value. Changes to this provision are recognised in the income statement.

Tangible Assets

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

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

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

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

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

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

Assets under construction

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

Impairment of assets

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

The recoverable amount is the higher of an asset's net selling price and value in use. Where there are circumstances and evidence that impairment recognised in previous years no longer exists or has decreased, reversals of impairment will be recognised except of goodwill. For further information on the calculation see note 4 'accounting estimates and assessments'.

Periodic maintenance

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

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

Leases

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

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

Goodwill

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

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

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

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

Debt

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

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

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

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

Provisions

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

For onerous contracts provisions are made when unavoidable cost of meeting the obligations under the contract exceed the economic benefit to be received under the contract. The unavoidable costs under the contract are the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract. Unavoidable cost are costs that would not incur for the entity if it did not have the contract.

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

Contingent assets and liabilities:

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

Contingent liabilities are defined as:

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

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

Equity

Ordinary shares are classified as equity.

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

Transactions with non-controlling interests

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

Revenue recognition

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

a) Chartering of vessels

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

The vessels earn no time charter revenue when off-hire, except for allowed maintenance days for periodical maintenance in accordance with contracts.

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

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

b) Subsea projects

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

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

c) Dividend income

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

d) Interest income

Interest income is recognised using the effective interest method.

Current and deferred income tax

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

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

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

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

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

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

Companies under the shipping tonnage tax regime

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

Employee benefits

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

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

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

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

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

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

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

Financial assets

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

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

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

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to

receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

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

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

Derivative financial instruments and hedging activities

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

The fair values of various derivative instruments used for hedging purposes are disclosed in note 26.

Movements on the hedging reserve in other comprehensive income are shown in the consolidated statement of changes in equity.

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

The Group applies hedge accounting on hedging of USD/BRL spot exchange rate risk arising from highly probable income denominated in USD.

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

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

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

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

Subsequent events

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

Use of estimates

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

Consolidated statement of cash flows

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

Government grants

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

New standards, amendments and interpretations not yet adopted

Standards to be implemented in 2018 or later years:

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

IFRS 9 Financial instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. EU adoption of IFRS 9 has been given. Following the changes approved by the International Accounting Standards Board (IASB) in July 2014, the Group not does expect any material impact from the new classification, measurement and derecognition rules on the Group's financial assets and financial liabilities. The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. As a general rule it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation. The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses. The ECL model is not expected to give any changes in timing of recognition of credit losses on existing credits. The implementation might cause a minor effect on the equity as of 1 January 2018, due to the modification of the remaining part of the DOFSUB07 bond loan and the fleet loan in DOF Rederi AS, in December 2017.

IFRS 15 Revenue from Contracts with Customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The standard was approved by EU 29 October 2016.

The Group has finalised an internal project regarding the implementation of IFRS 15 'Revenue from contracts with customers'. The main purpose of the project was to assess the impact of applying the new standard on the Group's Financial Statements to ensure a good implementation process. All contracts ongoing at year-end are evaluated based on the five-step model described in IFRS 15' Revenue from contracts with customers'. The purpose of the evaluation was to identify the effect on the equity 1 January 2018. In addition, all types of contracts within the different revenue streams are evaluated on a general basis to determine the effects of the implementation in 2018. As part of the project the Group's revenue streams has been categorised into the following types: Time Charter revenue and Project revenue.

Time Charter revenue is based on contracts were the Group deliver a vessel (including crew) to the client. A Time Charter contract consist of a leasing component (the Bareboat element) and a service component. The service component is within the scope of IFRS 15, while the leasing component is within the scope of IAS 17/IFRS 16. Both the service component and the leasing component is recognised as revenue over the lease period on a straight line basis. Implementation of IFRS 15 will not change the revenue recognition for this revenue stream.

Project revenue is based on operations were the Group utilise its vessels, equipment and crew to perform tailor made operations on the client's installations, assets etc. Based on existing IFRS this revenue is recognised over time. Result of the assessment is that the timing of the revenue recognition under IFRS 15 'Revenue from contracts with customers' will be the same as under IAS 18 'Revenue'/IAS 11 'Construction contracts'.

Despite no change in the main recognition method, the Group has identified that the following areas might be affected going forward:

- The application of IFRS 15 ´Revenue from contracts with customers´ may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue in relation to the separate performance obligations.
- Certain costs to fulfil a contract will be recognised as an asset under IFRS 15 ´Revenue from contracts with customers´. Assets recognised under IFRS 15 will be amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relates.

The Group will apply IFRS 15 'Revenue from contracts with customers' retrospectively with the cumulative effect of initial application recognised as an adjustment to equity as of 1 January 2018. The modified retrospective method will only be applied retrospectively on contracts that are not completed by 1 January 2018. Based on the assessment done, the Group does not expect any adjustment to the equity as of 1 January 2018.

IFRS 16

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

The accounting for lessors will not be significantly changed.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of NOK 69, see note 15 `Leases´. As of 31 December 2017, the Group has two vessels on lessee agreements which are presented as operating leases. One of the agreements are for less than 12 months. Furthermore, the Group has and will have lease agreements on office buildings and warehouses that will be affected by implementation of IFRS 16 ´Leases´. Yearly lease fee for the Group's office building s and warehouses are approximately NOK 67 million. At the moment some lease agreements are longer than 12 months and some are lease agreements are shorter than 12 months. It is expected that the composition of long- and short-term agreements can be changed before implementation of IFRS 16 ´Leases´.

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

3 Financial risk management

Financial risk factors

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

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

Market risk

Foreign exchange risk

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

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

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

Currency changes in receivables, liabilities and currency swaps are recognised as a financial income/expense in the profit and loss statement. Fluctuation in foreign exchange rates will therefore have an effect on the future results and balances. The Group has a significant amount of debt denominated in USD. A foreign exchange sensitivity analysis as per year-end 2017 shows how a hypothetical 5% appreciation/ depreciation of NOK against USD would affect the value of the USD debt as of 31 December 2017, and increase/ decrease the consolidated statement of comprehensive income, see table below.

The Group's subsidiaries with functional currency BRL have USD debt only. The effect of change in BRL to USD is included in the sensitivity results below. The Group's exposure to other foreign exchange movements is not material.

	5% appreciation	5% depreciation
	USD	USD
Derivative financial instruments [1]	98	-96
Financial instruments directly to equity [2]	222	-222
Debt to credit institutions	302	-302

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

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

Interests rate risk

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

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

The long term funding of the Group's vessels built in Brazil is mainly secured at fixed interest rates for the entire duration of the loans. The duration of these loans are normally up to 18 years. The portion of long term debt secured with fixed rate of interest is 77% per year-end and includes debt with fixed interest in BNDES.

The Group has an interest risk in the change in value for the interest rates swaps. In accordance with IFRS, the Group provides information about the potential risk with a sensitivity analysis. The table below shows the change in Mark-to-Market (MTM) on interest swaps at year end with an increase and decrease of 100bps in 2017. Interest rates are not reduced to less than zero.

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

	+ 100BPS		- 100BPS	
Amounts in NOK million	USD	NOK	USD	NOK
Interest rate swaps	10	107	-10	-113

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

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

The market has continued to stay weak during 2017 and the general market conditions are still challenging. In line with the rebound in the oil price the tendering activity has however increased towards the end of 2017 for projects with start-up in 2018 and 2019. The market in Brazil has shown signs of improvements and a number of floating installations under construction to be installed in the near future could be supportive for the vessel demand in the region.

The Group aims to reduce the price risk by having the majority of its vessels on long term charter contracts. Current newbuilding contracts are based on fixed prices with the yards.

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

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

The Group is exposed to financial and liquidity risk due to the requirement for refinancing and securing long-term financing of newbuilds and conversion of existing vessels. Over the past years, the Group has executed a substantial newbuilding programme and has achieved satisfactory new long-term financing and refinancing for its fleet, mainly due to the stable market values of the Group's fleet, high contract coverage and a long-term relationship with the banks. A continued depressed market and decline in vessel values may increase the risk for future refinancing of the Group's fleet and may further cause additional impairments going forward, which in turn will have a negative impact on financial and liquidity position for the Group. The Norwegian high yield bond market has historically been an important financing recourse for the Group. Despite a difficult bond market during 2017 DOF Subsea issued a new bond loan of USD 175 million in March 2017.

Together with a subsequent equity offering in February 2018 the Group has improved its financial and liquidity position.

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

Repayments for loans	2018	2019	2020	2021	2022 ->	Total
Bond loans	-	100	408	-	1 419	1 927
Other interest bearing liabilities	2 097	2 871	2 321	3 578	6 321	17 186
Calculated interest	783	745	640	511	1 064	3 743
Total	2 880	3 715	3 369	4 088	8 804	22 856

Capital structure and equity

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

The Group monitors its capital structure by evaluating the debt ratio, which is defined as net interest bearing debt divided by equity plus net interest bearing debt. The Group policy is to maintain debt financing corresponding to 75-80% funding of new vessels and to continue to have high contractual coverage of the entire fleet.

Debt ratio	2017	2016
Interest-bearing debt	19 040	19 686
Restricted deposits	394	405
Cash	1 845	1 787
Other interest bearing asset (+)/debt (-)	-	-
Net interest bearing debt	16 802	17 494
Total equity	7 342	8 146
Total equity and net debt	24 144	25 640
Debt ratio	70 %	68 %

The Group has established similar financial covenants on all long term funding (except for DOF Subsea AS) which implies minimum cash and minimum book equity. DOF Subsea group has similar minimum cash requirements on its long-term funding, in addition to requirements to minimum value adjusted equity ratio. Mortgaged loans have minimum value clauses included. A negative market development has led to higher risk for lower contract coverage for the Group's vessels, which again increases the risk for further drop in broker estimates.

Tax risk
Changes in tax regimes may adversely affect the Group's cash flow and financial conditions. Certain companies in the Group are subject to special tax rules for ship owners in different jurisdictions. These tax rules stipulate certain requirements which will have to be met. A failure to meet such requirements may have an adverse effect on the effective tax rate of the Group. The Group is also subject to transfer pricing regulations in various jurisdictions which might impose the tax risk for the Group.

4 Accounting estimates and assessments

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

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

Vessels

The carrying amount of the Group's vessels represents 72% of the total statement of financial position. Consequently, policies and estimates linked to the vessels have a significant impact on the Group's financial statements. Depreciation is calculated on a straight-line basis over the useful life of the asset. Depreciable amount equals historical cost less residual value.

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

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

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

Impairment of assets

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

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

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

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

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

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

The Weighted Average Cost of Capital (WACC) is used as a discount rate, and reflects a normalised capital structure for the industry. The WACC represents the rate of return the Group is expected to pay to its sources of finance for cash flows with similar risks. Cash flows are calculated after tax and discounted with an after tax discount rate. The nominal WACC used in the value in use calculations are ranging from 7.8%-9.20%.

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

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

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

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

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

Goodwill related to acquisition of CSL UK Ltd has been reported and monitored separately from other goodwill in the Subsea segment. CSL UK Ltd is a separate cash generating unit. An impairment of NOK 11 million is done in 2017 and the value of the goodwill at 31 December 2017 is NOK 0 million.

Projects income and costs

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

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

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

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

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

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

Deferred tax assets

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

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

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

In general, attention and follow-up from tax authorities are increasing in all tax jurisdictions. This should be seen in relation to OECD and G20 countries implementation of the Base Erosion and Profit Shifting (BEPS) reporting requirements. The general trend that each individual country has become more concerned about protecting their tax base, and in this context the Group experiences more tax audits in all countries where the Group operates. All present tax claims and disputes are at year-end either in an administrative or legal process with local tax authorities. All tax claims are disputed, and the Group considers the risk of negative outcomes of the tax claims to be lower than 50% and has not recognised any liability regarding tax claims. Outcome of such processes are uncertain and changes in assumptions, interpretations and circumstances might result in future cash outflow for the Group.

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5 Management reporting

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

Income Statement	2017			2016		
	Management reporting	Reconciliation to equity method	Financial reporting	Management reporting	Reconciliation to equity method	Financial reporting
Operating income	7 376	-711	6 665	8 569	-435	8 134
Operating expenses	-5 076	145	-4 931	-5 745	147	-5 598
Net profit from associated and joint ventures	-15	77	62	-10	-76	-85
Net gain on sale of tangible assets	2	-	2	171	-0	171
Operating profit before depreciation EBITDA	2 287	-489	1 798	2 986	-364	2 621
Depreciation	-1 145	135	-1 010	-1 142	80	-1 063
Impairment	-1 322	176	-1 146	-1 932	170	-1 762
Operating profit - EBIT	-180	-178	-358	-89	-114	-203
Financial income	51	31	82	1 116	28	1 144
Financial costs	-1 118	151	-967	-1 190	56	-1 134
Net realised gain/loss on currencies	-227	41	-186	-483	46	-437
Net unrealised gain/loss on currencies	299	-54	245	800	-59	742
Net changes in fair value of financial instruments	64	-0	64	249	-1	248
Net financial items	-932	169	-763	492	70	562
Profit (loss) before taxes	-1 111	-9	-1 120	403	-44	359
Taxes	-244	9	-235	-202	44	-158
Profit (loss)	-1 355	-0	-1 355	201	-	201

Financial Position	Balance 31.12.2017			Balance 31.12.2016		
	Management reporting	Reconciliation to equity method	Financial reporting	Management reporting	Reconciliation to equity method	Financial reporting
ASSETS						
Tangible assets	25 793	-5 127	20 667	27 469	-5 270	22 199
Goodwill	324	-	324	330	-	330
Deferred taxes	754	-39	715	1 023	-72	951
Investments in associated companies and joint ventures	71	949	1 021	70	738	808
Other non-current receivables	635	494	1 129	619	533	1 152
Total non-current assets	27 578	-3 723	23 855	29 511	-4 071	25 440
Receivables	2 165	-185	1 981	2 243	-145	2 098
Cash and cash equivalents	2 434	-196	2 238	2 370	-178	2 192
Total current assets	4 599	-380	4 219	4 614	-323	4 290
Total assets	32 177	-4 103	28 075	34 125	-4 394	29 731
EQUITY AND LIABILITIES						
Equity	7 342	-	7 342	8 146	-	8 146
Non-current liabilities	20 743	-3 658	17 085	22 123	-3 911	18 212
Current liabilities	4 092	-444	3 648	3 856	-484	3 372
Total liabilities	24 836	-4 103	20 733	25 979	-4 394	21 584
Total equity and liabilities	32 177	-4 103	28 075	34 125	-4 394	29 731

6 Segment information

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

Business segment

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

Geographical areas

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

In 2017, one client accounted for more than 10% of the Group's revenue. The segments AHTS and Subsea have revenue from this client.

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

	2017				
Business segment	PSV	AHTS	Subsea		Total
Operating income	793	1 485	5 098		7 376
EBITDA	170	646	1 471		2 287
Depreciation	-132	-275	-738		-1 145
Impairment	-558	-246	-518		-1 322
EBIT	-520	125	215		-180
Net financial items	-103	-375	-454		-932
Profit before taxes	-623	-250	-239	-	-1 111
Balance					
Assets	2 478	7 959	16 144		26 581
Jointly controlled companies	-	502	5 094		5 596
Total assets	2 478	8 462	21 238		32 177
Additions	98	147	1 318		1 562
Liabilities	2 158	7 820	14 858		24 836

	2016				
Business segment	PSV	AHTS	Subsea	Other *)	Total
Operating income	961	1 652	5 957		8 569
EBITDA	336	682	1 969		2 986
Depreciation	-184	-268	-691		-1 142
Impairment	-696	-513	-723		-1 932
EBIT	-544	-98	554		-89
Net financial items	-56	-176	-319	1 043	492
Profit before taxes	-601	-275	235	1 043	403
Balance					
Assets	3 976	9 282	15 202		28 461
Jointly controlled companies	-	707	4 957		5 664
Total assets	3 976	9 990	20 159		34 125
Additions	53	1 071	3 047		4 171
Liabilities	2 652	8 300	15 026		25 979

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

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7 Operating income

	2017	2016
Revenue from lump sum contracts	362	405
Revenue from contract with "day rate"	6 303	7 729
Total	6 665	8 134

Lump sum contracts are contracts with customers based on a fixed fee for the total service and/or construction delivered. Day rate contracts are contracts with customers where the Group utilises its vessels, equipment and crew to deliver a service to the customer based on a fixed day rate. Day rate contracts also include Time Charter contracts. The Time Charter contracts can further be divided into a Bareboat element and service component. The Bareboat element will normally be within the range 30-80% of the total contract value. For further information about effect of the new IFRS standards, IFRS 15 'Revenue from contracts with customers', please refer to note 2.

	2017		2016	
Turnover:	NOK	Ratio %	NOK	Ratio %
Brazil	2 370	36 %	2 556	31 %
United Kingdom	1 017	15 %	1 329	16 %
Norway	856	13 %	958	12 %
Australia	672	10 %	800	10 %
United States	301	5 %	661	8 %
Angola	236	4 %	20	0 %
Argentina	216	3 %	421	5 %
Canada	165	2 %	161	2 %
Singapore	124	2 %	56	1 %
Other	709	11 %	1 172	14 %
Total	6 665	100 %	8 134	100 %

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

8 Payroll expenses

	2017	2016
Salary and holiday pay	-2 250	-2 421
Hired personnel	-272	-331
Employer's national insurance contributions	-261	-273
Pensions costs	-82	-72
Other personnel costs	-246	-242
Total	-3 110	-3 340
No. man-years employed in financial year	4 005	4 420

Government grants related to the net salary scheme for vessels are reported as a reduction in payroll costs of NOK 55 million (NOK 58 million).

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

Defined benefit pension

DOF Group has a company pension scheme with life insurance companies. As of 31 December 2017, the Group defined pension benefit plan covered total 702 (658) active members and 65 (66) pensioneers.

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

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

The Group's cost of defined pension plan in 2017 was NOK 26 million (NOK 24 million). Pension obligation as of 31 December 2017 was NOK 34 million (NOK 30 million).

9 Other operating expenses

	2017	2016
Technical costs vessel	-487	-630
Vessel hire	-279	-357
Bunkers	-216	-171
Equipment rental	-302	-523
Other operating expenses	-538	-578
Total	-1 821	-2 259

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10 Financial income and expenses

	2017	2016
Interest income	70	78
Gain on conversion of bond loans (DOF09, DOF10, DOF11)	-	1 043
Other financial income	12	23
Financial income	82	1 144
Interest expenses	-902	-1 030
Capitalisation of interest	3	-
Impairment of shares and loans	-10	-34
Other financial expenses	-58	-70
Financial costs	-967	-1 134
Net gain/(loss) on currency derivatives	10	-29
Net gain/(loss) on non-current debt	-201	-361
Net gain/(loss) on operational capital	5	-47
Net realised gain/loss on currencies	-186	-437
Net unrealised gain/(loss) on non-current debt	259	761
Net unrealised gain/(loss) on operational capital	-14	-20
Net unrealised gain/loss on currencies	245	742
Net change in unrealised gain/loss on interest swap	47	171
Net change in unrealised gain/loss on currency derivatives	16	76
Net change in unrealised gain/loss on derivatives	64	248
Total	-763	562

In 2017, there has been capitalised interest cost as newbuilds in the amount of NOK 3 million (2016; NOK 0 million), ref note 14.

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11 Tax

The tax income (expense) comprises;	2017	2016
Current tax on profit for the year	-83	-91
Adjustments in respect of prior years	-2	-5
Change in deferred taxes	-136	-51
Impact on change in tax rate on deferred tax	-13	-10
Tax income (expense)	-235	-158

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

Reconciliation of nominal and effective tax rate		
Profit before tax	-1 120	359
Tax calculated at domestic tax rates applicable to profits in the respective countries *)	181	-256
		-
Tax effect of:		-
Tax effect on non-deductible expenses	17	-20
Tax effect on items not included in deferred tax	-367	-109
Estimate deviations from previous years	-28	-11
Impact of changes in tax rate	-13	-16
Withholding tax and effect of different tax regime	-39	-47
Associates and joint ventures result reported net of tax	15	44
Financial income related to sub-ordinary convertible bond	-	258
Total tax income (expense)	-235	-158

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

Weighted average applicable tax rate	21 %	44 %

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

2017	Before tax	Tax (charge)/ credit	After tax
Cash flow hedges	-175	-60	-116
Remeasurements of post employment benefit liabilities	5	2	3
Other comprehensive income	-171	-58	-113

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

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

	2017	2016
At 1 January	-950	-1 299
Exchange differences	44	-104
Income statement charge	150	61
Tax charge/(credit) relating to components of other comprehensive income	58	391
At 31 December	-699	-950

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11 Tax (continued)

Deffered tax

The table below specifies the temporary differences between accounting and tax values, and the calculation of deferred tax/deferred tax assets at year end. The Group's deferred tax assets are reviewed for impairment. Deferred tax assets from tax losses carried forward are expected to be offset against taxable income within a period of 4-17 years.

Basis of deferred tax	2017	2016
Fixed assets	900	1 168
Current assets	-0	5
Other differences (deferred capital gain etc)	404	70
Liabilities	-2 225	-2 231
Total temporary differences	-921	-987
Loss carried forward	-3 989	-3 251
Total temporary differences and losses carried forward	-4 910	-4 238
Temporary differences not included as deferred tax asset (+)	118	60
Tax deficit not included in basis for calculation of deferred tax/deferred tax assets	2 337	805
Basis for calculation of deferred tax/deferred tax assets (-)	-2 455	-3 373
Total deferred tax/deferred tax assets (-)	-699	-950
Gross deferred tax	16	1
Gross deferred tax asset	-715	-951
Total deferred tax/deferred tax assets (-) recognised in balance sheet	-699	-950

Deferred tax asset per jurisdiction

Country	Company	Tax rate	Temporary differences	Tax loss carried forward	Deferred tax assets
Norway	DOF ASA and 100% owned companies in Norway	23 %	95	283	87
Norway	DOF Management Group	23 %	24	-	6
Norway	Marin IT AS	23 %	10	-	2
Brazil *)	Norskan Offshore Ltda	34 %	993	105	373
Norway	DOF Subsea Group	23 %	-427	924	114
Brazil	DOF Subsea Group	34 %	11	164	59
Australia	DOF Subsea Group	30 %	67	175	73
Total			773	1 652	715

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

12 Earnings per share

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

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

Basis for calculation of earning per share	Date	2017	2016
Profit (loss) for the year after non-controlling interest (NOK million)		-1 243	60
Earnings per share for parent company shareholders (NOK)		-0,75	0,09
Diluted earnings per share for parent company shareholders (NOK)		-0,75	0,07
Number of shares 01.01.		1 501 321 200	111 051 348
Share issue	03.08.2016		1 059 869 852
Conversion of bond loan to shares	11.08.2016		137 500 000
Conversion of bond loan to shares	22.08.2016		97 250 000
Conversion of bond loan to shares	15.09.2016		82 500 000
Conversion of bond loan to shares	15.11.2016		6 500 000
Conversion of bond loan to shares	22.12.2016		6 650 000
Conversion of bond loan to shares	10.01.2017	83 806 597	
Conversion of bond loan to shares	09.02.2017	29 500 000	
Conversion of bond loan to shares	22.03.2017	14 750 000	
Conversion of bond loan to shares	01.08.2017	28 342 387	
Conversion of bond loan to shares	09.10.2017	26 258 995	
Conversion of bond loan to shares	11.12.2017	26 000 000	
Conversion of bond loan to shares	18.12.2017	9 000 000	
Share issue	21.12.2017	833 333 333	
Number of shares 31.12.		2 552 312 512	1 501 321 200
Outstanding covertible bond loan 01.01		493 240 482	
Convertible bond loan	03.08.2016		823 640 482
Converted bond loan to shares		-217 657 979	-330 400 000
Outstanding covertible bond loan 31.12		275 582 503	493 240 482
Potential number of shares 31.12.		2 827 895 015	1 994 561 682
Average number of shares		1 662 925 898	658 678 610
Potential average number of shares		2 017 392 732	882 981 813

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13 Goodwill

	2017				2016			
	PSV	AHTS	Subsea	Total	PSV	AHTS	Subsea	Total
Acquisition cost at 01.01	3	3	438	444	3	3	438	444
Additions			-	0			-	-
Disposals			-	0			-	-
Currency translation differences			4	4			-	-
Acquisition cost at 31.12	3	3	442	448	3	3	438	444
Adjustment at 01.01	-	-	-113	-113			-8	-8
Impairment loss			-11	-11			-72	-72
Currency translation differences			-	-			-33	-33
Adjustment 31.12.	-	-	-124	-124	-	-	-113	-113
Book value 31.12.	3	3	318	324	3	3	325	330

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

Goodwill in relation to the acquisition of CSL UK Ltd has since acquisition been allocated to the cash generating unit Subsea. As a result of changes in 2016, goodwill related to CSL UK Ltd was defined as separate cash generating unit and an impairment with NOK 72 million was recognised in 2016. The Group has in 2017 recognised an impairment of the remaining part of the goodwill related to CSL UK Ltd amounted to NOK 11 million.

Negative changes in EBITDA margin with 20%, negative changes in WACC with 300 basis points or a 10% drop in the broker estimates, might result in impairment for all or parts of the goodwill. The EBITDA margin in 2017 was 10%. The EBITDA margin used in impairment calculations for 2018 and 2019 are in line with the EBITDA margin achieved in 2017. From 2020 the Group expect gradual recovery in the EBITDA margin, with a target EBITDA margin above 20%. The Group use a nominal WACC after tax of 10.09% in it's impairment calculations. There is no real growth element in the calculations. See also note 4 "Accounting estimates and assessments" for further information about the impairment test and growth.

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14 Tangible assets

2017	Vessels	Periodic maintenance	ROV	Newbuildings	Operating equipment	Total
Acquisition cost as of 01.01.2017	27 435	1 779	1 624	26	1 118	31 982
Additions	1	363	9	634	106	1 113
Vessel completed	459	36	-	-495	-	-
Reallocation	-1	-1	137	-154	15	-4
Disposals	-477	-248	-4	-	-	-730
Currency translation differences	-541	-44	-14	-	-15	-614
Acquisition cost as of 31.12.2017	**26 876**	**1 886**	**1 753**	**11**	**1 224**	**31 749**
Depreciation as of 01.01.2016	4 967	1 177	757	-	648	7 549
Depreciation for the year	478	261	154	-	117	1 010
Reallocation	-	-	-2	-	2	-
Depreciation on disposals	-220	-233	-1	-	-	-454
Currency translation differences	-89	-32	-10	-	-9	-141
Depreciation 31.12.2017	**5 135**	**1 173**	**898**	**-**	**758**	**7 964**
Impairment 01.01.2016	2 202	-	11	-	22	2 235
Impairment	1 135	-	-	-	-	1 135
Reversal impairment on disposal	-217	-	-1	-	-	-217
Currency translation differences	-34	-	-	-	-	-34
Impairment 31.12.2017	**3 086**	**-**	**11**	**-**	**22**	**3 119**
Book value 31.12.2017	**18 654**	**713**	**844**	**11**	**444**	**20 667**
Depreciation period	30-35 years	30-60 months	5-12 years		5-15 years	
Depreciation method	*)	Linear	Linear		Linear	

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

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

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

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14 Tangible assets (continued)

Disposals

The Group have sold three vessels in 2017; Skandi Waveney, Skandi Marstein and Skandi Møgster. Gain on sale of non-current assets in the consolidated income statement is mainly related to sale of these vessels.

Impairment

The drop in oil price starting in 2014 has resulted in reduced activity and demand for vessels in the oil service industry. The weakening market has resulted in impairment of vessels and equipment totalling NOK 1,135 million in 2017 (NOK 1,690 million in 2016).

For the Group 38 vessels (31 vessels) have been impaired during the year which is divided in the following segments;

	Number of vessel impaired			Book value 31.12.2017 impaired vessels			Impairment 2017			
Age	PSV	AHTS	Subsea	PSV	AHTS	Subsea	PSV	AHTS	Subsea	Total
0-10 years	6	7	8	1 541	1 765	3 501	270	71	234	575
11-15 years	6		3	401		502	227		149	376
15+ years	3		5	66		879	61		123	184
Total	15	7	16	2 008	1 765	4 882	558	71	506	1 135

	Number of vessel impaired			Book value 31.12.2016 impaired vessels			Impairment 2016			
Age	PSV	AHTS	Subsea	PSV	AHTS	Subsea	PSV	AHTS	Subsea	Total
0-10 years	6	2	6	1 293	1 973	2 172	325	33	418	776
11-15 years	6	1	2	625	129	426	231	125	92	448
15+ years	3	2	3	182	180	628	141	184	117	442
Total	15	5	11	2 100	2 282	3 226	697	342	627	1 666

The vessels impaired in 2017 have mainly short term contracts with duration up to 12 months.

Impairment	2017	2016
Impairment vessel	1 135	1 666
Impairment other tangible assets		24
Impairment goodwill	11	72
Total impairment	1 146	1 762

Impairment tests have in addition resulted in impairment of vessel in joint ventures with NOK 176 million (NOK 170 million). The impairments are divided on 5 vessels, all owned by DOF Deepwater AS. DOF's 50% share of the impairment is as follows;

	Number of vessel impaired			Book value 31.12.2017 impaired vessels			Impairment 2017			
Age	PSV	AHTS	Subsea	PSV	AHTS	Subsea	PSV	AHTS	Subsea	Total
0-10 years		5			429			176		176
Total	-	5	-	-	429	-	-	176	-	176

	Number of vessel impaired			Book value 31.12.2016 impaired vessels			Impairment 2016			
Age	PSV	AHTS	Subsea	PSV	AHTS	Subsea	PSV	AHTS	Subsea	Total
0-10 years		5			611			170		170
Total	-	5	-	-	611	-	-	170	-	170

In addition vessel in associates has been impaired with NOK 11 million in 2017 (NOK 56 million in 2016). The impairment is reflected in Share of income of associates and joint ventures in the Income statement.

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

14 Tangible assets (continued)

Sensitivity analyses of impairment

A 10% drop in broker estimates as per 31 December 2017 will bring broker value below book value by additional NOK 840 million. In total this will affect 34 of the Group's vessels. This effect might result in an additional impairment loss for the Group. An impairment test will in addition consider possible positive contract values and other elements in a value in use calculation.

Broker estimates calculated in USD has dropped significantly in the period 2014-2017. However, the change in USD-NOK currency rates have partly offset the drop in broker estimates when converting the values to NOK. When testing the reasonableness of broker estimates, the Group has concluded that the implied rates and utilisation in the broker estimates are within the range of budgets and forecasts. While testing the reasonableness of the broker estimates the Group has applied a nominal WACC after tax in the range of 7.80 - 9.20%.

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

Finance leases of tangible assets - the Group as lessee

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

Newbuilding

In 2017 DOF has taken delivery of Skandi Vinland. The balance at year end 2017 on newbuilds relates to subsea equipment under construction.

In addition the Group has two vessels under construction as of 31 December 2017, which both are owned by a 50/50 joint venture between DOF Subsea and TechnipFMC. Joint venture and the associate are consolidated using equity method, see note 32 for further information.

15 Leases

Operational leases of tangible assets - the Group as lessee

Overview of future minimum lease:	Within 1 year	2-5 years	After 5 years	Total
Minimum operating lease payments falling due in the periods	138	308	185	631

In 2017 the Group has leased two vessels on term contracts: Harvey Deep-Sea and Skandi Darwin. The vessels has been leased by DOF Subsea. Harvey Deep Sea is utilised in the Gulf of Mexico and Skandi Darwin is utilised in Asia Pacific.

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

The lease of the head office is described in note 29 Related parties. Yearly lease fee for the Group's office buildings and warehouses are approximately NOK 69 million. For further information on leases, please refer to note 2 Accounting policies.

Lease income - the Group as lessor

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

The table below shows the minimum future lease payments arising from contracts on vessels at year-end 2017 (TC contracts). The amounts are nominal and stated in NOK million.

2017	Within 1 year	2-5 years	After 5 years	Total
Minimum operating lease revenue	2 870	5 272	1 342	9 484
Minimum operating lease revenue including joint ventures	3 925	10 451	5 028	19 405

Total future minimum operating lease revenues include firm contracts from DOF Group vessels and the Group's share of vessels in the joint ventures.

Joint ventures are consolidated using equity method, see notes 5, 6 and 32 for further information.

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15 Leases (continued)

Financial lease

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

Financial lease	2017	2016
Cost at 01.01.	646	596
Additions	144	51
Disposals	-	-
Cost at 31.12.	791	646
Depreciation at 01.01.	151	88
Depreciation for the year	66	64
Depreciation disposal	-	-
Depreciation at 31.12.	218	151
Impairment 01.01	3	-
Impairment for the year	-	3
Impairment 31.12	3	3
Book value at 31.12.	570	492

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

Overview of future minimum lease payments	Within 1 year	2-5 years	After 5 years	Total
Minimum lease amounts falling due in the periods	106	226	29	361

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

Some of the Group's ROVs held under finance leases are further subleased to external clients. Lease payments received are recognised in the statement of comprehensive income. Future minimum sublease income arising from these contracts at year-end 2017 is shown in the table below:

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

16 Non-current receivables

	Note	2017	2016
Non-current receivables from joint ventures		1 020	1 051
Non-current derivatives	26, 27	22	42
Other non-current receivables	27	87	59
Total		1 129	1 152

17 Trade receivable

	2017	2016
Trade receivable at nominal value	1 010	993
Earned, not invoiced income	580	597
Provision for bad debts	-11	-84
Total	1 580	1 506

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

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

	Total	Not matured	<30d	30-60d	60-90d	>90d
2017	1 010	637	118	82	39	134
2016	993	633	121	6	13	221

Trade receivable divided on currencies:

	2017			2016		
	Currency	NOK	Ratio %	Currency	NOK	Ratio %
USD	78	641	41 %	62	531	35 %
BRL	148	367	23 %	113	300	20 %
AUD	35	226	14 %	49	303	20 %
NOK		145	9 %		209	14 %
GBP	5	52	3 %	10	101	7 %
Other currencies		148	9 %		62	4 %
Total		1 580	100 %		1 506	100 %

18 Other current receivables

	Note	2017	2016
Pre-paid expenses		117	141
Accrued interest income		6	8
Government taxes (VAT)		95	175
Current derivatives	26	14	28
Fuel reserves and other inventory		58	87
Other current receivables		112	154
Total		401	592

19 Cash and cash equivalents

	2017	2016
Restricted deposits *	394	405
Bank deposits	1 845	1 787
Cash and cash equivalents at 31.12.	2 238	2 192

* Non-current loans have been provided by Eksportfinans and are invested as restricted deposits. The repayment terms on the loans are equivalent with the reduction on the deposits. The loans are fully repaid in 2021. The cash deposits are included in Restricted deposits with a total of NOK 279 million (2016; NOK 380 million). In addition NOK 90 million of restricted cash is deposit pledged as security for an outstanding bank guarantee.

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20 Share capital and share information

Share capital: The share capital in DOF ASA as of 31 December 2017 was NOK 1.276.156.256 distributed between 2.552.312.512 shares. each with a nominal value of NOK 0.50.

Nominal value of the shares: The nominal value per share is NOK 0.50.

Share issues in 2016: There has been eight share issues during 2017. Seven share issues related to converted bond loan with increase of 217.657.979 shares and one right issue with increase of 833.333.333 shares.

Share issue authorisation:

- An Extraordinary General Meeting on 6 July 2016 has allocated authorisation to the Board of Directors for a capital increase of up to 823.640.482 shares at a nominal value of NOK 0.50 related to a Subordinated Convertible Bond. Remaining authorisation is 275.582.503 shares.
- In addition, on the 19 December 2017, an extraordinary general meeting resolved to grant the Board of Directors an authorisation to increase the share capital by up to NOK 168.333.333.50 in connection with a Subsequent Offering.

Shareholders: The 20 largest shareholders of DOF ASA and shares owned by management and board members including shareholdings held by closely related persons and companies at 31 December 2017 were as follows:

	2017		2016	
Shareholders at 31.12.	No of shares	Shareholding	No of shares	Shareholding
MØGSTER MOHN OFFSHORE AS	1 506 399 363	59.02 %	806 876 050	53.74 %
BNP PARIBAS SECURITIES SERVICES	95 701 686	3.75 %	67 500 000	4.50 %
MP PENSJON PK	43 414 691	1.70 %		
CITY FINANCIAL ABSOLUTE EQUITY FD	27 750 000	1.09 %		
SKANDINAVISKA ENSKILDA BANKEN AB	26 356 058	1.03 %	7 763 139	0.52 %
DRAGESUND INVEST AS	24 600 000	0.96 %	17 600 000	1.17 %
MOCO AS	19 844 184	0.78 %	14 844 184	0.99 %
GERDA MARIE AS	18 000 000	0.71 %	16 641 368	1.11 %
PARETO AS	14 234 975	0.56 %	11 734 975	0.78 %
TOPDANMARK LIVSFORSIKRING AS	12 500 000	0.49 %	12 500 000	0.83 %
NORDNET LIVSFORSIKRING AS	11 019 455	0.43 %	8 278 155	0.55 %
MSIP EQUITY	10 709 780	0.42 %		
BERGEN KOMMUNALE PENSJONSKASSE	10 341 089	0.41 %		
ARCTIC FUNDS PLC	10 187 012	0.40 %	22 782 359	1.52 %
DNB NOR BANK ASA	10 135 546	0.40 %		
AKERSHUS FYLKESKOMM. PENSJONSKASSE	10 000 000	0.39 %		
SKANDINAVISKA ENSKILDA BANKEN AB	9 500 000	0.37 %		
KRISTIAN FALNES AS	9 500 000	0.37 %	6 250 000	0.42 %
NETFONDS LIVSFORSIKRING AS	8 958 925	0.35 %		
AS NAVE	8 615 000	0.34 %		
Total	1 887 767 764	73.96 %	992 770 230	66.13 %
Other shareholders	664 544 748	26.04 %	508 550 970	33.87 %
Total	2 552 312 512	100.00 %	1 501 321 200	100.00 %

20 Share capital and share information (continued)

Shares controlled directly and indirectly by Board of Directors and Management		2017		2016	
		No of shares	Shareholding	No of shares	Shareholding
Board of Directors					
Helge Møgster (Lafjord AS)	Chairman of the Board	206 129 568	8.08 %	164 407 302	10.95 %
Helge Singelstad	Deputy Chairman	4 178 667	0.16 %	2 512 000	0.17 %
Marianne Møgster (Lafjord AS)	Board member	49 082 742	1.92 %	39 206 548	2.61 %
Kathryn M. Baker	Board member	-	0.00 %	-	0.00 %
Frederik Mohn (Perestroika AS)	Board member	505 307 560	19.80 %		
Lars Purlund	Board member (resigned May 2017)	-	0.00 %	-	0.00 %

Via Laco AS. the Møgster family. including Helge Møgster and Marianne Møgster. have indirect control of 66.39% of the shares in Møgster Mohn Offshore AS. the main shareholder of DOF ASA. Lafjord AS is one of the owners in Laco AS. Frederik Mohn (Perestroika AS) owns 33.61% of the shares in Møgster Mohn Offshore AS.

Management group					
Mons S. Aase (Moco AS)	CEO	19 844 184	0.78 %	14 844 184	0.99 %
Hilde Drønen (Djupedalen AS)	CFO	4 493 342	0.18 %	2 826 675	0.19 %
Total		789 036 063	30.91 %	223 796 709	14.91 %

21 Non-controlling interest

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

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

	DOF Subsea AS *)	DOF Installer ASA	Other	2017	DOF Subsea Holding AS	DOF Installer ASA	Other	2016
Ownership share of non-controlling interest	35 %	15 %			49 %	16 %		
Non-controlling share of;								
Operating income	1 886	31	185	2 102	2 498	29	228	2 755
EBITDA	556	24	6	586	864	27	19	910
Depreciation and impairment	-472	-8	-8	-487	-559	-43	-9	-612
Operating result	84	16	-2	99	305	-16	10	298
Profit (loss) before taxes	-42	5	-3	-40	217	-23	8	202
Taxes	-73	-0	1	-72	-58	-	-3	-61
Profit (loss) for the year	-115	5	-2	-112	159	-23	5	141
Financial position								
Tangible assets	5 610	333	1	5 944	5 787	244	13	6 044
Financial assets	1 054	-	1	1 055	916	18	1	935
Non-current debt	4 077	162	9	4 247	4 166	117	6	4 289
Current portion of non-curent debt	570	28	4	602	535	22	5	562
Changes in non-controlling interest;								
Non-controlling interest 1.1.	3 281	234	5	3 521	3 019	261	1	3 281
Non-controlling interest share of result	-115	5	-2	-112	159	-23	5	141
Non-controlling interest share of result OCI	-7	-	-1	-8	123	-	-1	123
Dividends to non-controlling interest	-	-	-	-	-20	-4	-	-24
Reduced non-controlling interest	-896	-	-	-896	-	-	-	-
Non-controlling interest 31.12.	2 263	240	2	2 505	3 281	234	5	3 521

*) DOF Subsea Holding AS and DOF Subsea AS have merged in 2017 with DOF Subsea AS as the acquiring company.

In December 2017, DOF ASA increased their share in DOF Subsea AS from 51% to 65%. Non-controlling interest share of the profit in 2017 is 49%. The reduced non-controlling interest is reflected in the equity at year end 2017.

Please see note 31 for more information about the subsidiaries.

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22 Interest bearing debt

Bond loans

DOF ASA replaced its remaining three bond loans with a 5-year convertible bond in 2016 in connection with refinancing of the Company. The convertible bond has zero coupon and no financial covenants. The bondholders may convert their bonds to shares at NOK 1 per share through the tenor of the loan. On the final maturity date the remaining bonds will automatically be converted to shares. The convertible bond loan has since registration been classified as other equity. The initial value of the bond loan was NOK 1,032.5 million and outstanding by 31.12.2017 is NOK 276 million. The bond is trading on the Oslo Stock Exchange, last trade price was NOK 57.50.

DOF ASA's subsidiary DOF Subsea AS has two bond loans outstanding, DOFSUB07 (13/18) and DOFSUB08 (17/22), see figures next page. DOF SUB08 was issued in March 2017 with the value of USD 175 million. The bond has a 5-years tenor, bears a fixed interest of 9.5% and is unsecured. In connection with the placement DOF Subsea repurchased bonds in the existing DOFSUB07 bond loan at a nominal value of NOK 792 million.

In December 2017 DOF Subsea received approval from the bondholders in the DOFSUB07 bond for an extension of the maturity of the bond loan from May 2018 to May 2020, subject an instalment of NOK 100 million in October 2019 and the remaining NOK 408 million in May 2020. Annual interest rate is NIBOR + 7%. The trustee for both bond loans is Nordic Trustee ASA, while Nordea Bank Norge ASA is the account operator.

Non-current liabilities to credit institutions

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

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

The most important financial covenants for DOF Subsea AS' fleet are as follows:
* DOF Subsea AS and its subsidiaries shall have a book equity of at least NOK 3,000 million, and value adjusted equity ratio of at least 30%.
* DOF Subsea AS and its subsidiaries shall at all times have free cash reserves of NOK 500 million and positive working capital (excl. current portion of debt to credit institutions).
* The fair market value of vessels shall be at least 110% - 130% of outstanding debt.
* DOF ASA shall be the principal shareholder in DOF Subsea AS, and own a minimum of 50.1% of the shares.

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

Per 31 December 2017 the book equity is NOK 7,342 million and free liquidity excluding DOF Subsea AS is NOK 1,058 million. Both DOF ASA and DOF Subsea AS are in compliance with its financial covenants as of 31 December 2017.

Non current interest bearing liabilities	Note	2017	2016
Bond loans		1 914	1 297
Debt to credit institutions		15 029	16 729
Total non current interest bearing liabilities		16 943	18 025
Current interest bearing liabilities			
12 month instalment non-current debt		1 687	1 661
Overdraft facilities		410	-
Total current interest bearing liabilities *)		2 097	1 661
Total non-current and current interest bearing liabilities		19 040	19 686
Cash and cash equivalents	19	2 238	2 192
Net Interest-bearing debt **)		16 802	17 494

*) Current interest bearing debt in the statement of financial position includes accrued interest expenses NOK 138 million. Accrued interest expenses are excluded in the figures above.

Average rate of interest	4,65 %	4,69 %

22 Interest bearing debt (continued)

Instalments, balloons and interest profile	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018	2019	2020	2021	2022	Subse-quent	Total
Bond loans *)	-	-	-	-	-	100	408	-	1 419	-	1 927
Debt to credit institutions	429	415	428	416	1 687	2 871	2 321	3 578	1 176	5 144	16 777
Overdraft facilities	10	400	-	-	410	-	-	-	-	-	410
Total instalments and balloon	438	815	428	416	2 097	2 971	2 729	3 578	2 595	5 144	19 114
Calculated interest profile	211	179	211	182	783	745	640	511	313	751	3 743
Total instalments, balloons and interest	650	993	639	598	2 880	3 715	3 369	4 088	2 909	5 896	22 856

Current debt to credit institutions amounts to NOK 2,097 million and compromise scheduled amortisation (excluding accrued interest), including repayment of drawn amount revolving credit facilities. The revolving credit facility matures in June 2021, but has a clean down mechanism every 180 days.

DOF ASA received in December 2017 approval from its Lenders to extend the period with soft payments terms on its NOK 3,800 million loan facility in DOF Rederi AS from 2019 - 2021. The agreement will have a liquidity effect over the next three years period of approximately NOK 550 million. Further, DOF ASA received an extension of a credit facility from 2019 until 2021.

Interest repayment is based on current repayment profile and the yield curve for the underlying interests from Reuters as of December 2017.

Financial lease liabilities are included in debt to credit institutions. Repayment profile for debt to credit institutions includes repayment of financial lease debt. Total liability on financial lease debt amounts to NOK 361 million as of 31 December 2017. Financial leases are repaid on a monthly basis with maturity from 3 to 10 years. The current portion of financial lease debt as of 31 December 2017 is NOK 106 million.

Secured liabilities	2017	2016
Liabilities to credit institutions incl current debt	16 717	18 390
Overdraft facilities	400	-
Total liabilities	17 117	18 390
Assets provided as security		
Tangible assets	20 656	22 173
Investment in subsidiary/Net asset pledged consolidated *)	2 218	-
Total assets provided as security	33 874	22 173

*) The shares in Norskan Offshore SA was pledged against overdraft facility in DOF ASA.

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

	2017			2016		
Interest-bearing liabilities, divided by currency:	Currency	NOK	Ratio %	Currency	NOK	Ratio %
USD	1 279	10 489	55 %	1 218	10 496	53 %
GBP	65	426	2 %	0	0	0 %
NOK		8 199	43 %		9 260	47 %
Total		19 114	100 %		19 755	100 %

Fair value of non-current loans

The fair value of the company's bond loan at 31.12.2017 was as follows:

Loan	Due date	Margin	Price *) 31.12.2017	Outstanding amount 31.12.2017	Initial amount 31.12.2017	Price *) 31.12.2016	Outstanding amount 31.12.2016	Initial amount 31.12.2016
DOFSUB07	22.05.2020	7.0 %	95.13	508	1 300	83.13	1 300	1 300
DOFSUB08	14.03.2022	9.5 %	89.25	1 419	1 489			
Total				1 927	2 789		1 300	1 300

*) Price at par price.

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

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22 Interest bearing debt (continued)

Reconciliation of changes in liabilities

			Non-cash changes				
	Balance 31.12.2016	Cash flows	Acquisition	Proceeds lease debt	Amortised loan expenses	Currency adjustment	Balance 31.12.2017
Non current interest bearing liabilities							
Bond loans	1 297	697			-10	-70	1 914
Debt to credit institutions	16 729	-1398	55	141	6	-503	15 030
Total non current interest bearing liabilities	18 025	-701	55	141	-4	-573	16 943
Current interest bearing liabilities							
12 month instalment non-current debt	1 661	60				-34	1 687
Overdraft facilities	-	410					410
Total current interest bearing liabilities	1 661	470	-	-	-	-34	2 097
Total interest bearing liabilities	19 686	-231	55	141	-4	-607	19 040

23 Other non-current liabilities

	2017	2016
Pension	34	30
Other non-current liabilities	36	20
Total	70	51

24 Trade payables

	2017	2016
Trade payables	874	1 061
Total	874	1 061

Trade payable has the following currency split;

	2017			2016		
	Currency	NOK	Ratio %	Currency	NOK	Ratio %
USD	28	229	26 %	34	296	28 %
NOK		300	34 %		300	28 %
BRL	79	195	22 %	89	235	22 %
AUD	2	13	1 %	10	59	6 %
GBP	3	37	4 %	9	94	9 %
Other currencies	-	99	11 %	-	77	7 %
Total		874	100 %		1 061	100 %

25 Other current liabilities

	Note	2017	2016
Public duties payable		90	74
Prepayments from customers		3	23
Fair value forward contracts	26	76	94
Other current liabilities		245	193
Total		415	384

26 Hedging activities

Derivatives

As of 31 December 2017, the Group has foreign exchange swaps to hedge future sales to customers in USD and EUR. Forward exchange derivatives are utilised to hedge currency risk related to projected future sales. Interest rate swaps are utilised to manage interest rate risk by converting from floating to fixed interest rates. The Group has not applied hedge accounting for any of the interest rate swap agreements entered into in 2017.

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

The table below displays the fair value of derivative financial instruments as of 31 December 2017.

		2017		2016	
	Measurement level	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	2	19	66	30	125
Foreign exchange contracts	2	17	65	40	105
Total		36	132	71	230
Non-current portion					
Interest rate swaps	2	19	51	30	117
Foreign exchange contracts	2	3	4	12	18
Non-current portion		22	55	42	135
Current portion		14	76	28	94

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

Measurements of financial instruments

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

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

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

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

Interest rate derivatives

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

Instrument	Fixed rate	Floating rate	Notional amount	Effective from	Maturity date
31.12.2017					
Interest rate swaps - USD	1.43%	Libor 3m	50	2016	2021
Interest rate swaps - NOK	0.85% - 4.41%	Nibor 3m - 6m	5 384	2011-2017	2018-2023
31.12.2016					
Interest rate swaps - USD	1.15% - 1.43%	Libor 3m - 6m	76	2016	2017-2021
Interest rate swaps - NOK	0.85% - 4.41%	Nibor 3m - 6m	5 720	2011-2016	2018-2021
Interest rate swaps - GBP	0.81%	Libor 3m	10	2013	2017

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26 Hedging activities (continued)

Foreign exchange derivatives

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

Instrument	Received	Committed Amount	Remaining term to maturity
31.12.2017			
Foreign exchange forwards	NOK	232	<1 year
Foreign exchange forwards	NOK	41	>1 year
Foreign exchange options	NOK	550	<1 year
Foreign exchange options	NOK	136	>1 year
Foreign exchange swaps	NOK	1 267	<1 year
31.12.2016			
Foreign exchange forwards	NOK	1 698	<1 year
Foreign exchange options	NOK	526	<1 year
Foreign exchange options	NOK	392	>1 year
Foreign exchange swaps	NOK	598	<1 year

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

Derivatives are settled at various dates during the next 12 months. Gains and losses recognised in the forward foreign exchange contracts and interest rate swaps as of 31 December 2017 are recognised in the income statement in the period or periods during which the transaction affects the income statement.

Hedge accounting

Cash flow hedge involving future highly probable revenue

The cash flow hedges hedge a portion of the foreign currency risk arising from highly probable revenues in USD relating to time charter contracts on vessels owned by Norskan Offshore Ltda. The present value of the hedge items as at 31.12.2017 was NOK 4,357 million including fixed and option periods.

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

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

Hedging instrument	Hedge items	Nature of the risk	Maturity	Carrying amount of the hedging instrument
Non-derivative Financial Instruments	Portion of expected monthly Highly Probable Revenue in USD	BRL/USD spot exchange-rate risk	January 2018-January 2029	4 445

	Effective portion of cash flow hedges recognised in other comprehensive income		Gains (losses) reclassified from accumulated other comprehensive income to income statement	
	2017	2016	2017	2016
Non-derivative financial instruments, pre-tax	-5	-947	-171	-207

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

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

	2018	2019	2020	2021	After
Non-derivative financial instruments, pre-tax	-146	-122	-119	-114	-313

27 Financial assets and liabilities: Information on the balance sheet

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

31.12.2017

	Financial instruments at fair value through income statement	Financial instruments as cash flow hedging instruments	Financial liabilities measured at amortised cost	Loans and receivables	Total	Of this interest bearing	Fair value
Assets							
Non-current derivatives	22				22		22
Non-current receivables				87	87		87
Current derivatives	14				14	-	14
Trade receivable and other current receivables				1 792	1 792		1 792
Restricted deposits				394	394	394	394
Cash and cash equivalents				1 845	1 845	1 845	1 845
Total financial assets	36	-	-	4 117	4 153	2 238	4 153
Liabilities							
Non-current bond loans and debt to credit institution			16 943		16 943	16 943	16 791
Current bond loans and debt to credit institution			2 235		2 235	2 097	2 235
Non-current derivatives	55	-	-		55		55
Other non-current liabilities			36		36		36
Current derivatives	76	-			76		76
Trade payable and other current liabilities			1 209		1 209		1 209
Total financial liabilities	132	-	20 422	-	20 554	19 040	20 402
Total financial instruments	-95	-	-20 422	4 117	-16 401	-16 802	-16 249

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

31.12.2016

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

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

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

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

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

28 Guarantee

The Group has commitments to clients to ensure proper performance under contracts. These commitments are mainly parent company guarantees from DOF Subsea AS on behalf of subsidiaries or counter guarantees in favour of banks. The guarantees are limited to fulfilment the contract and are released after delivery of the project. In some cases, warrant periods may apply. Normal period for such warranties would be 12-24 months.

Guarantees are given to suppliers for fulfilment of payments for deliveries of goods and services including vessels.

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

The Group has guarantee commitments on behalf of the following not wholly owned companies as per 31.12.2017:
- DOFCON Navegacao Ltda.: Guarantee in favour of BNDES. Total amount USD 115 million.
- DOF Deepwater AS: Guarantee in favour of the company's lenders. Total amount NOK 503 million.
- Iceman AS: Guarantee in favour of the company's lender. Total amount NOK 420 million. 50% of the commitment is counter guaranteed by Vard Group.
- LOS Shipping I AS: Agreements whereby DOF ASA guarantees coverage of opex and interest for a period of time, in return for a purchase option.
- LOS Shipping II AS: Agreements whereby DOF ASA guarantees coverage of opex and interest for a period of time, in return for a purchase option.

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

29 Related parties

Board members and management of DOF ASA and its subsidiaries will be regarded as related parties.

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

Long-term agreements:

Møgster Mohn Offshore AS owns 59.02% of the shares in DOF ASA. Laco AS is the main shareholder of Møgster Mohn Offshore AS.

Møgster Management AS provides administrative shared services to DOF ASA. Møgster Management AS is owned by Laco AS. Total administrative fee for 2017 is NOK 7 million (NOK 8 million).

Austevoll Eiendom AS is a subsidiary of Austevoll Seafood ASA, which in turn is a subsidiary of Laco AS. DOF Management AS and Marin IT AS leases premises from Austevoll Eiendom AS. Total leases premises in 2017 are NOK 6 mill (NOK 6 mill).

Individual transactions:

Group

The Group has used the shipyard Fitjar Mekaniske Verksted AS to do maintenance and repairs on the vessels. Total costs in 2017 are NOK 6.0 million (NOK 1.9 million) and was at market terms. Fitjar Mekaniske Verksted AS is owned by Laco AS.

Loans to joint ventures

Loans of in total NOK 1,020 million is provided to joint ventures DOFCON Brasil Group and DOF Iceman, including financing newbuildings progamme for DOFCON Brasil Group. DOF Subsea AS also guaranteed for 40% of the purchase price of each new vessel to the yard. For further information on joint ventures see note 32.

Guarantee

DOF ASA has issued a guarantee in the maximum amount of NOK 420 million on behalf of Iceman AS in favour of DNB ASA. Guarantee income in 2017 was NOK 5 million (NOK 8 million). Iceman AS is owned with 40% by DOF Iceman AS. DOF ASA and Vard Group ASA are owners with 50% each in DOF Iceman AS, and Vard has issued a counter-guarantee for 50% of the amount. In addition DOF ASA owns 5% in Iceman AS.

DOF GROUP

30 Remuneration to executives, Board of Directors and auditor

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

	Year 2017			Year 2016		
Amount in TNOK	CEO	CFO	Total	CEO	CFO	Total
Salary incl bonus	4 018	2 111	6 129	4 003	2 103	6 107
Pension premium	185	222	407	297	266	562
Other remuneration	17	135	152	564	135	700
Total	4 220	2 468	6 688	4 864	2 504	7 368

CEO = Mons Aase, CFO = Hilde Drønen

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

In addition, the executive vice president (EVP) in DOF Subsea is entitled to a bonus based on the result of DOF Subsea and personal performance.

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

Board fees granted on the General annual meeting as of 24 May 2017 totalled NOK 1,500,000 (NOK 1,225,000) and comprises NOK 300,000 (NOK 300,000) to the Chairman of the Board and NOK 300,000 (NOK 175,000) each to the board members. Compensation for meetings have been paid to the Audit Committee (NOK 129,167) and the Election Committee (NOK 75,000). In addition the Board has been paid totalled NOK 1,100,000 as fee for the year 2017.

Specification of auditor's fee (amount in TNOK):	2017	2016
Audit	10 412	12 172
Fee for other confirmatory services	200	747
Tax consultation	359	225
Fee for other services	245	341
Total	11 216	13 486

All amounts in the table are excl VAT.

Guidelines for determination of salary and other remuneration to the CEO and senior employees of DOF in 2017

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

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

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

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

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

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

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

31 Companies within the Group

Investments in subsidiaries	Owner	Registered office	Nationality	Ownership and voting share
DOF Subsea AS	DOF ASA	Bergen	Norway	64,9 %
DOF Rederi AS	DOF ASA	Austevoll	Norway	100 %
DOF Rederi III AS	DOF ASA	Austevoll	Norway	100 %
DOF UK Ltd	DOF ASA	Aberdeen	UK	100 %
DOF Egypt, in liqui	DOF ASA	Cairo	Egypt	100 %
Norskan AS	DOF ASA	Austevoll	Norway	100 %
DOF Management AS	DOF ASA/DOF Subsea AS	Austevoll	Norway	100 %
Marin IT AS	DOF ASA/DOF Subsea AS	Austevoll	Norway	75 %
DOF Subsea Chartering AS	DOF Subsea AS	Bergen	Norway	100 %
DOF Subsea Rederi AS	DOF Subsea AS	Bergen	Norway	100 %
DOF Subsea Rederi III AS	DOF Subsea AS	Bergen	Norway	100 %
DOF Subsea Norway AS	DOF Subsea AS	Bergen	Norway	100 %
DOF Subsea Atlantic AS	DOF Subsea AS	Bergen	Norway	100 %
DOF Subsea ROV AS	DOF Subsea AS	Bergen	Norway	100 %
DOF Installer ASA	DOF Subsea AS	Austevoll	Norway	84,9 %
Semar AS	DOF Subsea AS	Oslo	Norway	50 %
DOF Subsea US Inc	DOF Subsea AS	Houston	US	100 %
DOF Subsea Brasil Servicos Ltda	DOF Subsea AS	Macaè	Brazil	100 %
DOF Subsea UK Ltd	DOF Subsea AS	Aberdeen	UK	100 %
DOF Subsea S&P UK Ltd	DOF Subsea AS	Aberdeen	UK	100 %
DOF Subsea Ghana Ltd	DOF Subsea UK Ltd.	Accra	Ghana	49 %
DOF Subsea Angola Lda	DOF Subsea AS	Luanda	Angola	100 %
DOF Subsea Asia Pacific Pte. Ltd.	DOF Subsea AS	Singapore	Singapore	100 %
P.T DOF Subsea Indonesia	DOF Subsea Asia Pacific Pte Ltd	Jakarta	Indonesia	95 %
DOF Subsea Australian Pty.	DOF Subsea Asia Pacific Pte Ltd	Perth	Australia	100 %
DOF Subsea Labuan (L) Bhd	DOF Subsea Asia Pacific Pte Ltd	Labuan	Malaysia	100 %
DOF Subsea Malaysia Sdn Bhd	DOF Subsea Asia Pacific Pte Ltd	Kuala Lumpur	Malaysia	100 %
DOF Subsea Offshore Services Pte Ltd	DOF Subsea Asia Pacific Pte Ltd	Singapore	Singapore	100 %
DOF Subsea Asia Pacific Pte. Ltd, Philippine Branch	DOF Subsea Asia Pacific Pte Ltd	Muntinlupa City	Philippines	100 %
Mashhor DOF Subsea Snd	DOF Subsea Australian Pty.	Negara Brunei	Darussalam	50 %
DOF Subsea Canada Corp	DOF Subsea US Inc.	St. Johns	Canada	100 %
DOF Subsea S&P US LLP	DOF Subsea US Inc.	Houston	US	100 %
CSL UK Ltd	DOF Subsea Atlantic AS	Aberdeen	UK	100 %
CSL Norge AS	DOF Subsea Atlantic AS	Bergen	Norway	100 %
Norskan Offshore SA	Norskan AS	Rio	Brazil	100 %
Norskan Offshore Ltda.	Norskan Offshore SA	Rio	Brazil	100 %
Norskan GmbH in liqui	Norskan AS	Vienna	Austria	100 %
Norskan Norway AS	Norskan AS	Austevoll	Norway	100 %
DOF Rederi II AS	Norskan AS	Austevoll	Norway	100 %
DOF Argentina	DOF Management AS	Buenos Aires	Argentina	95%
DOF Sjø AS	DOF Management AS	Austevoll	Norway	100 %
DOF Management Pte Ltd	DOF Management AS	Singapore	Singapore	100 %
DOF Management Australia Pty	DOF Management AS	Perth	Australia	100 %
DOF Management Egypt Branch	DOF Management AS	Cairo	Egypt	100 %
Poseidon Management AS	DOF Management AS	Austevoll	Norway	100 %
PSV Invest II AS	DOF ASA	Oslo	Norway	100 %
DOF Offshore India Private Ltd	DOF ASA	Mumbay	India	100 %
DOF Subsea Congo SA	DOF ASA /DOF Subsea AS	Pointe-Noire	Congo	100 %

DOF Subsea AS is a private limited company incorporated in Norway where the minority owner First Reserve Corporation owns the remaining 35%. The Company has a shareholders' agreement with First Reserve Corporation regarding the ownership in DOF Subsea AS.

A reverse merger was executed during second quarter effective 1 January 2017 between DOF Subsea AS and DOF Subsea Holding AS. This resulted in DOF Subsea Holding AS being absorbed into DOF Subsea AS.

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32 Investments in jointly controlled companies and associated companies

2017	DOFCON Brasil Group	DOF Deepwater AS	Associates	Total
Booked value of investments 01.01.	682	92	34	808
Addition	-	69	20	89
Profit / loss for the period	290	-211	-17	62
Other comprehensive income	-1	-	-	-1
Dividend received	-	-	-5	-5
Reclassified as impairment on receivables	-	-	18	18
Reclassified as liabilities *)	-	50		50
Booked value of investments 31.12.	971	-	50	1 021

*) Reclassified due to DOF ASA guarantee, ref note 28.

2016				
Booked value of investments 01.01.	312	157	44	513
Addition	-	150	7	157
Profit / loss for the period *)	139	-215	-14	-89
Other comprehensive income	230	-	-	230
Dividend received		-	-3	-3
Booked value of investments 31.12.	682	92	34	808

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

Name of entity	Place of business/country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
DOFCON Brasil Group	Norway	50 %	Note 1	Equity
DOF Deepwater AS	Norway	50 %	Note 2	Equity
DOF Iceman AS (owner of 40% in Iceman AS)	Norway	50 %	Note 3	Equity
Iceman AS	Norway	5 %	Note 3	Equity
Skandi Aukra AS	Norway	34 %	Note 3	Equity
Master & Commander	Norway	20 %	Note 3	Equity
DOF OSM Marine Services AS	Norway	50 %	Note 3	Equity

Note 1 DOFCON Brasil Group consists of DOFCON Brasil AS, TechDOF Brasil AS and DOFCON Navegacao Ltda. DOFCON Brasil AS is a holding company located in Bergen and jointly owned by DOF Subsea AS and Technip Coflexip Norge AS with 50% each. DOFCON Brasil AS owns TechDOF Brasil AS and DOFCON Navegacao Ltda. DOFCON Brasil Group owns four vessels and has two vessels under construction. DOFCON Navegacao Ltda owns and operates Skandi Niteroi and Skandi Vitoria and has two PLSV's under construction in Brazil. TechDOF Brasil AS owns and operates Skandi Acu and Skandi Buzios , the latter vessel was delivered in January 2017 and onhire on a 8-year contract to Petrobras in April. The two PLSV's under construction in Brazil are secured long term financing with BNDS and are secured on long-term contracts with Petrobras.

With effect from 1 January 2017 DOFCON Navegacao Ltda changed their functional currency from BRL to USD.

The opening balance of 2017 was converted by the use of exchange rate as of 1 January 2017. The Group's share of the equity 1 January 2017 NOK 318 million, classified as other comprehensive income, was related to the effect of hedge accounting for the exchange rate risk the Company faced under the functional currency BRL. A part of other comprehensive income, NOK 31 million, has in 2017 been circulated over the profit and loss statement and are included as cost in the Share of net income from associates and joint ventures of NOK 290 million.

Newbuilds	No vessels	Completion
Newbuilds under construction in Brazil - Skandi Recife	1	Q2 2018
Newbuilds under construction in Brazil - Skandi Olinda	1	Q1 2019

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

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

DOF Deepwater signed in June 2016 a restructuring agreement with its shareholders and secured lenders, and did certain amendments to the covenants in June 2017. The refinancing includes contribution from the shareholders, reduced instalments on secured debt and amended financial covenants in existing loan facilities. The restructuring period is ending in June 2019.

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

Note 3
a) DOF Iceman is owned by DOF ASA and Vard Group ASA where each part owns 50% each of the liable capital. DOF Iceman AS owns 40% in Iceman IS. In addition DOF ASA owns 5% in Iceman IS.
b) PSV Invest II IS; DOF ASA is shareholder with 15%. The company is under liquidation.
c) Skandi Aukra AS; DOF ASA is shareholder with 34%.
d) Master & Commander AS; DOF Subsea AS is shareholders with 20%.
e) OSM Marine Services AS; DOF Management is shareholder with 50%.
f) Other associated companies includes investments in PSV Invest II AS under liquidation and Simsea AS.

Jointly controlled companies

Statement of comprehensive income	DOFCON Brasil Group 2017	DOF Deepwater AS 2017	DOFCON Brasil Group 2016	DOF Deepwater AS 2016
Operating income	1 401	150	658	207
Operating costs	-269	-151	-94	-194
Operating result before depreciation (EBITDA)	1 133	-1	564	13
Depreciation	-209	-52	-86	-64
Impairment	-	-352	-	-341
Operating result (EBIT)	924	-405	478	-392
Net financial result	-319	-14	-99	-40
Profit (loss) before taxes	605	-419	379	-431
Tax	-18	-3	-90	2
Profit (loss) for the year	587	-422	290	-429
Other comprehensive income, net of tax	-1	-	460	-
Total comprehensive income, net of tax	586	-422	750	-429
Statement of financial information	**31.12.2017**	**31.12.2017**	**31.12.2016**	**31.12.2016**
Tangible assets	9 248	857	9 142	1 221
Deferred tax assets	128	-	144	-
Financial assets	1	-	-	-
Total non-current assets	9 376	857	9 286	1 221
Current receivables	467	100	374	92
Cash and cash equivalents	344	47	255	101
Total current assets	811	147	629	193
Total assets	10 187	1 004	9 914	1 415
Total equity	1 845	-100	1 261	184
Non-current liabilities	7 274	987	7 619	1 122
Current liabilities	1 068	117	1 035	108
Total liabilities	8 342	1 104	8 654	1 230
Total equity and liabilities	10 187	1 004	9 914	1 415

Reconciliation of summarised financial information	DOFCON Brasil Group 31.12.2017	DOF Deepwater AS 31.12.2017	DOFCON Brasil Group 31.12.2016	DOF Deepwater AS 31.12.2016
Group's interest in the joint venture at 50%	922	-50	630	92
Excess values booked in DOF Group	49		52	
Negative equity reclassified to current liabilities		50		
Group's carrying amount of the investment	972	0	683	92

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

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

DOF GROUP

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

Associated companies

2017	Master and Commander AS	DOF Iceman AS	PSV Invest II AS	Skandi Aukra AS	DOF OSM Marine Services AS	Other	Total
Carrying amount 01.01.2017	24	2	-		7	1	34
Additions/disposals	8	6	-	6		-	20
Share of result	11	-28	-		1	-1	-17
Dividend	-	-	-		-5	-	-5
Reclassified to non-current receivables and liabilities	-	18	-		-	-	18
Carrying amount 31.12.2017	43	-2	-	6	3	-	50
Carrying amount 01.01.2016	30	-4	8		5	4	43
Additions/disposals	-	7	-		-	-	7
Share of result	-3	-1	-8		1	-4	-14
Dividend	-3	-	-		-	-	-3
Carrying amount 31.12.2016	24	2	-	-	7	1	33

Summarise financial information for associates (100%):

Name	Registered office	Ownership	Assets	Liabilities	Turnover	Result
2017						
Master & Commander AS	Oslo	20,0 %	465	250	125	55
Iceman IS	Oslo	25,0 %	568	441	58	-109
PSV Invest II IS	Oslo	15,0 %	13	9	80	-72
Skandi Aukra AS	Oslo	34,0 %	135	118	1	1
2016						
Master & Commander AS	Oslo	20.0 %	450	330	164	-15
Canadian Subsea Shipping Company	Bergen	45.0 %	56	53	-	-
Iceman IS	Oslo	25.0 %	650	440	76	-102
PSV Invest II IS	Oslo	15.0 %	245	245	26	-58

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

33 Significant acquisitions in the year

2017 Transactions

DOF ASA increased its ownership in DOF Subsea from 51% to 64.9% in December 2017 as part of a comprehensive refinancing program in the Group, including an equity issue of NOK 500 million in DOF Subsea AS.

2016 Transactions

The Group has not had any significant acquisitions in 2016.

34 Contingencies

The Group and its subsidiaries are not involved in any ongoing court cases as of 31 December 2017.

Tax assessment Brazil

The Group has in the period from 2009 until 2017 received notices of assessment of customs penalty from the Brazilian Tax Authorities regarding importation of vessel and equipment to Brazil. The Group has disputed the assessments and based on legal opinions from a reputable law firm decided not to make a provision in the accounts for 2017 related to these penalty assessments. The tax assessments are ranked as low due to favourable court decision recently on similar cases in Brazil.

35 Subsequent events

New contracts

DOF Rederi has been awarded a 1-year contract for the Skandi Captain for Peterson Den Helder, with commencement in February 2018.

DOF Subsea has been awarded two new ROV contracts by Petrobras in Brazil for ROVs to be installed onboard Skandi Angra and Skandi Paraty. The new contracts start in April 2018 and end in September and November 2020, respectively. Petrobras has extended two ROV contracts for the ROVs on board Skandi Iguacu and Skandi Urca until end of 2018.

DOF Subsea has been awarded various contracts, securing utilisation in the Subsea IRM Projects segment:
- In the Atlantic region, the contracts for Skandi Neptune and Skandi Constructor have been extended until the beginning of April and end of February 2018.
- Skandi Skansen's contract with TechnipFMC has been extended, and the vessel has further been awarded a new contract securing high utilisation for the vessel the first four months of the year.
- In the Brazil region, Skandi Salvador has been awarded a short-term contract with Saipem.
- In the Asia Pacific region, an IRM frame agreement has been extended by one year, under which Skandi Singapore has been awarded 30 days of work in Q1 2018 with potential for additional scope.
- In the North America region, Harvey Deep Sea and Skandi Achiever have been awarded short-term contracts securing utilisation in Q1 2018.

DOF and Petrobras have agreed an extension of approximately 265 days for the Skandi Admiral with start-up in 9 June 2018, hence the vessel is firm until 28 February 2019.

DOF has been awarded a Framework Agreement with Statoil for Skandi Vega. The firm period is for 1 year with 120 days guaranteed, in addition there are 2 x 6 months options. Commencement will be in May, in direct continuation of the current contract.

New shares

Subsequent Offering
A subsequent offering of NOK 202 million has been completed in February, by issuance of 336,666,667 new shares at NOK 0.60 per share.

36 Foreign exchange rates

DOF ASA bases its accounting on the reference exchange rates applied by Norges Bank.

As of 31.12, the following exchange rates were applied:

	2017	2016
US Dollar	8.2050	8.6200
Euro	9.8403	9.0863
GBP	11.0910	10.6130
AUD Dollar	6.4123	6.2252
Brazilian Real	2.4769	2.6487
Singapore dollar, SGD	6.1410	5.9645

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DOF ASA

Statement of Comprehensive Income

Amounts in NOK million	Note	2017	2016
Operating income	2	155	209
Payroll expenses	3	-53	-49
Other operating expenses	4, 16, 18	-80	-74
Gain on sale of tangible assets	7	15	-
Operating expenses		-118	-123
Operating profit before depreciation - EBITDA		37	87
Depreciation	7	-27	-30
Impairment	7	-29	-28
Operating profit - EBIT		-20	29
Finance income	5	90	1 196
Finance costs	5	-1 346	-724
Realised gain/loss on currencies	5	16	-6
Unrealised gain/loss on currencies	5	-17	38
Net change in unrealised gain/loss on derivatives	5	10	24
Net financial items	5	-1 247	527
Profit (loss) before taxes		-1 267	556
Tax income (expense)	6	6	10
Profit (loss) for the year		-1 261	566
Other comprehensive income, net of tax			
Defined benefit plan actuarial gains/losses		-	-
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		-1 261	566

DOF ASA

Statement of Financial Position

Amounts in NOK million	Note	31.12.2017	31.12.2016
Assets			
Tangible assets	7	-	801
Investments in subsidiaries	5, 8	6 451	6 268
Investments in joint ventures and associated companies	5, 9	9	94
Intragroup non-current receivables		379	472
Other non-current receivables and investments		69	3
Non-current assets		6 907	7 639
Trade receivable	10, 15	46	55
Current receivables group companies		-	1
Other receivables	11, 15	47	30
Current receivables		93	86
Restricted deposits		1	1
Cash and cash equivalents		794	704
Cash and cash equivalents included restricted deposits	15	795	705
Current assets		889	791
Total assets		7 796	8 430

DOF ASA

Statement of Financial Position

Amounts in NOK million	Note	31.12.2017	31.12.2016
Equity and liabilities			
Share capital		1 276	751
Share premium		2 117	1 925
Other equity		3 016	4 501
Equity		6 409	7 176
Debt to group companies	12, 15	450	450
Non-current derivatives	14, 15	18	25
Deferred tax	6	16	23
Other non-current liabilities	3	23	2
Non-current liabilities		507	499
Current debt to credit institutions	12, 15	400	-
Trade payables	15	30	26
Debt to group companies		393	715
Other current liabilities	13, 15	57	13
Current liabilities		880	754
Total liabilities		1 387	1 254
Total equity and liabilities		7 796	8 430

Storebø, March 23rd, 2018
The Board of Directors for DOF ASA

Helge Møgster
Chairman

Helge Singelstad
Deputy Chairman

Marianne Møgster
Director

Frederik W. Mohn
Director

Kathryn M. Baker
Director

Mons S. Aase
CEO

DOF ASA

Statement of Changes in Equity

Amounts in NOK million	Share capital	Share premium	Paid-in capital	Other contributed capital	Retained earnings	Other equity	Total equity
Balance at 01.01.2017	751	1 925	2 675	493	4 008	4 501	7 176
Profit (loss) for the year					-1 261	-1 261	-1 261
Other comprehensive income net of tax					-	-	-
Total comprehensive income for the year	-	-	-	-	-1 261	-1 261	-1 261
Converted bond	109	109	218	-218	-	-218	-
Share issue settled in cash	417	83	500	-	-6	-6	494
Total transactions with owners	525	192	718	-218	-6	-224	494
Balance at 31.12.2017	1 276	2 117	3 393	276	2 741	3 016	6 409
Balance at 01.01.2016	222	1 230	1 452	-	3 291	3 291	4 743
Profit (loss) for the year					566	566	566
Other comprehensive income net of tax					-	-	-
Total comprehensive income for the year	-	-	-	-	566	566	566
Reduced share capital with reduced nominal value	-167	-	-167	-	167	167	-
Convertible bond	-	-	-	824	-	824	824
Converted bond	165	165	330	-330	-	-330	-
Share issue settled in cash	530	530	1 060	-	-16	-16	1 044
Total transactions with owners	529	695	1 224	493	151	644	1 868
Balance at 31.12.2016	751	1 925	2 675	493	4 008	4 501	7 176

DOF ASA

Statement of Cash flows

Amounts in NOK million	Note	2017	2016
Operating profit		-20	29
Depreciation and impairment	7	57	58
Gain on sale of tangible asset		-15	-
Change in trade receivables		9	-4
Change in trade payables		4	3
Change in other working capital		-8	5
Foreign exchange losses/gains		-	-1
Net other financial income/cost		2	-
Cash from operating activities		28	89
Interest received		50	73
Interest paid		-34	-183
Tax paid		-	-
Net cash from operating activities		44	-21
Payments received on sale of tangible assets		-	-
Purchase of tangible assets		-	-
Purchase of share		-507	-2
Payments received on non-current receivables intragroup		35	633
Payments received on non-current receivables		-	32
Dividend received from subsidiaries		25	52
Payments other non-currrent intragroup balances		-15	
Payments other non-currrent receivables		-81	-
Net cash used in investing activities		-543	715
Proceeds from borrowings	12	400	450
Repayment of borrowings		-	-2 031
Share issue		494	1 044
Purchase of convertible bond		-	-209
Net change intragroup balances "cash pool"	12	-321	575
Net cash flow from financing activities		573	-171
Net changes in cash and cash equivalents		74	523
Cash and cash equivalents at the start of the period		705	202
Exchange gain/loss on cash and cash equivalents		16	-19
Cash and cash equivalents at the end of the period		795	705

DOF ASA

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Notes to the Financial Statements

1 Accounting principles

The financial statements for DOF ASA have been prepared and presented in accordance with simplified IFRS pursuant of the Norwegian Accounting Act and are based on the same accounting principles as the Group statement with the following exceptions:

Investments in subsidiaries, joint venture and associates
Investments are based on the cost method.

Dividends
Dividends and Group contributions are accounted for according to good accounting practice as an exemption from IFRS.

For further information, reference is made to the consolidated accounts.

2 Operating income

	2017	2016
Sales income	127	145
Other operating income	28	64
Total	155	209

3 Payroll and number of employees

	2017	2016
Salary and holiday pay	-14	-12
Hired personnel	-37	-36
Employer's national insurance contribution	-2	-2
Reinvoices salary costs	3	5
Pension costs	-1	-1
Other personnel costs	-3	-4
Total	-53	-49
No man-years employed in financial year	6	60

Government grants related to the net salary scheme for vessels are reported as a reduction in payroll costs of NOK 9 million (NOK 9 million in 2016).

Pension cost above include defined benefit pension plan and defined contribution pension plan. Both the benefit pension plan and the contribution plan are with an external life insurance company. The company's pension schemes meet the requirements of the law on compulsory occupational pension.

Defined benefit pension
DOF ASA has a company pension scheme with life insurance companies. As of 31 December 2017, DOF ASA defined pension benefit plan covered total 2 (2) active members.

The pension funds are placed in a portfolio of investments by insurance companies. The insurance company managers all transactions related to the pension scheme. Estimated return of pension funds is based on market prices on balance sheet date and projected development during the period in which the pension scheme is valid. The calculation of pension liabilities is based on assumptions in line with the recommendations. Actuarial gains and losses are expensed as incurred.

The Company's cost of defined pension plan in 2017 was NOK 0.5 million (NOK 0.7 million). Pension obligation as of 31 December 2017 was NOK 2 million (NOK 2 million).

DOF ASA

4 Other operating expenses

	2017	2016
Technical costs vessel	-32	-27
ROV hire	-23	-23
Other operating expenses	-26	-23
Total	-80	-74

5 Financial income and expenses

	Note	2017	2016
Income from subsidiaries		25	52
Interest income		24	50
Gain on conversion of bond loans (DOF09, DOF10, DOF11)		-	1 043
Other financial income		40	51
Financial income		90	1 196
Other interest expenses		-34	-176
Impairment financial assets	8, 9	-1 253	-538
Other financial expenses		-59	-9
Financial costs		-1 346	-724
Net gain/(loss) on currency derivatives		-1	-1
Net gain/(loss) on non-current debt		-	14
Net gain/(loss) on operational capital		17	-19
Realised foreign exchange gain		16	-6
Net unrealised gain/(loss) on non-current debt		-17	38
Net unrealised gain/(loss) on operational capital		-	-
Unrealised foreign exchange gain		-17	38
Net change in unrealised gain/loss on interest swap		10	20
Net change in unrealised gain/loss on currency derivatives		-	3
Net gain/loss on currency forwards contracts		10	24
Total		-1 247	527

DOF ASA

6 Tax

Tax consists of:	2017	2016
Tax payable	-	-
Change in deferred tax	6	10
Tax income (expense)	6	10
Reconciliation of nominal and effective tax rate		
Profit before tax	-1 267	556
Estimated tax income (expense) (24% / 25%)	304	-139
Tax effect of;		
Tax effect of non-taxable income and non tax-deductible costs	-6	-4
Tax effect of associated companies	303	114
Tax effect of other items	-1	-258
Adjustment previous year	2	-
Impact on change in tax rate	-1	-1
Tax income (expense)	6	10

The gross movement on the deferred income tax account is as follows;		
At 1 January	23	33
Income statement	-6	-10
Other comprehensive income	-	-
At 31 December	16	23

Basis of deferred tax	2017	2016
Fixed assets	-	454
Deferred capital gain	330	
Other differences (deferred capital gain etc)	-87	-42
Total temporary differences	243	413
Loss carried forward	-171	-318
Not included in deferred taxes		
Basis for calculation of deferred tax / deferred tax assets (-)	72	96
Total deferred tax / deferred tax assets (-) (23%/24%)	16	23
Gross deferred tax	-16	-23

DOF ASA

7 Tangible assets

2017	Vessels	Periodic maintenance	Operating equipment	Total
Acquisition cost as of 01.01.2017	977	51	4	1 032
Additions	-	-	-	-
Disposals	-977	-51		-1 028
Acquisition cost as of 31.12.2017	-	-	4	4
Depreciation as of 01.01.2017	170	29	3	203
Depreciation for the year	20	7	-	27
Depreciation on disposals for the year	-190	-37		-227
Depreciation 31.12.2017	-	-	3	3
Impairment 01.01.2017	28	-	-	28
Impairment	29			29
Imparment on disposals	-58			-58
Impairment 31.12.2017	-	-	-	-
Book value 31.12.2017	-	-	-	-
Depreciation period	30-35 years	30-60 months	5-15 years	
Depreciation method	*)	Straight line	Straight line	

2016	Vessels	Periodic maintenance	Operating equipment	Total
Acquisition cost as of 01.01.2016	977	51	4	1 032
Additions	0	0	-	-0
Disposals		-		-
Acquisition cost at 31.12.2016	977	51	4	1 032
Depreciation at 01.01.2016	148	22	3	173
Depreciation for the year	22	8	0	30
Depreciation on disposals in the year		-		-
Depreciation at 31.12.2016	170	29	3	203
Impairment 01.01.2016				
Impairment	28			28
Impairment 31.12.2016	28			28
Book value at 31.12.2016	779	21	0	801
Depreciation period	30-35 years	30-60 months	5-15 years	
Depreciation method	*)	Straight line	Straight line	

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

Disposals
DOF ASA has sold the vessels Skandi Vega and Skandi Caledonia to the subsidiary DOF Rederi AS. The disposal was done in December 2017 to market values. Net gain on sale of the vessels are NOK 15 million.

Impairment
DOF ASA has done impairment on Skandi Caledonia with NOK 29 million (NOK 28 million). The company has sold their vessels in December 2017 and do not have any vessels by year end 2017.

8 Investments in subsidiaries

Directly owned subsidiaries	Main business	Nationality	Registered office	Share capital	Ownership and voting share	Result for the year (100%)	Equity 31.12 (100%)	Carrying value 31.12
DOF Subsea AS	Shipowning/subsea eng.	Norway	Austevoll	1 674	64,9 %	-25	5029	3 477
DOF Rederi AS	Shipowning	Norway	Austevoll	203	100 %	-692	556	554
DOF Rederi III AS	Shipowning	Norway	Austevoll	-	100 %	-	-	-
DOF Management AS	Management	Norway	Austevoll	38	66 %	10	169	58
DOF UK Ltd.	Shipowning/management	Scotland	Aberdeen	-	100 %	-8	119	119
DOF Egypt	Management	Egypt	Cairo	3	100 %	-	4	3
Norskan AS	Shipowning/management	Norway	Austevoll	805	100 %	-436	2 255	2 233
Marin IT AS	IT services	Norway	Austevoll	16	40 %	1	26	6
PSV Invest II AS	Shipowning	Norway	Oslo	-	100 %	-1	-	-
DOF Offshore India Private Ltda	Management	India	Murbay	-	100 %	-	-	-
Total								6 451

Ownership in DOF Subsea AS has increased from 51% to 64,9% in December 2017.

Due to impairment indicators related to the DOF ASA's activity in general, impairment testing has been performed in order to calculate the recoverable amount for the company's investments in subsidiaries. Each subsidiary is a separate cash generating unit, which is tested separately for impairment. The recoverable amount is tested against book value for each subsidiary. In the event that the calculated recoverable amount is lower than book value of the investment, impairment is made to reflect recoverable amount.

Please see the Group's account for information about impairment testing of non-current assets.

The impairment tests have resulted in impairment of investments in subsidiaries with total NOK 1,063 million (NOK 230 million). See note 5.

9 Investments in joint venture and associates

Joint ventures

Joint venture	Main business	Nationality	Registered office	Share capital	Ownership and voting share	Result for the year	Equity 31.12 (100%)	Carrying value 31.12
DOF Deepwater AS	Shipowning	Norway	Austevoll	-	50 %	-422	-100	-
DOF Iceman AS	Shipowning	Norway	Austevoll	24	50 %	-46	-108	-
Total								-

Due to impairment indicators related to the DOF ASA's activity in general, impairment testing has been performed in order to calculate the recoverable amount for the company's investments in joint ventures and associated companies. Each joint ventures and associated company is a separate cash generating unit, which is tested separately for impairment. The recoverable amount is tested against book value for each investment. In the event that the calculated recoverable amount is lower than book value of the investment, impairment is made to reflect recoverable amount.

Please see the Group's account for information about impairment testing of non-current assets.

The impairment tests have resulted in impairment of investments in joint ventures with total NOK 161 million (NOK 295 million). In additon an impairment of NOK 18 million has been done on non-current receivables on joint ventures. See note 5.

Associated companies

Associated companies	Main business	Nationality	Registered office	Share capital	Ownership and voting share	Result for the year	Equity 31.12 (100%)	Carrying value 31.12
PSV Invest II IS	Shipowning	Norway	Oslo	108	14 %	-72	4	-
Iceman IS	Shipowning	Norway	Oslo	372	5 %	-109	126	3
Skandi Aukra AS	Shipowning	Norway	Oslo		34 %	1	18	6
Total								9

Impairment test of investment in associates has resulted in impairment of NOK 0 million (NOK 10 million). In addition an impairment of NOK 12 million has been done on non-current receivables on associated companies. See note 5.
Impairment test of other shares have resulted in reversal of impairment of NOK 1 million (NOK 2 million). Other shares are included in 'Other receivables and investments' and amounts to NOK 4 million at 31 December 2017.

DOF ASA

10 Trade receivables

	2017	2016
Trade receivable	21	28
Trade receivable to intragroup	25	27
Total	46	55

The company's credit exposure is mainly towards customers who historically have had good financial capability to meet their obligations and high credit rating. The company's credit risk to clients is considered low, however a recent decrease in oil-price and weaker markets could increase the risk and impact the clients rating going forward.

As of 31.12, the company had the following trade receivable which had matured, but not been paid.

	Total	Not matured	<30 d	30-60d	60-90d	>90d
2017	46	23	2	0	0	21
2016	55	32	3	1	3	17

Trade receivables elder than 90 days are mainly intragroup receivables.

11 Other current receivables

	2017	2016
Intragroup receivables	12	9
Pre-paid expenses	-	5
Fuel and other inventory	8	14
Other current receivables	26	2
Total	47	30

12 Interest bearing liabilities

Bond loans

DOF ASA replaced its remaining three bond loans with a 5-year convertible bond in 2016 in connection with refinancing of the Company. The convertible bond has zero coupon and no financial covenants. The bondholders may convert their bonds to shares at NOK 1 per share through the tenor of the loan. On the final maturity date the remaining bonds will automatically be converted to shares. The convertible bond loan has since registration been classified as other equity. The initial value of the bond loan was NOK 1,032.5 million and outstanding by 31.12.2017 is NOK 276 million. The bond is trading on the Oslo Stock Exchange, last trade price was NOK 57.50.

Non-current liabilities to credit institutions

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

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

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

Per 31 December 2017 DOF Group's book equity is NOK 7,342 million and free liquidity (excl. DOF Subsea AS and subsidiaries) is NOK 1,058 million. The Group is in compliance with it's financial covenants as of 31 December 2017.

12 Interest bearing liabilities (continued)

Non current interest bearing liabilities	2017	2016
Debt to group companies	450	450
Total non current interest bearing liabilities	450	450
Overdraft facilities	400	-
Debt to group companies**)	381	687
Total current interest bearing liabilities *)	781	687
Total interest bearing liabilities	1 231	1 137
Average rate of interest	6.91 %	6.27 %

*) Accrued interest is not included in interest bearing liabilities

**) Current debt to group companies equals cash drawn in Group cash pool

Instalment, balloons and interest profile	2018	2019	2020	2021	2022	Subsequent	Total
Debt to group companies	381	-	-	450	-	-	831
Overdraft facilities	400	-	-	-	-	-	400
Total instalments and balloons	781	-	-	450	-	-	1 231
Calculated interest profile	18	19	20	22	-	-	79
Total instalments, balloons and interest	799	19	20	472	-	-	1 310

The revolving credit facility matures in June 2021, but has a clean down mechanism every 180 days.

Secured liabilities	2017	2016
Debt to credit institutions	400	-
Total liabilities secured by mortgage	400	-

Assets provided as security *)		
	2017	2016
Tangible assets	-	801
Investment in subsidiary/Net asset pledged consolidated **)	2 218	
Total assets provided as security	2 218	801

*) The Company's assets are pledged as security for a mortgage loan in DOF Rederi AS.

**) The shares in Norskan Offshore SA was pledged against overdraft facility in DOF ASA. Norskan Offshore SA is wholly owned by Norskan AS. See note 8.

DOF ASA

13 Other current liabilities

	2017	2016
Current derivatives	1	3
Guarantee commitment *)	50	
Other current liabilities	6	10
Total	57	13

*) Classified as current liability as DOF ASA has issued a guarantee on behalf of DOF Deepwater AS, which has a negative equity at 31 December 2017.

14 Hedging activities

As of 31 December 2017, DOF ASA had 3 interest rate swaps to manage interest risk by converting rates on interest bearing liabilities from floating to fixed interest.

The table below displays the fair value of obligations and rights as of 31 December 2017.

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	-	18	-	28
Foreign exchange contracts	-	-	-	-
Total	-	18	-	28
Interest rate swaps	-	17	-	25
Non-current portion	-	17	-	25
Current portion	-	1	-	3

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

Interest rate derivatives

As of 31.12 the company held the following interest rate derivatives:

Instrument	Fixed rate	Floating rate	Notional amount	Effective from	Maturity date
31.12.2017					
Interest rate swap - NOK	1.61% - 4.12%	Nibor 3m - 6m	600	2013-2014	2017-2019
31.12.2016					
Interest rate swap - NOK	1.61% - 4.12%	Nibor 3m - 6m	900	2012-2014	2017-2019
Interest rate swap - USD	1.15%	Libor 6m	26	2 012	2017

Derivatives are settled at various dates during the next 12 months. Gains and losses recognised in interest rate swaps as of 31 December 2017 are recognised in the income statement in the period or periods during which the transaction affects the income statement.

Foreign exchange derivatives

As of 31.12 the company had no foreign exchange rate derivatives.

15 Financial assets and liabilities: Information on the balance sheet

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

31.12.2017

	Financial instruments at fair value through income statement	Financial liabilities measured at amortised cost	Deposits and receivables	Total
Assets				
Financial investments	4			4
Intragroup non-current receivables			379	379
Other non-current receivables			65	65
Trade receivable			46	46
Other current receivables			39	39
Cash and cash equivalents			795	795
Total financial assets	4	-	1 324	1 328
Liabilities				
Current bond loans and debt to credit institution		400		400
Debt to Group companies		450		450
Non-current derivatives	18			18
Current derivatives	1			1
Trade payables and other current liabilities		480		480
Total financial liabilities	18	1 330	-	1 348
Total financial instruments	-18	-1 330	1 328	-20

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

31.12.2016

	Financial instruments at fair value through income statement	Financial liabilities measured at amortised cost	Deposits and receivables	Total
Assets				
Financial investments	3			3
Intragroup non-current receivables			472	472
Trade receivable			55	55
Current receivables group companies			1	1
Other current receivables			15	15
Cash and cash equivalents			705	705
Total financial assets	3	-	1 248	1 251
Liabilities				
Debt to Group companies		450		450
Non-current derivatives	25			25
Current derivatives	3			3
Trade payable and other current liabilities		751		751
Total financial liabilities	28	1 201	-	1 229
Total financial instruments	-25	-1 201	1 248	22

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

DOF ASA

16 Remuneration to auditor

Specification of auditor's fee (amount in TNOK):	2017	2016
Audit	1 286	2 577
Tax consultation	-	-
Fee for other services	143	441
Total	1 429	3 018

All amounts in the table are excl VAT.

17 Guarantee commitments

On a general basis DOF ASA has issued guarantees to financial institutions on behalf of its wholly owned subsidiaries on maritime mortgages/loans.

DOF ASA has in some cases issued guarantees on behalf of partly owned subsidiaries. DOF ASA has guarantee commitments on behalf of the following partly owned companies as per 31.12.2017:
- DOFCON Navegacao Ltda.: Guarantee in favor of BNDES. Total amount USD 115 million.
- DOF Deepwater AS: Guarantee in favor of the company's lenders. Total amount NOK 503 million.
- Iceman AS: Guarantee in favor of the company's lender. Total amount NOK 420 million. 50% of the commitment is counter guaranteed by Vard Group.
- LOS Shipping I AS: Agreement whereby DOF ASA guarantees coverage of opex and interest for a period of time, in return for a purchase option.
- LOS Shipping II AS: Agreement whereby DOF ASA guarantees coverage of opex and interest for a period of time, in return for a purchase option.

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

18 Related parties

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

Long-term agreements:

Møgster Mohn Offshore AS owns 59.02 % of the shares in DOF ASA at year end 2017 (please see note 20). Laco AS is the main shareholder of Møgster Mohn Offshore AS. Møgster Management AS provides administrative shared services to DOF ASA. Møgster Management AS is owned by Laco AS. Adminstration fee for 2017 is NOK 3 million (NOK 3 million).

Individual transactions:

Guarantee

DOF ASA has issued a guarantee in the maximum amount of NOK 420 million (NOK 429 million) on behalf of Iceman AS in favor of DNB ASA. Guarantee income in 2017 was NOK 5 million (NOK 8 million). Iceman AS is owned with 40% by DOF Iceman. DOF ASA and Vard ASA are owners with 50% each in DOF Iceman AS. In addition DOF ASA owns 5% in Iceman AS.

Loans to joint venture

DOF ASA has provided loans to joint ventures in the amount of NOK 78 million (NOK 107 million).

Information about transactions with related parties do not include transactions with companies in the DOF Group.

19 Contingencies

DOF ASA is not involved in any ongoing court cases as of 31 December 2017.

20 Subsequent events

New shares

Subsequent Offering

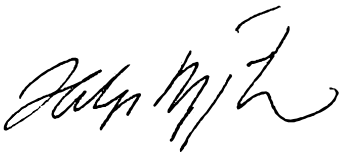
A subsequent offering of NOK 202 million has been completed in February, by issuance of 336,666,667 new shares at NOK 0.60 per share.

DOF ASA

Confirmation from the Board of Directors and CEO

We confirm, to the best of our knowledge, that the financial statements for the period January to 31 December 2017 has been prepared in accordance with approved accounting standards, and gives a true an fair view of the Company's consolidated assets, liabilities, financial position and result of the operations and that the Report of Board of Directors provides a true and fair view of the development and performance of the business and the position of the Group and the Company together with a description of the key risks and uncertainty factors that the Company is facing.

Storebø, March 23rd, 2018
The Board of Directors for DOF ASA



Helge Møgster
Chairman



Helge Singelstad
Deputy Chairman



Marianne Møgster
Director



Frederik W. Mohn
Director



Kathryn M. Baker
Director



Mons S. Aase
CEO

To the General Meeting of DOF ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of DOF ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the financial position as at 31 December 2017, and statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the financial position as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to § 3-9 of the Norwegian Accounting Act.
- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Groups business activities are largely unchanged compared to last year. However, since the market conditions are still challenging and there is continues price pressure within the industry, we

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Independent Auditor's Report - DOF ASA

have added Liquidity and compliance with loan covenants and Recoverability of deferred tax assets to our list of focus areas in addition to Impairment assessment of vessels and vessel related equipment and Impairment of goodwill which also was on the list last year.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of vessel and vessel related equipment (See also note 2, 4 and 14) DOF ASA Group has vessels and vessel related assets with a carrying amount of NOK 20 667 million at 31 December 2017. In line with the Group's accounting policy for impairment of non-financial assets, as disclosed in Note 2 and 4, the Board of Directors has assessed that there were impairment indicators present for the Group's vessels as of 31 December 2017 and has carried out an impairment assessment. Based on the results of the impairment assessments carried out, an impairment charge of NOK 1 135 million was recognised in 2017 resulting in the carrying amount of certain vessels impacted being written down to their recoverable amount. For the remaining vessels, management concluded that the recoverable amount was higher than their carrying amounts. We focused on this area because vessels and vessel related equipment constitute a significant share of the total assets in the Group, and because the assessment of the recoverable amount is complex and involves significant management judgement. Value-in-use ("VIU") of the vessels was estimated using discounted cash flows for each vessel. Each individual vessel was assessed as a separate cash generating unit. Significant judgement was related to management assumptions such as utilisation, charter hire rates, operating expenses and discount rates. Fair value less costs to sell was estimated by obtaining professional valuations for each vessel from two well-reputed and	We obtained management's impairment model and considered whether the model contained the elements and methodology IFRS require from such models. We found the model to be in accordance with our expectations. We challenged management's key assumptions such as the projected utilisation of vessels, daily income, daily operating expenses and discount rates, and compared it to historical performance, management's internal forecasts and long term strategic plans that were approved by the Group's Board of Directors. We considered publicly available information about macroeconomic assumptions relevant to the industry, and considered whether the assumptions where consistent with management assumptions and what we know about DOFs business. We found management's assumptions to be reasonable. To consider the reliability of management forecast, we compared previous year's estimates to historical performance. We considered whether deviations from the budget had reasonable explanations. We assessed the discount rate by comparing the key components used with external market data. We considered that the discount rates were within an appropriate range. We evaluated the competence and objectivity of the external brokers used by the Group. The range of values derived from the two independent brokers were compared with the VIU estimates. We considered the appropriateness and reliability of the fair value estimates from the external brokers. We were able to conclude that the broker estimates were appropriate as audit evidence. However, for some of the vessel categories we observed a larger spread in the broker estimates compared to previous years, which indicate that uncertainty in valuations may have increased. We lastly evaluated the adequacy of the disclosures made in Notes 4 and 14, including those regarding the key assumptions and sensitivities and found that disclosures appropriately explained management's valuation process



independent brokers.

The risks related to valuation of the company's vessels and vessel related equipment is considered to be high due to the challenging market conditions.

Refer to Note 14 – Tangible assets of the financial statements.

and the uncertainties inherent in some of managements assumptions.

Impairment of Goodwill

(See also note 2, 4 and 13)

DOF ASA Group had a goodwill of NOK 324 million as of 31 December 2017. Goodwill with an indefinite useful life is subject to impairment assessments annually. The Board of Directors have assessed that there were impairment indicators present for the Group's goodwill as of 31 December 2017. With the exception of the CSL business, management concluded that the recoverable amount of goodwill exceeds the carrying amount. Consequently, an impairment was recognised in 2017 with NOK 11 million for the CSL business. The remaining goodwill is related to the Subsea segment as a joint cash generating unit ("CGU").

We focused on this area because estimating the recoverable amount involves significant management judgement. Management judgement was mainly related to future cash flow estimates for the Group's Subsea segment, the estimated growth rate used in the income projections, the EBITDA margin, and the discount rate.

We refer to disclosures in Note 4 and 13 to the financial statements.

We reviewed management impairment assessment of goodwill. Our procedures in relation to evaluate management's impairment assessment included assessing the valuation methodology, challenging the reasonableness of key assumptions based on our knowledge of the business and industry, and reconciling input data to supporting evidence, such as approved budgets and business plans, and considering the reasonableness of these budgets compared to historical performance. We also assessed the discount rate by comparing the key components used with external market data. We considered that the discount rates were within an appropriate range.

We found the assumptions made by management to be reasonable based on our knowledge and available evidence. However, we observed that the value of goodwill may be highly sensitive to even minor changes to key assumptions in the cash flows.

Recoverability of Deferred Tax Assets

(See also note 2, 4 and 11)

In their balance sheet, DOF ASA Group has recognised a deferred tax asset with NOK 715 million. The deferred tax assets are mainly related to the Group's

Our audit procedures include obtaining an understanding of the tax positions within the Group, and relevant communication between the Group and taxation authorities regarding taxable positions in the different jurisdictions.



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operations in Brazil, Norway and Australia.

We identified recoverability of deferred tax assets as a key audit matter because recognition of them involve significant judgement and the complexity related to the valuation. Judgement related to the likelihood of realisation of these assets is based on a number of factors, including whether there will be sufficient taxable profits in future periods to support recognition.

Management has supported the recoverability of deferred tax assets mainly with taxable income projections that contain estimates of and tax strategies for future taxable income. Estimates of future taxable income are based on the forecast of cash flows from operations, the reversal of temporary differences and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be affected.

We compared management's forecasts of future profits to historical results and evaluated the assumptions used in those forecasts. We discussed the model with management and Board of Directors and challenged the use of key assumptions, such as revenue growth and margin development. We also assessed the historical performance against approved budget and business plans per jurisdiction to support the reliability of future cash flow projections.

We have assessed the basis of accounting for recognised deferred tax assets based on our knowledge of the tax environment in which the Group operates. We also assessed the cash flow projections used in forecasting future taxable income and the reversal of temporary differences. We found that the assumptions and estimates were within an acceptable range and that the disclosures were appropriate.

Liquidity and compliance with loan covenants

(See also note 3)

We focused on this area due to the size of borrowings in the Group, the potential impact non-compliance with loan covenants may have on the financial statements, and the level of management judgement involved in assessing compliance.

The loan agreements require the Group to comply with certain financial covenants. If any of the debt covenants are infringed, this could, depending on the terms of each loan agreement, constitute an event of default. This can allow the lender to accelerate repayment or the Group would

We have performed procedures to understand the Group's review processes related to loan covenants and liquidity forecasts. We reviewed the loan agreements and discussed the conclusions reached by the Board of Directors. We found that the Group was compliant with its loan covenants at 31 December 2017.

When considering the liquidity and compliance with loan agreements, the Group has, among other things, prepared a liquidity forecast based on cash flow projections for 2018 on a monthly basis, prepared plans to mitigate potential shortfalls in the liquidity forecast, and assessed the risk of infringing any loan covenants.

The cash flow projections include assumptions regarding cash generated from operations, scheduled investments and debt repayments. We compared the assumed cash flows with the business plan approved by the Board, and tested key assumptions to underlying documentation



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need to take actions to remedy the infringement.

The Group has refinanced the debt in certain subsidiaries in 2016 and 2017 resulting in new terms and conditions, including financial covenants. The most important covenants are related to minimum unrestricted cash, book equity, value-adjusted equity, and market value to loan ratios (LTV) for the Groups vessels.

As at 31 December 2017, the Group was in compliance with all its debt covenants (refer to Note 22).

With the current market conditions and continued price pressure within the industry, there is an increased risk related to cash flow forecasts and fair market value of vessels, which could impact compliance with loan covenants.

and external data where applicable.

We have assessed and discussed the plans to mitigate potential liquidity shortfalls with management and the Board of Directors. The cash flow projections shows compliance with the loan covenants for the next twelve months. However, the challenging market conditions recent years have reduced the headroom. We note that both cash flows and fair market value of vessels may be negatively affected by a continued downturn in the global offshore market. This could have an impact on compliance with loan covenants going forward.

Finally, we satisfied ourselves of the appropriateness of disclosures related to loan covenants in the notes to the financial statements.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, Corporate Governance and Business overview, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss 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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 23 March 2018

PricewaterhouseCoopers AS

Sturle Døsen

State Authorised Public Accountant

Appendix

Performance measurements definitions

DOF ASA financial information is prepared in accordance with international financial reporting standards (IFRS). In addition DOF ASA discloses alternative performance measures as a supplement to the financial statement prepared in accordance with IFRS. Such performance measures are used to provide an enhanced insight into the operating performance, financing and future prospects of the company and are frequently used by securities analysts, investors and other interested parties.

The definitions of these measures are as follows:

Financial reporting - Financial Reporting according to IFRS.

Management reporting - Investments in joint ventures (JV) is consolidated on gross basis in the income statement and the statement of financial position. See the Group Accounts note 5 for presentation the bridge between the management reporting and the financial reporting.

EBITDA - Operating profit (earnings) before depreciation, impairment, amortisation, net financial costs and taxes is a key financial parameter. The term is useful for assessing the profitability of its operations, as it is based on variable costs and excludes depreciation, impairment and amortise costs related to investments. Ebitda is also important in evaluating performance relative to competitors.

Underlying EBITDA - Ebitda as described above adjusted for hedge accounting of revenue.

	2017	2016
EBITDA	2 287	2 986
Hedge	-171	-207
EBITDA before hedge	2 458	3 193

EBIT - Operating profit (earnings) before net financial costs and taxes.

Interest bearing debt - Total of non-current and current borrowings.

	2017	2016
Bond loans (non-current)	1 914	1 297
Debt to credit institutions (non-current)	15 029	16 729
Current bond loan and debt to credit institutions	2 235	1 805
Total bond loan and debt to credit institutions	19 178	19 830
Accured interest expenses	-138	-144
Total interest bearing liabilities	19 040	19 686

Net interest bearing debt - Interest bearing debt minus current and non-current interest-bearing receivables and cash and cash equivalents. The use of the term “net debt” does not necessarily mean cash included in the calculation are available to settle debts if included in the term. See the Groups Accounts note 22 for presentation of net interest bearing debt.

Debt ratio - Net interest bearing debt divided on total equity and debt.

Utilisation of vessel - Utilisation of vessel numbers is based on actual available days including days at yard for periodical maintenance, upgrading, transit or idle time between contracts.

Contract coverage - Number of future sold days compared with total actual available days excluded options.

Contract Backlog - Sum of undiscounted revenue related to secured contracts in the future and optional contract extensions as determined by the client. Contract coverage related to master service agreements (MSA`s) within the Subsea segment, includes only confirmed purchase order.

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Glossary

AUV:	Autonomous Underwater Vehicle
CAGR:	Compound Annual Growth Rate
CAPEX:	Capital Expenditure
CSV/Subsea	Construction Support Vessels and Subsea vessels
DNV-GL:	Det Norske Veritas. Classification company. Controlling and approving the vessels technical condition, security and quality according to the company's own rules and the national laws
DP:	Dynamic Positioning
EBIT:	Operating Profit
EBITDA:	Operating Profit before Depreciation
E&P:	Exploration & Production
EPIC:	Engineering, Procurement, Installation & Commissioning
FPSO:	Floating Production Storage and Offloading
GOM:	Gulf of Mexico
GRI:	Global Reporting Initiative
HR:	Human Resources
HSEQ:	Health, Safety, Environment and Quality
IFRS:	International Financial Reporting Standards
IMCA:	International Marine Contractors Association
IMR:	Inspection, Maintenance and Repair
IOC:	International Offshore Company
ISM:	International Safety Management Code
ISO:	International Standards Organisation
ISPS:	International Ship and Port Facility Security Code. International framework to detect/ assess security threats and take preventive measures against security incidents affecting ships or port facilities used in international trade
LNG:	Liquefied Natural Gas
MLC:	Maritime Labour Convention
NIBOR:	Norwegian Interbank Offered Rate
NIS:	Norwegian International Ship Register
NOR:	Norwegian Ordinary Ship Register
OHSAS:	Occupational Health & Safety Advisory Services
OSCV:	Offshore Subsea Construction Vessel
PLSV:	Pipelaying Support Vessel
ROV:	Remote Operated Vehicle
SEMS:	Safety and Environmental Management Systems
STCW:	Standards of Training, Certification and Watch keeping
SURF:	Subsea, Umbilicals, Risers & Flowlines
T&I:	Transportation & Installation
Time Charter Party (TC):	Contract for Chartering a Vessel
UDW:	Ultra Deep Water
VAE:	Value Adjusted Equity

Colophon

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