

YEAR OF THE SHIPS

ANNUAL REPORT 2010

DOF ASA



DOF
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#### **DOF focus areas:**

- Focus on high quality and cost effective operations in order to further develop our position as a leading global supplier of offshore services.
- Focus on human resources through recruitment and training of highly skilled employees.
- Focus on the environment and initiatives towards technical systems for environmentally-friendly vessel concepts.
- Focus on a balanced chartering strategy with an emphasis on long-term contract coverage, in order to ensure a conservative risk profile and satisfactory cash flow.



### 30 years into the DOF story

The DOF adventure started at Austevoll, Norway in 1981. DOF was founded with the aim to be a leading participant in the growing North Sea offshore industry. The business concept was based on a long-term strategy to provide a modern fleet of offshore vessels, and to engage these vessels on long-term contracts. 30 years have passed. We now operate with offices and vessels all over the world.

The primary vision remains the same, but the services offered to the market are more complex, diversified and on a global scale. We are always looking for new and profitable markets, innovative vessel designs and better, safer and more efficient ways to solve our operations. We understand that the success of tomorrow depends on our dedication and commitment today, and we are always ready for new challenges.



8th of September Skandi Aker was declared Ship of the Year 2010 by the Norwegian State Secretary Rikke Lind at the SMM2010 trade show in Hamburg. The prestigious SHIP OF THE YEAR-award is instituted by the major Nordic shipping magazine «Skipsrevyen».



## Content:

|                                                             |      |    |                                                  |      |     |
|-------------------------------------------------------------|------|----|--------------------------------------------------|------|-----|
| Ship of the year                                            | Page | 05 | Shareholder's information                        | Page | 50  |
| Highlights                                                  | Page | 06 | Analytical information                           | Page | 54  |
| Key Figures                                                 | Page | 09 | Corporate Governance                             | Page | 56  |
| Setting the standard                                        | Page | 11 | The Board                                        | Page | 62  |
| This is DOF ASA                                             | Page | 12 | Report of the Board of Directors                 | Page | 63  |
| Setting the standard in Brazil                              | Page | 14 | Statement of comprehensive income                | Page | 69  |
| Setting the standard in the Atlantic                        | Page | 20 | Balance sheet                                    | Page | 70  |
| Setting the standard in Asia/Pacific                        | Page | 26 | Statement of change in equity                    | Page | 72  |
| Health, safety, environment and quality                     | Page | 30 | Statement of cashflow                            | Page | 74  |
| Human resources                                             | Page | 35 | Notes to the accounts                            | Page | 75  |
| Setting the standard for offshore vessels (the fleet)       | Page | 36 | Confirmation from the Board of Directors and CEO | Page | 111 |
| Setting the standard for the next generation (newbuildings) | Page | 42 | Auditor's report                                 | Page | 112 |
| The market                                                  | Page | 47 | Contact info                                     | Page | 115 |

## “SHIP OF THE YEAR”

Skandi Aker is built according to the STX Europe OSCV 06 L design. The vessel is capable of performing well intervention operations at water depths up to 3,000 meters, while other existing well-intervention vessels are limited to about 800 meters depth.

Skandi Aker is the first intervention vessel to classify according to DNV's WELL-Notation, meaning the vessel is able to take hydrocarbons up on deck. As a result, the vessel can perform well-testing and clean-up, flaring off hydrocarbons through a flare at the stern. The vessel can also perform through-tube rotary drilling with coil and downhole motor, and managed pressure drilling.

Skandi Aker is the largest monohull subsea well intervention vessel built so far, with large deck space, heavy capacity subsea cranes, excellent sea-keeping performance, all interventions on DP and high transit speed. The vessel is equipped with a Module Handling System and a 400 tons AHC crane.

The vessel has a diesel electric propulsion system, and her dimensions are impressive: 156.9m l.o.a., 27m breadth and depth moulded of 12m. The deck measured about 2,100 m<sup>2</sup> prior to installation of the rucker deck and derrick.

Skandi Aker is able to perform deepwater well intervention services that oil companies previously needed drilling rigs to conduct. More importantly she will do it quicker and at a fraction of the cost.

This free up scarce and expensive rig time allows the rigs to perform more drilling operations while Skandi Aker carry out the intervention work.

One reason why the oil majors give cost effective well intervention high priority is the increasing number of subsea wells in production, particularly in deep and ultra-deep waters. According to the market intelligence company Quest Offshore Resources Inc. 95% of the future subsea wells will be found on water depths deeper than 500 meters. A second reason is the additional oil and gas resources that can be extracted from the reservoirs. Currently the exploiting ratio from subsea wells is 30 to 40% lower than equivalent platform wells. Of approx. 5,000 already installed subsea wells are 3,330 still in production. But with an average life cycle of only seven years the inevitable drop in production will create a need for cost effective intervention solutions in order to increase the exploitation degree.





# 2010 HIGHLIGHTS

## 1st quarter

DOFCON, a subsidiary of DOF Subsea AS, took delivery of Skandi Aker in January. The vessel started on a long-term contract for Aker Oilfield Services the 1st of February.

Skandi Santos started on a 5+5 year contract for Aker Oilfield Services/Petrobras in February.

DOF Subsea sold Geo Challenger to a subsidiary of CGG on the 17th of February.

Skandi Emerald won a long-term contract for OGX the 23rd of February.

Skandi Stolmen started a 3-years contract for Petrobras in March after completion of a rebuild in Norway.

DOF Rederi AS acquired Skandi Olympia and started a contract for Fugro Rovtech in March.

Norskan applied for a listing at the stock exchange in Sao Paulo, Brazil the 8th of March.

## 2nd quarter

DOF Installer ASA carried out an equity increase of NOK 150 million and issued 7,500,000 new shares the 7th of April.

DOF ASA took delivery of a large AHTS, Skandi Vega, on the 10th of May and the vessel started its 5 years contract for Statoil.

10th of May, DOF Subsea signed a 4-years B/B contract for Skandi Bergen in Australia. The vessel was renamed "Ocean Protector".

18th of May, DOF Subsea agreed to an extension of a contract with Subsea7 with a 3-years + 3 x 1 year option for Skandi Neptune.

The first new-build owned by Aker DOF Deepwater, Skandi Emerald, was sold to Vietsovetropetro 19th of May.

Norskan was awarded two 4-year contracts with Petrobras for the Skandi Giant and the Skandi Admiral 10th of June.

25th of June DOF Subsea acquired SWG Offshore, an engineering company in Australia.

Norskan Offshore SA was approved as a public company in Brazil.

## 3rd quarter

DOF ASA issued an unsecured 3-years bond of NOK 950 million 12th of July.

13th of July an agreement was made to sell one newbuilding contract at the Cochin Shipyard in India to a Norwegian company.

Vessel no 1 for DOF Installer, Skandi Skolten, was delivered from the yard in July.

The 2nd of August Norskan signed four 8-year contracts for Petrobras. These contracts represent a gross value of

approx NOK 5,2 billion and are the largest contracts DOF group has ever achieved from one client.

Norskan contracted two newbuildings from STX Promar in Brazil on the 11th of August, with delivery in 2012 and 2013 for the new contracts awarded from Petrobras.

25th of August, DOF signed a LOI for a new 15-year contract with Total in Argentina for the vessel Skandi Patagonia.

8th of September, Skandi Aker was elected ship of the year for 2010. This vessel is the first well intervention vessel for DOF Subsea and is the most advanced vessel within its segment.

Skandi Stord extended its contract with Statoil with two years the 29th of September.

## 4th quarter

Norskan contracted one AHTS vessel (AH 11) from STX in Brazil the 1st of October. This is vessel number three in a series of large AHTS vessels.

1st of October DOF Subsea AS issued an unsecured 3,5-years bond loan of NOK 750 million.

Skandi Vitoria was delivered and went on-hire to Petrobras early October. The vessel is the first PLSV ever built in Brazil and represents an important milestone for the DOF Group's expansion plans in Brazil. The vessel is owned 50/50 with Technip.

The 18th of October DOF Subsea/Norskan won three 5-year contracts for RSV vessels in Brazil, with start-up in 2011 and 2012.

The 18th of October DOF ASA decided to postpone the stock exchange listing of Norskan in Brazil.

The 2nd of November DOF Installer ASA carried out a share issue of NOK 200 million. Subsequent to the issue, DOF Subsea owns 78,5% of the company.

Skandi Peregrino was delivered mid November, and sailed to Brazil to commence a long-term contract with Statoil.


The 26th of November DOF ASA issued an unsecured 4,5 years bond of NOK 600 mill.

Skandi Ipanema was delivered and in operation from December.

DOF Installer took in December delivery of its 2nd newbuilding, Skandi Hercules.

## 2011

The 25th of January DOF was awarded two 6 year charter contracts with ConocoPhillips for two supply vessels of STX PSV 09 design. The operating area will be in the North Sea. Estimated start of these contracts are third quarter 2011 and first quarter 2012.



In January DOFCON Navegacao Ltda, a joint venture between DOF Subsea and Technip, took delivery of its second PLSV, Skandi Niteroi from STX Promar in Brazil. The vessel has sailed to STX in Norway to install the pipelay tower.

Skandi Gamma was delivered and on hire for a long-term contract with Statoil on 17th of February.

The 8th of April DOF entered into three long term charter contracts with ConocoPhillips for operation in the Norwegian Sector. The contracts will commence 4Q 2012, with a firm period for each contract of 7 years. To serve these contracts DOF has entered into three newbuilding contracts with STX OSV AS for construction of three vessels of design respectively STX MRV 05, STX MRV 05 ROV and STX MRV 05 SP.









# KEY FIGURES DOF ASA

## Amounts in NOK mill

### From comprehensive Income

|                                                                            | 2010         | 2009         | 2008         |
|----------------------------------------------------------------------------|--------------|--------------|--------------|
| Operating income                                                           | 5 462        | 4 327        | 4 340        |
| Operating cost                                                             | -3 753       | -3 094       | -2 784       |
| <b>Operating profit/(loss) before depreciation and write offs - EBITDA</b> | <b>1 709</b> | <b>1 234</b> | <b>1 556</b> |
| Depreciation                                                               | -1 166       | -837         | -643         |
| Write offs                                                                 | 0            | -179         |              |
| <b>Operating profit/(loss) - EBIT</b>                                      | <b>543</b>   | <b>218</b>   | <b>912</b>   |
| Net finance costs                                                          | -826         | 29           | -380         |
| Unrealized gain/(loss) on currency                                         | 83           | 758          | -655         |
| Profit/loss before taxes                                                   | -200         | 1 005        | -123         |
| <b>Profit/(loss) for the year</b>                                          | <b>-215</b>  | <b>803</b>   | <b>100</b>   |
| Non-controlling interests portion                                          | -75          | 201          | 35           |

### From the Balance sheet

|                                      |               |               |               |
|--------------------------------------|---------------|---------------|---------------|
| Vessels and other non-current assets | 22 423        | 17 827        | 15 563        |
| Current assets                       | 4 629         | 3 957         | 4 268         |
| <b>Total assets</b>                  | <b>27 053</b> | <b>21 785</b> | <b>19 831</b> |
| Equity                               | 6 728         | 6 809         | 5 499         |
| Non-current liabilities              | 16 931        | 11 973        | 11 330        |
| Current liabilities                  | 3 393         | 3 002         | 3 002         |
| <b>Total equity and liabilities</b>  | <b>27 053</b> | <b>21 785</b> | <b>19 831</b> |

### Key figures

|                                    |   |            |            |            |
|------------------------------------|---|------------|------------|------------|
| Net cash from operating activities | 1 | 1 084      | 599        | 719        |
| Current ratio                      | 2 | 1,36       | 1,32       | 1,42       |
| Equity ratio                       | 3 | 25%        | 31%        | 28%        |
| Operating margin                   | 4 | 31%        | 29%        | 36%        |
| Return on equity                   | 5 | -3%        | 12%        | 2%         |
| Average number of shares           |   | 91 037 975 | 87 730 811 | 82 767 975 |
| Earnings per share                 | 6 | -1,53      | 6,87       | 0,79       |
| Net cash flow per share            | 7 | 9,70       | 14,39      | 14,20      |

- 1) See page 76 Statement of cash flows
- 2) Current assets/Current liabilities
- 3) Equity/Total assets
- 4) Operating result before depreciation and write offs/Operating income
- 5) Profit for the year/Equity
- 6) Majority share of profit for the year/Average number of shares
- 7) Cash flow item 1/Average number of shares







## SETTING THE STANDARD

For DOF, 2010 will be remembered for its high number of new long-term contracts, a strong growth in the fleet with the delivery of 7 new vessels and signs of a growing optimism brought about by an increase in demand from several of our most important markets.

In 2011, the Group has scheduled delivery of further 3 advanced construction support vessels, 3 supply vessels and 4 anchor handling vessels. This means that we will receive delivery of a total of 10 vessels in 2011. We have an extremely talented team working on newbuildings and, not least, an operating organisation with a high level of expertise. They have shown time after time that they have the capacity to execute major projects, successfully implementing operations. The delivery of newbuildings implies a conversion of unemployed capital tied up in newbuildings into employed capital. I therefore expect to see a significant boost in the company's earnings in the near future.

DOF remains the leading company in terms of quality, health, safety and the environment, according to our customers. This impressive track record we have developed, is invaluable when competing for new contracts. And this would not have been possible without the expertise and hard work of our seafarers. The top performance of our offshore workers has helped develop a high level of trust among our customers, building the foundations for the future growth of the company.

In 2010, the markets for our services were generally weak. The spot market for supply vessels in the North Sea has been characterised by low degrees of utilisation and rates which have been lower than operating costs for ships at times, which in turn has placed an increased pressure on the rates for long-term contracts. There is an increase in demand for supply vessels. Brazil is often mentioned as a market in growth, but we expect to witness growth in the majority of regions. We expect to see a gradual improvement in the market for supply to the North Sea throughout 2011. There is a high level of activity on the tender side on a worldwide basis, with good opportunities within the term market.

We aim to continue to develop expertise for the company within the Subsea segment. We are actively involved in recruitment so that we can offer our customers more expertise and a more complete organisation.

We now control a fleet of 70 vessels (including newbuildings), of which a large share comprises major construction support vessels and large AHTS vessels. The average age of the fleet is 6.8 years. I can confidently claim that DOF's fleet is one of the most forward-looking on the market. We believe there is growth to be found in deep-sea segments, an area which requires larger and more advanced vessels. This is reflected in our newbuilding program.

We have developed a group of companies with offices in all parts of the world, with each office staffed by expert personnel. For every one of us, the future presents significant challenges. Our employees are our most important resource. Our staff of skilled employees, both at sea and on land, helps DOF continue to win important contracts.

I believe 2011 will be a difficult year in many areas, but still a year when we can continue on the current positive trend. I also believe that we will get through 2011 and come out of the year in a much stronger position. The key to our success in 2011 remains unchanged – our employees.



Mons S. Aase  
CEO

## THIS IS DOF ASA

| <b>No. of vessels 31.03.2011</b> | <b>PSV</b> | <b>AHTS</b> | <b>ROV/CSV/<br/>DSV/<br/>SEISMIC</b> | <b>Total fleet</b> |
|----------------------------------|------------|-------------|--------------------------------------|--------------------|
| DOF ASA                          | 15         | 3           | 2                                    | 20                 |
| NORSKAN OFFSHORE                 | 7          | 12          | 2                                    | 21                 |
| DOF SUBSEA AS                    | 0          | 0           | 21                                   | 21                 |
| DOF INSTALLER ASA                | 0          | 3           | 0                                    | 3                  |
| AKER DOF DEEPWATER AS            | 0          | 5           | 0                                    | 5                  |
| Total fleet                      | 22         | 23          | 25                                   | 70                 |

DOF ASA was founded in 1981 and is today an international group of companies which owns and operates a modern fleet of supply and subsea vessels in addition to engineering capacity to service the subsea market. The company operates worldwide and offers services to the global oil and gas industry. The DOF fleet comprises 70 vessels, including newbuildings and ships operated by subsidiaries. DOF ASA is the holding company for DOF Subsea AS, Norskan Offshore Ltda and DOF Management AS.

The company operates within three different segments in relation to strategic types of activities and vessel types: PSV (Platform Supply Vessels), AHTS (Anchor Handling Tug Supply Vessels) and CSV (Construction Support Vessels). The subsea engineering activities mainly comprise survey and IRM services, construction support and diving services.

The DOF fleet is one of the most modern in the market, with an average age of 6,8 years. The total fleet (including newbuildings) currently consists of 22 PSVs, 23 AHTS vessels and 25

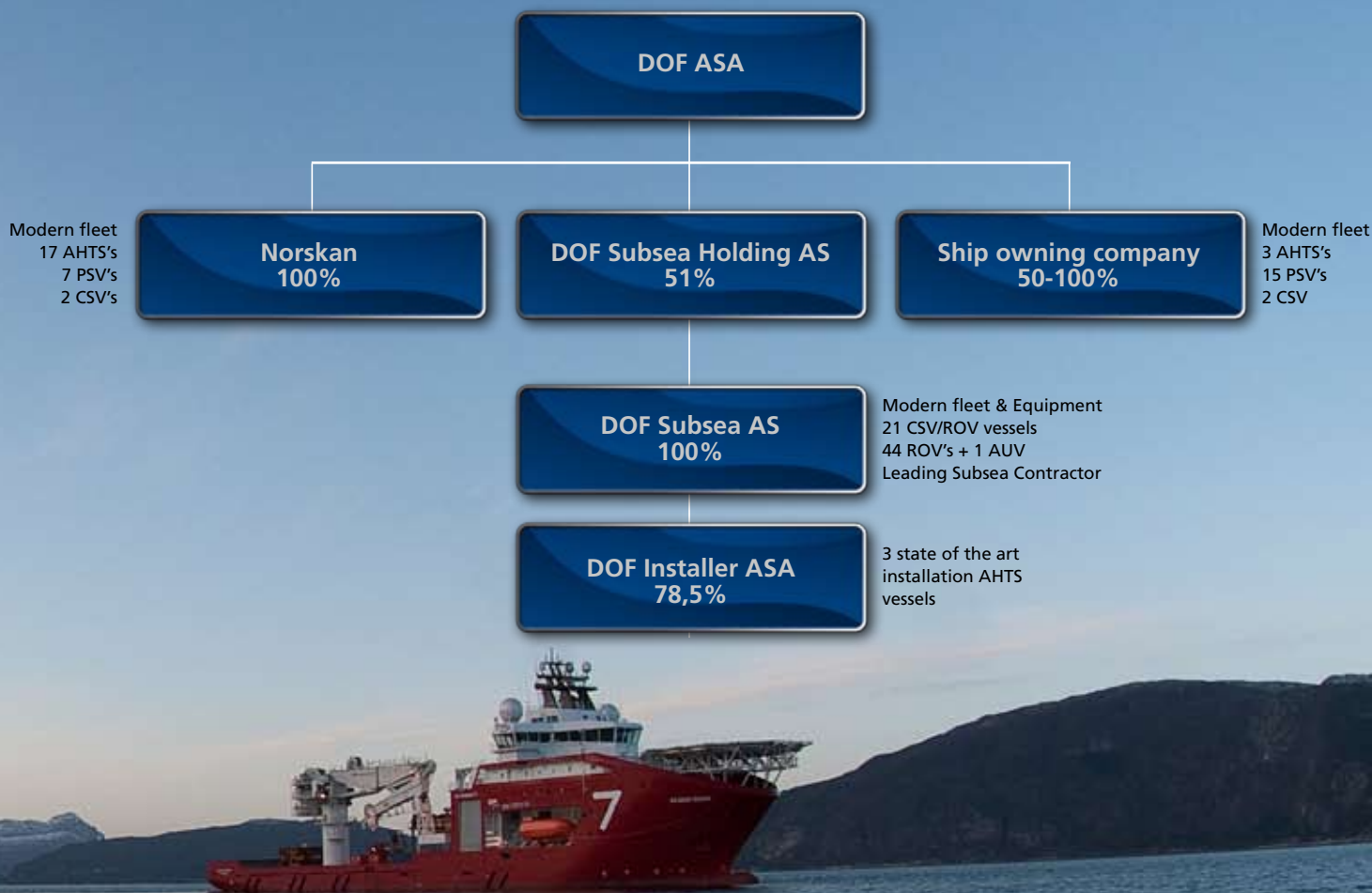
CSVs. In addition, DOF also owns and operates a fleet of highly sophisticated ROVs.

DOF has offices all over the world, close to all major oil and gas regions. During the last decade, the company has invested in key regions such as the South Atlantic, Brazil and Asia Pacific. The company will continue to grow in the North Sea and West Africa. The company is still heavily represented in the North Sea.

DOF strives to be the leader in the field of quality, health, safety and the environment (HSEQ) and systematically promotes these areas in the execution of all activities and operations. The company is the market leader when it comes to new and innovative vessel design and efficient and environmental-friendly operations.

DOF has a total multi-national workforce of about 3,400. The DOF team is comprised of a family of top professionals within their individual areas of expertise. The company understands that it is the people who are the key to success, and therefore follows a detailed strategy for promoting career opportunities and employees' health and well being.





## DOF ASA Group companies

### DOF Management AS

DOF Management AS provides ship management for the fleet in the DOF ASA group. The company has a crew of highly skilled professionals both onshore and offshore to perform the tasks of ship-management, ship-operation and the services delivered to the customers.

The company is certified according to the ISM code, followed by the ISO 9001 and ISO 14001 certifications.

### DOF Subsea AS

DOF Subsea was established in 2005, and has grown to become a leading provider of subsea services with an established capability in all the major oil and gas production areas around the world. The company provides a diversified range of services through three key business lines; vessel chartering, subsea projects and engineering.

The company is ISO 9001, ISO 14001 and OSHAS 18001 certified.

### Norskan Offshore Ltda

Norskan Offshore Ltda. represents the DOF group's activity in Brazil. The company was established in 2001 due to a strong believe in the future for this region and market. Today Norskan is the largest Norwegian capital company in its segment in Brazil.

Norskan owns and operates one of the largest and most diversified fleets of state-of-the-art Brazilian-flagged vessels. The fleet is considered to be the most technologically advanced in the Brazilian offshore industry.

Norskan is certified according to the ISM code, and according to the ISO 9001, ISO 14001, OSHAS 18001 and ISPS code.





## BRAZIL



**DOF's offices:**  
Rio de Janeiro and Macaé





SETTING THE STANDARD IN BRAZIL





## Norskan Offshore Ltda

Norskan Offshore Ltda is a leading operator of offshore supply, support and construction vessels. With the DOF Group, Norskan provides marine services to the Brazilian oil and gas industry. Norskan is a fully-owned subsidiary of the DOF Group, based in Norway.

Norskan was established in Brazil in the year 2001 due to the bright outlook forecasted for the Brazilian offshore oil and gas industry. Today, Norskan and the DOF Group operate one of the largest and most diversified fleets of state-of-the-art Brazilian-flagged vessels. The fleet is considered to be the most technologically advanced in the Brazilian offshore industry. Furthermore, Norskan is also the largest Norwegian capital company in its segment in Brazil.

During the two last years, Norskan has increased its number of vessels rapidly. In January 2009, the Norskan fleet had 7 vessels, increasing to 14 vessels by the beginning of 2010. In January 2011, the fleet comprises 25 vessels under Norskan control and management. Not only has the number of vessels increased, but the new vessels arriving are more sophisticated and advanced. However, despite the high increase in new vessels in operation, the Norskan fleet has performed well with good feedback from our clients.

Norskan and the DOF Group have a long-term commitment within Brazil and the offshore market off the Brazilian coast. In 2010 Norskan was awarded the most valuable contracts ever in the history of the DOF Group. Petrobras awarded 4 contracts each lasting eight years to Norskan for newbuildings to be built in Brazil. This is a clear indication that Norskan has performed correctly in terms of their commitment to achieving success in Brazil.

Social responsibility is taken seriously in Norskan and is exercised via participation in and implementation of various social programs

both internally and externally. Through the NGO Dream Learn Work program, Norskan also participates in sponsoring technical and maritime education for 65 students from low-income areas. Not only is this beneficial for society, these students may prove to be a valuable source for recruitment in the future.



### Brazil

During 2010 Brazil has received even more focus from the offshore industry, including the following highlights:

- Brazil is quickly becoming a world-leading offshore oil & gas region, with upcoming field developments in ultra-deep waters.
- Petrobras forecasts investments of more than USD 120 billion over the next 4 years with E&P being the main demand for OSV's and Rigs.
- Large deepwater field developments are emerging in Brazil mainly at long distances from the main shore bases. These will drive demand for OSVs of many shapes and sizes.
- Petrobras expects to charter approx. 40 deepwater units over the next 6-7 years.
- Large focus on local content.
- Expected demand from Petrobras for approx. 250 vessels up to 2020.
- OGX has an ambitious drilling campaign with a commitment to drill 87 wells up to 2013.





24  
VESSELS

YEAR OF THE SHIPS

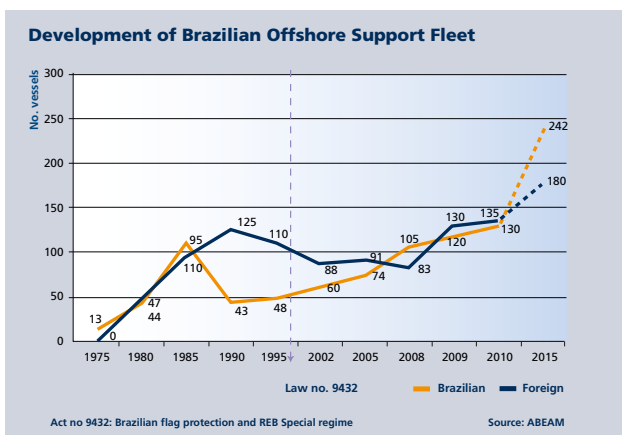
## THE BRAZILIAN FLEET

**PSV:** Skandi Captain, Skandi Commander, Skandi Flamengo, Skandi Leblon, Skandi Stolmen, Skandi Waveney, Skandi Yare. **AHTS:** Skandi Admiral, Skandi Botafogo, Skandi Copacabana, Skandi Fluminense, Skandi Giant, Skandi Ipanema, Skandi Møgster, Skandi Peregrino, Skandi Rio. **CSV/Seismic:** Geograph, Skandi Acergy, Skandi Chieftain, Skandi Hav, Skandi Niteroi, Skandi Salvador, Skandi Santos, Skandi Vitoria,

- OGX has already ordered 2 floating productions units scheduled to initiate tests in 2012.
- Repsol has approved an investment plan in Brazil of EUR 500 million for an exploration campaign in its 10 blocks as operator. Repsol is involved in the Pre-Salt discoveries as a partner of Petrobras.
- Anadarko announced that an evaluation plan and long duration test will be executed in the next 5 years at the BM-C-30 block with a prospect of 300 million barrels.
- Chevron, Statoil, Shell and Devon have ongoing production and programs to expand. Shell recently approved BC-10 phase II schedule to initiate at the end of 2011.

Shortage of OSVs forecasted in Brazil - Demand expected to double actual fleet by 2020.

## Perspectives



Source: Brazilship

## Main drivers

- Government efforts to replace foreign fleet and provide incentives for local production supported by Brazilian flag protection.
- High demand for local content.
- Development of several blocks.
- Petrobras has announced demand for 146 vessels built in Brazil (40 vessels already committed up to 2nd newbuilding tender batch). Demand excludes post-salt and IOC's (Shell, Repsol, OGX, etc.) needs.
- Renewal of old Brazilian flag fleet.
- Circularisation of foreign flagged contracts every year.
- Opportunities for foreign flag vessels as shipyard capacity does not meet market demand.

## Brazilian Offshore Support Market

- 109 Brazilian companies authorized by ANTAQ.
- About 50 companies actually operating within offshore support.
- More than 350 OSCVs expected to be operating until Q1 2011.

| FLAG               | AHTS | PSV | RSV | MINI SUPPLY | LH | UT | CREW BOAT | OSRV | OCSV | PLSV |
|--------------------|------|-----|-----|-------------|----|----|-----------|------|------|------|
| BRAZIL             | 19   | 66  | 4   | 10          | 28 | 12 | 6         | 7    | 1    | 1    |
| FOREIGN            | 52   | 64  | 6   | 5           | 14 | 5  | 9         | 8    | 8    | 9    |
| TOTAL              | 71   | 130 | 10  | 15          | 42 | 17 | 15        | 15   | 9    | 10   |
| TOTAL: 334 VESSELS |      |     |     |             |    |    |           |      |      |      |

Approximately 40 vessels are operating for other Oil companies apart from Petrobras representing 11% of total market. (Source: Brazilship)

## Norskan activity 2010

Norskan has continued to grow in 2010. We now have more than 100 employees onshore and have taken over management of the following vessels:

### SKANDI SANTOS

Arrived in January and started a 5-year contract for Petrobras.

### SKANDI STOLMEN

After several years for Statoil, the vessel entered into a 3-year contract with Petrobras.

### SKANDI CAPTAIN

The vessel started a 3-year contract in 2010 after many years working with Shell in the North Sea.

### ODIN VIKING

Odin Viking arrived in 2010 as a frontrunner for Skandi Emerald for a contract with OGX.

### SKANDI ADMIRAL

After serving Statoil with excellent performance for many years, the vessel arrived in Brazil in September 2010 for a 4-year contract for Petrobras.

### SKANDI PEREGRINO

The vessel arrived from the yard in Vietnam late December for a 2-year contract for Statoil on the Peregrino field.

### SKANDI IPANEMA

Skandi Ipanema was delivered from STX Promar in November and started a 2-year contract for OGX. The vessel has started operations off the coast of San Louis in the state of Maranhao in Brazil.

### SKANDI VITORIA

Skandi Vitoria was delivered from STX Promar in October and started a 4-year contract for Petrobras. After delivery, the vessel has performed several pipe-laying operations with great success and the feedback from Petrobras has been very good.



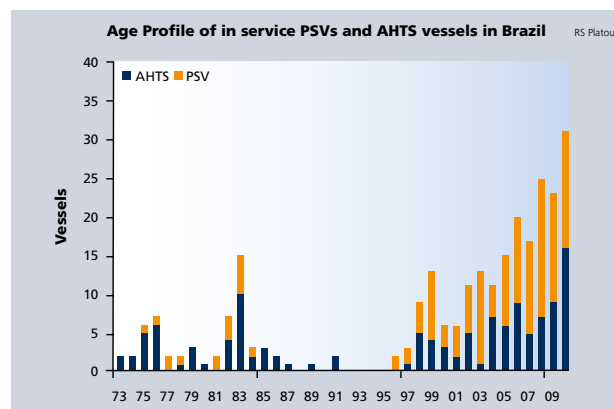
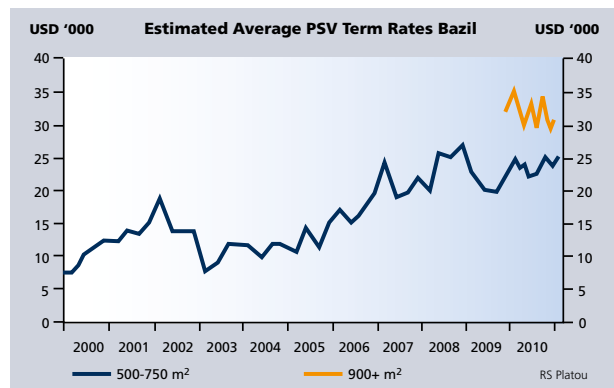
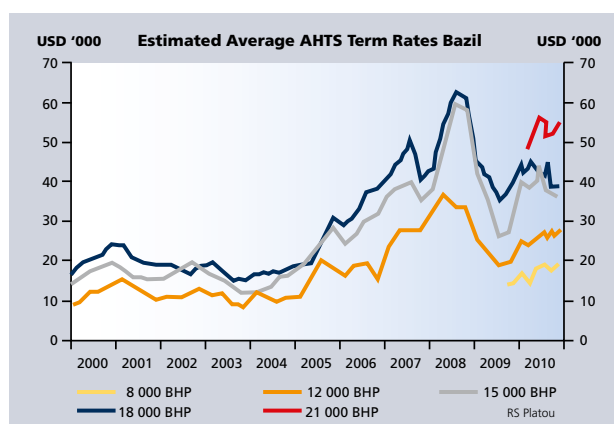
### Mr. Vice President and the Bridge team:

From left to right: Executive Vice President Marine Mons Melingen, Senior DPO Deodora Paula Ferreira, Operation Director Sergio Godoy, Junior DPO Daniel Oliveira de Lima, Junior DPO Alina Ribeiro de Lima.

## Norskan and DOF Subsea have signed the following contracts in 2010:

Skandi Admiral was awarded a 4-year contract from Petrobras. Norskan was awarded 4 eight-year AHTS contracts in August 2010 from Petrobras. This was a great achievement and is important for the further development of Norskan and the DOF Group in this region.

DOF Subsea/Norskan has been awarded 3 ROV/Survey/Construction vessel contracts for Petrobras in 2010. The contracts all have a duration of 5 years with 5 yearly options. Delivery of the vessels to Petrobras is scheduled as follows; January 2011 for the first vessel Geograph, early May 2011 for the second vessel Skandi Commander and January 2012 for the last vessel.



Mons Melingen

Executive Vice President Marine DOF ASA



## DOF Subsea Brasil Ltda

Brazil is the fastest growing region within the DOF Subsea group; it has grown from 0 contracts and 0 employees in 2006 to 5 long-term contracts and 240 employees in 2010. DOF Subsea Brasil Ltda is still growing at a rapid rate, winning 3 new ROV/Survey/Construction vessel contracts for Petrobras in 2010. The contracts all have a duration of 5 years with 5-year options. Delivery of the vessels to Petrobras is scheduled as follows; January 2011 for the first vessel Geograph, early May 2011 for the second vessel Skandi Commander and January 2012 for the last vessel. All the vessels will be equipped with the latest technology for deepwater ROV and survey work, allowing them to operate in a very harsh environment down to 3000 m sea depth. We have also identified opportunities with several large companies in Brazil in addition to Petrobras which are eager to work with us to solve their requirements for short and long-term projects involving ROV/Survey/Construction vessels. DOF Subsea/Norskan is well-known in Brazil for our high quality vessels, subsea equipment and personnel. With such a high reputation and keeping in mind the explosive growth witnessed on the Brazilian market, we are convinced that DOF Subsea Brasil Ltda will win a minimum of one or two new long-term ROV/Survey/construction vessel contracts every year for the next 5 years.

The Brazilian market is in a period of rapid growth, particularly within deep and ultra-deep sea operations. Demand for oil-related vessels is expected to double by 2020 versus the current fleet of approx. 250 vessels. The harsh conditions when operating in deep and ultra-deep waters and the longer distance from shore will demand larger, high-standard, advanced vessels with the latest technology within subsea equipment. This will suit DOF Subsea, with its existing fleet of high quality vessels and subsea equipment in addition to our new build program.

DOF Subsea Brasil Ltda is totally committed to its HSE policies. The company also has a clear strategy for education and communication so they can ensure that all company employees clearly understand the meaning of the HSE policies and the company's commitment to them. The company's safety culture starts with a clear commitment from the top management towards ensuring that all employees understand that DOF Subsea Brasil Ltda is fully committed to its safety culture and that no compromise will be acceptable. The company's senior management team clearly communicates to all our employees that safety always comes first. "If we cannot do a job safely, we do not do it".

It is the nature of our business to work under pressure, the pressure of great depths, pressure of uncompromising quality demands, and the pressure of timelines that allow no room for indecision. DOF Subsea Brasil Ltda's management is committed to working as a team to ensure project and client requirements are dealt with in a professional and timely manner; our success in Brazil is closely linked to our good relationship with our sister company Norskan, which has been important since the beginning of DOF's activities in Brazil. In 2010, we have worked extra hard to ensure that we gain maximum advantage of synergy effects between the two companies in relation to personnel, vessel operations and onshore bases. This work has proven to generate excellent results both operationally and financially.

In 2010, one of our main focus points has been to change our organisation from being a service provider of ROV services to a project-oriented organisation complying with our clients expectations when delivering complex construction vessels for their projects.

During the past year, DOF Subsea Brasil Ltda was in charge of operation onboard five high-quality DOF vessels in Brazil delivering services to Petrobras, AKOFS and Chevron. The company also had two long-term ROV contracts onboard Skandi Botafogo and Skandi Fluminense for Petrobras, one long-term ROV contract onboard Skandi Santos for AKOFS, one RSV contract with Skandi Chieftain providing vessel and subsea services for Petrobras in addition to operating one long-term construction vessel contract with Skandi Salvador for Chevron providing subsea support services for the installation and commissioning support for the Frade subsea developments.

In the last quarter of 2010, DOF Subsea also took delivery of Skandi Vitoria built in Brazil, a 150 m long flexible pipe-laying vessel equipped with 2000 m capacity vertical and horizontal lay system, a 250 ton heave compensated crane and 2 deepwater WROV systems. The vessel, which is a joint venture with Technip and is owned 50/50 between the parties, is already working for Petrobras on a 4-year contract with 2 yearly options. The vessel is the most advanced vessel ever built in Brazil and one of the most advanced flexible pipe-laying vessels in the world.

DOF Subsea Brasil Ltda's long-term goal is to be the leading supplier of project services related to survey, IMR and construction support in Brazil. In 2010 we have taken several steps in the right direction toward this goal, proven by winning three new RSV contracts with Petrobras for start-up of operations in 2011 and early 2012. We are also extremely proud of the excellent customer feedback we have received on several of our project deliveries during 2010.



Eirik Tørresen,  
CEO DOF Subsea Brasil Ltda





# THE ATLANTIC REGION



## **DOF's offices:**

Norway (Austevoll and Bergen)  
UK (Aberdeen)  
Russia (Moscow)  
Canada (St. John's)  
USA (Houston)  
Egypt (Cairo)  
Congo (Pointe Noire)  
Angola (Luanda)  
Argentina (Buenos Aires)





SETTING THE STANDARD IN THE ATLANTIC





Seen from left to right: Skandi Vega and Skandi Skolten Photo: © Bjarne Skogvik



Anders Arve Waage, CEO DOF Management AS

## DOF Management AS

DOF Management AS has continued to focus on the company's original main objectives:

- Engage in long term offshore vessel supply and management.
- Continue to develop our position as a leading supplier of offshore services focusing on high quality and cost effective solutions for our clients.
- Meet our objectives via a balanced chartering strategy, focus on long-term contract coverage to ensure conservative risk profile.
- Continue to focus on the environment and initiatives towards technical solutions for environmentally-friendly vessel concepts.
- Develop long-term client relationships and be the vessel provider of choice to the industry.

DOF's business concept has always been to provide the market with a modern high quality fleet of offshore vessels, to engage the vessels on long-term contracts, providing the highest quality

safe services to our clients and seafarers. Working closely with DOF Subsea to provide the whole group package for vessel and subsea solutions to our clients. Raising the standard of service and vessels for others to follow. In order to deliver this and meet our objectives, DOF have focused on the long-term, using innovative thinking to deliver the most environmentally friendly, efficient and highest quality vessel designs to a market, pushing technologies forward to provide efficient integrated solutions with DOF Subsea and our other external clients. In addition, utilizing innovative approaches to quality, health, safety and the environment, ensuring above all we strive not to hurt anyone. The safety of our employees, clients, contractors and assets will always be the number one priority above all else.

This approach will be constantly addressed to ensure we continue sailing in the forefront of our markets and are the preferred supplier of vessels and integrated subsea services to our current and future clients.

### Employees number one asset to success

Delivering the company goals would not be possible without the professionalism and dedication of the DOF team. DOF has always recognized that its success and first rate reputation is down to their most valuable asset, their people. The international team, coming together from the four corners of the world, both on shore and offshore are dedicated to delivering the companies goals and strategy, focusing on safe and efficient teamwork to deliver success for DOF and all clients and partners.

We recognize that globally there is and will continue to be a shortage of seafarers in the marine industry. As a result we take our social responsibility very seriously and have increased our training programmes for Norwegian, British and Filipino cadets to meet our companies fleet growth requirements and ensuring DOF continues to offer unlimited career development prospects within our diverse fleet of offshore vessels.

### The year past highlights

2010 has been a challenging year for the offshore vessel market.





27  
VESSELS

YEAR OF THE SHIPS

## THE ATLANTIC FLEET

**PSV:** Skandi Barra, Skandi Buchan, Skandi Caledonia, Skandi Falcon, Skandi Flora, Skandi Foula, Skandi Marstein, Skandi Rona, Skandi Sotra, Skandi Texel, Skandi Gamma, Skandi Mongstad **AHTS:** Skandi Stord, Skandi Vega. **CSV/Seismic:** Geoholm, Geosund, Geosounder, Skandi Achiever, Skandi Aker, Skandi Arctic, Skandi Carla, Skandi Fjord, Skandi Inspector, Skandi Neptune, Skandi Olympia, Skandi Patagonia, Skandi Skolten.

However DOF has reaped the benefits of our long term vessel contract strategy and has secured a number of new term charters globally, for both new builds and existing vessels coming to the end of charter periods.

One of the highlights of the year were the new contract for Skandi Neptune. In May Subsea7 signed a new 3 year contract with options for Skandi Neptune in direct continuation to the current contract. Skandi Neptune spent most of 2010 involved in the aftermath of the Deepwater Horizon disaster in the Gulf of Mexico.

Skandi Patagonia has spent 10 years working for Total Austral servicing the requirements in their blocks offshore Tierra del Fuego. This year DOF was awarded a new 15 year term charter in direct continuation from Total Austral for Skandi Patagonia again highlighting the long term relationships DOF continues to build with our clients. In addition new term charter clients have been added. An example of which is ConocoPhillips awarding DOF six year with options term charters for two PSV's.

### Group cooperation

DOF recognises the benefits to be gained by all in its ability to provide global integrated solutions in close cooperation with sister companies within the group. This is a focus area to be continually developed.

Working closely with our sister company Norskan, we have continued to help support their explosive growth by way of supplying high specification and specialized tonnage, management support and crew to develop a global standardized quality service.

DOF Subsea has continued to grow during the year with the delivery of a number of vessels, which DOF Management work closely with to efficiently manage meeting their marine requirements, delivering highly competent and motivated crews on high specification vessels giving them the perfect work platform to deliver quality and efficient solutions to their clients.

## DOF Subsea AS

The Atlantic region has seen continued growth over the last year in a competitive environment. The combination of state of the art vessels, ultra modern subsea assets and highly skilled personnel have ensured that we have maintained a solid position in the market as a specialist provider of integrated subsea services.

### Focused on delivering projects whilst managing risk

As we grow the business, we continue to focus on managing the projects in our portfolio safely and minimizing risk. We understand that risk management is key to our success in the subsea projects environment and this is an area where we know our customers appreciate our focus. The technical, commercial and safety challenges of our clients large and demanding projects are our utmost priority and we are pleased to be able to deliver to their expectations. In order to continue meeting these expectations, we will grow further our "Projects Engine" and also strengthen and improve our business delivery processes. We see the Global Business Management system which was launched in late 2010 as being a major improvement measure when looking at the processes we utilize to execute our projects business. The global standardization of all major steps in our business life cycle from business acquisitions through to project execution and lessons learned will also bring increased efficiency to our daily routines.

In the last 12 months we have grown our "Projects Engine" in the regions by increasing our engineering and project management capability through both recruitment and competence building. We see these measures continuing in the coming months with particular focus on installation engineering and inspection capability in order to maximize the potential returns from our state of the art fleet.

### Strengthening the regional team and efficiencies

In addition to increasing our engineering and projects capability, we will also strengthen our regional management team going



forward. In order to realize the most efficiencies from our wide spread geographic locations, we will move to a closer integrated functional organization in 2011. Clearly visible and communicated regional objectives linked to the groups vision will help ensure alignment and that the Atlantic team delivers successful projects returning the highest value for our owners. Whilst executing a large variety of complex projects in a busy 2010, the Atlantic region management team was formed and quickly started the process of identifying synergies and potential areas of efficiency within the local business units and within our regional project business. These identified improvement areas will continue to be progressed into 2011 and a strong focus is placed on aligning each business unit to the vision, values and objectives of our group.

The implementation of the new global business management system in the region has further strengthened our project delivery across the wide range of subsea and survey projects we undertake. The strong focus during 2010 on risk management, processes, continuous improvement and safety culture have definitely contributed to us having a safe and successful year.

We have seen a competitive market during the past year. The relative lack of large construction projects has seen the major subsea contracting companies working more competitively in the IRM segment in order to secure utilisation. Although these players have always been present in this segment of the market, there has been a noticeable increase during 2010. Regardless, we have managed to secure several valuable frame agreements and contract awards during the year such as those with ConocoPhillips, Technip and Norsk Cutting and Abandonment. These wins have not only introduced us to new clients but to new market segments such as decommissioning and renewables whilst both growing our expertise and establishing an important track record. The safe execution of our projects portfolio remains key to our success.

During the last year we have managed some of our most challenging projects to date.

In early 2010, the vessel Geosund was engaged in complex Pipeline Inspection campaign in the Black Sea. The project was performed to high satisfaction of the client in a harsh environment with water depths greater than 2000m in certain areas. The vessel then relocated to the North Sea to complete a further Inspection campaign under frame agreement with Maersk Oil and Gas. The project was the proving ground for our new specialized remotely Operated Towed Vehicle (ROTV), which increases our regional capability in the Inspection market.

The vessels Geoholm and Geograph have executed a variety of projects in geographic locations from India in the east to Angola in the west. In August the Geoholm commenced operations for Technip in Angola working on BP's block 31. This project for Technip is forecast to continue into early 2011 after which she will move onto further works secured for her in West Africa which will be a focused growth area for the region in the coming years.

The region proudly took delivery of a flagship vessel during August. The newbuild vessel Skandi Skolten, an advanced construction anchor handling vessel with incredible specification, was delivered in August and immediately began a campaign to install one of the world's largest tidal turbines off the Orkney Islands. She then went on to complete our second decommissioning project of the year, this time for ConocoPhillips on the Ekofisk field. The specification and capability of the Skandi Skolten allows the regional team to deliver projects of a scale not previously possible. We are pleased to have secured two projects for the Skandi Skolten during 2010 which will be executed in the Gulf of Mexico during 2011. The award of these projects is in-line with our strategy to develop our integrated subsea services across all geographic locations within the Atlantic region.

We have also seen steady growth in our Survey and Positioning business segment during 2010 with ongoing commitment from clients to provide quality survey services onboard their vessels. We have continued to support among others Heerema, Technip,





Saipem, BP and ENI on their construction projects throughout the region.

The 2011 market looks to be improving, with significant tendering ongoing and a developing back-log for the regional vessels and personnel. The introduction of the Skandi Inspector and the Skandi Hercules in 2011 will further add capability and capacity within the region. During 2010 we have started to lay the foundations upon which to build the regional capability. In 2011 we will continue to strengthen our human capital in terms of both our engineering and our project execution personnel. As a region we realise that our competent, experienced and dedicated personnel will remain key to our success.

We will also continue to focus on realising operational efficiencies within the region and developing a backlog of projects for our project teams and vessel fleet to ensure high utilisation and return to our owners.



Duncan MacPherson  
Executive Vice President DOF Subsea Atlantic



#### **DOF Argentina**

*From left to right: Pablo Bock in charge of Payroll, Agustin Triebeling in charge of Purchasing/Supplies and Gustavo Nordenstahl General Manager DOF Management Argentina.*

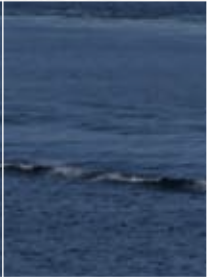
## **DOF Management Argentina**

In 2010, the routine duties of Skandi Patagonia on TC for Total Austral included diving, standby duties for helicopter flights, tanker operations at the SBM and some sublet to other charterers in the area. There was a fire on a rig in the Strait of Magellan and Skandi Patagonia was able to extinguish the fire with its fire-fighting equipment.

The closing of the year had everyone expecting a renewal of the 10-year contract that expired in December 2010, and this has now been renewed for another 15 years!

Gustavo Nordenstahl  
General Manager DOF Management Argentina





## THE ASIA PACIFIC REGION



### **DOF's offices:**

Singapore (Singapore)  
Indonesia (Jakarta)  
Philippines (Manila)  
Borneo (Brunei)  
Australia (Perth, Darwin and  
Melbourne)







SETTING THE STANDARD IN ASIA/PACIFIC





**Steve Brown**, Executive Vice President Asia Pacific

## DOF Subsea AS

**DOF Subsea Asia Pacific continued to build capability in 2010 and in the five short years since we established a dedicated presence in the region, we have effectively transformed from new 'contender', to respected 'competitor' in the subsea services sector.**

Each year has seen us develop and grow, consistently building on our success, but perhaps no year more so than in 2010. It has been a year of strategic milestones and sustained, outstanding HSE achievement. Pleasingly the region also continued to deliver positive financial returns in a weak post GFC market with increasing levels of competition.

### **Matching market trends to growth strategy**

Emerging economies in Asia Pacific, particularly India and China, are set to play an ever greater part in the global energy demand picture. It is no surprise analysts forecast a trend of rapid expansion and development of the offshore oil and gas market in the region.

It is not hard to see why it is an exciting time to be pro-active in the subsea sector. To meet demand and capture commercial opportunities, we have undertaken a period of highly targeted expansion. Through acquisition and organic growth strategies we have strengthened our competitive position, creating greater breadth and depth in our operational capability and expertise. Extending our subsea execution capacity has, as planned, translated into DOF Subsea Asia Pacific gaining an important foothold and a place on larger, technically complex construction and installation projects in 2010.

### **A year of firsts and consolidation**

We built on our presence in the region, establishing an office in Darwin, Australia, which serves as the hub for the development of major Oil and Gas fields in the Timor Sea.

Our project execution capabilities were enhanced through the acquisition of SWG offshore in the middle of 2010. The SWG business has been fully merged with DOF Subsea's regional operation; bringing together two companies with similar cultures and complementary core competencies. This merger extended our engineering and project management capabilities and positioned the company to support the wider operational needs of our clients and expand into the FPSO installation and decommissioning market.

The TGT Field Development FPSO Installation project was awarded on the back of the merger with SWG Offshore. TGT represents both our first venture into the fast developing Vietnamese offshore market and a challenging engineering scope of work. We gained valuable experience which established our reputation in this field.





# 05

## VESSELS

YEAR OF THE SHIPS

### THE ASIA/PACIFIC FLEET

**AHTS:** Skandi Hercules, **CSV/Seismic:** Geosea, Geobay, Ocean Protector (former Skandi Bergen), Skandi Seven.

Another significant project in 2010 was the decommissioning programme for the Challis Venture FPSO in North West Australia. Successful completion of this brown field project - a technically challenging assignment - and our no compromise attitude to safety has affirmed our position in this rapidly growing sector of the subsea market.

#### Old favourites reinforce reputation and relationships

Steadfast performers in the region, Multi Support Vessels Geosea and Geobay and their offshore teams, also turned in notable successes. Their role on key projects has been instrumental in reinforcing our reputation and, by extension, relationships with major clients in the region, such as Chevron, BHP Billiton and Woodside.

DOF Subsea Asia Pacific's Safety Culture gained industry recognition for our work with Chevron on Wheatstone Geotechnical Investigation project. Over a six month period the Geobay broke into new territory as it undertook a significant geotechnical drilling programme. The objective was to gather a range of seabed and survey data, essential to accurate platform and pipeline design in preparation for offshore field development on the North West Shelf, Western Australia.

To support near shore and small spread works we took delivery of multi-role catamaran the Silver Star. The decision to service this market segment and control of our assets was greeted with solid workload for the vessel which is continuing through 2011. Our efficiency and professionalism was recognised, as a valuable and long standing relationship with Shell Philippines Exploration B.V (SPEX) was extended. The renewal of the Malampaya Underwater Services Contract is now in place for a further three years.

Steve Brown  
Executive Vice President DOF Subsea Asia Pacific



HEALTH, SAFETY, ENVIRONMENT AND QUALITY





## The DOF Group

### General Overview:

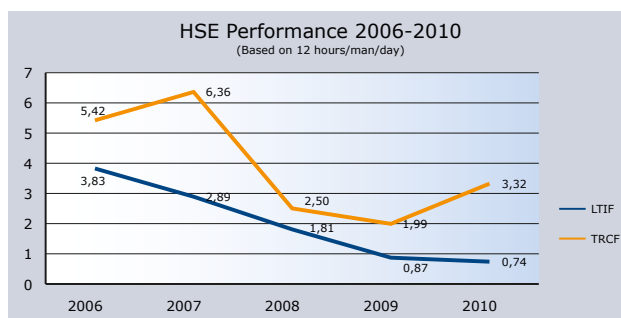
Every day, around the world, we deliver safe, successful offshore and subsea projects across a wide range of Supply services, Anchor handling, Survey, Diving, Seismic, Construction, Installation and IRM (Inspection, Maintenance and Repair) disciplines. Every day, we strive for continuous improvement in every aspect of our safety performance. To support our teams as they anticipate and mitigate potential risks and impacts we subject our processes, systems and knowledge management to constant scrutiny.

The DOF groups Safety Culture is guided by a single, overriding principle – to achieve an incident free workplace. Our operating environment is complex; over the last years we have expanded our capability and experienced continued growth. Our business is conducted across five continents and, at any one time, we manage a multitude of vessels and offshore worksites.

The overall safety statistic of the DOF group during the last five years shows a significant reduction lost time injury frequencies. However, the DOF group has experienced an increase in the number of medical treatment and recordable cases during 2010, resulting in an increased total recordable case frequency.

### HSE performance DOF Group – last 5 years

(Figures are based on 12 hrs/man/day.)



**LTIF** – lost time injury frequency

**TRCF** – total recordable case frequency

### Code of Business Conduct:

During the year the new Code of Business Conduct was implemented throughout the DOF group. The new set of revised policies and guidelines has been well received by the workforce and our business partners around the world.

### Business Management Systems:

A global strategy for merging all management systems for the entire group has been developed and results achieved;

- All regions and divisions operate within same Business Management System.
- All regions and divisions operate the same emergency response system.
- All vessels report on the new DOF Vessel Reporting System allowing full control of NOx and CO2 emissions as well other operational data.
- All maintenance are to be executed within the same

maintenance system (Vessel maintenance, ROVs and LARS (launch and recovery systems).

### External environment

All regions and vessels are certified by DnV to the ISO 14001 standards. DOF has one of the most modern fleets in the market. We claim this fact by making it our primary standard to focus in utilizing the most up to date and environmentally friendly technology available for our newbuildings. New generations of low resistance hull lines are designed for speed and low fuel consumption and the vessels are also built in environmental friendly design, clean design (DNV).

## DOF Subsea

### Overall

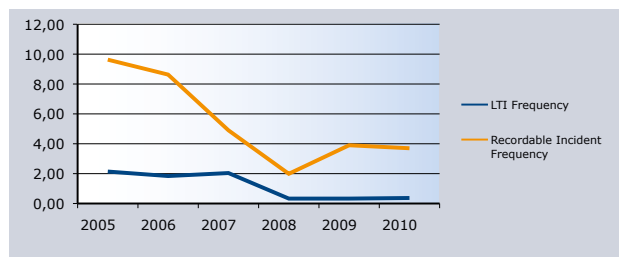
In 2010, DOF Subsea's unwavering commitment to Safety Leadership received formal recognition as our global systems achieved International Standard ISO 9001:2008 and ISO 14001:2004 certification. We are scheduled to receive OSHAS 18001 accreditation early in 2011. The introduction of a unified, global Business Management System and other targeted HSEQ initiatives strengthen the group's position to meet future challenges and progress towards our Safety Leadership goals.

### Safety

Our trend has been towards ever improving safety achievement. However, despite all our proactive initiatives and several regions retuning HSEQ milestones of three years continuous operations with zero lost time injuries, the company experienced one lost time injury at the end of 2010. Our Safety Culture's fundamental 'review and lesson capture' systems were activated to ensure no possible repeat of this incident.

### LTI and Recordable Frequencies 2005 - 2010

(Figures are based on 12 hrs/man/day.)



Throughout the company our aim is to continuously improve and strengthen the group's Safety Leadership. 2010 saw the instigation of a new Global Training System- Safety Learning and regional on - and offshore 'safety messaging' campaigns. These platforms enhance broader safety awareness across all worksites and add depth to our HSEQ knowledge management systems.

### Environmental performance

Our offshore teams work in remote locations, often exposed to extreme conditions and surrounded by diverse and fragile ecosystems. Identifying and managing hazards and environmental impacts is a vital part of DOF Subsea's Management System.

Significant progress has been made as we integrate environmental performance into our boarder strategic and business planning processes to address potential issues.

Our focus is the identification of significant environmental aspects of our business and the operational controls to minimize our impact on the environment. In 2010 all DOF Subsea's activities, offshore as well onshore, underwent a global environmental aspect and impact assessment. These processes are encompassed in global ISO 14001 certification award. Our environmental protection strategies are highlighted by a zero incidence of 'emergency spills in to the external environment' performance.

### Health and Working Environment

DOF Subsea's Safety Culture covers the complete spectrum of HSEQ performance and encourages general well being within our workforce. An initiative to enhance everyone's Health and Working Environment was implemented 2010. The new global Working Environment and Occupational Health manual were issued. The manual clearly outlines the systematic approach to enhancing a sound and healthful working environment for all DOF Subsea activities.

The above system was certified by DnV and the global certificate will be issued in Q1 2011.

### Quality Assurance and Quality Control

DOF Subsea delivers consistent, quality products and services, safely – time and again. The combination of expertise and experience in quality assurance and dedicated resources to this function are our key to success.

In 2010, as a part of our firm commitment to review and renewal of our practices, a complete set of new processes has been put in place to control product conformity. To ensure customers satisfaction we have set ambitious key performance indicators (KPIs) for future deliveries. In 2011, KPIs have been set to 97% for offshore operations for uptime on vessel and ROV operations. We have implemented improved review and measurement mechanism to assess our performance.

## DOF Management

### Overall

DOF Management has the management responsibility of vessels owned by the DOF group and other ship owning companies. Since 1995, DOF Management AS has certified according to the ISM code, followed by the ISO 9001- and ISO 14001 certifications in 2002.

### QHSE Performance 2010

- DOF Management has experienced in personnel injury frequencies (LTIF and TRCF) compared to 2009.
- 40% of personnel injuries (including First Aid Cases) are recorded as finger/hand/arm injuries, and 50% of all injuries occur during maintenance and manual handling.
- High level of Safety Observations reports and reporting of Near Misses.
- High level of vessel reliability, with an average un-planned downtime rate of 0,93%.

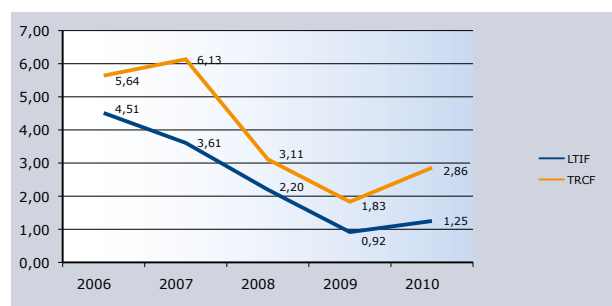
- Implementation of Environmental Accounting System.
- New Management System (Docmap) fully implemented.
- ISM, ISO 9001 and ISO 14001 company recertification completed.
- Crisis Manager – new tool for effective handling of emergency situations implemented.

### Focus areas

- Increased cooperation with DOF Subsea and Norskan, with the purpose to align HSE procedures and implement common systems for the DOF ASA group.
- Continuous improvement of the Management System and procedures.

### HSE performance DOF Management – last 5 years

(Figures include DOF Management Pte. Ltd. and are based on 12 hrs/man/day.)



LTIF – lost time injury frequency

TRCF – total recordable case frequency

## Norskan

### Overall

Norskan has the management responsibility of vessels owned by the DOF group and other ship owning companies. Since 2004, Norskan has been certified according to the ISM Code / ISPS Code and according to the ISO 9001, ISO 14001, OSHAS 18001. In 2010 Norskan started the Social Responsibility Certification process (ABNT NBR 16001).

The Norskan fleet is the largest, youngest and most technologically advanced operations in the sector support services offshore Brazil. The fleet of last generation is the market leader in providing long-term charters, which require the best in terms of QHSE, equipment, crew and technical support.

The ships provide a variety of high quality services, cost-effective, and safe. With an average age of 3,2 years, the fleet is the youngest of the sector in Brazil, owning one of the largest capacities in terms of tonnage and cargo in Brazilian waters, with about 685 employees. There are also 6 youth apprentices in the offices of Rio de Janeiro and Macaé. They are between 16 and 18 years old, from low income neighborhoods and they work in the company with the main proposal of learning. It is very gratifying for Norskan to help these adolescents and their families, offering them a range of opportunities in their lives that did not exist



prior to this. These teenagers represent the expectations that Norskan deposits in the future and they all have great chances of progressing within the company, becoming, consequently, an example to other young people in the same situation as theirs.

### QHSE Performance 2010

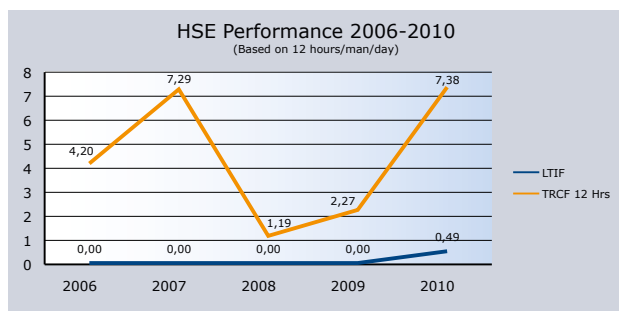
- Lost Time Injury Frequency (LTIF): Norskan has only one registered Lost Time Injury in 2010 and in its history.
- Increased Total Recordable Case Frequency (TRCF). The main causes were due to an increase in the fleet from 12 to 23 vessels in a short period of time, including many new Brazilian and foreign crew adding different cultures on board. One of the actions proposed to minimize this impact is speed up and reinforce the QHSE training and education on board.
- In 2007 and 2008 Norskan won the Best Offshore Supplier HSE award from Petrobras, first place against almost 75 companies of various segments regarding the Management System of QHSE. The quality of Norskan's services at sea is demonstrated monthly by evaluations performed by Clients on board vessels managed by Norskan. It is necessary to emphasize that in 2009 and 2010 there were not awards in this category.
- In 2007, 2008 and 2009 Norskan ranked first place. It has become Petrobras QHSE best supplier against other offshore supply companies (a program called PEOTRAM with more than 37 participating companies). The process for 2010 is ongoing.
- In 2010, Norskan trained 100% of its employee in environmental education. The activities performed by the new vessels meant that the amount of contaminated waste increased substantially.

### Focus areas

- Decreasing waste generation and increase of waste segregation and Environmental education.
- Training programs and seminars on Management and Safety for all of the employees and mainly the new employees.
- Social responsibility is taken by participation and implementation of various social programs both internally and externally.
- Quality of life for the employees.
- Behavioral program and Line management visits.

### HSE performance Norskan – last 5 years

(Figures are based on 12 hrs/man/day.)



**LTIF** – lost time injury frequency

**TRCF** – total recordable case frequency









# HUMAN RESOURCES

Our biggest strength and most valuable assets are the people we employ. The expertise and talent of our employees worldwide and our robust long-term strategies are the key for our success.

By the end of the year 2010 the DOF ASA group consists of 3392 employees with expertise ranging from marine crew, ship management onshore, subsea engineers, ROV pilots, surveyors, divers, data processors to geologists. By end of 2010 the group had the following composition:

|                                     |      |
|-------------------------------------|------|
| DOF ASA corporate Management:       | 5    |
| DOF Management, Marine Crew:        | 1324 |
| DOF Management, Onshore personnel*: | 118  |
| Norskan Marine Crew:                | 656  |
| Norskan, onshore personnel:         | 106  |
| DOF Subsea offshore personnel**:    | 606  |
| DOF Subsea onshore personnel**:     | 577  |

\*Including offices in Norway, UK, Singapore, Argentina and Australia

\*\* Including contractors

## Business support synergies

Our Human Resources activity in 2010 has focused on the Business Management systems and review and updating a number of our policies to a global standard. Our KPI's has been closely monitored and our offshore workforce utilization has been excellent.

We continued the implementation of the HRIS system in 2010 and our thoroughly integrated HRIS system makes the processes more efficient and effective. With the system in place, information storage capabilities expanded greatly and the retrieval of valuable information for stakeholders became less time-consuming and more user-friendly. The implementation-process of a common HR system for Marine crew throughout the group has started and will be expected implemented during 2011.

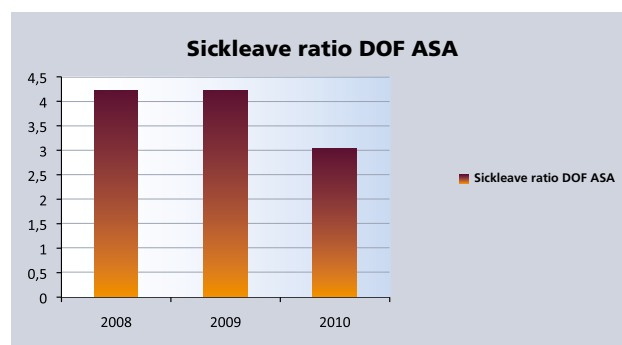
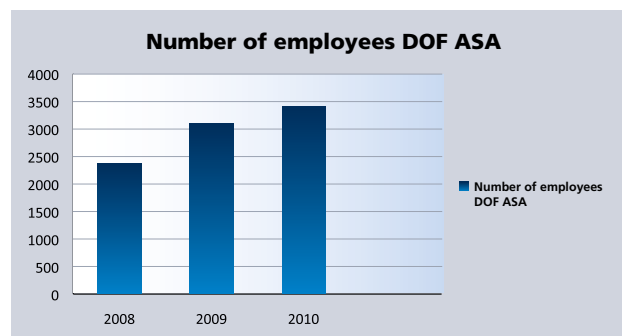
DOF ASA group has designed it's HR structure around the needs of our global business and workforce.

## Developing employees

We have committed to foster a workforce full of skilled and talented people and we invest in our employees, by offering internal and external competence program's and courses.

We have placed greater emphasis on organizational quality, which is about driving continuous improvement in our company culture, skills and capability, systems and processes.

Our focus will remain on strategies and resources to identify, attract, place, and foster high-potential, high-performing individuals in key roles across the group to ensure a sustainable future for the group.



| No. of vessels 31.03.2011 | PSV       | AHTS      | CSV       | Total fleet |
|---------------------------|-----------|-----------|-----------|-------------|
| DOF ASA                   | 15        | 3         | 2         | 20          |
| NORSKAN OFFSHORE          | 7         | 12        | 2         | 21          |
| DOF SUBSEA AS             | 0         | 0         | 21        | 21          |
| DOF INSTALLER ASA         | 0         | 3         | 0         | 3           |
| AKER DOF Deepwater AS     | 0         | 5         | 0         | 5           |
| <b>Total Fleet</b>        | <b>22</b> | <b>23</b> | <b>25</b> | <b>70</b>   |







# SETTING THE STANDARD FOR OFFSHORE VESSELS



*Skandi Gamma docked along  
the Quay side at Bryggen in Bergen Norway.  
Photo: © Tom Gulbrandsen*



Skandi Barra **PSV**



Skandi Buchan **PSV**



Skandi Caledonia **PSV**



Skandi Captain **PSV**



Skandi Commander **PSV**



Skandi Falcon **PSV**



Skandi Flamengo **PSV**



Skandi Flora **PSV**



Skandi Foula **PSV**



Skandi Gamma **PSV**



Skandi Leblon **PSV**



Skandi Marstein **PSV**



Skandi Mongstad **PSV**



Skandi Rona **PSV**

### Platform Supply Vessels (PSV)

Platform Supply Vessels transport oilfield products and supplies to offshore drilling and production facilities.

SKANDI HAV

SKANDI FALCON

SKANDI MARSTEIN

SKANDI INSPECTOR

19  
83

19  
90

38

19  
96

19  
99





Skandi Sotra **PSV**



Skandi Stolmen **PSV**



Skandi Texel **PSV**



Skandi Waveney **PSV**



Skandi Yare **PSV**



Skandi Admiral **AHTS**



Skandi Botafogo **AHTS**



Skandi Copacabana **AHTS**



Skandi Emerald **AHTS**



Skandi Fluminense **AHTS**



Skandi Giant **AHTS**



Skandi Hercules **AHTS**



Skandi Ipanema **AHTS**



Skandi Møgster **AHTS**

### Anchor Handling Tug Supply Vessels (AHTS)

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

SKANDI STORD

19  
99

SKANDI ADMIRAL

19  
99

SKANDI PATAGONIA

20  
00

SKANDI CARLA

20  
01



Skandi Peregrino **AHTS**



Skandi Rio **AHTS**



Skandi Skolten **AHTS**



Skandi Stord **AHTS**



Skandi Vega **AHTS**



Ocean Protector **CSV**



Skandi Acergy **CSV**



Skandi Achiever **CSV**



Skandi Aker **CSV**



Skandi Arctic **CSV**



Skandi Carla **CSV**



Skandi Chieftain **CSV**



Skandi Fjord **CSV**



Skandi Hav **CSV**

### Construction Support Vessels (CSV)

Construction Support Vessels and Multi Purpose Support Vessels are the most complicated in the DOF fleet. Diving vessels, well stimulation vessel, pipe lay vessels and others belong in this category.

SKANDI NEPTUNE

20  
01

SKANDI TEXEL

20  
06

SKANDI RIO

20  
06

SKANDI MONGSTAD

20  
08

40





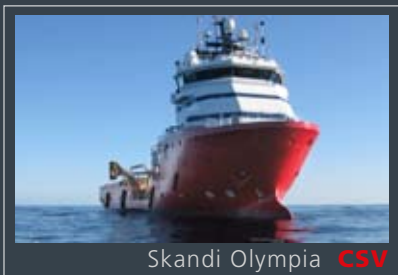
Skandi Inspector **CSV**



Skandi Neptune **CSV**



Skandi Niteroi **CSV**



Skandi Olympia **CSV**



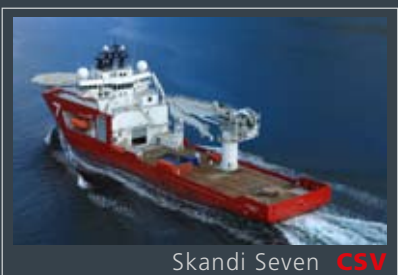
Skandi Patagonia **CSV**



Skandi Salvador **CSV**



Skandi Santos **CSV**



Skandi Seven **CSV**



Skandi Vitoria **CSV**



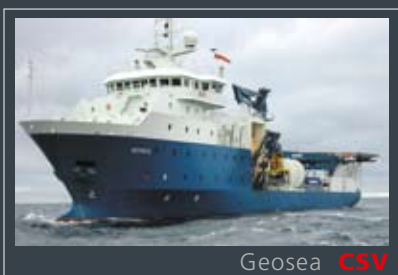
Geoholm **CSV**



Geograph **CSV**



Geobay **CSV**



Geosea **CSV**



Geosounder **CSV**



Geosund **CSV**

SKANDI SANTOS

20  
09

SKANDI SKOLTEN

20  
10

SKANDI AKER

20  
10

SKANDI VITORIA

20  
10

On August 3rd 2010, DOF Subsea, through a Joint Venture with Technip, officially took delivery of Skandi Vitoria, the new flagship for our fleet in Brazil.

The Pipelay Vessel, built by STX Europe Brasil, is the first PLSV ever built in Brazil. With a STX Europe OSCV 6 design, Skandi Vitoria is well suited for pipe laying, subsea construction, installation and maintenance work.

Skandi Vitoria began work on a 4+4 year contract for Petrobras in October 2010. Norskan Offshore Ltda will be responsible for the marine manning and vessel operations while Technip Brasil will perform the pipelay and ROV services.





SETTING THE STANDARD FOR THE NEXT GENERATION



# THE NEWBUILDING PROGRAMME

## DOF Newbuildings in 2010

The newbuilding activity in DOF remained high during 2010, as we took delivery of 8 newbuildings during the year.

A majority of these vessels are highly advanced, incorporating latest available technology, and providing environmental friendly solutions. The newbuildings have been a result of a good cooperation between DOF, the shipyard/designer and our clients. It was accordingly much appreciated when Skandi Aker was awarded "Ship of the Year 2010" during SMM in Hamburg in September.

The deliveries in 2010 included the first two vessels built at the new STX shipyard in Vungtau/Vietnam; two anchor handling vessels built and delivered to a high standard. It is impressive what has been achieved in this shipyard during a few years only.

Furthermore we took delivery of the joint venture construction vessel & pipelayer Skandi Vitória from STX Promar shipyard in Brazil. The most advanced vessel we have ever built in Brazil, and one of the most complex vessels in our fleet. It was an important milestone to see this vessel delivered and in operation for Petrobras.

Summarized, the listed newbuildings below, were followed up by the DOF project group and delivered in 2010:

### Norway:

**Skandi Aker**, offshore construction/-well intervention vessel, built at STX Søviknes Shipyard. Extreme topside equipment, including 400 ton offshore crane and 450 ton tension tower, equipped for advanced well intervention and riser handling. The vessel is able to perform a wide range of subsea and well intervention work, in line with the operations presently carried out by rigs.

**Skandi Vega**, one of the largest and strongest anchor handling vessels ever built, of design STX AH 04, 350 ton bollard pull, with hybrid propulsion solution, built at STX Aukra shipyard. Long time charter with Statoil.

**Skandi Skolten**, similar design as Vega, but combined anchor handler and subsea construction vessel, as she is fully outfitted for subsea work with 250 ton crane and 2 x ROV systems. Built at STX Aukra shipyard. Vessel operated by DOF Subsea.

**Skandi Hercules**, sister vessel of Skolten, also fitted with offshore crane and ROV system. Vessel built by STX Aukra and operated by DOF Subsea.

### Vietnam:

**Skandi Emerald**, medium size anchor handling vessel, first vessel delivered from STX Vungtau shipyard, Vietnam. Aker DOF Deepwater vessel which was sold after delivery.

**Skandi Peregrino**, medium size anchor handler, with additional oil recovery equipment. Aker DOF Deepwater vessel on long term charter with Statoil in Brazil.

### Brazil:

**Skandi Ipanema**, medium size anchor handling vessel, built at STX Promar, on charter to OGX.

**Skandi Vitória**, offshore construction & pipelay vessel, built at STX Promar, with extensive topside, including pipelay carousel and tower. Joint venture vessel with Technip, on long term charter with Petrobras.

In addition a few conversions, due to vessels starting up new contracts in Brazil, were also carried out in 2010.

DOF project group has grown and developed significantly the last 5 years, and has gained valuable experience from several demanding newbuilding projects in this period. In addition we have established a good relationship with the shipyards and designer (STX), and our clients, which are all important factors in order to handle our extensive newbuilding programme in good manner.

There will be high project & newbuilding activity in DOF also next year, as no less than 10 newbuildings are scheduled for delivery within the end of 2011. We look forward to new challenges next year.



Arnstein Kløvrud  
CTO, DOF ASA





Skandi Hawk PSV 09 - Delivery 2011



Skandi Singapore DSV 06 - Delivery 2011



Skandi Feistein PSV 09 - Delivery 2011



Skandi Saigon AH 08 - Delivery 2011



Skandi Skansen AH 04 - Delivery 2011



Skandi Amazonas AH 12 - Delivery 2011



Skandi TBN 5 AH 08 - Delivery 2011



Skandi Iguaçu AH 12 - Delivery 2012



Skandi Paraty AH 11 - Delivery 2012



Skandi Kvitsoy PSV 09 - Delivery 2012



Skandi TBN 6 AH 08 - Delivery 2012



Skandi Angra AH 11 - Delivery 2013

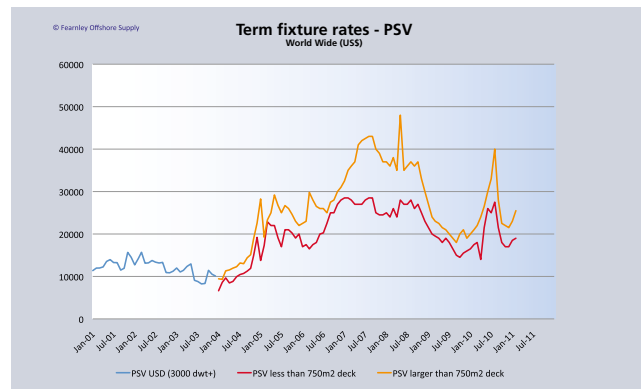
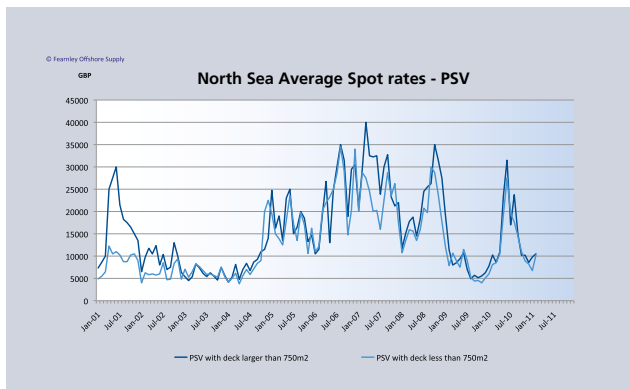
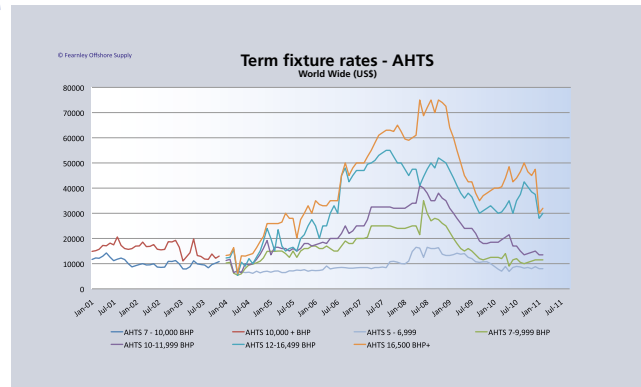
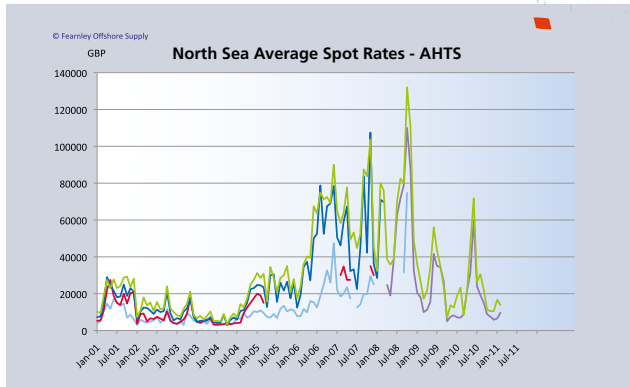


Skandi Urca AH 11 - Delivery 2013





# THE MARKET



## Market supply

In the North Sea, the spot market peaked day rates only a few times over the year. Most of the year the spot rates were under great pressure. During 2010, daily rates paid for AHTS 16,500 bhp + peaked at NOK 1.25 million per day.

On the other side of the scale, the lowest day rate recorded for similar vessel in 2010 was NOK 30,000.- For modern medium/large PSVs similar figures were NOK 395,000.- and NOK 35,000.- The average earning was much closer to the lower end of the spreads, especially for the AHTS. Throughout the year, new vessels were delivered from shipyards, mostly unfixed at time of delivery. Despite the severe losses encountered on the North Sea spot market, only 4-5 older medium sized PSVs were laid up in 2010.

A large portion of the North Sea spot fleet did on average not meet/cover the own operating cost (OPEX). An interesting feature of the chartering activity in 2010 was that charterers with an increasing degree focused on the quality and competence on crew and shore staff from owners, rather than specifications only.

Some comfort was found in Brazil, some in Turkey, Egypt, Canada and some in Trinidad.

West Africa lost some of its magnetic power whilst the Far East or particularly Oceania attracted interest. In the term market, several vessels secured interesting contracts. The activity increase on the Brazilian continental shelf was of great comfort and several tenders are still not closed and covered.

Despite the hectic fixing by Brazilian operations (Petrobras and other oil companies), the oversupply continued to rise, and at times the oversupply in the North Sea spot market has been massive.

## Outlook

37 new rigs will be delivered in 2011. Most of these have been secured employment from delivery ex yard. A high utilization for large PSVs is expected for the spring/summer season 2011.

During 2010 more than 30 new exploration rigs have been ordered. This number compares to a handful during 2009. With a delivery time of 2 and 3 years from contract signing, the majority of these new rigs will be ready to drill in 2013.

We expect to see an increased activity in both offshore drilling support and in the offshore renewable energy sector from mid 2011 and expect to see a high activity level in 2012-2013.

Kristian Vea  
Chartering Manager DOF Management AS

## The subsea Vessel Integrated service market overview

The subsea vessel integrated service market has seen the effect of the financial meltdown in late 2008 and 2009, making 2010 a very challenging year for the Contractor and Service provider.

All the market indicators and analysis have predicted that the subsea market will start to grow again in early 2011, after 2 years of purgatory following some optimistic signs of growth in the financial market. Now the reality is that, even despite the Oil price is passing again the mark of the 100 USD per barrel, the subsea integrated demand will slowly grow back but only to make up the ground lost in 2010. Several reasons are attributable to this slow and delayed recovery.

**Deepwater projects constrains:** The deepwater developments have been the major target of the big Operators and the quest to find the next big “elephant” in order to book new relevant reserves. These hunts require major investments in terms of exploration and resources. Further they add complexity and new technology challenges which in turn translate into new and additional risk.



The instability of the financial market forced the operators to slow down their expectations due to lack of financial back-up on high risk explorations.

Besides there are four to seven years gap between when a new discovery is announced and it becomes a valuable resource for services for the subsea vessel integrated Contractors. Therefore, assuming, no other major delay will occur, like the tragic accident of the Horizon Drilling rig in the Gulf of Mexico in 2010, we should see the development of the next big offshore giant field in 2013 and 2014. Major development like Gorgon or Macedon in Australia, Stockman in the Barents Sea, Jack and San Malo and Kaskida in the Gulf of Mexico, has been targets for years but are only now becoming real opportunities.

**Competition:** The market is now crowded. After a large number of new vessels came in operation between 2009 and 2010 and several vessel are still under construction as result of the incredible cash injected in the vessel industry before the financial market crash. The high availability of asset allowed new players to get into the subsea integrated market with little or no money, either taking away market share from the established Contractor or dragging the rates down benefitting the Operator or main Contractor.

**Control Demand:** The operators gained valuable lessons from the subsea market demand, and they have been very proactive in maintaining competition high. Several initiatives have been launched at the peak of the current depressed market to secure long term vessel for both long term IRM and life of field contracts.

Project are planned carefully to avoid fast-track demand, which will increase the Operator's buying power. Opportunities are available, nevertheless it is much more difficult to secure them at a market price above average.

Petrobras took advantage of the situation in 2010 by renegotiating several contracts already awarded after realising the high availability of rigs and vessels in the GOM post the Macondo well disaster.

Despite project delays, high competition and the Inventiveness of the Operator, the existing infrastructure offshore is still ageing. More strict regulation have been enforced for both drilling and production, fiscal benefit are offered to the operator to target enhance recovery from depleted reserve, and the decommissioning of the sterile fields will be enforced.

All of this will translate in new opportunity for the subsea Integrated Service when the Operator will start to plan and schedule the required work. Rates shall increase gradually with the diminishing of vessel availability, which should be accelerated by the few consolidations (i.e. Acergy/Subsea 7) and insolvency cases (i.e. DeepOcean and MarineSubsea) the market experienced in 2010 and may become more visible in 2011.

Duncan MacPherson  
Executive Vice President DOF Subsea Atlantic













# SHAREHOLDER'S INFORMATION

## SHARE CAPITAL AND SHAREHOLDERS

Largest shareholders as of 31.12.10

| Name                            | No. shares        | Shareholding  |
|---------------------------------|-------------------|---------------|
| MØGSTER OFFSHORE AS             | 46 210 050        | 50,76%        |
| ODIN NORGE                      | 6 044 552         | 6,64%         |
| SKAGEN VEKST                    | 4 954 800         | 5,44%         |
| PARETO AKSJE NORGE              | 4 901 407         | 5,38%         |
| PARETO AKTIV                    | 2 233 300         | 2,45%         |
| MP PENSJON PK                   | 1 845 600         | 2,03%         |
| ODIN OFFSHORE                   | 1 751 900         | 1,92%         |
| PARETO VERDI                    | 1 008 898         | 1,11%         |
| VESTERFJORD AS                  | 873 650           | 0,96%         |
| DNB NOR SMB                     | 800 000           | 0,88%         |
| MUSTAD INDUSTRIER AS            | 590 000           | 0,65%         |
| HOLBERG NORGE                   | 515 550           | 0,57%         |
| MOCO AS                         | 498 100           | 0,55%         |
| SKANDINAVISKA ENSKILDA BANKEN   | 415 015           | 0,46%         |
| PACTUM AS                       | 400 000           | 0,44%         |
| CITIBANK N.A. NEW YORK BRANCH   | 390 565           | 0,43%         |
| ODIN NORGE II                   | 380 340           | 0,42%         |
| FORSVARETS PERSONELLSERVICE     | 356 200           | 0,39%         |
| ODIN MARITIM                    | 339 800           | 0,37%         |
| POSH AS                         | 282 600           | 0,31%         |
| <b>Total</b>                    | <b>74 792 327</b> | <b>82,16%</b> |
| <b>Total other shareholders</b> | <b>16 245 648</b> | <b>17,84%</b> |
| <b>Total no of shares</b>       | <b>91 037 975</b> | <b>100%</b>   |

## Financial calendar 2011

| Date       | Event                                              |
|------------|----------------------------------------------------|
| 24-02-2011 | Results 4th Quarter 2010/ preliminary results 2010 |
| 25-05-2011 | 1st Quarter 2011                                   |
| 26-05-2011 | General Meeting                                    |
| 19-08-2011 | 2nd Quarter 2011                                   |
| 17-11-2011 | 3rd Quarter 2011                                   |

### Shareholder policy

DOF ASA shall at all times provide its shareholders, the Oslo Stock Exchange and the finance market in general (through the Oslo Stock Exchange information system) timely and exact information. Such information will be given in the form of annual reports, quarterly reports, press releases, stock exchange notifications and investor presentations, as appropriate. The Company will strive to clarify its long-term potential, including strategy, value drivers and risk factors. The Company will have an open and active policy in its approach to investor relations and will make regular presentations in connection with annual and preliminary results.

In general, DOF will present all inside information. In any event, the Company will provide information about individual events, such as resolutions adopted by the Board and the AGM concerning dividends, mergers/demergers or changes in share capital, the issue of subscription rights, convertible loans and all agreements of significance between Group companies or related parties.

The Chairman and the other Board members shall be available for discussions with major shareholders in order to achieve a balanced understanding of these shareholders' viewpoints and focus, but under due care of the regulations in ASAL, VPHL and BØRSREG. The Chairman shall ensure that the shareholders' views are communicated to the entire Board. The Board shall consider the interests of all shareholders and treat all shareholders equitably.

All transactions that are not of minor significance between the Company and a shareholder, a Board member or a senior employee (or related parties) shall be subject to value assessment by an independent third party. If the consideration exceed 5% of DOF's share capital, such transactions shall be subject to the approval of the shareholders at the AGM, in so far as this is required by ASAL, section 3-8.

Board members and senior employees shall inform the Board if they have any significant interest in a transaction to which the Company is a party.

There are no restrictions in the trade of shares in DOF, and DOF shall not establish mechanisms designed to prevent or repel takeover bids, unless this has been approved by the general meeting with a two thirds majority (of votes cast and of the share capital represented). However, in the event of a takeover bid, the Board may take steps that are clearly in the best interest of the shareholders, for example by offering the shareholders advice on the offer, or, where relevant, by finding an alternative buyer ("white knight").

### Development of share price since listing

The Figure on page 50 illustrates the development of the share price, and OSBEX from date January 1st to December 31st.

### Dividend Policy

DOF's objective is to provide a competitive return on the shareholders' invested capital through payment of a dividend and appreciation of the share price. In considering the scope of the dividend, the Board emphasizes safety, predictability and stability, as well as the Company's dividend capacity, the need to have a healthy and optimal level of equity, and also adequate financial resources in order to pave the way for future growth and investment, and the wish to minimise capital costs.

### Power of Attorney to the Board of Directors Increase of the share Capital

In the General Meeting the 27th of May 2010, the Directors were given a Power of Attorney to increase the Company's share capital up by up to NOK 91,000,000 through the issue of up to 45,500,000 shares, each with a nominal value of NOK 2.00. The Power of Attorney is valid until the ordinary General Meeting in 2011.

The Power of Attorney includes a right to deviate from the shareholders preemptive right by law to subscribe for new shares. Further, the Power of Attorney includes a right to increase the Company's share capital in return for non-cash contributions. The Power of Attorney does not include a decision on a merger pursuant to the Norwegian Public Limited Companies Act, Section 13-5.

### Acquisition of own shares

In the General meeting the 27th of May 2010, the Directors were given a Power of Attorney to acquire up to 10% of the Company's shares, pursuant to the provisions of chapter 9.II in the Norwegian Public Limited Companies Act.

The highest nominal value of shares that may be acquired pursuant to this power of attorney is NOK 18,207,595.00. The lowest amount that can be paid is NOK 20 per share and the highest amount NOK 100 per share.

Within the limits of the law, the Board of Directors are granted Power of Attorney to decide the manner in which the purchase and sale of own shares can take place, taking due account of the principle of equanimity whereby no-one shall derive particular or special advantage from such acquisitions.

The Power of Attorney is valid until the ordinary General Meeting in 2011, no later however than the 30th of June 2011.

The justification for the proposal is that it may be financially advantageous for the Company to possess own shares. The possession of own shares can generate a profit through own-account trading, and the shares can be used in payment for possible acquisitions of other companies and for similar purposes.



*Delivery of Skandi Emerald in Vietnam:  
Project Manager STX Bernhard Hansen, Site Manager Jarle Angelshaug  
and Capt. Eirik Torseth. Photo: ©Ingebrigt Ølmheim*



# ANALYTICAL INFORMATION

The DOF group operates within three different business segment related to types of vessels and activities. The majority of all revenues are based on day rates. The result, volume and cash flow for the group can be influenced by a number of variable factors and variance in types of business segments which is mostly relevant for subsea activity. The company policy is to manage all risks and to reduce the major risks which are related to changes in currency rates, interest rates and utilization of vessels and equipment. Our intention is to monitor and understand the impact of changing market conditions on our results and cash flow and to initiate actions to reduce the effects of such changes.

## Segments

The group earnings structure is divided in three segments; PSV (Platform Supply Vessel), AHTS (Anchor Handling Tug and Supply) and CSV (Construction Support and Subsea Vessel). In addition the group earning structure can be divided into two categories: 1) Time-charter activity: Vessels operating on firm time charter agreements where the revenue reflects vessel- and marine costs

and 2) Project activity: Vessels operating on contracts where the revenue reflects engineering services in addition to vessel- and marine costs. Vessels under category one are basically PSV and AHTS. The CSV's work under both category one and two, and these vessels are owned by DOF Subsea. Earnings from CSV vessels are firm contracts and project contracts and earnings can vary based on utilization of the vessels and scope of the project. The subsea vessels (CSV) are used as operating vehicles which serve as platforms for a range of equipment and personnel needed for various services offered by DOF Subsea. DOF Subsea also owns and operates a large fleet of ROV's included in their vessel operations. A minor part of DOF Subsea's business are revenues which only include subsea engineering services and not vessels.

## Comments to operating result

### Operating revenue

DOF group's total revenue in 2010 amounted to MNOK 5 462 compared to MNOK 4 327 in 2009 of which gain from sale of assets was MNOK 37 (MNOK - 8). This is an increase of approx. 26% and reflects more vessels in operation in 2010. The group took delivery of 8 vessels in 2010 and sold 2 vessels. In addition one new-building was sold, however the impact from this sale will not be reflected until delivery of the vessel in 2011. Based on average number vessel days in operation in 2010 the group operated 3,5 more vessels compared to 2010. Including in the deliveries in 2010 are 4 large and complex subsea support vessels with high day rates in their chartering contracts. In addition the project activity has been higher in 2010 compared to the previous year. Total revenues from vessel and ROV operations in

2010 were MNOK 5 209 (MNOK 4 106) and total revenues from engineering activities were MNOK 217 (MNOK 229).

### Operating costs

Total salary and operating costs were MNOK 3 753 in 2010 compared to MNOK 3 094 in 2009 which is a cost increase of approx 21%. The increase in costs is driven by operation of more vessels and higher project activity. Total depreciation costs increased from MNOK 837 in 2009 to MNOK 1 166 in 2010. In 2009 a total write offs of MNOK 179 was done. The increased depreciations are mainly effected by more and expensive vessels in operations compared to previous year. The group's depreciation policy will be evaluated during 2011 due to the fact that the decrease in fair market values of the group's fleet reflects a lower depreciation rate during the lifetime of the group's vessels.

Operating profit before depreciation (EBITDA) amounted to MNOK 1 709 (MNOK 1 234) which gives a margin of 31% (29%). Average Ebitda margin in 2010 for PSV segment was 36%, 42% for the AHTS segment and 28% the CSV segment. Included in the CSV segment are engineering and project activity which normally have lower margins than vessel operations. Margins have partially been effected by currency fluctuations. Approx. 87% of the group's revenues are other currency than NOK.

### Result of the year

Net financial result totaling MNOK - 743 (MNOK 787). Net financial result has been effected by unrealized gain on foreign currencies, of in total MNOK 83 (MNOK 758) which mainly represents currency variations between USD and NOK. In addition the currency fluctuations between BRL and USD can have a considerable impact on the accounts because the Brazilian operations use BRL as functional currency.

On the other hand this activity has a limited degree of cash exposure to foreign exchange as all long-term contracts are hedged in the same currencies as the operating and financial costs.

Net financial income for associated companies was MNOK - 5 (MNOK 191). The positive result in 2009 basically represents gain from sale of the shares in Aker Oilfield Services AS.

Other financial income is MNOK 178 compared to an income of MNOK 485 in 2009. The main reason for higher profit in 2009 is currency gain after refinancing long term debt and from hedging activity.

Net interest costs was MNOK 1 000 (MNOK 648), and increased costs are due to higher long term debt.

Tax costs/revenue are in total MNOK - 15 (MNOK- 202). The tax costs reflect different tax regimes, including taxation for shipping companies, voluntary settlement scheme and significant in-house restructuring in 2010.



## Comments to balance sheet

### Assets

The group assets increased from MNOK 21 785 to MNOK 27 053 which is an increase of approx 24% from year end 2009. The asset growth can be mainly be explained by investments in vessels and equipment. The group has during 2010 taken delivery of 8 new vessels and increased its ROV fleet. Two of the new vessels are owned via JV's and are consolidated based on 50% ownership. The group has still an extensive new-building program and paid installments on new vessels and equipment per 31 December 2010 is MNOK 1 925 and represents deliveries in period from 2010-2013. The main terms for the new-builds are 20% payment during construction phase and 80% on delivery. The group's fleet consists of a young fleet with an average age of 7 years. A adjusted at fair market value the average age is 3,7 years.

### Equity

The group total equity reduced from MNOK 6 809 to MNOK 6 728 of which minority interest amounted to MNOK 2 750. The minority interests represent minority shares in DOF Subsea Holding AS and DOF Installer ASA.

The equity to assets ratio is approx 25% at year end 2010. The equity ratio based on fair market value of the fleet and assets on a fully consolidated basis was approx. 44%.

### Liabilities

The group's net-interest bearing debt (NIBD) amounted to MNOK 15 469 as of 31.12.2010 compared to MNOK 10 073 at year end 2009. Adjusted with unemployed capital the NIBD is 13 545 by year end 2010. The group's long term debt has increased as a result of deliveries of new vessels and subsea equipment. Short term portion of long term debt, MNOK 1 876 and include annual payments on long term loans and two bonds with maturity in 2010.

The debt/equity ratio was 3,02 calculated on 31.12.10 and 2,20 year end 2009.

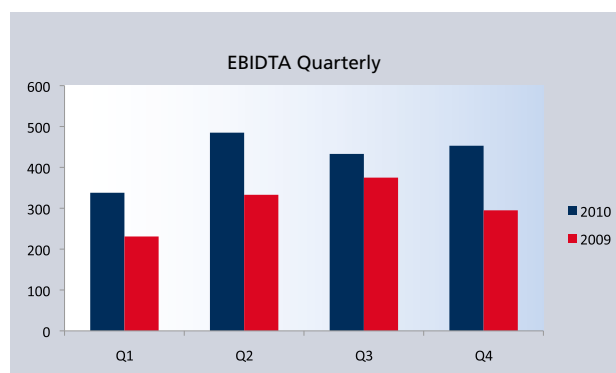
## Comments to the cash flow

The net cash flow from operating activities in 2010 was MNOK 1 084 (MNOK 599).

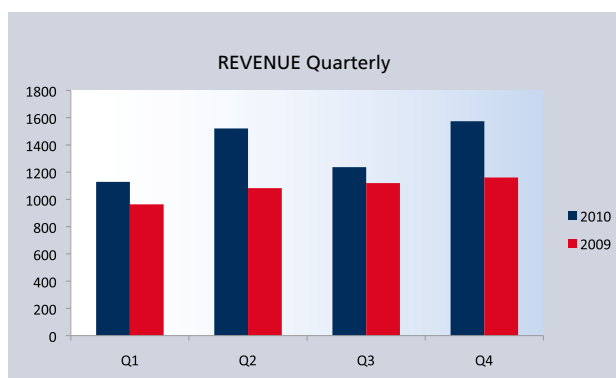
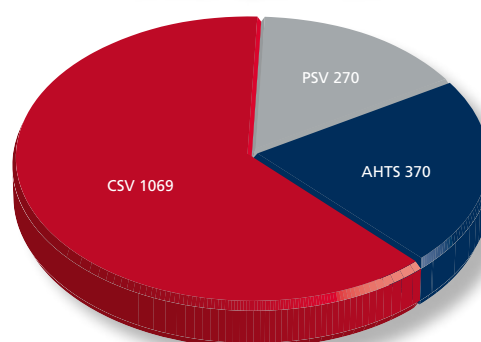
Investments in activities show a net negative cash flow effect of MNOK -5 352 (MNOK -3 264), whereof MNOK 460 are cash flows from sale of two vessels MNOK -5 708 investments in fixed assets and that represents deliveries of new vessels (wholly and partly owned) and installments on new-builds to be delivered in period 2011- 2013.

Financing activities show a net positive cash flow effect of MNOK 4 689 (MNOK 2 047) whereof MNOK 10 718 are new long term loans and MNOK 6 070 annually down payments on long term debt and payment of balloons.

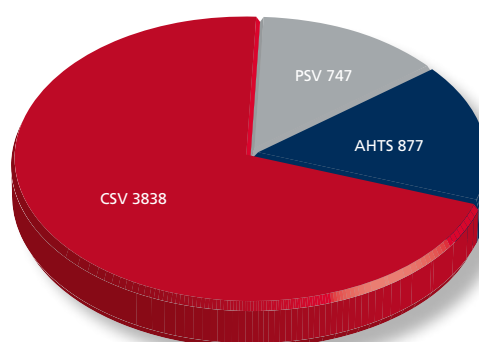
Working capital is MNOK 2 164 (MNOK 1 952). Total available cash is MNOK 1 697 (MNOK 1 083).



EBITDA per segment 31.12.2010



REVENUE per segment 31.12.2010



# 2010 CORPORATE GOVERNANCE

## 1. Introduction

### 1.1 Background

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

In 2006 the Company adopted its first formal document of Corporate Governance. The Company at all times acts 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. On 21 October, 2009, revised Corporate Governance guidelines from the Norwegian NUES were published. On 22 February, 2010, the Company's Board of Directors approved and adopted its current Corporate Governance Policy based in full on the NUES guidelines. This fully reflects the Board's approval of these guidelines without reservation.

### 1.2 Objective

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

### 1.3 Rules and regulations

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

### 1.4 Management of the Company

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

### 1.5 Implementation and reporting on Corporate Governance

The Board of Directors observes and ensures that the Company implements sound corporate governance.

The Board of Directors is obliged to provide a report on the Company's corporate governance in the annual report. The report

must cover sectional items of the Corporate Governance Code of Practice. The Group has drawn up a separate policy for corporate governance, and the Board of Directors has decided to follow the Norwegian Recommendation for Corporate Governance without reservation.

## 2. Business

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

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

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

## 3. Equity and dividends

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

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

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

### Equity

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



### **Current Capital Increase Mandate**

The Board of Directors has been given authority, in time until the ordinary general meeting in 2011, to increase the share capital by issuing up to 45 500 000 new shares.

### **Current Mandate for purchase of treasury shares**

The Board of Directors has been given authority, in time until the ordinary general meeting in 2011, to purchase treasury shares in DOF ASA, limited to 10% of the Company's share capital. Shares may not be purchased for less than NOK 20 per share, and no more than NOK 100 per share. At 31 December 2010, the Group owned no treasury shares.

## **4. Equal treatment of shareholders and transactions with close associates**

The Company has only one class of shares.

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

Any transactions the Company carries out in its own shares must be carried out either through the stock exchange or at prevailing stock exchange prices if carried out in any other way.

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

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

### **Voting Rights**

The Company's Articles of Association place no restrictions on voting rights. All shares are equal.

### **Trading in treasury shares**

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

### **Transactions between related parties**

See note 30 for related party transactions.

## **5. Freely negotiable shares**

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

## **6. General meetings**

### **Exercising rights**

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

- Inviting the notice of calling the meeting and the support information on the resolutions to be considered at the general meeting, including the recommendations of the Nomination Committee, available on the Company's website no later than 21 days prior to the date of the general meeting.
- Ensuring that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting.
- Setting a deadline as close to the date of the meeting as possible for shareholders to give notice of their intention to attend the meeting, and in compliance with the Articles of Association.
- If the general meeting is to consider mandates to the Board of Directors for the issue of shares for different purposes, each mandate will be considered separately by the meeting.
- Ensuring that the members of the Board of Directors and the Nomination Committee and the Company's auditor are present at the general meeting.
- Making arrangements to provide, if desired, an independent chairman of the general meeting.
- Shareholders who cannot attend the meeting in person are given the opportunity to vote. The Company provides information on the procedure for representation at the meeting through a proxy, including a form to appoint a proxy.
- Nominating a person who will be available to vote on behalf of shareholders as their proxy.
- Preparing a form for appointment of a proxy, which allows separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election.

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

- Information on the right of shareholders to propose matters to be considered by the general meeting.
- Proposals for resolutions to be considered by the general meeting, alternatively comments on matters where no resolution is proposed.
- A form for appointing a proxy.

By virtue of the Annual General Meeting, the shareholders are guaranteed participation in the Groups supreme governing body. The following matters are discussed and resolved at all annual general meetings:

- Adoption of the annual financial statement and the annual report for the previous year, including distribution of dividends.
- Any other matters which by virtue of law or the Articles of Association pertain to the general meeting.

### Notification

The annual general meeting is held each year no later than six months after the end of each financial year. The 2011 annual general meeting is scheduled for 26 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, telefax or e-mail. Shareholders who cannot attend the meeting can authorise a proxy, and the system facilitates the use of proxies on each individual item for discussion.

## 7. Nomination committee

The Company has a Nomination Committee. The annual general meeting elects the chairperson and members of the Nomination Committee and determines the Committee's remuneration.

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

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

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

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

The Company provides information on the membership of the Nomination Committee and any deadlines for submitting proposals to it.

The Nomination Committee consists of three members. The members are elected by the general meeting for terms of two years at a time. The general meeting determines the remuneration of the Committee's members.

### Composition

The current Nomination Committee, with the exception of Mr Roy Reite, was elected in the annual general meeting held on May 27th 2010 for a period of two years and consist of:

Harald Eikesdal. Mr. Eikesdal is a Attorney-at-Law in Eikesdal, Meling, Nygård, Lande and Sveinal.

Kristine Herrebrøden. Mrs. Herrebrøden is corporate lawyer at Thommessen law firm and has worked as lawyer since 2004. She has extensive experience in financial and corporate transactions.

Roy Reite. Mr. Reite is President, Offshore & Specialized Vessels at STX OSV AS. He has been in charge of the Offshore & Specialized Vessels business area in STX OSV since 2001. He was elected in the annual general meeting in 2009 for a period of two years and is therefore up for re-election in 2011.

All three members of the Nomination Committee are independent of DOF ASA's main shareholder(s) and the Executive Management.

## 8. Board of Directors: Composition and independence

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

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

- Whether the relevant person has been employed with the Company during the foregoing three years.
- Whether the relevant person has received or is receiving other kinds of remuneration from the Company other than the annual remuneration to Directors awarded through the annual general meeting, or participates in a share option program or result based remuneration arrangement .
- Whether the relevant person has had major business relation with the Company over the three previous years.

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

The Chairman of the Board of Directors is elected by the general meeting.

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

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

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

### Composition of Board of Directors

According to the Articles of Association § 5 The Company's Board of Directors shall consist of 4-7 directors elected by the shareholders. The Company endeavours to adapt directors'



backgrounds, competence, capacity and affiliation to the Group's business activities and its need for diversity.

### **The Board of Directors consists of the following persons**

Helge Møgster, Chairman. Mr. Møgster is one of the main owners of Møgster Offshore AS, the main shareholder of DOF ASA, of Laco AS and the main shareholder of Austevoll Seafood ASA. He has extensive experience over the years from both the offshore shipping activities and fishing industry. He holds board positions in several companies.

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

Wenche Kjølås. Mrs. Kjølås is Group Managing Director in Grieg Maturitas AS since 2009. She has vast experience from various industries in Norway. She holds a business graduate degree from NHH.

Britt Mjellem. Mrs. Mjellem is Department Manager in Amesto People AS. Having worked in both the investment banking sector and the shipbuilding industry, Mrs. Mjellem has over 20 years experience from the monetary exchange markets.

Oddvar Stangeland. Mr. Stangeland started his career with DOF in 1982 as a Technical Manager before becoming the CEO of the Company in 1985. He stepped down as CEO in 2005 handing over his position to Mons Aase. He holds a degree in Marine Engineering and Naval Architecture (MSc) from the Norwegian Institute of Technology (NTNU) in Trondheim.

### **The Boards autonomy**

Except for the Chairman Helge Møgster, Helge Singelstad and Oddvar Stangeland, the members of the Board of Directors are independent of the Company's major shareholders, the Company's management and the Company's main business relations. There are no conflicts of interest between any duties to the Company of the members of the Board of Directors or the Company's management, and their private interests or other duties.

No members of the management team of the DOF Group are Directors. Directors are elected by the annual general meeting for a term of two years.

### **Directors' ownership of shares:**

Helge Møgster personally owns 236 930 shares, and indirectly through Møgster Offshore AS owns 46 210 050 shares in the Company. Oddvar Stangeland personally owns 20 000 shares, and indirectly through Kanabus AS owns 8 000 shares in the Company. Britt Mjellem owns 1 000 shares in the Company. Wenche Kjølås owns indirectly, through Jawendel AS, 3 000 shares in the Company.

## **9. The work of the Board of Directors**

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

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

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

The Company has an Audit Committee. The majority of the members of the Committee are independent.

The Board of Directors evaluates its performance and expertise annually.

### **Board responsibilities**

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

### **Instructions to the Board of Directors**

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

### **Board committees**

The appointment and election of a Nomination Committee is regulated by the Company's Articles of Association.

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

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

Current members of the Audit Committee are Wenche Kjølås, Chairman, Britt Mjellem and Helge Singelstad.

### **The Board of Directors' self-evaluation**

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

## **10. Risk management and internal control**

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

The Board of Directors carries out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements. The Board of Directors provides an account in the annual report of the main features of the Company's internal control and risk management systems as they relate to the Company's financial reporting.

The Board of Directors regularly receives reports that cover financial status and important Key Performance Indicators for the operating companies within the DOF Group. The quarterly financial statements and management reports are also subject to review at quarterly meetings of the Board of Directors.

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

## **11. Remuneration of the Board of Directors**

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

The remuneration of the Board of Directors is not linked to the Company's performance. The Company shall not grant share options to Members of the Board of Directors.

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

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

The Directors' fees are decided by the AGM. The Directors' fees are not linked to the Company's performance.

Oddvar Stangeland has had certain assignments for the Company as a technical advisor in various newbuilding/ and re-building projects. None of the other Members of the Board have during

2010 had assignments for the Company in addition to being Directors.

## **12. Remuneration of the Executive Management**

The Board of Directors is required by law to establish guidelines for the remuneration of the members of the Executive Management. These guidelines are communicated to and approved by the annual general meeting.

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

Performance-related remuneration of the Executive Management in the form of bonus programmes or the like are linked to value creation for shareholders or the Company's earnings performance over time. Such arrangements emphasize performance and are based on quantifiable factors over which the employee in question can have influence. See note 12 in respect of guidelines for remuneration to Executive Management.

The existing remuneration policy, approved on the 2010 annual general meeting, allows performance-related remuneration. The Executive Management currently has no performance-related remuneration or share option programmes.

## **13. Information and communication**

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

The Company each year publishes an overview of the dates for major events, such as its annual general meeting, publication of interim reports, public presentations, dividend payment date if appropriate etc. A calendar of most important dates is published on the Oslo Stock Exchange and the Company's website. Information to the Company's shareholders is distributed via the Oslo Stock Exchange and the Company's website on an ongoing basis, immediately after decisions have been made.

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

The Board of Directors is in the process of reviewing guidelines for the Company's contact with shareholders other than through general meetings.



## 14. Take-overs

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

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

The Board of Directors will not seek to hinder or obstruct take-over bids for the Company's activities or shares unless there are particular reasons for this.

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

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

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

## 15. Auditor

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

The auditors participates in meetings of the Board of Directors that deal with the annual accounts. At these meetings the auditor reviews any material changes in the Company's

accounting principles, comments on material estimated accounting figures and reports material matters on which there has been disagreement between the auditor and the Executive Management of the Company.

The auditor once a year presents to the Audit Committee a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement.

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

The Board of Directors reviews guidelines in respect of the use of the auditor by the Company's Executive Management for services other than the audit of the Company. The Board of Directors reports the remuneration paid to the auditor at each annual general meeting of shareholders, including details of the fee paid for audit work and any fees paid for other specific assignments, provided such information is available at the time of the annual general meeting.

The auditor each autumn prepares a plan for auditing activities in the subsequent year. The auditor attends a number of Board meetings during the year. In addition to ordinary audit, the auditing company has provided consultancy services related to accounting. Reference is made to the notes to the consolidated financial statements.





## THE BOARD 2010

**Helge Møgster**  
Chairman

Born 1953. Helge Møgster, major shareholder through the Møgster family's holding company Laco AS. Laco AS has 95,88% stake in Møgster Offshore AS, the majority shareholder of DOF ASA. Mr. Møgster has long term extensive experience from the offshore service sector and all aspects of the fisheries sector. He is the Chairman of DOF ASA, and he chairs and serves on numerous Boards of Directors.



**Helge Singelstad**  
Board member

Born 1963. Helge Singelstad is CEO in Laco AS, and Chairman of the Board in Austevoll Seafood ASA and Lerøy Seafood Group ASA. Mr. Singelstad has experience from different types of businesses: oil companies, ship equipment and the seafood sector.



**Wenche Kjølås**  
Board member

Born 1962. Wenche Kjølås is Group Managing Director of Grieg Maturitas since 2009, and before that she was CFO in Grieg Logistics since 2006. She has experience from various industries in Norway and international, incl. shipping, seismic, seafood, food and retail. Mrs Kjølås has Board experience from different listed companies, and today serves on the Board of Grieg Seafood ASA in addition to several other companies.



**Britt Mjellem**  
Board member

Born 1961. Britt Mjellem is Managing Director in Amesto People, Bergen. Her background is from the shipbuilding industry and she has more than 20 years experience from investment management in the foreign exchange market. She serves on numerous Boards of Directors.



**Oddvar Stangeland**  
Board member

Born 1944. Oddvar Stangeland started his career with DOF in 1982 as technical manager, and held the position as the company's CEO 1985 – 2005. Prior to this he has been a project engineer-/ project manager in Norwegian and International shipping companies.



**Mons S. Aase**  
CEO

Born 1966. Mr. Aase has been part of the management team since 1998. He served as CFO and Deputy Managing Director in the company before becoming CEO of DOF ASA from 2005. Mr. Aase has various experience from financing and shipbroking industries.





# REPORT OF THE BOARD OF DIRECTORS

## DOF ASA

DOF ASA ("the Company") is an international corporation involved in the ownership and operation of a fleet comprising supply and subsea vessels and engineering companies providing services to the subsea market. The DOF Group (the Group) divides its activities into three principal segments: PSV (platform supply vessels), AHTS (anchor handling tug support vessels) and CSV (construction support and subsea vessels). All the Group's PSVs and the main share of the AHTS fleet are owned via wholly-owned subsidiaries in Norway and in Brazil, while the main share of the CSV fleet and all engineering companies are owned via the subsidiary DOF Subsea Holding AS.

As of 31 December, the Group's fleet comprised the following vessels and newbuildings:

- 22 platform supply vessels (PSV)
- 23 anchor handling tug supply vessels (AHTS)
- 25 subsea/construction support vessels (CSV/ROV)
- 44 ROVs and 1 AUV

The Group has offices on all five continents and is the main/part owner of 6 service/engineering companies with specialised expertise related to subsea operations. The head office is located at Storebø in Austevoll municipality.

The Group's business concept is to engage in long-term and industrial offshore business. The Group aims to be an international supplier of offshore services by investing in advanced supply and subsea vessels and sustaining its investments in highly qualified personnel. The Group operates with a balanced Contract strategy which centres on long-term contractual coverage for the main share of its fleet.

### Group activities in 2010

#### Operation Supply PSV - AHTS

The supply fleet is principally owned by the subsidiaries DOF Rederi AS / DOF UK Ltd., (DOF Supply) and Norskan AS (Norskan), and via a 50% joint venture with Aker DOF Deepwater AS. The Group was reorganised in 2010, comprising the transfer of vessels on long-term contracts in Brazil from DOF Supply to Norskan.

In 2010, DOF Supply had the major share of its fleet on long-term contracts and has had regular operations for its vessels throughout the year. DOF Supply sold four vessels and two newbuilding contracts to Norskan in June 2010. These were vessels on long-term contracts in Brazil. In May, DOF Supply received delivery of one large anchor handling tug support

vessel, Skandi Vega. This vessel started on a long-term contract for Statoil upon delivery. In total DOF Supply owns and has operation of 19 vessels. Moreover, the Group had 1 vessel under construction at year-end, which was delivered in February 2011. DOF Supply also covers management business in Norway, the UK, Singapore and Argentina.

Norskan has enjoyed a substantial growth in 2010 both via ownership and operational responsibility for an increased number of vessels throughout the year. The addition of new vessels comes from the take-over of vessels from DOF Supply and the delivery of one newbuilding. At year-end, Norskan had operational responsibility for 22 vessels, of which 19 are directly owned. In addition, the company had 6 vessels under construction, of which 5 are being built in Brazil. Throughout 2010, work has been ongoing to prepare Norskan for listing on the stock exchange in Sao Paulo. The company decided in October to postpone listing on the stock exchange.

Norskan owns 50% of Aker DOF Deepwater AS (ADD). In 2010, ADD received delivery of two newbuildings from STX in Vietnam. The first vessel was sold after only one week of operations, with the sale generating a gain of approx. NOK 43 million. Vessel no. 2 has started on a long-term contract for Statoil in Brazil. In addition, ADD has 4 vessels under construction which are scheduled for delivery in 2011 and 2012.

#### Operation Subsea - CSV

The company owns 51% of DOF Subsea Holding AS (DOFSUB) which partly or wholly owned 23 vessels at year-end, in addition to a large ROV fleet. The company also owns engineering activities with expertise relating to survey, diving services, ROV operations, construction and IRM (inspection, repair and maintenance). DOFSUB owns businesses in Norway, the UK, USA, Australia, Singapore and Brazil.

DOFSUB has received delivery of in total 5 advanced subsea vessels in 2010, including a well intervention vessel, a pipe-laying vessel, two combined anchor handling subsea vessels and one construction support vessel. The former, Skandi Aker, was named Ship of the Year in 2010. Another of the newbuildings, Skandi Vitoria, is the first pipe-laying vessel to be built in Brazil. This vessel started on a long-term contract for Petrobras in the fourth quarter of 2010. Of the newbuildings received by DOFSUB in 2010, three have started on long-term contracts and two have been operating on the spot/project market. DOFSUB has a further three vessels under construction – one diving support vessel, one pipe-laying vessel and a combined anchor handling/subsea vessel, all scheduled for delivery in 2011. After delivery of

these vessels in 2011, DOFSUB will own the world's largest fleet of advanced subsea vessels.

### New contracts

The Group achieved a substantial increase in contractual coverage in 2010, securing new long-term contracts for newbuildings and existing vessels which in total represent a value of approx. NOK 10,000 million. This includes four 8-year contracts for Petrobras for 4 newbuildings in Brazil, awarded in June 2010, which represent a financial value of approximately NOK 5,000 million and are the largest contracts ever entered into by the Group with one customer.

### Finance

In 2010, DOFSUB increased its shareholding in DOF Installer ASA (DOFI) from 53% to 78.5% by taking part in two share issues. Throughout the year, DOFI carried out two share issues totalling NOK 350 million and 17,500,000 shares. DOFI owns three vessels including one newbuilding contract.

DOF and DOFSUB issued three new bond loans totalling NOK 2,300 million. The net cash effect of these transactions amounted to NOK 1,166 million, subsequent to the redemption of former bond loans.

In 2010, the Group introduced a comprehensive refinancing program for its existing fleet and took out new loans in connection with the delivery of new vessels. The estimated value of new long-term loans drawn in 2010 is approx. NOK 10,700 million (of which the bond loans total NOK 2,300 million).

## Health, safety and the environment

The majority of the group employees are employed by DOF Management AS, Norskan Offshore Ltda and DOF Subsea. In 2010, the Group has continued to control its activities related to Quality, Health, Safety and the Environment according to the goals to achieve zero occupational injuries and illness, maintain a good working environment, raise consciousness and maintain control of environmental aspects and sustain high regularity for operations. Since 1995, DOF Management has had certification according to the ISM code, with ISO 9001 and ISO 14001 certification since June 2002. Since 2004, Norskan has had certification in accordance with the ISM code, ISO 9001, ISO 14001, OSHAS 18001 and the ISPS Code. DOF Subsea implemented a global management system in 2010, which was also awarded certification according to ISO 9001:2008 and ISO 14001:2004.

DOF Management reported an increase in lost time injury frequency (no. personal injuries resulting in absence per 1,000,000 exposed working hours or LTIF) from 0.92 in 2009 to 1.25 in 2010. There was also an increase in total recordable case frequency (TRCF) from 1.93 in 2009 to 2.86 in 2010. For DOF Management, around 50% of injuries to personnel involve client personnel. Norskan also recorded an increase in lost time injury frequency and an increase in total recordable case frequency from 2.27 in 2009 to 7.38 in 2010. The frequency of personnel injuries for DOF Subsea remained at the same level as in 2009. The most common causes of such accidents are underestimating risk, breach of procedure and failure to pay attention.

Our zero injury goal is definite, and the company is working on the long-term measures established in recent years, which focus on management involvement and the individual employee's impact on the HSE results. When compared with 2009, there has been a minor increase in the number of reported incidents and Safety Observations.

When viewed in terms of non-scheduled operational disruption, over 2,705 hours (112 days) offhire have been recorded representing a total regularity of 99.1% for the fleet. The figure above does not include any days for maintenance covered by contract.

## External environment

In relation to the external environment, DOF Management reported one significant incident in 2010.

DOF Management implemented an environmental accounting database in 2010 to include registration of waste/consumption according to the different Marpol categories.

In 2011, all the companies in the DOF Group introduced a new system for handling crises ("Crisis Manager"). The Group has also introduced a new management system ("Docmap") which will be implemented within all companies in 2011. These are just two of the systems which have been selected for global implementation in all Group companies, a project which has been ongoing since 2010 and will continue in 2011.

## Working environment

The Group had a total of 3,392 employees and hired-in personnel as of year-end 2010. Average sick leave in 2010 was 3.0% for the entire Group. Sick leave among the employees in DOF Sjø/DOF Management in 2010 was 5.4%, a minor reduction in comparison with 2009 when sick leave was at 5.5%. Sick leave for the subsidiaries, DOF Subsea Holding and Norskan Offshore Ltda. comprised 1.7% and 2.2% respectively. The Group has a target to keep sick leave at a low ratio and will continue working proactively and making investments in measures to protect the health of the employees in order to achieve this target.

A good working environment is a priority target, and satisfied employees are our best and most important ambassadors.

## Access to manpower

The Group has witnessed a reduction in the level of activity on the supply market for the North Sea in 2010, while Brazil has seen a significant increase. This has resulted in the transfer of experienced seafarers to Brazil, requiring the Group to actively recruit qualified seamen. Demand for all types of seafarers is high, in particular for Brazil where competition for manpower is extremely hard and recruitment challenging.

The competition for personnel with advanced technical expertise on shore remains tough, and the competition to recruit the most experienced engineers is only expected to heighten in the future.



Despite strong competition for manpower, the Subsea segment of the Group was able to cover increased demand for expertise in most offshore areas in 2010. However, it has already become evident that this challenge will become increasingly difficult in the years to come.

The Group aims to continue its efforts to encourage young people, with a particular focus on young female students, to choose sciences and to target careers in male-dominated professions. The Group companies all collaborate with educational institutes and take part in career events for students.

## Diversity and inclusion

Equal opportunities represent an important part of the Group's personnel policy. The Group aims to be an inclusive workplace for both sexes, with a particular focus on diversity. A good mix of ages, sexes, cultures and expertise provide us with added strength from day to day and help make DOF an attractive employer. Our industry is traditionally dominated by males and the number of female employees onboard offshore vessels is normally low. However, the Group has a goal to gradually increase the female ratio of seafarers. The process of recording the ratio of women and men in the Group has continued for a number of years, and the ratio of women versus men on shore was 40% women and 60% men as of 31 December 2010 in DOF Management, and 33% women versus 67% men as of 31 December 2010 in DOF Subsea AS.

The Board of Directors comprises three men and two women.

As a result of the Group's inclusive recruitment policy, our employees now comprise a number of nationalities from every corner of the world. The expertise and knowledge of our employees are an important key to the Group's success. Education and development have played an essential role in increasing value creation for the Group. The Group's efforts to increase diversity shall concentrate on recruitment of new employees. When training managers, a focus will be placed on the value of diversity, ensuring that our recruitment process is fully inclusive. We follow a policy of recruiting and selecting the candidate best suited to a position in terms of skills, qualifications and capacity.

All Group companies aim to provide a workplace free of discrimination. In 2010, the Group prepared a new set of regulations (Code of Business Conduct) for the entire Group which covers requirements relating to the Anti-discrimination and Accessibility Act.

We are fully committed to ensuring a safe and good working environment for all our employees.

## Salary and other remuneration to senior executives

The Chairman of the Board determines management salaries. Pursuant to Norwegian company legislation, the Board of Directors has compiled a personal statement regarding salary and other remuneration to senior executives which will be presented and discussed during the ordinary General Meeting. We refer

to the notes to the accounts for more detailed information on remuneration to senior executives.

## Shareholders

The Company is listed on the Oslo Stock Exchange. At year-end, the Company had 4,314 shareholders. The company's majority shareholder is Møgster Offshore AS, with a shareholding of 50.76%.

## Consolidated accounts

The consolidated accounts are prepared in accordance with the International Financial Reporting Standards (IFRS) and the accounting report is based on current IFRS standards and interpretation. Amendments in standards and interpretations may result in changes to the figures presented. The same accounting principles and calculation methods applied in the last annual accounts have been applied to this document.

Consolidated operating income in 2010 was NOK 5,462 million (NOK 4,327 million), of which gain on sales totalled NOK 37 million (loss of NOK -8 million). The net increase in operating income (excl. gain on sales) totalled NOK 1,090 million and mainly represents the operation of a higher number of vessels as compared to 2009. Operating result before depreciation (EBITDA) amounted to NOK 1,709 million (NOK 1,234 million), with an operating result of NOK 543 million (NOK 218 million). Depreciation (excl. write-downs) increased from NOK 837 million to NOK 1,166 million, due to the delivery of a higher number of vessels in 2010.

Net financial items for 2010 were negative at NOK 743 million (positive NOK 787 million). When compared with 2009 when the NOK and BRL fluctuations against USD had a significant impact, 2010 had in general more stable currency exchange rates. Norskran operates with BRL as functional currency. Significant fluctuations between BRL and USD have a considerable impact on the accounts, even though Norskran has a limited degree of exposure to foreign exchange as all long-term contracts are hedged in the same currencies as the operating and financial costs.

The annual result after tax was a loss of NOK -215 million (NOK 803 million). Cash flow for the year (pre-tax result, unrealised loss on foreign exchange and depreciation) totalled NOK 883 million (NOK 1,263 million). The result for the year minus minority interests amounted to NOK -140 million (NOK -1.53 per share) compared with NOK 602 million (NOK 6.87 per share) in 2009.

The consolidated balance sheet at year-end 2010 totalled NOK 27,053 million (NOK 21,785 million). The increase in the consolidated balance sheet is related to the addition of new vessels. The Group received delivery of 7 newbuildings in 2010.

The Group's net interest-bearing liabilities totalled NOK 15,469 million as of 31 December 2010 (NOK 11,073 million). Group liabilities have seen an increase due to the take-over of newbuildings. Unemployed capital as of year-end 2010 was NOK 1,932 million (NOK 4,595 million) mainly comprising instalments

paid for newbuildings. One vessel delivered at the end of December is included in the figure for unemployed capital for 2009.

The total cash flow from operating activities for the Group was NOK 1,084 million. Net cash flow from investment activities was negative at NOK 5,352 million. From financial activities, the cash flow totalled NOK 4,689 million.

Consolidated cash reserves at year-end 2010 were NOK 2,645 million, of which NOK 947 million is non-distributable cash with long-term financing. The short-term part of long-term liabilities due for payment in 2010 totals NOK 1,876 million, of which NOK 562 million represents loans maturing in 2011 and the remaining figure is for ordinary downpayments on long-term liabilities.

The tax cost reflects different tax regimes, including taxation for shipping companies, voluntary settlement and significant in-house restructuring in 2010.

## Parent company accounts

The parent company accounts show operating income of NOK 173 million (NOK 74 million) and an operating profit of NOK 21 million (loss of NOK 19 million). The main reason for the increase in income and improved operating result is one new vessel which started operations in May 2010.

Net financial items returned a profit of NOK 224 million (NOK 400 million) and a result after tax of NOK 264 million (NOK 334 million).

The parent company's balance sheet as of 31 December 2010 totalled NOK 7,673 million (NOK 5,891 million). The increase in total balance sheet is mainly attributed to the addition of one new vessel, and the issue of new bond loans.

## Risk

Group activities are mainly global and will always be impacted by developments in world economy. Based on the turbulence in the financial markets in the last years, the general consensus is that the uncertainty related to macro-economics is higher than what could be considered as normal. Although this uncertainty may have a negative impact on the real economy for the majority of markets, the Board believes that DOF's core business is founded on long-term sustainable values within our market.

The Group has planned to receive delivery of 10 newbuildings in 2011 (wholly and partly owned) and has secured long-term financing for 6 of the newbuildings, while negotiations are under way for long-term financing of the four remaining vessels. Total investments in 2011 are estimated at NOK 5,147 million, of which NOK 2,967 million has already been secured in long-term financing. The remaining investment program for the Group in 2012-2013 amounts to approx. NOK 2,100 million.

The Group's earnings are mainly denominated in USD, NOK, GBP, AUD and several other currencies, and the Group therefore has exposure to changes in foreign exchange rates, particularly USD.

The Group attempts to reduce this risk by entering into forward contracts and adapting the long-term liabilities to earnings in the same currency.

The Group is exposed to changes in interest rates as the main share of the Group's liabilities has a floating rate of interest. In 2010 and to date in 2011, the Group has entered into agreements for interest rate hedging in an effort to reduce interest rate risk. The long-term liabilities for the vessels built in Brazil have a limited exposure to changes in interest rates as a fixed rate of interest has been established for the entire duration of the loan for this portfolio. This applies to financing via BNDES where a fixed rate of interest has been agreed upon for the entire duration of the loans which is on average 17 years. BNDES funding constitutes a significant part of future financing.

The Group's credit risk is considered to be low as the Company's customers traditionally have good financial capability to meet their obligations and have high credit rating. Historically, the Company has had a low level of bad debts.

The Group is exposed to changes in prices and delayed delivery of newbuildings. The Group attempts to reduce this exposure by making use of fixed price contracts and entering into contracts with suppliers with the necessary level of financial strength and expertise.

The Group is exposed to market fluctuations which may result in a lower degree of exploitation of the Group's fleet. Attempts are made to reduce this risk by securing long-term charters for the main part of the fleet.

The Group is exposed to difficulties in recruiting qualified personnel, as competition on the labour markets for the Group is difficult in a number of regions. This risk is particularly high in Brazil. Attempts are made to reduce this risk by sustaining measures to ensure good stability in human resources and recruitment of new personnel.

A large part of the Group's fleet operates in Brazil, and the Group is exposed to extra taxation and import duties in Brazil. Attempts are made to reduce this risk by increasing the number of ships operating under the Brazilian flag in this region.

## Going concern

The Group has a satisfactory economical and financial position which provides the grounds for continued operations and further development of the company, section 3-3a of the Accounting Act. The Group aims to sustain its strategy for securing long-term occupation for the main part of its fleet.

The accounts are submitted on assumption of going concern.

## Corporate governance

The Company applies those principles contained in the Norwegian recommendation for corporate governance, published 21 June 2010. For a detailed description of corporate governance, please see the annual report.



The Group managers are responsible for ensuring a satisfactory monitoring of risk and internal control, including a focus on full exploitation of business opportunities and establishing cost-efficient solutions, in addition to a focus on financial reporting which will provide comprehensive background material for decision-making. The Group is working on the further development of internal control systems and has made improvements in 2010 to both systems and manpower.

## Allocation of annual result

The parent company annual accounts have returned a profit of NOK 264 million. The Board of Directors proposes transferring this figure to other equity. After the above-mentioned allocation, the Company's free equity totals NOK 3,377 million.

The consolidated accounts have returned a loss of NOK -215 million, of which NOK -75 million is transferred from minority interests and NOK -140 million is transferred from other equity.

## Outlook

Throughout the past year, the Group has secured a considerable number of new long-term contracts. As of March 2011, the Group has contractual coverage with a financial value of approx. NOK 20,000 million and NOK 35,000 million if all options are included. The Group has also secured financing for the main share of its newbuilding program in the future.

The Group has reported a high degree of utilisation for its fleet in 2010, both for supply and subsea, and contractual coverage comprises 75% for 2011 and 57% for 2012. The majority of these contracts have been signed with financially robust customers, including oil companies and the largest subsea engineering companies. The spot market in the North Sea in 2010 has been volatile and this trend is expected to continue in 2011. The Group has a limited exposure to this market.

To date in 2011, the Group has received delivery of two newbuildings, "Skandi Niteroi" and "Skandi Gamma". Delivery is scheduled for a further 8 newbuildings (partly/wholly owned) in 2011, and this newbuilding program comprises two advanced subsea vessels, four AHTS vessels and two PSVs.

The Group's subsidiary, DOFSUB, has a strong position in South East Asia/Australia, and expects to achieve further growth in this region in the near future.

The level of activity in Brazil has risen even higher in 2010 and this market is expected to remain strong for all three of the Group's segments in the near future. The Group has reinforced its position in Brazil in 2010 with more vessels, contracts and considerable resources invested in building up an organisation.

DOF has an excellent position in all the important market areas for the Group's business. The Group's investments in advanced vessels has been carefully adapted to future market requirements and forms grounds for confidence among the management and Board that the company will continue to enjoy a strong rate of growth and satisfactory development.

Storebø, 5th April 2011

The Board of Directors for DOF ASA



Helge Møgster  
(Chairman)



Oddvar Stangeland



Wenche Kjølås



Britt Mjøllem



Helge Singelstad



Mons Aase  
(CEO)

# ACCOUNTS





# STATEMENT OF COMPREHENSIVE INCOME

| DOF ASA        |                | Amounts in TNOK                                  |                          | GROUP            |                  |
|----------------|----------------|--------------------------------------------------|--------------------------|------------------|------------------|
| 2010           | 2009           |                                                  | Note                     | 2010             | 2009             |
| 161 928        | 72 199         | Sales income                                     | 5, 8                     | 5 403 016        | 4 258 507        |
| 10 636         | 1 790          | Other operating income                           | 5                        | 59 029           | 68 769           |
| <b>172 564</b> | <b>73 989</b>  | <b>Operating income</b>                          | 4, 29                    | <b>5 462 045</b> | <b>4 327 276</b> |
| 19 360         | 10 883         | Payroll expenses                                 | 17, 28                   | 2 486 248        | 1 960 483        |
| 100 490        | 70 855         | Other operating expenses                         | 26, 28, 29               | 1 266 433        | 1 133 137        |
| <b>119 850</b> | <b>81 738</b>  | <b>Operating expenses</b>                        |                          | <b>3 752 681</b> | <b>3 093 620</b> |
| <b>52 714</b>  | <b>-7 749</b>  | <b>Operating profit/(loss) - EBITDA</b>          | 4                        | <b>1 709 364</b> | <b>1 233 656</b> |
| 31 641         | 11 590         | Depreciation                                     | 6, 7, 30                 | 1 166 380        | 837 214          |
|                |                | Write offs                                       | 6, 7, 30                 |                  | 178 501          |
| <b>21 072</b>  | <b>-19 339</b> | <b>Operating profit/(loss) - EBIT</b>            | 4                        | <b>542 984</b>   | <b>217 941</b>   |
|                | 218 152        | Investments in subsidiaries/affiliated companies | 10                       | -4 666           | 191 749          |
| 495 438        | 194 434        | Finance income                                   | 27                       | 178 342          | 485 122          |
| -20 443        | 121 317        | Unrealized gain/loss on currencies               | 27                       | 82 776           | 757 611          |
| -250 887       | -133 557       | Finance costs                                    | 27                       | -999 739         | -647 904         |
| <b>224 108</b> | <b>400 346</b> | <b>Net financial items</b>                       | 27                       | <b>-743 287</b>  | <b>786 578</b>   |
| <b>245 181</b> | <b>381 007</b> | <b>Profit before taxes</b>                       |                          | <b>-200 303</b>  | <b>1 004 519</b> |
| -18 663        | 47 191         | Tax                                              | 18                       | 14 687           | 201 478          |
| <b>263 843</b> | <b>333 816</b> | <b>Profit for the year</b>                       |                          | <b>-214 990</b>  | <b>803 041</b>   |
|                |                | Currency translation differences                 |                          | 89 598           | 86 771           |
|                |                | Other income and costs                           |                          | -598             | -16 405          |
|                |                | <b>Other comprehensive income</b>                |                          | <b>89 000</b>    | <b>70 366</b>    |
| <b>263 843</b> | <b>333 816</b> | <b>Total comprehensive income for the year</b>   |                          | <b>-125 990</b>  | <b>873 407</b>   |
|                |                | Profit attributable to                           | Majority                 | -139 648         | 602 464          |
|                |                |                                                  | Non-controlling interest | -75 342          | 200 577          |
|                |                | Total comprehensive income attributable to       | Majority                 | -53 554          | 721 580          |
|                |                |                                                  | Non-controlling interest | -72 436          | 151 827          |
|                |                | Earnings and diluted earnings per share (NOK)    | 25                       | -1,53            | 6,87             |

# STATEMENT OF FINANCIAL POSITION

## BALANCE SHEET

### DOF ASA

Amounts in TNOK

### GROUP

| 31.12.2010       | 31.12.2009       |                                                            | Note       | 31.12.2010        | 31.12.2009        |
|------------------|------------------|------------------------------------------------------------|------------|-------------------|-------------------|
|                  |                  | <b>Assets</b>                                              |            |                   |                   |
|                  |                  | Deferred tax assets                                        | 18         | 28 843            |                   |
|                  |                  | Goodwill                                                   | 3,6        | 477 646           | 441 839           |
| -                | -                | <b>Intangible assets</b>                                   |            | <b>506 489</b>    | <b>441 839</b>    |
|                  |                  |                                                            |            |                   |                   |
| 902 711          | 157 834          | Vessels                                                    | 7          | 18 148 083        | 11 218 599        |
|                  | 68 406           | Newbuildings                                               | 7          | 1 924 720         | 4 594 689         |
| 2 516            | 2 144            | Machinery and other operating equipment                    | 7          | 1 558 804         | 1 483 484         |
| <b>905 227</b>   | <b>228 384</b>   | <b>Tangible assets</b>                                     | 7, 19      | <b>21 631 607</b> | <b>17 296 772</b> |
|                  |                  |                                                            |            |                   |                   |
| 4 589 292        | 4 499 025        | Investments in subsidiaries                                | 9          |                   | -                 |
| 17 860           | 46 625           | Investments in affiliated companies and joint-ventures     | 9, 10      | 70 687            | 77 170            |
| 9 202            | 8 376            | Investments in shares and units                            | 11, 27     | 9 202             | 8 910             |
| 1 439 734        | 524 093          | Other long-term receivables                                | 14, 24, 27 | 205 452           | 2 721             |
| <b>6 056 088</b> | <b>5 078 119</b> | <b>Financial assets</b>                                    |            | <b>285 341</b>    | <b>88 801</b>     |
|                  |                  |                                                            |            |                   |                   |
| <b>6 961 314</b> | <b>5 306 503</b> | <b>Non-current assets</b>                                  |            | <b>22 423 437</b> | <b>17 827 411</b> |
|                  |                  |                                                            |            |                   |                   |
| -                | -                | <b>Fuel reserves and other inventory</b>                   | 12         | <b>28 133</b>     | <b>16 116</b>     |
|                  |                  |                                                            |            |                   |                   |
| 102 449          | 120 470          | Accounts receivables                                       | 13, 24, 27 | 1 051 224         | 1 235 287         |
| 262 720          | 154 489          | Other receivables                                          | 14, 27     | 904 858           | 492 128           |
| <b>365 169</b>   | <b>274 959</b>   | <b>Current receivables</b>                                 |            | <b>1 956 082</b>  | <b>1 727 415</b>  |
|                  |                  |                                                            |            |                   |                   |
| 43 553           | 41 616           | Restricted deposits                                        |            | 948 417           | 1 131 044         |
| 299 484          | 267 667          | Cash and cash equivalents                                  |            | 1 696 434         | 1 082 698         |
| <b>343 037</b>   | <b>309 283</b>   | <b>Cash and cash equivalents incl. restricted deposits</b> | 15, 27     | <b>2 644 851</b>  | <b>2 213 742</b>  |
|                  |                  |                                                            |            |                   |                   |
| <b>708 206</b>   | <b>584 242</b>   | <b>Current assets</b>                                      |            | <b>4 629 066</b>  | <b>3 957 273</b>  |
|                  |                  |                                                            |            |                   |                   |
| <b>7 669 520</b> | <b>5 890 745</b> | <b>Total Assets</b>                                        | 4          | <b>27 052 503</b> | <b>21 784 685</b> |



# STATEMENT OF FINANCIAL POSITION

## BALANCE SHEET

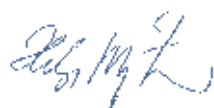
DOF ASA

Amounts in TNOK

GROUP

| 31.12.2010                    | 31.12.2009       |                                               | Note          | 31.12.2010        | 31.12.2009        |
|-------------------------------|------------------|-----------------------------------------------|---------------|-------------------|-------------------|
| <b>Equity and liabilities</b> |                  |                                               |               |                   |                   |
| 182 076                       | 182 076          | Share capital                                 | 16            | 182 076           | 182 076           |
| 678 340                       | 678 340          | Share premium fund                            |               | 678 340           | 678 340           |
| 3 377 367                     | 3 113 524        | Other equity                                  |               | 3 117 735         | 3 171 288         |
|                               | -                | Non-controlling interests                     |               | 2 749 818         | 2 777 372         |
| <b>4 237 783</b>              | <b>3 973 940</b> | <b>Equity</b>                                 | 16            | <b>6 727 969</b>  | <b>6 809 077</b>  |
| 119 483                       | 146 744          | Deferred tax                                  | 18            | 402 474           | 513 472           |
|                               |                  | Pensions                                      | 17            | 13 245            | 11 955            |
| 77 163                        | 77 202           | Other provisions and derivatives              | 27            | 77 163            | 77 202            |
| <b>196 646</b>                | <b>223 946</b>   | <b>Non-current provisions and commitments</b> |               | <b>492 882</b>    | <b>602 628</b>    |
| 1 503 572                     | 1 153 321        | Bond loan                                     | 19, 27        | 2 753 572         | 2 149 321         |
| 1 087 574                     |                  | Debt to credit institutions                   | 15, 19, 27    | 13 085 211        | 8 724 597         |
| 127 668                       | 84 633           | Other non-current liabilities                 | 19-21, 26, 27 | 599 624           | 496 856           |
| <b>2 718 814</b>              | <b>1 237 954</b> | <b>Non-current liabilities</b>                |               | <b>16 438 407</b> | <b>11 370 774</b> |
| 378 113                       | 379 194          | Debt to credit institutions                   | 19, 27        | 1 876 160         | 2 128 284         |
| 42 607                        | 60 696           | Accounts payable                              | 24, 27        | 414 537           | 216 373           |
| 1 593                         | 592              | Tax payable                                   | 18, 27        | 100 240           | 164 914           |
| 1 695                         | 356              | Public duties payable                         | 27            | 79 793            | 72 319            |
| 92 269                        | 14 068           | Other current liabilities                     | 23, 24, 27    | 922 515           | 420 317           |
| <b>516 277</b>                | <b>454 906</b>   | <b>Current liabilities</b>                    |               | <b>3 393 245</b>  | <b>3 002 206</b>  |
| <b>3 431 737</b>              | <b>1 916 806</b> | <b>Total liabilities</b>                      | 4             | <b>20 324 534</b> | <b>14 975 608</b> |
| <b>7 669 520</b>              | <b>5 890 745</b> | <b>Total equity and liabilities</b>           |               | <b>27 052 503</b> | <b>21 784 685</b> |

Storebø, 5th April 2011  
Board of Directors DOF ASA



Helge Møgster  
(Chairman)



Oddvar Stangeland



Wenche Kjølås



Britt Mjellem



Helge Singelstad



Mons Aase  
(CEO)

# STATEMENT OF CHANGES IN EQUITY

## Changes in equity - Group

Amounts in TNOK

| 2010                                           | Share capital  | Share premium fund | Retained earnings | Currency translation differences | Total            | Non-controlling interest | Total equity     |
|------------------------------------------------|----------------|--------------------|-------------------|----------------------------------|------------------|--------------------------|------------------|
| Balance at 01.01.2010                          | 182 076        | 678 340            | 2 840 829         | 330 460                          | 4 031 706        | 2 777 372                | 6 809 077        |
| Profit/loss for the year                       |                |                    | -139 648          |                                  | -139 648         | -75 342                  | -214 990         |
| Conversion differences                         |                |                    |                   | 86 692                           | 86 692           | 2 906                    | 89 598           |
| Other gains/losses charged through OCI         |                |                    | -598              |                                  | -598             |                          | -598             |
| <b>Total comprehensive income for the year</b> |                |                    | <b>-140 246</b>   | <b>86 692</b>                    | <b>-53 554</b>   | <b>-72 436</b>           | <b>-125 990</b>  |
| Changes in non-controlling interests           |                |                    |                   |                                  |                  | 44 882                   | 44 882           |
| <b>Total transactions with owners</b>          | <b>-</b>       | <b>-</b>           | <b>-</b>          | <b>-</b>                         | <b>-</b>         | <b>44 882</b>            | <b>44 882</b>    |
| <b>Balance at 31.12.2010</b>                   | <b>182 076</b> | <b>678 340</b>     | <b>2 700 582</b>  | <b>417 152</b>                   | <b>3 978 151</b> | <b>2 749 818</b>         | <b>6 727 969</b> |

## Changes in equity - Group

Amounts in TNOK

| 2009                                           | Share capital  | Share premium fund | Retained earnings | Currency translation differences | Total            | Non-controlling interest | Total equity     |
|------------------------------------------------|----------------|--------------------|-------------------|----------------------------------|------------------|--------------------------|------------------|
| Balance at 01.01.2009                          | 165 536        | 454 452            | 2 238 365         | 211 344                          | 3 069 698        | 2 429 121                | 5 498 819        |
| Profit/loss for the year                       |                |                    | 602 464           |                                  | 602 464          | 200 577                  | 803 041          |
| Conversion differences                         |                |                    |                   | 141 950                          | 141 950          | -55 179                  | 86 771           |
| Other gains/losses charged through OCI         |                |                    |                   | -22 834                          | -22 834          | 6 429                    | -16 405          |
| <b>Total comprehensive income for the year</b> |                |                    | <b>602 464</b>    | <b>119 116</b>                   | <b>721 580</b>   | <b>151 827</b>           | <b>873 407</b>   |
| Share issues                                   | 16 540         | 223 887            |                   |                                  | 240 427          |                          | 240 427          |
| Share issues in subsidiaries                   |                |                    |                   |                                  |                  | 207 424                  | 207 424          |
| Changes in non-controlling interests           |                |                    |                   |                                  |                  | -11 000                  | -11 000          |
| <b>Total transactions with owners</b>          | <b>16 540</b>  | <b>223 887</b>     | <b>-</b>          | <b>-</b>                         | <b>240 427</b>   | <b>196 424</b>           | <b>436 851</b>   |
| <b>Balance at 31.12.2009</b>                   | <b>182 076</b> | <b>678 340</b>     | <b>2 840 829</b>  | <b>330 460</b>                   | <b>4 031 705</b> | <b>2 777 372</b>         | <b>6 809 077</b> |



# STATEMENT OF CHANGES IN EQUITY

## Changes in equity - DOF ASA

Amounts in TNOK

| 2010                                          | Share capital  | Share premium fund | Other equity     | Total equity     |
|-----------------------------------------------|----------------|--------------------|------------------|------------------|
| Balance at 01.01.2010                         | 182 076        | 678 340            | 3 113 524        | 3 973 941        |
| Profit/loss for the year                      |                |                    | 263 843          | 263 843          |
| Other gains/losses charged directly to equity |                |                    |                  | -                |
| <b>Total recognised income for the period</b> |                |                    | <b>263 843</b>   | <b>263 843</b>   |
| <b>Total transactions with owners</b>         | -              | -                  | -                | -                |
| <b>Balance at 31.12.2010</b>                  | <b>182 076</b> | <b>678 340</b>     | <b>3 377 367</b> | <b>4 237 784</b> |

## Changes in equity - DOF ASA

Amounts in TNOK

| 2009                                          | Share capital  | Share premium fund | Other equity     | Total equity     |
|-----------------------------------------------|----------------|--------------------|------------------|------------------|
| Balance at 01.01.2009                         | 165 536        | 454 452            | 2 441 118        | 3 061 107        |
| Profit/loss for the year                      |                |                    | 333 816          | 333 816          |
| <b>Total recognised income for the period</b> |                |                    | <b>333 816</b>   | <b>333 816</b>   |
|                                               |                |                    |                  | -                |
| Share issues                                  | 16 540         | 223 887            |                  | -                |
| Mergers with subsidiaries                     |                |                    | 338 590          | 338 590          |
| <b>Total transactions with owners</b>         | <b>16 540</b>  | <b>223 887</b>     | <b>338 590</b>   | <b>579 017</b>   |
| <b>Balance at 31.12.2009</b>                  | <b>182 076</b> | <b>678 340</b>     | <b>3 113 524</b> | <b>3 973 940</b> |

# STATEMENT OF CASHFLOWS

| DOF ASA           |                 | Amounts in TNOK                                             |           | GROUP             |                   |
|-------------------|-----------------|-------------------------------------------------------------|-----------|-------------------|-------------------|
| 2010              | 2009            |                                                             | Notes     | 2010              | 2009              |
| 245 181           | 381 007         | Profit before taxes                                         |           | -200 303          | 1 004 519         |
| -8 042            |                 | Profit/loss on disposal of tangible assets                  | 5         | -36 605           | 7 887             |
| 31 641            | 11 590          | Depreciation of tangible assets                             | 7         | 1 166 380         | 837 214           |
|                   |                 | Write offs of tangible assets                               | 7         |                   | 178 501           |
| 2 956             |                 | Write offs of financial assets                              |           |                   |                   |
| 18 021            | -21 725         | Change in accounts receivables                              | 13        | 184 063           | -84 283           |
| -18 089           | 39 557          | Change in accounts payable                                  |           | 198 164           | -203 551          |
| 20 443            | 30 301          | Foreign exchange losses/gains                               |           | -82 776           | -744 447          |
| -56 175           | 208 759         | Change in other working capital items not specified above   |           | -121 996          | -194 083          |
| 2 130             | -151 618        | Items without impact on cash flow                           |           |                   |                   |
| -364 265          |                 | Gain on sale of shares                                      |           |                   | -175 933          |
|                   |                 | Share of loss/profit from associates                        | 10        | 4 666             | -20 582           |
| <b>-126 199</b>   | <b>497 871</b>  | <b>Cash from operating activities</b>                       |           | <b>1 111 593</b>  | <b>605 242</b>    |
| 236 666           | 52 623          | Interest income/cost                                        | 27A       | 814 243           | 480 608           |
| 8 276             | 52 769          | Interest received                                           |           | 58 233            | 104 019           |
| -217 843          | -101 168        | Interest paid                                               |           | -826 756          | -554 924          |
| -8 599            |                 | Tax paid for the period                                     |           | -73 273           | -36 006           |
| <b>-107 699</b>   | <b>502 095</b>  | <b>Net cash from operating activities</b>                   |           | <b>1 084 040</b>  | <b>598 939</b>    |
| 69 392            |                 | Payments received for sale of tangible assets               | 7         | 459 921           |                   |
| -777 247          | -41 702         | Purchase of tangible assets                                 | 7         | -5 707 963        | -3 539 271        |
| 433 208           |                 | Payments received for sale of shares                        |           |                   | 283 100           |
| -133 408          | -750 849        | Purchase of share and associates                            |           | -18 925           | -8 058            |
| -915 641          | 182 341         | Net change in non-current intragroup balances               |           |                   |                   |
|                   |                 | Payments received on non-current receivables                |           | -85 145           |                   |
| <b>-1 323 696</b> | <b>-610 210</b> | <b>Net cash used in investing activities</b>                |           | <b>-5 352 112</b> | <b>-3 264 229</b> |
| 2 816 963         | 941 836         | Proceeds from borrowings                                    |           | 10 717 730        | 4 915 543         |
| -1 357 627        | -1 078 561      | Repayment of borrowings                                     |           | -6 069 669        | -3 317 812        |
|                   |                 | Change in ownership interest in subsidiary                  |           | 41 387            |                   |
|                   | 240 428         | Equity payments received                                    |           |                   | 449 799           |
| <b>1 459 336</b>  | <b>103 703</b>  | <b>Net cash flow from financing activities</b>              |           | <b>4 689 448</b>  | <b>2 047 530</b>  |
| <b>27 941</b>     | <b>-4 412</b>   | <b>Net changes in cash and cash equivalents</b>             |           | <b>421 376</b>    | <b>-617 760</b>   |
| <b>309 283</b>    | <b>264 153</b>  | <b>Cash and cash equivalents at the start of the period</b> | <b>15</b> | <b>2 213 742</b>  | <b>2 831 502</b>  |
|                   | 49 953          | Mergers with subsidiaries                                   |           |                   |                   |
| 5 814             | -411            | Exchange gain/loss on cash and cash equivalents             |           | 9 733             |                   |
| <b>343 037</b>    | <b>309 283</b>  | <b>Cash and cash equivalents at the end of the period</b>   | <b>15</b> | <b>2 644 851</b>  | <b>2 213 742</b>  |



# NOTES TO THE ACCOUNTS

## 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 9.

The group's activities comprise three segments, as specified in note 4. The Annual Accounts were approved for publication by the Board of Directors on 5 April 2011. All amounts in the notes are stated in NOK thousand.

## 2 Accounting principles

### 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 Financial Statements of the parent company have been prepared in accordance with the Norwegian accounting act § 3-9 and Finance Ministry's prescribed regulations from January 21, 2008 on simplified IFRS. Principally this means that recognition and measurement complies with International accounting standards (IFRS) and presentation and note disclosures are in accordance with the Norwegian accounting act and generally accepted accounting principles.

The consolidated financial statements have been prepared in accordance with the historical cost convention with the following exceptions: available-for-sale financial assets and financial instruments at fair value through profit or loss are subsequently carried at fair value.

The accounting year is the same as the calendar year.

### Going concern

The Group has a satisfactory economical and financial position which provides the basis for the going concern assumption in accordance with the Accounting Act 3-3a.

### Changes in accounting principles and errors

The effects of changes in accounting principles and correction of significant errors in previous annual accounts are reported directly against equity. Comparative figures are revised accordingly. The changes in 2010 described at the end of note 36 did not give rise to any changes in equity or comparative figures.

### Consolidation principles

The consolidated accounts include DOF ASA and companies over which DOF ASA has a controlling interest. A controlling interest is normally achieved when the group owns, either directly or indirectly, more than 50% of the shares in the company, and the group has the capacity to exercise actual control over the company. Non - controlling interest is included in the group's equity. Subsidiaries are consolidated from the date upon which control is transferred to the group. Consolidation ends on the date upon which the group no longer has control.

The group uses the acquisition method of accounting to account for business combinations. The consideration for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the initial fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Intragroup transactions and intragroup balances, including internal profit

and unrealised gain and loss are eliminated. Unrealised gain generated from transactions with associated companies is eliminated in proportion to the group's holding in the associated company. Unrealised loss is eliminated in the same manner, but on the condition that there is no indication of impairment of the asset sold within the group. The consolidated accounts are prepared using uniform accounting principles to similar transactions and events. The accounts of subsidiaries are adjusted if necessary to bring them in line with the accounting policies of the group.

### Subsidiaries/associated companies

For the parent company, subsidiaries and associated companies are valued according to the cost method. The investment is valued at original cost unless a write-down is required. Dividends and other distributions are reported as income once the decision to pay dividends has been reached by a valid body within the subsidiary/associated company.

### Jointly controlled companies

Jointly controlled companies are economic activities regulated by an agreement between two or more parties, so that these parties have joint control over the activities. Participation in jointly controlled companies is recognised using proportionate consolidation (line by line). According to this method, each participant reports in their accounts their share of income, costs, assets and liabilities.

### Associated companies

Associated companies are entities over which the group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associated companies includes goodwill identified on acquisition, net of any subsequent write-downs.

The group's share of profit or loss from associated companies is recognised on the profit & loss account along with the balance sheet value of the investments and the share of changes to equity not recognised in the profit & loss account. The group does not recognise its share of losses when this would result in a negative balance sheet value for the investment (including unsecured receivables for the entity), unless the group has taken on a commitment or issued guarantees for the obligations of the associated company.

### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

The group's primary reporting format is determined by business segment, and the group operates within three business segments:

- 1) PSV (Platform Supply vessel)
- 2) AHTS (Anchor Handling Tug Supply Vessel)
- 3) CSV (Construction Supply Vessel)

The group's business is reported in the following geographical areas: The North Sea, Mediterranean/South-East Asia, West Africa and America.

## 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 and BRL (Brazilian real). The consolidated financial statements are presented in Norwegian Kroner (NOK), which is the parent company's functional currency.

### B) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 in the income statement as financial income or costs.

### 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 balance sheet,
- 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 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 is 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 balance sheet date; or
- the asset is cash or cash equivalents, with the exception of when there are restrictions for exchange or use to repay debts within 12 months of balance sheet date.

All other assets are classified as non-current assets.

Liabilities are classified as short-term 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 balance sheet date; or
- the entity does not have an unconditional right to postpone settlement of the liability until at least 12 months after balance sheet date.

All other liabilities are classified as long-term.

## Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

## 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.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. Discounting is ignored if insignificant. A provision for loss 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the accounts receivable are impaired.

The amount of the provision is the difference between the asset's nominal value and the recoverable value, which is the present value of estimated future cash flows, discounted at the original effective interest rate. Changes to this provision are recognised under other operating costs.

When a trade receivable is uncollectible, it is written off against the provision for trade receivables.

## Tangible assets

Tangible assets are measured at cost less accumulated depreciation and write-down. Cost for the tangible assets is the purchase price including duties/tax (inclusive import tax) and direct purchasing costs associated with the acquisition of the tangible asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

When assets are sold or disposed of, the cost price and accumulated depreciation are derecognised and any loss or gain from the disposal reported in the profit and loss account.

Depreciation of assets is calculated using the straight-line method based on their estimated useful lives and residual value. Each part of a tangible asset which has a significant value of the total cost price is depreciated separately using the straight-line method over their estimated useful lives. Components with similar useful lives are depreciated as one component. Estimated useful life for a tangible asset and the method of depreciation are reviewed on an annual basis to ensure that the method and period applied are in accordance with the economic reality for the tangible asset. The same applies to scrap value.

The Board of Directors in DOF ASA has reached a decision whereby the group's strategy is not to own a vessel which is older than 20 years. The residual value is determined as 50% of the original cost value. If however a vessel is not sold by the time it has reached 20 years, the residual value is depreciated over expected remaining useful life (10-20 years).

Capitalised costs on vessels that is directly related to the negotiations and arrangements of a contract is depreciated over the contract period.

The company monitors sales transactions for similar vessels in the market and carries out an annual re-assessment of residual value at the end of the useful life of its fleet of vessels.

Vessels under construction are classified as tangible assets and are recognised in accordance with payments of instalments. Vessels under construction are not depreciated before the tangible asset is in use.

Tangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash in-flows (cash-generating units). Non-financial assets other than goodwill that previously has suffered an impairment loss are reviewed for possible reversal of the impairment when there are indicators of a recovery of the value.

## Periodic maintenance

Periodic maintenance is reported on the balance sheet as a part of the vessel, and straight line depreciated over the period until the next periodic maintenance, normally after 30 months. On the purchase of new vessels, a portion of the cost price is classified as 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 certain vessels and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost 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.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

### **Borrowings**

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

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

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

Borrowing is classified as short-term liabilities unless the borrowing involves an unconditional right to postpone payment of the liabilities for more than 12 months from balance sheet date.

### **Provisions**

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

Provisions are reviewed at each balance sheet date and adjusted to the best estimate. When timing is insignificant, the liability is reported at the estimated cost of release from the liability.

Otherwise, when timing is significant for the amount of the obligation, it is recognised at present value. Subsequent increase in the amount of the obligation due to interest accretion is reported as interest costs.

### **Contingent liabilities:**

Contingent liabilities are defined as:

- (I) possible liabilities resulting from past events, but where their existence relies on future events;
- (II) liabilities which are not reported on the accounts because it is improbable that the commitment will result in an outflow of resources;
- (III) 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.

A contingent asset is 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.

### **Equity**

Ordinary shares are classified as equity.

Transaction costs related to equity transactions, including tax effect of transaction costs, are directly charged against equity. Only transaction costs which are directly related to equity transactions are charged to 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 equity. Gains or losses on disposals to non-controlling interests are also recorded 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.

Income from the rental of ships is recorded on a linear basis over the lease period. The rental period starts from the time the ship is made available to the customer and expires on the agreed return date. Crew rental and compensation for coverage of other operating costs, is recorded over the contract period on a linear basis.

Sales income is shown net of discounts, value-added tax and other taxes on gross rates.

Sales within the group are eliminated.

#### **a) Sale of services**

The group's operational vessels are leased out on charter parties. Customers lease vessels, crew inclusive. The charterer determines (within the contractual limits) how the vessel is to be utilised. There is no time charter revenue when the vessels are off-hire, for example during periodic maintenance.

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.

#### **b) Dividend income**

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

#### **c) 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 balance sheet 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.

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

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

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

### **Companies under the shipping company tax regime**

The Group is organised in compliance with the tax regime for shipping companies in Norway. The parent company, DOF ASA is not within this regime. In December 2007, the Norwegian parliament adopted a new shipping company tax scheme with accounting effect from and including the 2007 financial year. This new 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 at a rate of 28%. 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.

As a result of the Supreme Court judgment on 12 February 2010, tax authorities have changed the rules for shipping company tax regime. The company has chosen the 'settlement arrangement' under transition to new regulations. For further descriptions, see note 18.

### **Employee benefits**

#### **a) Pensions and pension obligations**

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. 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.

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 salary.

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 balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service costs. 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 for government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity similar to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the contribution period). In this case, the past-service costs are amortised on a straight-line basis over the contribution period.

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 further payment obligations once the contributions have been paid. The contributions are recognised as salary costs

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) Bonus plans and severance pay**

Certain contracts of employment include the right to receive a bonus in relation to the fulfilment of defined financial criteria and agreements which provide the right for severance pay upon termination of the working relationship. Provisions are made in those cases where the company has a commitment to make payment of such and are immediately charged through profit and loss.

### **Hedging**

Monetary items and debts in foreign currency are converted to Norwegian kroner (NOK) based on the balance sheet date exchange rate. As the group has comprehensive international activities, it is exposed to fluctuations in exchange rates. The group's currency strategy involves balancing fixed future income (freight income) and liabilities in foreign currency. The Group doesn't apply hedge accounting in accordance with IAS 39.

### **Financial assets**

The group classifies its financial assets in the following categories: 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 balance sheet date. These are classified as fixed assets. Loans and receivables are classified as "accounts receivable and other receivables", and as cash and cash equivalents in the balance sheet.

#### **C) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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 profit & loss account. 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. Loans and receivables are carried at amortised cost.

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 profit & loss account 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 on the profit & loss account 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 each balance sheet 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 accounts receivable.

### **Events after the balance sheet date**

New information regarding the group's financial standing on the balance sheet

date is included in the accounts. Events occurring after balance sheet date, which do not impact the group's financial standing on balance sheet date, 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 30. 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.

#### **Statement of cash flows**

The statement of cash flow 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. Investments grants are presented as deduction in the asset's carrying amount on the balance sheet.

#### **Changes in accounting policy and disclosures**

(a) New and amended standards adopted by the group New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the group (although they may affect the accounting for future transactions and events

**IFRS 3 (revised), 'Business combinations'**, and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after 1 January 2011.

**IAS 27 (revised)** requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

**IAS 38 (amendment), 'Intangible assets'**, effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

**IAS 36 (amendment), 'Impairment of assets'**, effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

#### **(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted**

The group's and parent entity's assessment of the impact of these new standards and interpretations is set out below.

**IFRS 9, 'Financial instruments'**, issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU.

The Group has not yet been performed an assessment of the implementation effect of IFRS 9.

**Revised IAS 24 (revised), 'Related party disclosures'**, issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU. The Group has been suggested to apply this revised standard from 1 January 2011. It means that the Group and parent company should provide disclosure in the financial statements notes regarding all transactions between subsidiaries and associated companies.



### 3 Significant acquisitions in the year and pro forma information

Amounts in TNOK

#### Newly established companies and acquisitions in 2010

##### Norskan Offshore SA:

During 2010 an IPO has been planned for Norskan and based on this decision a restructuring in the group was completed in June.

In addition some vessel and companies was sold from DOF Subsea to Norskan with payment in shares in Norskan SA, however these transactions were unwinded in October after the decision to postpone the Norskan IPO

Based on the above the following transactions were completed by end December 2010

- Establishment of Norskan Offshore SA to be the ultimate owner of all the Brazilian activity. Norskan Offshore SA is 100% owned by Norskan AS.
- Establishment of two Austrian entities, Norskan GMBH and Norskan Two GMBH, as holding companies for the Norskan shipowning companies in Brazil and in Norway. Norskan Offshore SA is 100% owner of the Austrian entities.
- Demerger of DOF Rederi and establishment of DOF Rederi II which accordingly was transferred to the Norskan Offshore SA structure. DOF Rederi II is owner of three vessels and one new-building contract at Cochin shipyard.
- Acquisition of 44% in Waveney AS to a controlling ownership of 92% to the Norskan Offshore SA structure.
- Sale of the shares in Aker DOF Deepwater from DOF ASA to the Norskan Offshore SA structure.
- Sale of one new-building contract from DOF ASA to the Norskan Offshore SA structure.

##### SWG Offshore Pty Ltd:

DOF Subsea Group has purchased 100% of SWG Offshore Pty. Ltd. 01.07.2010. The company provides engineering and maintenance services to the resources and energy sectors in Australia, the South East Asia and Africa. The company was founded in 1995 and is based in Perth, Australia with an additional office in Singapore. The purchase price is estimated to AUD 6.4 million, whereof AUD 4 million is contingent on future performance criteria. Net assets identified in the purchase price allocation of the company amounted to AUD 103,036. The excess amount was allocated to goodwill for the CSV segment. Goodwill is attributed to the employees of the company.

##### Waveney IS:

DOF ASA Group increased its ownership in the vessel Skandi Waveney from 47% to 92% in March 2010 through acquisition of shares in the limited liability partnership Waveney IS. Purchase price for the shares were NOK 18 million. The consideration was allocated to tangible assets in full.

##### DOF Installer ASA:

The company carried out an expansion in 2010 and DOF Subsea Group increased its ownership from 53,5% to 78,5%.

#### Newly established companies and acquisitions in 2009

There were no acquisitions in 2009 which had an impact on DOF ASA's consolidated accounts.

Below is more detailed information regarding acquisitions/foundation of companies in 2009:

##### DOF Installer ASA:

In 2008, DOF Subsea Holding AS purchased DOF's share of the company in connection with the transaction with First Reserve Corporation. In 2009, DOF Installer issued new shares and DOF Subsea Holding increased its ownership share from 50.5% to 53.5% after the share issue was completed.

##### DOF ASA:

In 2009, the company has been merged with three subsidiaries into the Group; DOF Boa AS, DOF Installer AS and District Supply VI AS.

##### Aker Oilfield Services AS:

Up until April 2009, DOF Subsea AS owned 21% of the company. These shares were sold in April 2009.

##### DOF Subsea Holding AS:

The company carried out two equity issues in 2009 totalling NOK 400 million, in which DOF and FRC took part with their respective shares.

##### MARIN IT AS:

The company was founded in November 2009. Its object is the sale of IT services. DOF ASA owns 75% of the shares in the new company, while Austevoll Seafood ASA owns the remaining 25%.

## 4 Segment information

Amounts in TNOK

### Business segment

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

### Geographical areas

The Group divides its business activities over 3 geographical regions, based on the location of customers; Europe/West Africa, Australasia and the America/Worldwide.

DOF ASA has not reported the balance sheet value of assets by geographical areas as vessels are owned and controlled via Norway and other but are utilised worldwide. DOF ASA is therefore of the opinion that the distribution of assets according to geographical areas would not provide meaningful information.

### Segment information

| Business segment             | 2010                           |                     |                              |                  | 2009                           |                     |                              |                  |
|------------------------------|--------------------------------|---------------------|------------------------------|------------------|--------------------------------|---------------------|------------------------------|------------------|
|                              | PSV                            | AHTS                | CSV                          | GROUP            | PSV                            | AHTS                | CSV                          | GROUP            |
| Operating income             | 747 215                        | 877 486             | 3 837 344                    | 5 462 045        | 708 954                        | 710 995             | 2 907 327                    | 4 327 276        |
| <b>EBITDA 1)</b>             | <b>270 236</b>                 | <b>369 960</b>      | <b>1 069 168</b>             | <b>1 709 364</b> | <b>230 506</b>                 | <b>291 542</b>      | <b>711 608</b>               | <b>1 233 656</b> |
| Depreciation                 | 193 580                        | 200 531             | 772 269                      | 1 166 380        | 186 073                        | 166 214             | 484 927                      | 837 214          |
| Write offs                   |                                |                     |                              | 0                |                                |                     | 178 501                      | 178 501          |
| <b>EBIT 2)</b>               | <b>76 656</b>                  | <b>169 429</b>      | <b>296 899</b>               | <b>542 984</b>   | <b>44 433</b>                  | <b>125 328</b>      | <b>48 180</b>                | <b>217 941</b>   |
| Net financial items          | -164 473                       | -165 685            | -413 129                     | -743 287         | 216 232                        | 216 232             | 354 114                      | 786 578          |
| Taxes                        | 13 279                         | 15 594              | -43 560                      | -14 687          | -65 465                        | -65 654             | -70 359                      | -201 478         |
| <b>Profit for the year</b>   | <b>-74 538</b>                 | <b>19 338</b>       | <b>-159 790</b>              | <b>-214 990</b>  | <b>195 200</b>                 | <b>275 906</b>      | <b>331 935</b>               | <b>803 041</b>   |
| <b>Balance</b>               |                                |                     |                              |                  |                                |                     |                              |                  |
| Assets                       | 3 388 785                      | 5 099 309           | 15 234 507                   | 23 722 601       | 3 494 383                      | 3 139 465           | 14 178 357                   | 20 812 205       |
| Jointly controlled companies | 19 633                         | 441 988             | 2 868 281                    | 3 329 902        | 19 300                         | 196 354             | 756 826                      | 972 480          |
| Total assets                 | 3 408 418                      | 5 541 297           | 18 102 788                   | 27 052 503       | 3 513 683                      | 3 335 819           | 14 935 183                   | 21 784 685       |
| Liabilities                  | 3 076 930                      | 3 742 585           | 13 505 019                   | 20 324 534       | 2 834 562                      | 2 293 190           | 9 847 857                    | 14 975 609       |
| <b>Geographical segment</b>  | <b>2010</b>                    |                     |                              |                  | <b>2009</b>                    |                     |                              |                  |
|                              | <b>Europe/<br/>West Afrika</b> | <b>Austral-asia</b> | <b>Amerika/<br/>Wordwide</b> | <b>GROUP</b>     | <b>Europe/<br/>West Afrika</b> | <b>Austral-asia</b> | <b>Amerika/<br/>Wordwide</b> | <b>GROUP</b>     |
| Operating income             | 2 534 954                      | 871 995             | 2 055 096                    | 5 462 045        | 2 229 886                      | 661 712             | 1 435 678                    | 4 327 276        |

1) EBITDA is short for Earnings Before Interest, Tax, Depreciation and Amortization

2) EBIT is short for Earnings Before Interest and Tax

## 5 Operating income

Amounts in TNOK

| DOF ASA<br>2010 | DOF ASA<br>2009 | Operating income comprises:          | Group<br>2010    | Group<br>2009    |
|-----------------|-----------------|--------------------------------------|------------------|------------------|
| 161 928         | 72 199          | Freight income                       | 5 403 016        | 4 258 507        |
| <b>161 928</b>  | <b>72 199</b>   | <b>Total sales income</b>            | <b>5 403 016</b> | <b>4 258 507</b> |
| 5 734           |                 | Gain/loss on sale of tangible assets | 36 605           | -7 887           |
| 4 902           | 1 790           | Other operating income               | 22 424           | 76 656           |
| <b>10 636</b>   | <b>1 790</b>    | <b>Total other operating income</b>  | <b>59 029</b>    | <b>68 769</b>    |
| <b>172 564</b>  | <b>73 989</b>   | <b>Total operating income</b>        | <b>5 462 045</b> | <b>4 327 276</b> |

## 6 Intangible assets

Amounts in TNOK

| Group:                             | 2010         |              |                |                | 2009         |              |                |                |
|------------------------------------|--------------|--------------|----------------|----------------|--------------|--------------|----------------|----------------|
|                                    | PSV          | AHTS         | CSV            | Total          | PSV          | AHTS         | CSV            | Total          |
| Goodwill                           |              |              |                |                |              |              |                |                |
| Acquisition cost at 01.01          | 2 867        | 2 867        | 510 825        | 516 559        | 2 867        | 2 867        | 510 825        | 516 559        |
| Additions                          |              |              | 36 912         | 36 912         |              |              |                | -              |
| <b>Acquisition cost at 31.12</b>   | <b>2 867</b> | <b>2 867</b> | <b>547 737</b> | <b>553 471</b> | <b>2 867</b> | <b>2 867</b> | <b>510 825</b> | <b>516 559</b> |
| Write-down at 01.01                |              |              | -58 399        | -58 399        |              |              | -16 898        | -16 898        |
| Write down for the year            |              |              |                | -              |              |              | -41 501        | -41 501        |
| Accumulated conversion differences |              |              | -17 426        | -17 426        |              |              | -16 322        | -16 322        |
| <b>Write-downs 31.12.</b>          | <b>-</b>     | <b>-</b>     | <b>-75 825</b> | <b>-75 825</b> | <b>-</b>     | <b>-</b>     | <b>-74 721</b> | <b>-74 721</b> |
| <b>Book value 31.12.</b>           | <b>2 867</b> | <b>2 867</b> | <b>471 912</b> | <b>477 646</b> | <b>2 867</b> | <b>2 867</b> | <b>436 104</b> | <b>441 839</b> |

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

Goodwill is not depreciated, but the Group performs an annual impairment test to determine any write down requirement. The group has estimated recoverable amount as value in use for all the vessels in the cash generating unit. The value in use is expected cash flows from operations discounted with a weighted average cost of capital (WACC 7-8%). Cash flows are based on latest budgets approved by the board, and does not include any investments unless the investment is committed. Cash flows beyond the budget period is expected to grow in line with inflation rates – estimated to 2,5%. Management determined budgeted gross margin based on past performance and its expectations of market development and the utilization of the vessels.

Based on the impairment test, no impairment of goodwill is required. The impairment test of goodwill is not sensitive to an increase of 1% in the discount rate. As the group has high contract coverage the cashflow's are only to some degree sensitive to market fluctuations.

Other intangible assets is related to software and are reclassified to tangible assets.



## 7 Tangible assets

Amounts in TNOK

| Group:                                 | 2010 | Vessels           | Periodic maintenance | New-buildings    | Operating equipment | Total             |
|----------------------------------------|------|-------------------|----------------------|------------------|---------------------|-------------------|
| Acquisition cost as of 01.01.2010      |      | 13 276 131        | 488 541              | 4 722 689        | 1 708 214           | 20 195 575        |
| Additions                              |      | 3 412 974         | 183 399              | 2 014 766        | 91 177              | 5 702 316         |
| Vessels completed from newbuildings    |      | 4 422 269         | 18 444               | -4 529 003       | 88 290              | -                 |
| Disposals                              |      | 260 279           | 47 689               | 200 001          | 2 601               | 510 570           |
| Conversion differences                 |      | 156 278           | 2 731                | 44 269           | 36 233              | 239 511           |
| <b>Acquisition cost as of 31.12.09</b> |      | <b>21 007 373</b> | <b>645 426</b>       | <b>2 052 720</b> | <b>1 921 313</b>    | <b>25 626 832</b> |
| Depreciation as of 01.01.2010          |      | 2 287 879         | 249 194              | -                | 224 730             | 2 761 803         |
| Depreciation for the year              |      | 862 901           | 167 222              |                  | 136 258             | 1 166 381         |
| Depreciation on disposals for the year |      | 37 607            | 50 347               |                  |                     | 87 954            |
| Conversion differences                 |      | 16 512            | -38                  |                  | 1 521               | 17 995            |
| <b>Depreciation 31.12.2010</b>         |      | <b>3 129 685</b>  | <b>366 031</b>       | <b>-</b>         | <b>362 509</b>      | <b>3 858 225</b>  |
| Write-offs 01.01.2010                  |      | 9 000             | -                    | 128 000          | -                   | 137 000           |
| Write-offs / reversals for the year    |      |                   |                      |                  |                     | -                 |
| <b>Write-down 31.12.2010</b>           |      | <b>9 000</b>      | <b>-</b>             | <b>128 000</b>   | <b>-</b>            | <b>137 000</b>    |
| <b>Book value 31.12.2010</b>           |      | <b>17 868 688</b> | <b>279 395</b>       | <b>1 924 720</b> | <b>1 558 804</b>    | <b>21 631 607</b> |
| Depreciation rates                     |      | 3,33 - 6,67%      | 40%                  |                  | 10 - 20%            |                   |
| Depreciation method                    |      | Straight line     | Straight line        |                  | Straight line       |                   |

| Group:                                | 2009 | Vessels           | Periodic maintenance | New-buildings    | Operating equipment | Total             |
|---------------------------------------|------|-------------------|----------------------|------------------|---------------------|-------------------|
| Acquisition cost as of 01.01.2009     |      | 11 609 154        | 310 432              | 3 940 763        | 915 117             | 16 775 466        |
| Additions                             |      | 687 716           | 177 726              | 1 823 054        | 889 104             | 3 577 601         |
| Vessels completed from newbuildings   |      | 837 703           | 7 000                | -844 703         |                     | -                 |
| Disposals                             |      | 150               | 4 625                | 278 329          | 47 913              | 331 017           |
| Conversion differences                |      | 141 708           | -1 992               | 81 904           | -48 094             | 173 526           |
| <b>Acquisition cost at 31.12.2009</b> |      | <b>13 276 131</b> | <b>488 541</b>       | <b>4 722 689</b> | <b>1 708 214</b>    | <b>22 195 575</b> |
| Depreciation at 01.01.2009 *          |      | 1 729 832         | 131 990              | -                | 125 304             | 1 987 126         |
| Depreciation for the year             |      | 606 356           | 119 365              |                  | 115 214             | 840 936           |
| Depreciation on disposals in the year |      | 48 310            | 2 161                |                  | 15 788              | 66 259            |
| <b>Depreciation at 31.12.2009</b>     |      | <b>2 287 879</b>  | <b>249 194</b>       | <b>-</b>         | <b>224 730</b>      | <b>2 761 803</b>  |
| Write-offs at 01.01.2009              |      | -                 | -                    |                  | -                   | -                 |
| Write-offs/reversal during the year   |      | 9 000             |                      | 128 000          |                     | -                 |
| <b>Write-offs at 31.12.2009</b>       |      | <b>9 000</b>      | <b>-</b>             | <b>128 000</b>   | <b>-</b>            | <b>137 000</b>    |
| <b>Book value at 31.12.2009</b>       |      | <b>10 979 252</b> | <b>239 347</b>       | <b>4 594 689</b> | <b>1 483 484</b>    | <b>17 296 772</b> |
| Depreciation rates                    |      | 3,33 - 6,67%      | 40%                  |                  | 10 - 20%            |                   |
| Depreciation method                   |      | Straight line     | Straight line        |                  | Straight line       |                   |

In 2010 the value of software is reclassified to operating equipment. The comparable figures for 31.12.2009 is also reclassified.  
Book value of software per 31.12.2010 is MNOK 32,1 (2009: MNOK 34,2).

### Impairment assessment

Impairment assessments have been carried out for all vessels and newbuildings as of 31 December 2010. The Group has independent broker valuations and adjusted these to include estimated added/decreased value in timecharter and bareboat contracts. In instances where the book value has been higher than the broker valuations, taking into account the estimated current value of contracts, a write-down has been carried out. The current value calculations are based on projected future earnings, cost levels and discount rate. There is a certain level of uncertainty connected with these estimates. Changes in parameters will result in amended results for the write-down assessment. A WACC (weighted average cost of capital) of 7-8% was applied as discount rate in the calculations. Each vessel is considered as a separate unit capable of generating cash flow.

### Tax infringements

DOF has received a notice of infringements from the tax authorities in Brazil amounting to BRL 32 million regarding the procedures adopted on the collection of ICMS levied on the temporary importation of the vessels under the special regime of the REPETRO. DOF has disputed most of such tax assessments and, based on a legal opinion provided by reputable law firm, has not provided for such assessments. The accounting treatment is in accordance with IAS 37 where the recognition of a provision shall only take place if it is probable that an outflow of resources will be required to settle the obligation.

For the period from the importation of the vessels and to the REPETRO license is granted, DOF pays, on a monthly basis, the proportional taxes in order to operate the vessels to the client. In this regard, DOF has paid approx. BRL 29 million of proportional taxes since the first vessel came in 2009. This is recognized as a part of the cost price of the imported vessel and amortized over the contract period in accordance with IAS 17.

### Capitalised interest costs

In 2010, capitalization of direct interest costs totalled TNOK 21,438.

### Newbuilding

As of 31.12.10, the group has 15 vessels under construction. The downpayment structure for future commitments related to these newbuildings is presented below

| Group                         | 2011      | 2012    | 2013      | Remaining | Total     |
|-------------------------------|-----------|---------|-----------|-----------|-----------|
| Newbuildings                  | 5 147 002 | 828 754 | 1 273 491 |           | 7 249 246 |
| Of which financed as of 31.12 | 2 967 474 |         |           | -         | 2 967 474 |

| DOF ASA                                | 2010 | Vessel         | Periodic maintenance | New-building | Operating equipment | Total          |
|----------------------------------------|------|----------------|----------------------|--------------|---------------------|----------------|
| Acquisition cost as of 01.01.2010      |      | 204 589        | 12 560               | 68 406       | 2 144               | 287 699        |
| Additions                              |      | 769 407        | 7 111                | 985          | 372                 | 777 875        |
| Disposals                              |      |                | -1 342               | 69 392       |                     | 68 050         |
| Conversion differences                 |      |                |                      |              |                     | -              |
| Acquisition cost as of 31.12.2010      |      | 973 996        | 21 013               |              | 2 516               | 997 525        |
| Depreciation as of 01.01.2010          |      | 53 175         | 6 140                | -            | -                   | 59 315         |
| Depreciation for the year              |      | 25 305         | 6 336                |              |                     | 31 641         |
| Depreciation on disposals for the year |      |                | -1 342               |              |                     | -1 342         |
| Depreciation 31.12.2010                |      | 78 480         | 13 818               | -            | -                   | 92 298         |
| <b>Book value 31.12.2010</b>           |      | <b>895 516</b> | <b>7 196</b>         |              | <b>2 516</b>        | <b>905 227</b> |
| Depreciation rates                     |      | 3,33 - 6,67%   | 40 %                 |              |                     |                |
| Depreciation method                    |      | Straight line  | Straight line        |              |                     |                |

| <b>DOF ASA</b>                         | <b>2009</b> | <b>Vessel</b>  | <b>Periodic main-tenance</b> | <b>New-building</b> | <b>Operating equipment</b> | <b>Total</b>   |
|----------------------------------------|-------------|----------------|------------------------------|---------------------|----------------------------|----------------|
| Acquisition cost as of 01.01.2009      |             | 204 561        | 10 609                       | 30 828              |                            | 245 998        |
| Additions                              |             | 28             | 1 951                        | 37 578              | 2 144                      | 41 701         |
| Disposals                              |             |                |                              |                     |                            | -              |
| Conversion differences                 |             | -              | -                            |                     |                            | -              |
| Acquisition cost as of 31.12.2009      |             | 204 589        | 12 560                       | 68 406              | 2 144                      | 287 699        |
| Depreciation as of 01.01.2009          |             | 46 117         | 1 608                        |                     |                            | 47 725         |
| Depreciation for the year              |             | 7 058          | 4 532                        |                     |                            | 11 590         |
| Depreciation on disposals for the year |             |                |                              |                     |                            | -              |
| Depreciation 31.12.2009                |             | 53 175         | 6 140                        | -                   | -                          | 59 315         |
| <b>Book value 31.12.2009</b>           |             | <b>151 414</b> | <b>6 420</b>                 | <b>68 406</b>       | <b>2 144</b>               | <b>228 384</b> |
| Depreciation rates                     |             | 3,33 - 6,67%   | 40 %                         |                     |                            |                |
| Depreciation method                    |             | Straight line  | Straight line                |                     |                            |                |

## 8 Operational lease agreements - leasing of vessels

Amounts in TNOK

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 related to non-terminable operational lease agreements (TC contracts). The amounts are nominal and stated in NOK 1 000. These amounts include lease of vessels. Future payments are adjusted to include the estimated increase in the consumer price index of 2,5% per year.

|                                  | <b>2010</b>       | <b>2009</b>       |
|----------------------------------|-------------------|-------------------|
| Operational lease income 1 year  | 4 307 999         | 2 966 003         |
| Receivable between 2 and 5 years | 11 105 505        | 8 912 301         |
| Receivable later than 5 years    | 3 462 751         | 230 660           |
| <b>Total</b>                     | <b>18 876 255</b> | <b>12 108 964</b> |



## 9 Investments in subsidiaries

Amounts in TNOK

| Group                        |                                              |                         |             |                   |               |                            |                            |                     |
|------------------------------|----------------------------------------------|-------------------------|-------------|-------------------|---------------|----------------------------|----------------------------|---------------------|
| Directly owned subsidiaries  | Owner                                        | Main business           | Nationality | Registered office | Share capital | Ownership and voting share | Result for the year (100%) | Equity 31.12 (100%) |
| DOF Subsea Holding AS        | DOF ASA                                      | Shipowning/ subsea eng. | Norway      | Austevoll         | 172 878       | 51,0%                      | 44 560                     | 5 541 046           |
| DOF Rederi AS                | DOF ASA                                      | Shipowning              | Norway      | Austevoll         | 101 582       | 100%                       | 6 383                      | 510 980             |
| DOF Management AS            | DOF ASA/<br>DOF Subsea AS                    | Ship management         | Norway      | Austevoll         | 38 316        | 100%                       | 296                        | 84 323              |
| DOF UK Ltd.                  | DOF ASA                                      | Shipowning/ management  | Scotland    | Aberdeen          | 13            | 100%                       | 14 252                     | 106 697             |
| DOF Egypt                    | DOF ASA                                      | Shipowning              | Egypt       | Cairo             | 3 499         | 100%                       | -1 065                     | 10 513              |
| Norskan AS                   | DOF ASA                                      | Shipowning/ management  | Norway      | Austevoll         | 322 681       | 100%                       | 565 123                    | 2 096 660           |
| Marin IT AS                  | DOF ASA/<br>Austevoll Seafood AS             | IT services             | Norway      | Austevoll         | 1 000         | 75%                        | 211                        | 1 000               |
| PSV Invest I AS              | DOF ASA                                      | Shipowning              | Norway      | Oslo              | 100           | 100%                       | -                          | 100                 |
| DOF Holding Pte.             | DOF ASA                                      | Shipowning              | Singapore   | Singapore         |               | 100%                       | -                          | -                   |
| Jointly controlled companies | Owner                                        |                         |             | Registered office | Share capital | Ownership and voting share | Result for the year (100%) | Equity 31.12 (100%) |
| Aker DOF Deepwater AS        | Norskan Offshore Two GmbH H/Aker Solution AS |                         |             | Austevoll         | 60 100        | 50%                        | 86 749                     | 150 683             |
| DOFTECH DA *                 | DOFCON AS/Technip Norge AS                   |                         |             | Austevoll         | 350 000       | 50%                        | 9 224                      | 383 649             |
| TECHDOF DA **                | DOF Subsea Rederi AS/Technip Norge AS        |                         |             | Bergen            | 180 000       | 50%                        | -34 818                    | 1 059 891           |
| DOFCON Brasil AS             | Techdof DA                                   |                         |             | Bergen            | 2 500         | 100%                       | 9 361                      | 598 942             |
| DOFCON Navegacao Ltda        | DOFCON Brasil AS                             |                         |             | Macaè, Brasil     | 521 178       | 100%                       | 77 130                     | 730 002             |

\* General partnership, capital not called TNOK 18.800 \*\* General partnership, capital not called TNOK 0

| Group                |               |                   |               |                            |                     |                     |
|----------------------|---------------|-------------------|---------------|----------------------------|---------------------|---------------------|
| Associated companies | Owner         | Registered office | Share capital | Ownership and voting share | Result for the year | Equity 31.12 (100%) |
| Master & Commander   | DOF Subsea AS | Oslo              | 100           | 20%                        | -2 812              | 162 013             |
| PSV Invest I IS      | DOF ASA       | Oslo              | 18 240        | 48%                        | -61                 | 17 723              |

| <b>Tier subsidiaries</b>          | <b>Owner</b>                               | <b>Registered office</b> | <b>Share capital</b> | <b>Ownership and voting share</b> |
|-----------------------------------|--------------------------------------------|--------------------------|----------------------|-----------------------------------|
| DOF Subsea Holding II AS          | DOF Subsea Holding AS                      | Bergen                   | 119 864              | 100%                              |
| DOF Subsea AS                     | DOF Subsea Holding II AS                   | Bergen                   | 1 197 337            | 100%                              |
| DOF Geo UK Ltd                    | DOF Subsea AS                              | Aberdeen, UK             | -                    | 100%                              |
| DOF Subsea Pte                    | DOF Subsea AS                              | Singapore                | -                    | 100%                              |
| DOF Subsea Holding UK Ltd         | DOF Subsea AS                              | Aberdeen, UK             | 22 403               | 100%                              |
| DOF Subsea UK Ltd                 | DOF Subsea Rederi AS                       | Aberdeen, UK             | 10 343               | 100%                              |
| DOFCON AS                         | DOF Subsea AS                              | Bergen                   | 13 360               | 100%                              |
| Geo Rederi AS                     | DOF Subsea AS                              | Bergen                   | 17 400               | 100%                              |
| Geo Rederi II AS                  | DOF Subsea AS                              | Bergen                   | 26 400               | 100%                              |
| Geoconsult AS                     | DOF Subsea AS                              | Bergen                   | 600                  | 100%                              |
| Semar AS                          | DOF Subsea AS                              | Oslo                     | 117                  | 50%                               |
| DOF Subsea Brasil Ltda            | DOF Subsea AS                              | Macaè, Brasil            | 462 988              | 100%                              |
| DOF Subsea Rederi AS              | DOF Subsea AS                              | Bergen                   | 103                  | 100%                              |
| DOF Subsea Rederi II AS           | DOF Subsea AS                              | Bergen                   | 100                  | 100%                              |
| DOF Installer II AS               | DOF Subsea AS                              | Bergen                   | 100                  | 100%                              |
| DOF Subsea Shipowning AS          | DOF Subsea Rederi AS                       | Bergen                   | 106                  | 100%                              |
| DOF Subsea Asia/Pacific Pte. Ltd. | DOF Subsea Pte                             | Singapore                | -                    | 100%                              |
| DOF Subsea Australian Pty.        | DOF Subsea Pte                             | Perth, Australia         | -                    | 100%                              |
| SWG Offshore Pty                  | DOF Subsea Pte                             | Perth, Australia         | -                    | 100%                              |
| DOF Subsea Canada Corp            | DOF Subsea Uk Ltd.                         | St. Johns, Canada        | 7                    | 100%                              |
| DOF Subsea USA Inc                | DOF Subsea Uk Ltd.                         | Houston, USA             | 6                    | 100%                              |
| Contruccion Specialists Ltd (CRL) | DOF Subsea Uk Holding Ltd.                 | Aberdeen, UK             | 9                    | 100%                              |
| CSL Norge AS                      | DOF Subsea Uk Holding Ltd.                 | Bergen                   | 100                  | 100%                              |
| DOF Subsea Norway AS              | Geoconsult AS                              | Bergen                   | 112                  | 100%                              |
| DOF Subsea ROV AS                 | DOF Subsea Shipowning AS                   | Bergen                   | 100                  | 100%                              |
| Skandi Neptun AS                  | DOF Subsea Shipowning AS                   | Bergen                   | 787                  | 100%                              |
| Geoholm AS                        | DOF Subsea Shipowning AS                   | Bergen                   | 146 818              | 100%                              |
| Geograph Shipping AS              | DOF Subsea Shipowning AS                   | Bergen                   | 217 392              | 100%                              |
| Geosund AS                        | Geo Rederi AS                              | Bergen                   | 100                  | 100%                              |
| DOF Installer ASA                 | DOFCON AS                                  | Austevoll                | 23 931               | 78,5%                             |
| Norskan Offshore SA               | Norskan AS                                 | Rio, Brasil              | 2 627 840            | 100%                              |
| Norskan Offshore Ltda.            | Norskan SA                                 | Rio, Brasil              | 494 069              | 100%                              |
| DOF Navegação Ltda.               | Norskan Offshore SA/Norskan Offshore Ltda. | Rio, Brasil              | 972 724              | 100%                              |
| Norskan GmbH                      | Norskan Offshore SA                        | Austria                  | 274                  | 100%                              |
| Norskan Two GmbH                  | Norskan GmbH                               | Austria                  | 274                  | 100%                              |
| Norskan Norway AS                 | Norskan Two GmbH                           | Austevoll                | 304 700              | 100%                              |
| Norskan Holding AS                | Norskan Two GmbH                           | Austevoll                | 72 870               | 100%                              |
| DOF Rederi II AS                  | Norskan Two GmbH                           | Austevoll                | 22 319               | 100%                              |
| Waveney AS                        | Norskan Holding AS                         | Austevoll                | 100                  | 100%                              |
| Waveney IS                        | Norskan Holding AS                         | Austevoll                | 36 000               | 92%                               |
| DOF Argentina                     | DOF Management AS                          | Buenos Aires             | 65                   | 100%                              |
| DOF Sjø AS                        | DOF Management AS                          | Austevoll                | 100                  | 100%                              |
| DOF Management Pte.               | DOF Management AS                          | Singapore                | 513                  | 100%                              |
| Anoma AS                          | DOF ASA /DOF Subsea                        | Austevoll                | 600                  | 90%                               |
| DOF Subsea Angola                 | DOF ASA /DOF Subsea                        | Angola                   | -                    | 90%                               |
| DOF Subsea Congo                  | DOF ASA /DOF Subsea                        | Congo                    | -                    | 90%                               |

**DOF ASA**

| <b>Directly owned subsidiaries</b>            | <b>Owner</b> | <b>Acquisition cost</b> |
|-----------------------------------------------|--------------|-------------------------|
| DOF Subsea Holding AS                         | DOF ASA      | 2 798 498               |
| DOF Rederi AS                                 | DOF ASA      | 101 582                 |
| DOF Management AS                             | DOF ASA      | 58 408                  |
| DOF UK Ltd.                                   | DOF ASA      | 11                      |
| DOF Egypt                                     | DOF ASA      | 3 498                   |
| Marin IT AS                                   | DOF ASA      | 758                     |
| Norskan AS                                    | DOF ASA      | 1 626 439               |
| DOF Holding PTE                               | DOF ASA      | -                       |
| PSV Invest I AS                               | DOF ASA      | 100                     |
| <b>Total acquisition cost of subsidiaries</b> |              | <b>4 589 292</b>        |

For information about registered office and ownership, please see above.

## 10 Investments in associated companies and jointly controlled companies

Amounts in TNOK

**Associated companies - Group**

|                                       | <b>Aker Oilfield<br/>Services AS</b> | <b>Master and<br/>Commander AS (1)</b> | <b>Waveney<br/>IS (2)</b> | <b>PSV Invest<br/>I IS (3)</b> | <b>Other 4)</b> | <b>Total</b>  |
|---------------------------------------|--------------------------------------|----------------------------------------|---------------------------|--------------------------------|-----------------|---------------|
| Balance sheet value 01.01.2010        |                                      | 57 870                                 | 19 300                    |                                |                 | 77 170        |
| Reclassification                      |                                      | -6 254                                 |                           |                                | 6 254           | -             |
| Additions/disposals 2010              |                                      |                                        | -19 654                   | 15 875                         | 1 962           | -1 817        |
| Share of result 2010                  |                                      | -562                                   | 354                       |                                | -4 458          | -4 666        |
| <b>Balance sheet value 31.12.2010</b> |                                      | <b>51 054</b>                          | <b>-</b>                  | <b>15 875</b>                  | <b>3 758</b>    | <b>70 687</b> |
| Balance sheet value 01.01.2009        | 83 108                               | 40 203                                 | 16 385                    |                                |                 | 139 696       |
| Additions/disposals 2009              | -83 108                              |                                        | 2 915                     |                                |                 | 80 193        |
| Share of result 2009                  |                                      | 17 667                                 |                           |                                |                 | 17 667        |
| <b>Balance sheet value 31.12.2009</b> |                                      | <b>57 870</b>                          | <b>19 300</b>             | <b>-</b>                       | <b>-</b>        | <b>77 170</b> |

1) Master and Commander AS was founded in December 2006. The company owns 2 vessels.

2) Waveney IS founded in 2008 with DOF ASA as shareholder with 47%. DOF has increased the shares to 92% in 2010 and the company is from 2010 a subsidiary of the DOF Group.

3) PSV Invest I IS founded in December 2010 with DOF ASA as shareholders with 47%.

4) Other associated companies includes investments in Simsea AS, Machor DOF Subsea Snd and Invest Semar AS.



**The group's share of profit/loss, assets (incl. added value) and liabilities of associated companies:**

| 2010                     | Registered office | Assets         | Liabilities   | Turnover      | Result      | Ownership |
|--------------------------|-------------------|----------------|---------------|---------------|-------------|-----------|
| Master and Commander AS* | Oslo              | 111 182        | 74 775        | 26 560        | -562        | 20,0%     |
| PSV Invest I IS          | Oslo              | 35 875         | 20 000        | -             | -           | 48,0%     |
|                          |                   | <b>147 057</b> | <b>94 775</b> | <b>26 560</b> | <b>-562</b> |           |

\* Master and Commander AS operates with USD as functional currency in the group, but presents its accounts with NOK as functional currency, thus the difference in the group's share of result.

**Jointly controlled companies - Group**

Jointly controlled companies represent investments in companies where the group along with others can exercise decisive influence. Cooperation is based on an agreement which regulates key aspects of the collaboration between the parties. In relation to accounting practice, the group posts its share of the jointly controlled company's income, assets, liabilities and cash flow on a pro rata basis in the consolidated accounts.

As of 31.12.2010, the group has five major investments in jointly controlled companies: Aker DOF Deepwater AS, Doftech DA, Techdof DA, Dofcon Brasil AS and Dofcon Navegacao Ltda.

| 2010                  | Non-current assets | Current assets | Non-current liabilities | Current liabilities | Income  | Operating costs | Net finance |
|-----------------------|--------------------|----------------|-------------------------|---------------------|---------|-----------------|-------------|
| Aker DOF Deepwater AS | 770 597            | 113 378        | 697 767                 | 35 525              | 48 196  | 3 961           | 44 012      |
| Doftech DA            | 1 256 609          | 82 340         | 785 200                 | 169 560             | 182 686 | 113 633         | -61 829     |
| Techdof DA            | 675 992            | 816 655        |                         | 954 759             |         | 171             | -34 647     |
| Dofcon Brasil AS      | 580 270            | 18 672         |                         |                     |         | 68              | 9 430       |
| Dofcon Navegacao Ltda | 2 106 789          | 97 127         | 1 399 139               | 74 775              | 36 405  | 22 637          | 64 710      |

| 2009                  | Non-current assets | Current assets | Non-current liabilities | Current liabilities | Income  | Operating costs | Net finance |
|-----------------------|--------------------|----------------|-------------------------|---------------------|---------|-----------------|-------------|
| Aker DOF Deepwater AS | 351 947            | 40 761         | 300 448                 | 28 326              | 4 062   | 70              |             |
| Doftech DA            | 1 330 150          | 67 761         | 897 967                 | 123 258             | 120 037 | 60 097          | -33 412     |

The figures above represent 100% of the companies' accounting figures.

**Jointly controlled companies - DOF ASA**

|                                   | 2010       |            |            | 2009          |            |               |
|-----------------------------------|------------|------------|------------|---------------|------------|---------------|
|                                   | Cost price | Write-down | Book value | Cost price    | Write-down | Book value    |
| Aker DOF Deepwater AS (JCC)       |            |            |            | 30 065        |            | 30 065        |
| <b>Total associated companies</b> | -          | -          | -          | <b>30 065</b> | -          | <b>30 065</b> |

DOF ASA has sold the shares in Aker DOF Deepwater AS to Norskan Two GmbH.

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

## 11 Other investments

Amounts in TNOK

| Group:                          | 2010         | 2009         |
|---------------------------------|--------------|--------------|
| Primary capital certificates    | -            | 534          |
| Other investments*              | 9 202        | 8 376        |
| <b>Other investments 31.12.</b> | <b>9 202</b> | <b>8 910</b> |

\* Other investments comprise an investment in Borea Noterte.

Unrealised loss related to this investment was TNOK 825 in 2010 (TNOK 2 861 in 2009).

## 12 Fuel reserves and other inventory

Amounts in TNOK

| Group:                                          | 2010          | 2009          |
|-------------------------------------------------|---------------|---------------|
| Bunker fuel                                     | 16 870        | 9 199         |
| Provisions onboard vessels etc.                 | 11 263        | 6 917         |
| <b>Fuel reserves and other inventory 31.12.</b> | <b>28 133</b> | <b>16 116</b> |
| Write-down of inventory as of 31.12             | -             | -             |

## 13 Accounts receivable

Amounts in TNOK

| DOF ASA<br>2010 | DOF ASA<br>2009 |                                      | Group<br>2010    | Group<br>2009    |
|-----------------|-----------------|--------------------------------------|------------------|------------------|
| 102 449         | 120 470         | Accounts receivable at nominal value | 1 070 490        | 1 243 472        |
|                 | -               | Provision for bad debts              | -19 266          | -8 185           |
| <b>102 449</b>  | <b>120 470</b>  | <b>Accounts receivable at 31.12</b>  | <b>1 051 224</b> | <b>1 235 287</b> |

Group accounts receivable relate mainly to major international oil companies.

The Group has an historically low level of bad debts, and the credit risk is considered to be minor.

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

| Group   | Total     | Not<br>matured | <30 d   | 30-60d | 60-90d | >90d   |
|---------|-----------|----------------|---------|--------|--------|--------|
|         | 1 051 224 | 687 456        | 191 580 | 56 934 | 29 447 | 85 806 |
| DOF ASA | Total     | Not<br>matured | <30 d   | 30-60d | 60-90d | >90d   |
|         | 102 449   | 60 965         | 13 979  | 6 610  | -447   | 21 343 |

## 14 Other current and non-current receivables

Amounts in TNOK

| DOF ASA<br>2010 | DOF ASA<br>2009 | Other current receivables                 | Group<br>2010  | Group<br>2009  |
|-----------------|-----------------|-------------------------------------------|----------------|----------------|
| 192 521         | 135 480         | Short-term intragroup receivables         |                |                |
| 10 995          | 2 007           | Pre-paid expenses                         | 142 800        | 51 075         |
| 6 764           |                 | Accrual of income                         | 214 623        | 160 967        |
| 310             | 185             | Accrued interest income                   | 21 027         | 4 361          |
|                 |                 | Government taxes (VAT)                    | 51 395         | 38 546         |
| 2 684           | 13 223          | Unrealised gain forward contracts         | 93 789         | 27 726         |
| 49 446          | 3 594           | Other current receivables                 | 381 225        | 209 452        |
| <b>262 720</b>  | <b>154 489</b>  | <b>Other current receivables at 31.12</b> | <b>904 858</b> | <b>492 128</b> |

| DOF ASA<br>2010  | DOF ASA<br>2009 | Other non-current receivables                 | Group<br>2010  | Group<br>2009 |
|------------------|-----------------|-----------------------------------------------|----------------|---------------|
| 1 439 734        | 524 093         | Intragroup non-current receivables            |                |               |
|                  |                 | Other non-current receivables                 | 205 452        | 2 721         |
| <b>1 439 734</b> | <b>524 093</b>  | <b>Other non-current receivables at 31.12</b> | <b>205 452</b> | <b>2 721</b>  |

## 15 Cash and cash equivalents

Amounts in TNOK

| DOF ASA<br>2010 | DOF ASA<br>2009 |                                            | Group<br>2010    | Group<br>2009    |
|-----------------|-----------------|--------------------------------------------|------------------|------------------|
| 43 553          | 41 616          | Restricted deposits *                      | 948 417          | 1 131 044        |
| 299 484         | 267 667         | Bank deposits                              | 1 696 434        | 1 082 698        |
| <b>343 037</b>  | <b>309 283</b>  | <b>Cash and cash equivalents at 31.12.</b> | <b>2 644 851</b> | <b>2 213 742</b> |

\* A long term loan has been provided by Eksportfinans and is invested as a restricted deposit in DnBNOR. The repayment terms on the loan from Eksportfinans is equivalent with the reduction on the deposit. The loan is fully repaid in 2020. The cash deposit is included in Restricted deposits with a total of MNOK 811 (2009; MNOK 896).

## 16 Share capital and share information

Amounts in TNOK

**Share capital:** The share capital in DOF ASA as of 31.12.2010 is NOK 182,075,950 distributed between 91,037,975 shares, each with a nominal value of NOK 2.00. There has been one share issue in 2010 .

**Share issue authorisation:** The Annual General Meeting has allocated authorisation to the Board of Directors for a capital increase of up to 45,500,000 shares at a nominal value of NOK 2.00. This authorisation expires on the Annual General Meeting in 2011.

**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 2010 were as follows:



| Shareholders at 31.12.2010      | 2010              |                | 2009              |                |
|---------------------------------|-------------------|----------------|-------------------|----------------|
|                                 | No of shares      | Shareholding   | No of shares      | Shareholding   |
| MØGSTER OFFSHORE AS             | 46 210 050        | 50,76%         | 46 210 050        | 50,76%         |
| ODIN NORGE                      | 6 044 552         | 6,64%          | 6 235 400         | 6,85%          |
| SKAGEN VEKST                    | 4 954 800         | 5,44%          | 4 954 800         | 5,44%          |
| PARETO AKSJE NORGE              | 4 901 407         | 5,38%          | 4 492 100         | 4,93%          |
| PARETO AKTIV                    | 2 233 300         | 2,45%          | 2 288 000         | 2,51%          |
| MP PENSJON PK                   | 1 845 600         | 2,03%          | 1 845 600         | 2,03%          |
| ODIN OFFSHORE                   | 1 751 900         | 1,92%          | 1 798 900         | 1,98%          |
| PARETO VERDI                    | 1 008 898         | 1,11%          | 608 500           | 0,67%          |
| VESTERFJORD AS                  | 873 650           | 0,96%          | 873 650           | 0,96%          |
| DNB NOR SMB                     | 800 000           | 0,88%          | 510 000           | 0,56%          |
| MUSTAD INDUSTRIER AS            | 590 000           | 0,65%          | 591 800           | 0,65%          |
| HOLBERG NORGE                   | 515 550           | 0,57%          | 545 500           | 0,60%          |
| MOCO AS                         | 498 100           | 0,55%          | 498 100           | 0,55%          |
| SKANDINAVISKA ENSKILDA BANKEN   | 415 015           | 0,46%          | 2 361 183         | 2,59%          |
| PACTUM AS                       | 400 000           | 0,44%          | 300 000           | 0,33%          |
| CITYBANK N.A. NEW YORK BRANCH   | 390 565           | 0,43%          |                   |                |
| ODIN NORGE II                   | 380 340           | 0,42%          |                   |                |
| FORSVARETS PERSONELLSERVICE     | 356 200           | 0,39%          | 344 100           | 0,38%          |
| ODIN MARITIM                    | 339 800           | 0,37%          | 369 800           | 0,41%          |
| POSH AS                         | 282 600           | 0,31%          | 282 600           | 0,31%          |
| WARRENWICKLUND NORGE            |                   |                | 239 000           | 0,26%          |
| VPF NORDEA SMB                  |                   |                | 237 894           | 0,26%          |
| <b>Total</b>                    | <b>74 792 327</b> | <b>82,16 %</b> | <b>75 586 977</b> | <b>83,03%</b>  |
| Other shareholders              | 16 245 648        | 17,84%         | 15 450 998        | 16,97%         |
| <b>Total other shareholders</b> | <b>91 037 975</b> | <b>100,00%</b> | <b>91 037 975</b> | <b>100,00%</b> |

|                                                                                                                                                                                                                                                                         | 2010           |              | 2009           |              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------|----------------|--------------|
|                                                                                                                                                                                                                                                                         | No of shares   | Shareholding | No of shares   | Shareholding |
| <b>Board of Directors</b>                                                                                                                                                                                                                                               |                |              |                |              |
| Helge Møgster - Chairman of the Board                                                                                                                                                                                                                                   | 236 930        | 0,26%        | 236 930        | 0,26%        |
| Helge Singelstad - Board member                                                                                                                                                                                                                                         |                |              |                |              |
| Oddvar Stangeland - Board member                                                                                                                                                                                                                                        | 28 000         | 0,03%        | 28 000         | 0,03%        |
| Wenche Kjøllås - Board member<br>(* Shares owned via Jawendel AS)                                                                                                                                                                                                       | 3 000*         | 0,003%       | 3 000*         | 0,003%       |
| Britt Mjellem - Board member<br>(* Shares owned via Mjellem Invest AS)                                                                                                                                                                                                  | 1 000*         | 0,001%       | 1 000*         | 0,001%       |
| Via Laco AS, Helge Møgster and his family have indirect control of 95,10% of the shares in Møgster Offshore AS, the main shareholder of DOF ASA. Oddvar Stangeland owns 2,75% of Møgster Offshore AS via Kanabus AS. He also owns 8,000 shares directly via Kanabus AS. |                |              |                |              |
| <b>Management group</b>                                                                                                                                                                                                                                                 |                |              |                |              |
| Mons S. Aase - CEO<br>(* Shares owned via Moco AS )                                                                                                                                                                                                                     | 498 100        | 0,55%        | 498 100        | 0,55%        |
| Hilde Drønen - CFO<br>(* Shares owned directly and via Djupedalen AS )                                                                                                                                                                                                  | 30 675         | 0,03%        | 30 675         | 0,03%        |
| Anders Arve Waage - COO                                                                                                                                                                                                                                                 | 1 675          | 0,002%       | 1 675          | 0,002%       |
| <b>Total shares owned by board members and management</b>                                                                                                                                                                                                               | <b>799 380</b> | <b>0,88%</b> | <b>799 380</b> | <b>0,88%</b> |

## 17 Pensions and pensions commitments

Amounts in TNOK

DOF ASA Group has a company pension scheme with the life insurance company Nordea Liv Norge ASA. In 2010, this scheme comprised 634 active members and 64 pensioners. The scheme covers life-long retirement pension from the age of 67. It also includes disability pension and child pension. The Group also has an uninsured pension scheme for three former offshore employees which is financed from the company's operations. There is also a defined contribution scheme for 63 employees in DOF Management AS for which the pension costs totalled TNOK 1 436 in 2010. All onshore-based employees have obligatory occupational pension schemes. Offshore employees are not included in this scheme.

Seafaring employees have a separate pension scheme. Pension age is 60 and pension payments are made from the company's pension scheme until the age of 67. From 67, the retirement pension is paid under the National Insurance Scheme. The group pension scheme is coordinated with the pension insurance scheme (Pensjonstrygden for sjømenn) for seafarers, and constitutes 60% of the pensionable income after 30 years of qualifying service. This scheme is insured. The calculations comply with IFRS (IAS 19).

Estimate deviations and the impact of changed assumptions are amortised over an average expected remaining period of service after 10% corridor. The company's legal commitments are not affected by the accounting treatment of the pension commitments. The average expected remaining period of service for onshore based employees is 21.92 years and for seafarers 24.77 years.

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

| <b>Net pension costs</b>                            | <b>2010</b>   | <b>2009</b>   |
|-----------------------------------------------------|---------------|---------------|
| NPV value of pensions during the period             | 20 513        | 20 620        |
| Capital costs previous earned pensions              | 5 652         | 5 428         |
| Estimated return on pension capital                 | (6 552)       | (5 707)       |
| Administration costs                                | 1 221         | 948           |
| Estimated amortisation                              | 141           | 1 717         |
| payroll taxes during the period                     | 3 039         | 2 965         |
| <b>Net pension cost incl. pay roll taxes 31.12.</b> | <b>24 014</b> | <b>25 970</b> |

| <b>Net pension commitments</b>        | <b>Total 2010</b> | <b>Total 2009</b> |
|---------------------------------------|-------------------|-------------------|
| Estimated Pension benefit obligation  | 167 106           | 122 616           |
| Estimated pension capital             | (119 737)         | (105 198)         |
| Unamortised actuarial losses          | (41 682)          | (10 011)          |
| Payroll taxes during the period       | 6 045             | 2 354             |
| <b>Net pension commitments 31.12.</b> | <b>11 732</b>     | <b>9 761</b>      |

### Net pension commitments is classified as follows in the balance sheet 31.12.

|                                  |        |        |
|----------------------------------|--------|--------|
| Other pension commitments 31.12. | 1 513  | 2 194  |
| Pension commitments 31.12.       | 13 245 | 11 955 |

| <b>Economic assumptions</b>                              | <b>31.12.2010</b> | <b>31.12.2009</b> | <b>01.01.2009</b> |
|----------------------------------------------------------|-------------------|-------------------|-------------------|
| Discount rate                                            | 3,20%             | 4,40%             | 4,3% 3,8%         |
| Estimated return on plan assets                          | 4,60%             | 5,60%             | 6,3% / 5,8%       |
| Estimated growth in salaries                             | 4,00%             | 4,25%             | 4% / 4,5%         |
| Estimated growth in pensions                             | 0,50%             | 0% / 1,30%        | 4,25%/2,8%/1,5%   |
| Estimated growth in national social security base amount | 3,75%             | 4,25%             | 4,25%             |
| Turnover                                                 | 0% / 3%           | 0% / 3%           | 0% / 3%           |
| National insurance contribution                          | 14,10%            | 14,10%            | 14,10%            |
| Anticipated CPA acceptance rate 62-67 years of age       | 0,00%             | 0,00%             | 0,00%             |

| <b>Reconciliation, opening and closing balance:</b>                       |  | <b>31.12.2010</b> |               |
|---------------------------------------------------------------------------|--|-------------------|---------------|
| Net pension commitments 01.01.                                            |  | 10 077            |               |
| Diviation compared with equity                                            |  | -                 |               |
| Net pension cost for the year inc.nat.ins.cont                            |  | 24 014            |               |
| Pension payments CPA/uninsured incl.nat.cont                              |  | -                 |               |
| Investment in plan assets etc. incl.nat.cont                              |  | (22 614)          |               |
| <b>Net pension comm. at 31.12.</b>                                        |  | <b>11 477</b>     |               |
|                                                                           |  |                   |               |
| <b>Reconsiliation of pension commitment, opening and closing balance:</b> |  |                   |               |
| Present value of accrued pension commitment at 01.01.                     |  | 122 804           |               |
| Gross pension cost for the year                                           |  | 26 166            |               |
| Pension payment for the year                                              |  | (3 246)           |               |
| Deviation (change in assumptions/experience)                              |  | 21 382            |               |
| <b>Estimated present value accrued pension commitment at 31.12.</b>       |  | <b>167 106</b>    |               |
|                                                                           |  |                   |               |
| <b>Reconsoliation of plan assets, opening and closing balance:</b>        |  |                   |               |
| Plan assets at 01.01.                                                     |  | 105 198           |               |
| Anticipated return on plan assets                                         |  | 6 552             |               |
| Administrative expenses                                                   |  | (1 184)           |               |
| Pension payments for the year                                             |  | (3 246)           |               |
| Investment in plan assets etc                                             |  | 19 819            |               |
| Deviation (changes in assumptions/experience)                             |  | (7 401)           |               |
| <b>Estimated present value of pension plan assets at 31.12.</b>           |  | <b>119 737</b>    |               |
|                                                                           |  |                   |               |
| <b>At 31 December</b>                                                     |  | <b>2010</b>       | <b>2009</b>   |
| Present value of benefit-based pension commitment                         |  | 167 106           | 122 616       |
| Fair value of pension fund assets                                         |  | 119 737           | 105 198       |
| <b>Deficit/surplus</b>                                                    |  | <b>47 368</b>     | <b>17 418</b> |

## 18 Tax

Amounts in TNOK

| <b>DOF ASA</b> | <b>DOF ASA</b> |                                                                  | <b>Group</b>    | <b>Group</b>   |
|----------------|----------------|------------------------------------------------------------------|-----------------|----------------|
| <b>2010</b>    | <b>2009</b>    | <b>Tax consists of:</b>                                          | <b>2010</b>     | <b>2009</b>    |
|                |                | Tax payable in Norway                                            | 7 971           |                |
|                |                | Tax payable related to changes in tonnage tax regime             | 16 652          | -149 548       |
|                |                | Tax payable foreign activity                                     | 18 280          | 46 065         |
| -27 262        | 47 191         | Change in deferred tax Norway                                    | -68 137         | 125 139        |
| 8 599          |                | Change in deferred tax foreign activity                          | 6 668           | 179 822        |
|                |                | Changes in deferred tax related to changes in tonnage tax regime | 33 254          |                |
| <b>-18 663</b> | <b>47 191</b>  | <b>Tax cost/income</b>                                           | <b>14 687</b>   | <b>201 478</b> |
|                |                |                                                                  |                 |                |
|                |                | Reconciliation of nominal and effective tax rate                 |                 |                |
| 245 181        | 381 007        | Profit before tax                                                | -200 303        | 1 004 519      |
| <b>68 651</b>  | <b>106 682</b> | <b>Estimated tax cost (28%)</b>                                  | <b>- 56 085</b> | <b>281 265</b> |
|                |                |                                                                  |                 |                |
| <b>-87 314</b> | <b>-59 491</b> | <b>Deviation between actual and estimated tax cost</b>           | <b>70 772</b>   | <b>-79 787</b> |



|                |                | <b>Reason for difference between actual tax cost and estimated tax cost</b> |               |                |
|----------------|----------------|-----------------------------------------------------------------------------|---------------|----------------|
| -87 314        | -59 491        | Tax effect of non-taxable income and non tax-deductible costs               | -22 711       | 61 455         |
|                |                | Change in value of market-based current assets                              |               | 49 980         |
|                |                | Estimate deviations from previous years                                     |               |                |
|                |                | Effect of tonnage tax regime settlement on transition to new scheme         | -12 032       | -200 258       |
|                |                | Effect of tonnage tax                                                       | 82 490        | -71 059        |
|                |                | Foreign tax rate deviation                                                  | 22 738        | 60 383         |
|                |                | Unrecognized deferred tax asset                                             | 288           | 19 712         |
| <b>-87 314</b> | <b>-59 491</b> | <b>Deviation from estimated tax cost</b>                                    | <b>70 772</b> | <b>-79 787</b> |

#### Deferred tax

Below is a specification of the temporary differences between the accounting and tax values, and the calculation of deferred tax/deferred tax assets at the end of the year.

| 2010            | 2009            | Basis of deferred tax                                                                          | 2010              | 2009              |
|-----------------|-----------------|------------------------------------------------------------------------------------------------|-------------------|-------------------|
| -173 842        | -87 035         | Fixed assets                                                                                   | -2 611 566        | -2 680 171        |
|                 |                 | Current assets                                                                                 | -132 613          | -18 393           |
| -357 871        | -499 113        | Other differences (deferred capital gain etc)                                                  | -782 822          | -511 131          |
|                 | 2 000           | Liabilities                                                                                    | -250 844          | -293 305          |
| <b>-531 713</b> | <b>-584 148</b> | <b>Total temporary differences</b>                                                             | <b>-3 777 845</b> | <b>-3 503 000</b> |
| -148 880        | -163 561        | Deferred tax (-) / deferred tax assets (28%-34%)                                               | -1 077 379        | -980 840          |
| 104 990         | 60 062          | Loss carried forward                                                                           | 2 639 919         | 1 731 470         |
|                 |                 | - hereof tax deficit not included in basis for calculation of deferred tax/deferred tax assets | 66 305            |                   |
| <b>-426 723</b> | <b>-524 086</b> | <b>Basis for calculation of deferred tax (-) / deferred tax assets</b>                         | <b>-1 204 231</b> | <b>-1 771 530</b> |
| <b>-119 482</b> | <b>-146 744</b> | <b>Total deferred tax (-) / deferred tax assets</b>                                            | <b>-373 631</b>   | <b>-513 472</b>   |
| -119 483        | -146 744        | Gross deferred tax                                                                             | -402 474          | -513 472          |
|                 |                 | Gross deferred tax asset                                                                       | 28 843            |                   |

On 12 February 2010 the majority of the Norwegian Supreme Court concluded that the transitional rules for tonnage taxed companies from 2007 were unconstitutional. The Parliament adopted in early June 2010 a new amendment to the transitional rules in the Revised National Budget for 2010. The new amendment implied that the tax liability related to untaxed profits accumulated prior to 2007 could be settled once and for all with an effective taxation of approximately 6.7 per cent tax. It was voluntarily for the tonnage taxed companies to accept the 6.7 per cent taxation. Companies that did not elect the voluntary settlement would be subject to taxation upon distribution of untaxed profits and at exit from the tonnage tax regime. All tonnage taxed companies in the DOF Group has chosen the voluntary settlement.

The calculation of the income for the voluntary settlement has been assessed in 2010 based on the original settlement account per 1. January 2007 (2/3 of the total transitional gain). This amount has been divided with 2.8 to get the total taxable amount (23.8 per cent of the total transitional gain) which has been entered as income and taxed with 28 per cent in equal parts in income year 2010, 2011 and 2012. One third of the tax will be payable and included in the ordinary taxable income in the assessment years 2010, 2011 and 2012 respectively. The total tax liability has been recognized in the 2010 accounts.

## 19 Other non-current liabilities

Amounts in TNOK

### Bond loans

DOF ASA Group has seven bond loans which mature in 2011-2015. See figures below. The trustee for the bond loan owners is Norsk Tillitsmann ASA and Nordea Bank Norge ASA is the account operator. The terms and conditions for the bond loans comprise a floating rate of interest, 3 month NIBOR + (205bp – 900bp). Quarterly interest rate regulations are carried out for all the bond loans. A bond loan with outstanding amount of NOK 156 million in DOF ASA is secured by a mortgage in the shares in Norskan AS. DOF ASA is free to purchase its own bonds.

### Long-term liabilities to credit institutions

The main share of the Group's fleet is financed via mortgage loans, in particular maritime mortgages. A set of shared covenants has been established for the maritime mortgage in DOF ASA and the maritime mortgage in DOF Subsea Holding AS.

For DOF ASA, the most important financial covenants are as follows:

Value-adjusted capital shall be higher than 30% or higher than 20% if contractual coverage for the maritime mortgage is higher than 70%.

The Group shall at all times have cash reserves of NOK 500 million.

### The most important financial covenants for DOF Subsea Holding AS' fleet are as follows:

The Group shall at all times have cash reserves of NOK 500 million or the ratio between the Group's EBITDA and net interest costs shall not be lower than 2:1.

The Group shall at all times have Equity of at least NOK 3,000 million.

### In addition to the above-mentioned financial covenants, the following terms and conditions also apply to a number of loan agreements:

\* Full insurance for the Group's assets.

\* No changes to classification, management or ownership of the vessels without prior written consent from the banks.

\* DOF ASA shall own minimum 50% of the shares in DOF Subsea Holding AS, and Møgster Offshore shall own minimum 33% of the shares in DOF ASA.

\* DOF ASA shall be listed on the Oslo Stock Exchange.

In addition, the normal terms and conditions for this type of loan apply.

| DOF ASA<br>2010  | DOF ASA<br>2009  | Overview of non-current liabilities               | Group<br>2010     | Group<br>2009     |
|------------------|------------------|---------------------------------------------------|-------------------|-------------------|
| 1 503 572        | 1 153 221        | Bond loans                                        | 2 753 572         | 2 149 321         |
| 1 087 574        |                  | Debt to credit institutions                       | 13 085 211        | 8 724 597         |
|                  |                  | Lease debt                                        | 160 141           | 172 539           |
| 127 668          | 84 633           | Other non-current liabilities                     | 439 482           | 324 317           |
| <b>2 718 814</b> | <b>1 237 954</b> | <b>Total liabilities (excl. instalments 2011)</b> | <b>16 438 407</b> | <b>11 370 774</b> |

### Group: Instalment profile - non-current liabilities

|                               | 2011             | 2012             | 2013             | 2014             | 2015             | Subsequent       | Total             |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Bond loans                    | 558 500          | 500 000          | 911 809          | 750 000          | 591 764          | -                | 3 312 072         |
| Debt to credit institutions   | 1 202 764        | 1 662 673        | 1 496 051        | 1 870 445        | 3 123 202        | 4 932 844        | 14 287 980        |
| Lease debt                    | 10 716           | 18 007           | 112 300          | 10 097           | 7 993            | 11 745           | 170 857           |
| Other non-current liabilities | 104 175          | 124 905          | 76 491           | 76 491           | 43 886           | 117 709          | 543 658           |
| <b>Total</b>                  | <b>1 876 160</b> | <b>2 305 581</b> | <b>2 596 651</b> | <b>2 707 033</b> | <b>3 766 845</b> | <b>5 062 298</b> | <b>18 314 567</b> |

### DOF ASA: Instalment profile - non-current liabilities

|                               | 2011           | 2012           | 2013             | 2014           | 2015           | Subsequent     | Total            |
|-------------------------------|----------------|----------------|------------------|----------------|----------------|----------------|------------------|
| Bond loans                    | 262 000        |                | 911 809          |                | 591 764        | -              | 1 765 572        |
| Debt to credit institutions   | 116 113        | 115 288        | 115 288          | 115 288        | 397 652        | 344 057        | 1 203 687        |
| Lease debt                    |                | 6 671          | 100 267          |                |                |                | 106 937          |
| Other non-current liabilities |                | 20 730         |                  |                |                |                | 20 730           |
| <b>Total</b>                  | <b>378 113</b> | <b>142 689</b> | <b>1 127 364</b> | <b>115 288</b> | <b>989 415</b> | <b>344 057</b> | <b>3 096 927</b> |

| <b>DOF ASA<br/>2010</b>            | <b>DOF ASA<br/>2009</b> | <b>Liabilities secured by mortgage</b>                       | <b>Group<br/>2010</b> | <b>Group<br/>2009</b> |
|------------------------------------|-------------------------|--------------------------------------------------------------|-----------------------|-----------------------|
| 156 000                            | 975 000                 | Bond loan                                                    | 156 000               | 975 000               |
| 1 310 624                          | 91 827                  | Liabilities to credit institutions incl. leasing liabilities | 14 458 837            | 10 951 411            |
| <b>1 466 624</b>                   | <b>1 066 827</b>        | <b>Total liabilities</b>                                     | <b>14 614 837</b>     | <b>11 926 411</b>     |
| <b>Assets provided as security</b> |                         |                                                              |                       |                       |
| 902 711                            | 157 834                 | Fixed assets                                                 | 19 608 977            | 12 451 483            |
| 1 626 439                          | 1 510 896               | Investment in subsidiaries / Net assetpledged consolidated   | 1 675 729             | 1 510 896             |
| <b>2 529 150</b>                   | <b>1 668 730</b>        | <b>Total assets provided as security</b>                     | <b>1 284 706</b>      | <b>13 962 379</b>     |
| 10,34%                             | 6,7%                    | Average rate of interest                                     | 6,39%                 | 5,66%                 |

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

#### Fair value of non-current loans

The price of the company's seven bond loans at 31.12.2010 was as follows:

| <b>Loan</b>   | <b>Price 31.12.10</b> | <b>Outstanding</b> |
|---------------|-----------------------|--------------------|
| DOF ASA 09/11 | 103,11                | 156 000            |
| DOF ASA 06/11 | 99,69                 | 106 000            |
| DOF ASA 10/13 | 102,74                | 924 500            |
| DOF ASA 10/15 | 100,00                | 600 000            |
| DOFSUB 01     | 99,50                 | 296 500            |
| DOFSUB 03     | 108                   | 500 000            |
| DOFSUB 04     | N/A                   | 750 000            |

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

## 20 Other provision for commitments

Amounts in TNOK

The 3 vessels previously financed as "UK lease" were released from their lease contracts in 2008. Remaining leasing commitment related to these vessels is NOK 0. There may be risk related to the tax commitment existing for the former UK leases, but this is considered to be so low that it has not been reported on the accounts. See note 21 for description of the UK lease.



## 21 Other non-current liabilities - lease

Amounts in TNOK

### Financial lease

As of 31 December 2010, one financial lease for a vessel remains, namely Skandi Caledonia.

The lease for Skandi Caledonia is carried on DOF ASA's balance sheet under non-current liabilities at a figure of NOK 107 million.

### Financial lease combined with tax advantage

Three of the group's vessels have previously been financed as "UK-lease". This implies that the vessels are formally owned by separate British holding companies outside the group, which charter the vessels on B/B charter to the group's subsidiary, DOF UK Ltd. DOF Rederi AS has covered DOF UK Ltd's obligation to cover the financing of these vessels for a minimum period of 6 years via a charter party. After 6 years, the owner can demand that the shipowning company take over all assets of the British holding company at a price of approx. 75% of the original cost of the vessels. For accounting purposes, it is assumed that the owner will demand that DOF Rederi purchases the share in the British holding companies, and consequently the vessels.

The three above-mentioned vessels were released from their lease contracts in 2008 and all the group's UK leases were settled in 2008. The remaining lease commitment for UK leases as of 31.12.10 is therefore NOK 0.

There is a certain risk of a tax liability related to the former UK leases, but this is deemed to be so low that it has not been presented in the accounts in accordance with a legal opinion.

## 22 Guarantee commitments

Amounts in TNOK

The parent company has issued guarantees for BNDES in connection with the financing of four vessels owned by Norskan in Brazil. DOF ASA and Technip have jointly issued a guarantee to BNDES for the financing of one vessel owned by DOFCON Navegacao Ltda. The parent company's guarantee commitments for BNDES amounted to USD 259 million as of 31 December 2010.

The parent company has provided a guarantee to ST Marine Ltd for predelivery of equipment in connection with the construction of one vessel. In total the guarantee commitment amounted to GBP 4,9 million as of 31 December 2010.

DOF ASA has issued a guarantee to Nordea Bank Norge for an overdraft facility in Marin IT AS (a subsidiary). The guarantee amounted to NOK 25 million as of 31 December 2010.

The parent company has also issued guarantees for maritime mortgages/loans for wholly owned subsidiaries.

## 23 Other current liabilities

Amounts in TNOK

| DOF ASA<br>2010 | DOF ASA<br>2009 | Specification of other current liabilities | Group<br>2010  | Group<br>2009  |
|-----------------|-----------------|--------------------------------------------|----------------|----------------|
|                 | 2 900           | Prepayment from customers                  | 67 181         | 6 798          |
| 35 313          | 8 089           | Accrued interest                           | 184 827        | 122 441        |
| 1 320           | 649             | Accrued expenses                           | 293 132        | 104 834        |
|                 |                 | Overdraft facilities                       | 130 988        |                |
|                 |                 | Fair value forward contracts               | 800            | 6 992          |
| 49 122          | 2 430           | Other current liabilities                  | 245 588        | 179 252        |
| 6 514           |                 | Intragroup liabilities                     |                |                |
| <b>92 269</b>   | <b>14 068</b>   | <b>Other current liabilities</b>           | <b>922 515</b> | <b>420 317</b> |

## 24 Intra-group loans and balance

Amounts in TNOK

| DOF ASA<br>2010  | DOF ASA<br>2009 | Specification of intra-group balances                              |
|------------------|-----------------|--------------------------------------------------------------------|
| 1 439 734        | 524 093         | Non-current receivables from companies in the same group and JCC * |
| 192 521          | 135 480         | Current receivables from companies in the same group and JCC       |
| 60 831           | 57 033          | Accounts receivable from group companies                           |
| <b>1 693 086</b> | <b>716 606</b>  | <b>Receivables from group companies</b>                            |
| 38 949           | 58 983          | Accounts payable to group companies                                |
| <b>38 949</b>    | <b>58 983</b>   | <b>Liabilities to group companies</b>                              |
| <b>1 654 137</b> | <b>657 623</b>  | <b>Net intra-group balances</b>                                    |

\* Intercompany loans are interest-bearing and are at market rates and terms.

## 25 Earnings per share

Amounts in TNOK

Ordinary earnings per share are calculated based on the annual result payable as the relationship between the annual result for the year to the shareholders and the weighted average of outstanding ordinary shares throughout the financial year. There are no instrument that allow the possibility of dilution.

| Group: Basis for calculation of earnings per share       | 2010       | 2009       |
|----------------------------------------------------------|------------|------------|
| Profit for the year after non-controlling interests      | -139 648   | 602 484    |
| Average outstanding number of shares                     | 91 037 975 | 87 730 811 |
| Earnings per share for parent company shareholders (NOK) | -1,53      | 6,87       |

## 26 Lease contracts

Amounts in TNOK

### Operational lease contracts:

With the exception of the lease of office premises and the vessels Sanko Bay and Odin Viking the Group has no significant contracts for lease of fixed assets which are not reflected on the balance sheet. The main office is leased from Austevoll Eiendom AS for NOK 2,951,000 per year. Austevoll Eiendom AS is a subsidiary of Austevoll Seafood ASA. Austevoll Seafood ASA is a subsidiary of Laco AS. See note 30. DOF Subsea AS leases premises located at Marineholmen in Bergen.

Overview of future minimum lease:

| Group                   | 0-12 months   | 1-5 years     | Total         |
|-------------------------|---------------|---------------|---------------|
| Minimum lease - vessels | 31 602        |               | 31 602        |
| Lease of head office    | 9 964         | 42 411        | 52 375        |
| <b>Total</b>            | <b>41 566</b> | <b>42 411</b> | <b>83 977</b> |

### Financial lease contracts:

The group's assets under financial lease contracts include 1 vessels (Skandi Caledonia), several ROVs, machines and operating equipment. In addition to these lease payments, the Group has commitments related to maintenance and insurance of the assets. See note 21.

Assets under financial lease contracts are as follows:

| <b>DOF ASA</b>                    | <b>2010</b>    | <b>2009</b>    | <b>Group</b>                      | <b>2010</b>    | <b>2009</b>    |
|-----------------------------------|----------------|----------------|-----------------------------------|----------------|----------------|
| Vessels                           | 215 281        | 215 170        | Vessels                           | 215 281        | 215 170        |
| ROVs                              |                | -              | ROVs                              | 78 903         | 70 993         |
| Machinery and operating equipment |                | 3 247          | Machinery and operating equipment | -              | 18 153         |
| <b>Total acquisition cost</b>     | <b>215 281</b> | <b>218 417</b> | <b>Total acquisition cost</b>     | <b>294 184</b> | <b>304 316</b> |
| Accumulated depreciation at 01.01 | 59 766         | 48 176         | Accumulated depreciation at 01.01 | 60 889         | 113 873        |
| Depreciation                      | 11 654         | 11 590         | Depreciation                      | 13 020         | 17 480         |
| Disposal                          | 2 430          |                | Disposal                          |                |                |
| <b>Net balance sheet value</b>    | <b>146 291</b> | <b>158 651</b> | <b>Net balance sheet value</b>    | <b>220 275</b> | <b>172 963</b> |

Overview of future minimum lease:

| <b>Group</b>                                       | <b>0-12 months</b> | <b>1-5 years</b> | <b>Total</b> |
|----------------------------------------------------|--------------------|------------------|--------------|
| Minimum lease, financial lease contracts maturing: | 23 524             | 166 301          | 189 825      |

Overview of future minimum lease:

| <b>DOF ASA</b>                                     | <b>0-12 months</b> | <b>1-5 years</b> | <b>Total</b> |
|----------------------------------------------------|--------------------|------------------|--------------|
| Minimum lease, financial lease contracts maturing: | 9 470              | 105 364          | 114 834      |

## 27 Financial instruments

Amounts in TNOK

|     |                                                                    |
|-----|--------------------------------------------------------------------|
| 27A | Financial income and costs                                         |
| 27B | Financial assets and liabilities: Information on the balance sheet |
| 27C | Financial assets and liabilities: Information on fair value        |
| 27D | Hedging activities                                                 |
| 27E | Qualitative and quantitative risk information                      |
| 27F | Financial market risk                                              |

## 27A Financial income and costs: information in the profit & loss account

Amounts in TNOK

| <b>DOF ASA</b> | <b>DOF ASA</b> |                                                  | <b>Group</b>    | <b>Group</b>   |
|----------------|----------------|--------------------------------------------------|-----------------|----------------|
| <b>2010</b>    | <b>2009</b>    |                                                  | <b>2010</b>     | <b>2009</b>    |
| 63 538         | 23 252         | Interest income from companies in the same group |                 |                |
| 8 401          | 52 468         | Other interest income                            | 74 899          | 120 685        |
| 365 090        | 221 034        | Gain and loss on realisation of shares           | -3 841          | 189 699        |
| -20 443        | 121 317        | Unrealised foreign exchange gain                 | 82 776          | 757 611        |
| 55 684         | 7 977          | Realised foreign exchange gain                   | 97 187          | 166 012        |
| 2 724          | 105 856        | Net gain/(loss) on currency forward contracts    | -41 873         | 179 331        |
|                |                | Other financial income                           | 5 431           | 19 094         |
| -730           | -7 498         | Interest paid to companies in the same group     |                 |                |
| -245 067       | -113 039       | Interest cost                                    | -889 142        | -601 293       |
| -5 089         | -10 972        | Other financial costs                            | -68 724         | -44 561        |
| <b>224 108</b> | <b>400 346</b> | <b>Result of financial items</b>                 | <b>-743 287</b> | <b>786 578</b> |

Gain/(loss) on currency is presented net.



## 27B Financial assets and commitments: information on the balance sheet

Amounts in TNOK

| 31.12.2010                                     | Financial assets at fair value |                                   | Held to maturity | Loans and receivables | Available for sale | Financial liabilities at fair value |                                   | Financial liabilities measured at amortised cost | Other financial liabilities | Total             |
|------------------------------------------------|--------------------------------|-----------------------------------|------------------|-----------------------|--------------------|-------------------------------------|-----------------------------------|--------------------------------------------------|-----------------------------|-------------------|
|                                                | Held for trading re. IAS 39    | Designated at initial recognition |                  |                       |                    | Held for trading re. IAS 39         | Designated at initial recognition |                                                  |                             |                   |
| <b>Assets</b>                                  |                                |                                   |                  |                       |                    |                                     |                                   |                                                  |                             |                   |
| Financial investments                          |                                | 9 202                             |                  | 205 452               |                    |                                     |                                   |                                                  |                             | 214 654           |
| Accounts receivable                            |                                |                                   |                  | 1 051 224             |                    |                                     |                                   |                                                  |                             | 1 051 224         |
| Derivatives                                    | 93 789                         |                                   |                  |                       |                    |                                     |                                   |                                                  |                             | 93 789            |
| Other current receivables                      |                                |                                   |                  | 668 269               |                    |                                     |                                   |                                                  |                             | 668 269           |
| Restricted deposits                            |                                |                                   |                  | 948 417               |                    |                                     |                                   |                                                  |                             | 948 417           |
| Cash and cash equivalents                      |                                |                                   |                  | 1 696 434             |                    |                                     |                                   |                                                  |                             | 1 696 434         |
| <b>Total financial assets</b>                  | <b>93 789</b>                  | <b>9 202</b>                      | <b>-</b>         | <b>4 569 796</b>      | <b>-</b>           | <b>-</b>                            | <b>-</b>                          | <b>-</b>                                         | <b>-</b>                    | <b>4 672 787</b>  |
| <b>Liabilities</b>                             |                                |                                   |                  |                       |                    |                                     |                                   |                                                  |                             |                   |
| Interest-bearing non-current liabilities       |                                |                                   |                  |                       |                    |                                     |                                   | 15 838 783                                       |                             | 15 838 783        |
| Financial lease                                |                                |                                   |                  |                       |                    |                                     |                                   | 170 757                                          |                             | 170 757           |
| Derivatives                                    |                                |                                   |                  |                       |                    | 77 163                              |                                   |                                                  |                             | 77 163            |
| Interest-bearing current loans                 |                                |                                   |                  |                       |                    |                                     |                                   | 1 876 160                                        |                             | 1 876 160         |
| Other non-current liabilities                  |                                |                                   |                  |                       |                    |                                     |                                   | 137 586                                          |                             | 137 586           |
| Accounts payable and other current liabilities |                                |                                   |                  |                       |                    | 800                                 |                                   | 1 516 285                                        |                             | 1 517 085         |
| <b>Total financial commitments</b>             | <b>-</b>                       | <b>-</b>                          | <b>-</b>         | <b>-</b>              | <b>-</b>           | <b>77 963</b>                       | <b>-</b>                          | <b>19 539 571</b>                                | <b>-</b>                    | <b>19 617 534</b> |

| 31.12.2009                    | Financial assets at fair value |                                   | Held to maturity | Loans and receivables | Available for sale | Financial liabilities at fair value |                                   | Financial liabilities measured at amortised cost | Other financial liabilities | Total            |
|-------------------------------|--------------------------------|-----------------------------------|------------------|-----------------------|--------------------|-------------------------------------|-----------------------------------|--------------------------------------------------|-----------------------------|------------------|
|                               | Held for trading re. IAS 39    | Designated at initial recognition |                  |                       |                    | Held for trading re. IAS 39         | Designated at initial recognition |                                                  |                             |                  |
| <b>Assets</b>                 |                                |                                   |                  |                       |                    |                                     |                                   |                                                  |                             |                  |
| Financial investments         |                                | 8 910                             |                  | 2 721                 |                    |                                     |                                   |                                                  |                             | 11 631           |
| Accounts receivable           |                                |                                   |                  | 1 235 287             |                    |                                     |                                   |                                                  |                             | 1 235 287        |
| Derivatives                   | 26 687                         |                                   |                  |                       |                    |                                     |                                   |                                                  |                             | 26 687           |
| Other current receivables     |                                |                                   |                  | 465 441               |                    |                                     |                                   |                                                  |                             | 465 441          |
| Restricted deposits           |                                |                                   |                  | 1 131 044             |                    |                                     |                                   |                                                  |                             | 1 131 044        |
| Cash and cash equivalents     |                                |                                   |                  | 1 082 698             |                    |                                     |                                   |                                                  |                             | 1 082 698        |
| <b>Total financial assets</b> | <b>26 687</b>                  | <b>8 910</b>                      | <b>-</b>         | <b>3 917 191</b>      | <b>-</b>           | <b>-</b>                            | <b>-</b>                          | <b>-</b>                                         | <b>-</b>                    | <b>3 952 788</b> |

| 31.12.2009                                     | Financial assets at fair value |                                   | Held to maturity | Loans and receivables | Available for sale | Financial liabilities at fair value |                                   | Financial liabilities measured at amortised cost | Other financial liabilities | Total             |
|------------------------------------------------|--------------------------------|-----------------------------------|------------------|-----------------------|--------------------|-------------------------------------|-----------------------------------|--------------------------------------------------|-----------------------------|-------------------|
|                                                | Held for trading re. IAS 39    | Designated at initial recognition |                  |                       |                    | Held for trading re. IAS 39         | Designated at initial recognition |                                                  |                             |                   |
| <b>Liabilities</b>                             |                                |                                   |                  |                       |                    |                                     |                                   |                                                  |                             |                   |
| Interest-bearing non-current liabilities       |                                |                                   |                  |                       |                    |                                     |                                   | 10 873 918                                       |                             | 10 873 918        |
| Financial lease                                |                                |                                   |                  |                       |                    |                                     |                                   | 195 990                                          |                             | 195 990           |
| Derivatives                                    |                                |                                   |                  |                       |                    | 77 202                              |                                   |                                                  |                             | 77 202            |
| Interest-bearing current loans                 |                                |                                   |                  |                       |                    |                                     |                                   | 2 128 284                                        |                             | 2 128 284         |
| Accounts payable and other current liabilities |                                |                                   |                  |                       |                    |                                     |                                   | 873 923                                          |                             | 873 923           |
| <b>Total financial liabilities</b>             | -                              | -                                 | -                | -                     | -                  | <b>77 202</b>                       | -                                 | <b>14 072 115</b>                                | -                           | <b>14 149 317</b> |

## 27C Financial assets and commitments: information on fair value

Amounts in TNOK

The fair value of financial assets classified as "held for sale" and "held for trade" are established with reference to the market price on balance sheet date. For financial assets not listed in the accounts, the fair value has been estimated using valuation techniques based on assumptions which are not substantiated by observable market prices. The fair value of currency forward contracts is based on the forward exchange rate on balance sheet date. The fair value of currency swaps is calculated by looking at the current value of future cash flows. For all the above-mentioned derivatives, the fair value is confirmed by the financial institution with which the company has signed an agreement.

Of the company's financial instruments, the following have not been valued at fair value: Cash and cash equivalents, accounts receivable, other current receivables, overdraft facility, non-current liabilities and "held to maturity investments". The balance sheet value of cash, cash equivalents and overdraft facilities is approximately the same as the fair value, as these instruments have a short maturity. Similarly, the balance sheet value of accounts receivable and accounts payable are practically the same as fair value as they have "normal" terms and conditions. The fair value of non-interest bearing non-current liabilities is calculated by using listed market prices or interest rate terms for debts with a corresponding maturity and credit risk.

The fair value of "held to maturity" investments (with the exception of deposits as mentioned above) is established by making use of available market prices. Below is a comparison of balance sheet values and fair value for the Group's financial instruments.

The fair value of interest-bearing liabilities is presented as if currently settled in whole and represented at nominal value for bank loans and last observable transaction prices for bonds. Due to the general market conditions resulting from the financial crisis, the margins are now generally higher than when the loans were taken out. The company has not calculated fair value on the basis of recent changes in market conditions, due to the lack of a suitable discount rate. If the Group were to refinance its entire debt portfolio on the day of writing, there would be an increase in margin of 1 to 1.5%.

|                                                | 2010                                  |                   | 2009                                  |                   |
|------------------------------------------------|---------------------------------------|-------------------|---------------------------------------|-------------------|
|                                                | Value/amortised cost on balance sheet | Fair value        | Value/amortised cost on balance sheet | Fair value        |
| <b>Financial assets</b>                        |                                       |                   |                                       |                   |
| Financial investments                          | 214 654                               | 214 654           | 11 631                                | 11 631            |
| Accounts receivable                            | 1 051 224                             | 1 051 224         | 1 235 287                             | 1 235 287         |
| Derivatives                                    | 93 789                                | 93 789            | 26 687                                | 26 687            |
| Other current receivables                      | 668 269                               | 668 269           | 465 441                               | 465 441           |
| Restricted deposits                            | 948 417                               | 948 417           | 1 131 044                             | 1 131 044         |
| Cash                                           | 1 696 434                             | 1 696 434         | 1 082 698                             | 1 082 698         |
| Sum financial assets                           | <b>4 672 787</b>                      | <b>4 672 787</b>  | <b>3 952 788</b>                      | <b>3 952 788</b>  |
| <b>Financial liabilities</b>                   |                                       |                   |                                       |                   |
| Interest-bearing non-current liabilities       | 15 838 783                            | 15 892 602        | 10 873 918                            | 10 881 268        |
| Financial lease                                | 170 757                               | 170 757           | 195 990                               | 195 990           |
| Derivatives                                    | 77 163                                | 77 163            | 77 202                                | 77 202            |
| Interest-bearing current loans                 | 1 876 160                             | 1 876 160         | 2 128 284                             | 2 128 284         |
| Other non-current liabilities                  | 137 586                               | 137 586           |                                       |                   |
| Accounts payable and other current liabilities | 1 517 085                             | 1 517 085         | 873 923                               | 873 923           |
| <b>Sum financial liabilities</b>               | <b>19 617 534</b>                     | <b>19 671 353</b> | <b>14 149 317</b>                     | <b>14 156 667</b> |

## 27D Hedging activities

Amounts in TNOK

As of 31 December 2010, the Group had 26 forward contracts to hedge future sales to customers in USD and GBP, and the purchase of USD. Forward contracts are utilised to hedge currency risk related to projected future sales. The company does not make use of cash flow hedging pursuant to IAS 39. Furthermore, the Group had a forward contract which was utilised to hedge fair value. The table below displays the contractual maturities for the contracts and the fair value of obligations and rights as of 31 December 2010.

|                                                    | Amounts<br>in TNOK | Due date  | Currency<br>purchased | Currency<br>sold | Fair Market<br>Value |
|----------------------------------------------------|--------------------|-----------|-----------------------|------------------|----------------------|
| <b>Forward contracts at fair value over result</b> |                    |           |                       |                  |                      |
| FX Forward                                         | 52 874             | 2011      | NOK                   | GBP              | 2 684                |
| FX Forward                                         | 2 376 658          | 2011-2012 | NOK                   | USD              | -32 173              |
| FX Forward                                         | 1 246 586          | 2011-2012 | USD                   | NOK              | 28 704               |
| <b>Currency option</b>                             |                    |           |                       |                  |                      |
| Put Option                                         | 429 535            | 2011      | NOK                   | USD              | -2 116               |
| Written Call option                                | 429 535            | 2011      | NOK                   | USD              | 3 988                |
|                                                    | Amounts in<br>TNOK | Due date  | Currency              | Swap to          | Fair Market<br>Value |
| <b>Interest swap</b>                               |                    |           |                       |                  |                      |
| Interest rate swap                                 | 1 852 429          | 2015      | NOK                   | Fixed            | 5 667                |
| Interest rate swap                                 | 583 608            | 2015      | USD                   | Fixed            | 11 757               |
| Here of classified as current assets               |                    |           |                       |                  | 93 789               |
| Here of classified as provisions for commitments   |                    |           |                       |                  | 77 163               |
| Here of classified as current liabilities          |                    |           |                       |                  | 800                  |

## 27E Qualitative and quantitative financial risk information

Amounts in TNOK

### Financial risk factors

The Group's activities carry various types of financial risk: Market risk (including currency risk, fair value interest rate risk, floating interest rate risk and price risk, credit risk and liquidity risk). The principal risk management plan for the Group focuses on the unpredictability of the capital market and attempts to minimise any potential negative impact on the Group's financial results. The Group makes use of financial derivatives in order to hedge against certain types of risk.

Risk management for the Group is governed by guidelines approved by the Board of Directors. The Group identifies, evaluates and hedges against financial risk. The Board of Directors prepares a written set of principles for general risk management and provides written guidelines for specific areas such as currency risk, interest rate risk, credit risk, use of financial derivatives and other financial instruments in addition to investment of surplus liquidity.

### Market risk

#### (i) Currency risk

The Group has an international operation and has currency exposure in various currencies. This exposure is mostly related to USD and partly in GBP and other currencies. The currency risk arises based on future commercial transactions, assets recognized in the balance and obligations from investments in foreign companies.

The Group utilize currency hedging contracts or adapt long term debt in the same currency as earnings to reduce its exposure on future commercial transactions, assets recognized in the balance and obligations from foreign investments. The currency risk appears when future commercial contracts, assets and obligations are nominated in other currency than the functional currency.

The Group has some investments in foreign companies where net assets are exposed to currency risk after conversion. The currency exposure from net investments in foreign companies is managed by adapting long term loan in similar currency as the investment.

*The table below shows potential figures for the group's operating income and operating result as if there had been a change in the exchange rate between the Norwegian Kroner (NOK), and USD and GBP.*

| Cange in NOK exchange rate |     | Operating income |           | Operating result |         |
|----------------------------|-----|------------------|-----------|------------------|---------|
|                            |     | USD              | GBP       | USD              | GBP     |
| 2010                       | +5% | 5 561 661        | 5 523 670 | 595 691          | 597 104 |
|                            | -5% | 5 362 429        | 5 400 420 | 490 277          | 488 864 |
| 2009                       | +5% | 4 371 132        | 4 370 049 | 226 796          | 254 550 |
|                            | -5% | 4 283 620        | 4 284 701 | 209 286          | 181 530 |



**(ii) Floating and fixed interest risk**

As the Group does not have any significant interest-bearing assets, the result and cash flow from operations is not in principal affected by changes in the market interest rate.

The Group's interest rate risk is related to non-current liabilities. Loans with floating interest rates represent an interest rate risk on the Group's cash flow. The Group makes use of interest rate hedging for its non-current liabilities in line with the Group's interest hedging policy. A fixed interest rate has been agreed upon for the main share of the non-current liabilities taken out by the business in Brazil,(BNDES) for the entire period of the loan.

The Group manages parts of its floating interest rate risk by making use of floating-to-fixed interest rate swaps. With these types of interest rate swaps, a loan with a floating rate of interest is converted to a loan with a fixed rate of interest. Historically, the Group has normally taken out long-term liabilities with a floating rate of interest.

Upon the basis of the Group's interest-bearing debt as of 31 December 2010, a 1 % increase/reduction in the basic interest rate would represent an increase/reduction in interest costs of NOK181 million.

**(iii) Credit risk**

Credit risk arises mainly from transactions involving derivatives, accounts receivable and prepaid instalments for newbuildings to shipyards and subcontractors. The Group's customers are oil companies with a high credit rating and payments to shipyards are secured by bank guarantees or parent company guarantees.

**(iv) Liquidity risk**

The DOF Group manage surplus liquidity according to liquidity risk policy which requires maintenance of a sufficient reserve of liquid funds and marketable securities, having financing opportunities in the form of a sufficient number of secure drawing rights and the capacity to close market positions. The Group sustains a flexible level of financing by ensuring constant accessibility to secured drawing rights.

| 31.12.2010                                     | Remaining period |                  |                  |                  |                   | Total             |
|------------------------------------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
|                                                | 0-12 months      | 1-2 years        | 2-3 years        | 3-4 years        | More than 4 years |                   |
| <b>Financial commitments (not derivatives)</b> |                  |                  |                  |                  |                   |                   |
| Mortgage                                       | 1 202 764        | 1 662 673        | 1 496 051        | 1 870 445        | 8 056 047         | 14 287 980        |
| Bond loan                                      | 558 500          | 500 000          | 911 809          | 750 000          | 591 764           | 3 312 072         |
| Share of loan in jointly controlled company    |                  |                  |                  |                  |                   | -                 |
| Financial lease contract                       | 17 387           | 18 041           | 105 594          | 10 097           | 19 738            | 170 857           |
| Overdraft facility                             |                  |                  |                  |                  |                   | -                 |
| <b>Derivatives</b>                             |                  |                  |                  |                  |                   |                   |
| Currency forward contracts                     |                  |                  |                  |                  |                   |                   |
| - Outgoing cash flow                           | 49 849           | 1 877 024        | 137 641          |                  |                   | 2 064 514         |
| - Incoming cash flow                           | -52 874          | -1 811 756       | -131 146         |                  |                   | -1 995 776        |
| <b>Total</b>                                   | <b>1 775 626</b> | <b>2 245 983</b> | <b>2 519 949</b> | <b>2 630 542</b> | <b>8 667 548</b>  | <b>17 839 648</b> |

| 31.12.2009                                     | Remaining period |                  |                  |                  |                   | Total             |
|------------------------------------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
|                                                | 0-12 months      | 1-2 years        | 2-3 years        | 3-4 years        | More than 4 years |                   |
| <b>Financial commitments (not derivatives)</b> |                  |                  |                  |                  |                   |                   |
| Mortgage                                       | 2 032 832        | 1 167 837        | 1 010 846        | 1 343 762        | 4 689 294         | 10 244 571        |
| Bond loan                                      | 72 000           | 1 667 000        | 500 000          |                  |                   | 2 239 000         |
| Share of loan in jointly controlled company    |                  |                  |                  |                  |                   | -                 |
| Financial lease contract                       | 23 451           | 20 803           | 21 403           | 22 133           | 108 200           | 195 990           |
| Overdraft facility                             | 53 438           |                  |                  |                  |                   | 53 438            |
| <b>Derivatives</b>                             |                  |                  |                  |                  |                   |                   |
| Currency forward contracts                     |                  |                  |                  |                  |                   |                   |
| - Outgoing cash flow                           | -363 277         | -752 500         |                  |                  |                   | -1 115 777        |
| - Incoming cash flow                           | 387 042          | 675 298          |                  |                  |                   | 1 062 340         |
| <b>Total</b>                                   | <b>2 205 486</b> | <b>2 778 438</b> | <b>1 532 249</b> | <b>1 365 895</b> | <b>4 797 494</b>  | <b>12 679 562</b> |

### Capital structure and equity

The main purpose of the Group's management of its capital structure is to ensure that the Group is able to sustain a good credit rating and thereby achieve good terms and conditions for loans which are suitable for the company's operations. Over time, the Group intends to adapt activities. By ensuring a favourable ratio between equity and liabilities, the Group will be able to support all operations and maximise the value of the Group's shares.

The Group manages its own capital structure and carries out all necessary amendments to the capital structure, based on a continuous assessment of the economic conditions under which operations take place and the short and medium to long term outlook.

Short term excess cash is managed in accordance with written policies. The overall objective is to maximize the return of short term cash in the DOF Group, while at the same time maintaining low credit and liquidity risk. All standard types of bank accounts, bank deposits and money market funds are permitted to be used for investment of excess cash, but never in such a way that the Group is exposed to significant credit or liquidity risk. When investing excess cash the Group shall always make sure that the funds are easily accessible when needed.

The Group also 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% of newbuildings, and to secure a high contractual coverage for the main share of newbuildings. Net interest-bearing debt is defined as interest-bearing debt (short and long term) minus cash.

|                                  | 2010              | 2009              |
|----------------------------------|-------------------|-------------------|
| Interest-bearing debt            | 18 113 953        | 13 287 116        |
| Restricted deposits              | 2 644 951         | 1 131 044         |
| Cash                             | 1 696 434         | 1 082 698         |
| <b>Net debt</b>                  | <b>15 469 102</b> | <b>11 073 374</b> |
| Total equity                     | 6 727 969         | 6 809 077         |
| <b>Total equity and net debt</b> | <b>22 197 071</b> | <b>19 013 495</b> |
| Debt ratio                       | 69,7%             | 64,2%             |

## 27F Financial market risk

Amounts in TNOK

The Group has income mainly in USD, and partly in NOK, GBP, BRL, AUD and EUR. The major share of operating costs are in NOK, USD and BRL. The Group is exposed to changes in foreign exchange rates, particularly in USD. The Group attempts to reduce this risk by entering into forward contracts and adapting the long term debt to earnings in the same currency. The company is exposed to changes in interest rates as the main share of the Company's liabilities has a floating rate of interest. The Group has no direct exposure to changes in raw material prices.

Interest rate risk is incurred in the current and medium to non-current as a result of the floating interest rate for the company's liabilities.

The Group makes use of financial instruments related to ordinary business such as accounts receivable, accounts payable and the like, by taking out forward cover for future income and commitments. The Group makes limited use of interest rate hedging for its non-current liabilities. Attempts are made to reduce the financial risk by nominating the Group's loans in the same currency as long-term contracts.

The Group has a significant newbuilding program and is exposed to commitments for newbuildings. The Group's capacity for own financing of investments is deemed satisfactory.

The Group's credit risk is considered to be low as the Group's customers traditionally have had sufficient financial capability to meet their obligations and normally have a high credit rating. Historically, the Group has had a low level of bad debts.

Below is a presentation of the Group's turnover, accounts receivable, accounts payable and current liabilities to credit institutions etc. converted to Norwegian kroner on balance sheet date:

| Group                                                              | Currency | 2010       |      | Ratio % | Currency | 2009       |      | Ratio% |
|--------------------------------------------------------------------|----------|------------|------|---------|----------|------------|------|--------|
|                                                                    |          | TNOK       |      |         |          | TNOK       |      |        |
| Turnover:                                                          |          |            |      |         |          |            |      |        |
| USD                                                                | 386 556  | 1 992 317  | 37%  |         | 150 572  | 875 112    | 16%  |        |
| GBP                                                                | 131 801  | 1 232 507  | 23%  |         | 85 297   | 853 423    | 16%  |        |
| NOK                                                                |          | 711 078    | 13%  |         |          | 1 559 431  | 29%  |        |
| Other currencies (mainly BRL and AUD)                              |          | 1 467 114  | 27%  |         |          | 1 039 410  | 19%  |        |
| Total                                                              |          | 5 403 016  | 100% |         |          | 4 327 376  | 100% |        |
| Accounts receivable:                                               |          |            |      |         |          |            |      |        |
| USD                                                                | 31 125   | 181 661    | 17%  |         | 25 531   | 146 938    | 12%  |        |
| GBP                                                                | 16 352   | 148 212    | 14%  |         | 18 706   | 174 611    | 14%  |        |
| NOK                                                                |          | 436 093    | 41%  |         |          | 505 810    | 41%  |        |
| Other currencies (mainly BRL and AUD)                              |          | 285 258    | 27%  |         |          | 407 926    | 33%  |        |
| Total                                                              |          | 1 051 224  | 100% |         |          | 1 235 285  | 100% |        |
| Accounts payable:                                                  |          |            |      |         |          |            |      |        |
| USD                                                                | 7 323    | 42 651     | 10%  |         | 6 174    | 35 533     | 16%  |        |
| GBP                                                                | 4 269    | 38 708     | 9%   |         | 450      | 4 201      | 2%   |        |
| NOK                                                                |          | 62 787     | 15%  |         |          | 94 843     | 44%  |        |
| Other currencies                                                   |          | 270 390    | 65%  |         |          | 81 796     | 38%  |        |
| Total                                                              |          | 414 536    | 100% |         |          | 216 373    | 100% |        |
| Bond loans, liabilities to credit institutions and financial lease |          |            |      |         |          |            |      |        |
| USD                                                                | 689 461  | 3 995 847  | 23%  |         | 499 745  | 2 876 177  | 22%  |        |
| GBP                                                                | 52 676   | 477 424    | 3%   |         | 76 440   | 713 529    | 5%   |        |
| NOK                                                                |          | 13 068 933 | 74%  |         |          | 9 511 084  | 72%  |        |
| Other currencies                                                   |          | 172 741    | 1%   |         |          | 184 504    | 1%   |        |
| Total                                                              |          | 17 714 945 | 100% |         |          | 13 285 294 | 100% |        |

## 28 Payroll costs, fees, number of employees etc.

Amounts in TNOK

| DOF ASA       | DOF ASA       |                                             | Group            | Group            |
|---------------|---------------|---------------------------------------------|------------------|------------------|
| 2010          | 2009          |                                             | 2010             | 2009             |
| 22 091        | 11 825        | Salary and holiday pay                      | 2 029 724        | 1 697 702        |
| 2 063         | 3 689         | Hired personnel                             | 111 989          | 166 557          |
| 214           | 31            | Employer's national insurance contributions | 47 893           | 59 472           |
| -9 357        | -7 938        | Reinvoiced salary costs                     |                  |                  |
| 172           | 34            | Pension costs                               | 47 353           | 36 598           |
| 4 177         | 3 086         | Other personnel costs                       | 249 289          | 154              |
| <b>19 360</b> | <b>10 882</b> | <b>Total</b>                                | <b>2 486 248</b> | <b>1 960 483</b> |
| 33            | 3             | No. man-years employed in financial year    | 3 029            | 2 722            |

Government grants related to the net salary scheme for vessels are reported as a reduction in payroll costs of 33.413.072 (NOK 61,966,000 in 2009). Pension costs are described in detail in note 17.

Total payments for salary, pension premium and other remuneration to CEO and other corporate management employees are as follows:  
As of 31 December 2010, the Group had 3,392 employees, including hired in personnel. The average number of man-years in 2010 was 3.029.



**DOF ASA 2010****Group 2010**

|              |                    | <b>CEO</b>   | <b>CFO</b>   | <b>COO</b>   | <b>CTO</b>   | <b>Total</b>  |
|--------------|--------------------|--------------|--------------|--------------|--------------|---------------|
| 8 560        | Salary             | 5 231        | 2 106        | 1 545        | 1 222        | 10 105        |
| 339          | Pension premium    | 113          | 159          | 184          | 66           | 523           |
| 215          | Other remuneration | 20           | 105          | 1 121        | 91           | 1 336         |
| <b>9 114</b> | <b>Total</b>       | <b>5 364</b> | <b>2 370</b> | <b>2 850</b> | <b>1 380</b> | <b>11 965</b> |

CEO = Mons Svendal Aase, CFO = Hilde Drønen, COO/CEO DOF Management AS = Anders Arve Waage, CTO = Arnstein Kløvrud

**DOF ASA 2009****Group 2009**

|              |                    | <b>CEO</b>   | <b>CFO</b>   | <b>COO</b>   | <b>CTO</b>   | <b>Total</b>  |
|--------------|--------------------|--------------|--------------|--------------|--------------|---------------|
| 7 972        | Salary             | 5 766        | 2 206        | 1 385        | 1 119        | 10 476        |
| 262          | Pension premium    | 109          | 154          | 178          | 66           | 505           |
| 116          | Other remuneration | 16           | 101          | 119          | 92           | 327           |
| <b>8 350</b> | <b>Total</b>       | <b>5 890</b> | <b>2 460</b> | <b>1 680</b> | <b>1 277</b> | <b>11 308</b> |

CEO = Mons Svendal Aase, CFO = Hilde Drønen, COO/CEO DOF Management AS = Anders Arve Waage, CTO = Arnstein Kløvrud

No loans or guarantees have been provided to the CEO, board members, members of the Group management or their related parties.

The CEO has the right to a bonus payment of 0.5% of the Group's annual result. 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.

Board fees in 2010 totalled NOK 1,156,000. This comprises NOK 300,000 to the Chairman of the Board and NOK 175,000 each to the board members. In addition, a fee of NOK 156,000 has been paid in other compensation for meetings.

| <b>DOF ASA</b> | <b>DOF ASA</b> |                                       | <b>Group</b>  | <b>Group</b> |
|----------------|----------------|---------------------------------------|---------------|--------------|
| <b>2010</b>    | <b>2009</b>    | <b>Specification of auditor's fee</b> | <b>2010</b>   | <b>2009</b>  |
| 754            | 720            | Audit                                 | 14 048        | 6 697        |
|                | 1 189          | Fee for other confirmatory services   | 1 811         | 1 709        |
| 70             |                | Tax consultation                      | 3 775         | 316          |
| 234            |                | Fee for other services                | 538           | 400          |
| <b>1 058</b>   | <b>1 909</b>   | <b>Total</b>                          | <b>20 173</b> | <b>9 122</b> |

All amounts in the table are excl. VAT. The fee paid to PwC in 2010 in connection with the proposed IPO amounts to MNOK 8,9 for all services. These services include audit services, confirmation with law requirements and assistance in relation to the prospective.

**Guidelines for determination of salary and other remuneration to the CEO and senior employees of DOF ASA in 2010**

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 set by the Chairman of 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.

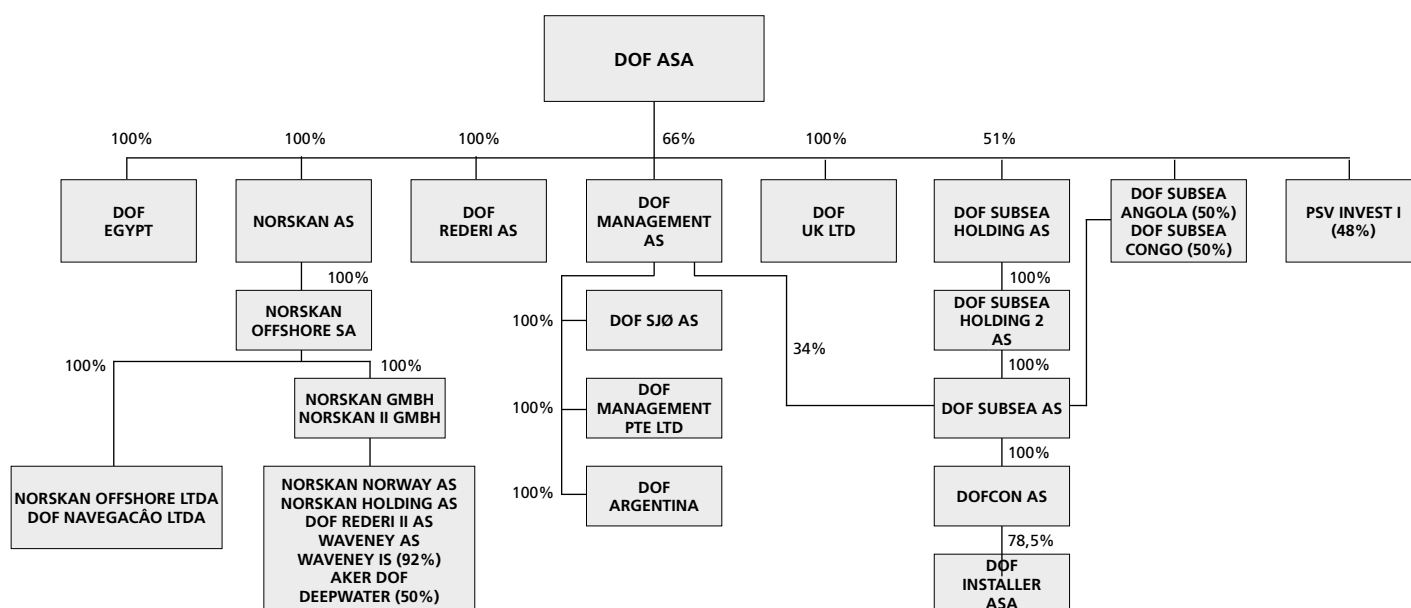
## 29 Related parties

Amounts in TNOK

| Operating costs                                       | Group<br>2010 | Group<br>2009 |
|-------------------------------------------------------|---------------|---------------|
| Møgster Management AS                                 | 12 309        | 36 647        |
| Kanabus AS (Company owned by board member in DOF ASA) | 1 058         | 1 115         |
| <b>Total</b>                                          | <b>13 367</b> | <b>37 762</b> |

In addition to the board members and parent company management at DOF ASA, other companies in the Group, their board members and management will be regarded as related parties. Transactions with related parties are governed by market terms and conditions in accordance with the "arm's length principle".

### DOF ASA Company structure



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

#### Long-term agreements:

Møgster Offshore AS owns 50.76% of the shares in DOF ASA. Laco AS is the main shareholder of Møgster Offshore AS.

Møgster Management AS provides administrative intragroup services to DOF ASA. Møgster Management AS is owned by Laco AS.

Austevoll Eiendom AS is a subsidiary of Austevoll Seafood ASA, which in turn is a subsidiary of Laco. DOF ASA leases premises from Austevoll Eiendom AS. Reference is made to note 26.

DOF Subsea AS leases two holiday homes from Mons Aase, board member in DOF Subsea AS and CEO of DOF ASA. The lease cost in 2010 totalled NOK 324,000.

#### Individual transactions:

##### DOF ASA

Moco AS is owned by the CEO of DOF ASA. Moco AS has participated in joint investments with DOF ASA, including the investment in Waveney IS where Moco AS owned 10%. Two employees of DOF Management AS and Chairman of the Board Helge Møgster have shareholdings in the same company, with 2%, 10% and 10%, respectively. All these shares have been sold to DOF ASA in 2010 at marked terms. The purchase price was NOK 396,000 per 1% acquired. Moco AS has participated in joint investments with DOF ASA, including the investment PSV Invest I AS where Moco AS owns 2%. Chairman of the Board Helge Møgster has shareholding in the same company, at 2% and Jan Nore CFO in DOF Subsea AS 0,5%.

##### DOF Rederi AS

DOF Rederi AS purchased the vessel Skandi Olympia from Fitjar Mekaniske Verksted AS in March 2010. Fitjar Mekaniske Verksted AS is owned by Laco AS.

##### DOF Management AS/DOF Subsea AS

The companies uses sometimes manpower companies to hire personell and have among others used Amesto AS. The board member Britt Mjellum is regional manager in Amesto AS in Bergen.

##### Group

The group uses the shipyard Fitjar Mekaniske Verksted AS to do maintenance and repairs on the vessels. Total costs in 2010 are MNOK 44. Fitjar Mekaniske Verksted AS is owned by Laco AS.

In addition to the above-mentioned transactions of an operating nature, there are financial transactions and intragroup accounts between companies in the DOF ASA Group. Market terms and conditions are applied to all these transactions.

## 30 Accounting estimates and assessments

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

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

### Vessels:

The balance sheet value of the group's fleet makes up Depreciation of assets is calculated using the straight-line method based on their estimated useful lives and residual value. Each part of a tangible asset which has a significant value of the total cost price is depreciated separately using the straight-line method over their estimated useful lives. Components with similar useful lives are depreciated as one component. Estimated useful life for a tangible asset and the method of depreciation are reviewed on an annual basis to ensure that the method and period applied are in accordance with the economic reality for the tangible asset. The same applies to scrap value.

The Board of Directors in DOF ASA has reached a decision whereby the group's strategy is not to own a vessel which is older than 20 years. The residual value is determined as 50% of the original cost value. If however a vessel is not sold by the time it has reached 20 years, the residual value is depreciated over expected remaining useful life (10-20 years).

### Tax infringements and Repetro

DOF has received a notice of infringements from the tax authorities in Brazil amounting to BRL 32 million regarding the procedures adopted on the collection of ICMS levied on the temporary importation of the vessels under the special regime of the REPETRO. DOF has disputed most of such tax assessments and, based on a legal opinion provided by reputable law firm, has not provided for such assessments. The accounting treatment is in accordance with IAS 37 where the recognition of a provision shall only take place if it is probable that an outflow of resources will be required to settle the obligation.

For the period from the importation of the vessels and to the REPETRO license is granted, DOF pays, on a monthly basis, the proportional taxes in order to operate the vessels to the client. In this regard, DOF has paid approx. BRL 29 MM of proportional taxes since the first vessel came in 2009. This is recognized as a part of the cost price of the imported vessel and amortized over the contract period in accordance with IAS 17.

### Deferred tax assets

Deferred tax assets are recorded in the balance sheet based on the utilisation of tax losses carried by reversing taxable temporary differences and taking account of future earnings. See note 18.

### Write-down

Assessments are made to determine whether the need for a write-down is indicated. If there are such indications, the recoverable amount is estimated and the book value is brought into line with the recoverable amount. Please see note 7 for further details.

### Lease contracts

Determining whether the lease of a vessel is to be classified as operational or financial depends on several assumptions, in line with IAS17.

## 31 Contingencies

The Group and its companies are not involved in any ongoing court cases as of 31 December 2010. Reference is also made to note 21 and 30.

## 32 Commitments

The Group has 15 vessels under construction as of 31 December 2010. Commitments related to future investments in vessels amounts to NOK 7.249 million. For the Group in total, a figure for newbuildings of NOK 2.967 million has been financed as of April 2011. For those vessels due for delivery in 2011, six vessels have been secured long-term contracts, ref. the report of the Board of Directors. Please also see notes 7,19, 21 and 22.

Vessels under construction as of 31.12.10 are listed below:

| Design vessel   | No vessels | Completion |
|-----------------|------------|------------|
| Aker AH 08      | 4          | 2011-2012  |
| Aker AH 04      | 1          | 2011       |
| Aker AH 12      | 2          | 2011       |
| Aker PSV 06 LNG | 1          | 2011       |
| Aker PSV 09 CD  | 2          | 2011       |
| Aker ROV DSV 06 | 1          | 2011       |
| Aker AH 11      | 3          | 2012-2013  |
| Aker OSCV 06    | 1          | 2011       |



## 33 Quality, Health, Safety and the Environment

### DnV Certification

DOF Management AS, responsible for management of the group's vessels, has achieved ISO 9001:2008 and ISO 14001:2004 certification. Norskan Offshore Ltda, responsible for the management of the Group's vessels in Brazil has achieved ISO 9001:2008, ISO 14001:2004 and OSHAS 18001:2007. DOF Subsea AS, responsible owner of the subsea fleet and responsible for all subsea operations, has achieved ISO 9001:2008, ISO 14001:2004 and OSHAS 1800:2007.

The Group has ambitious goals related to Quality, Health, Safety and the Environment. The following main goals have been established:

- **Quality:** No unscheduled operational disruptions. As a minimum, the company shall satisfy the contracts and commitments in relation to customers.
- **Health:** DOF shall have a reputation for having a good working environment, and occupational injuries/illnesses shall be avoided.
- **The environment:** The company shall continuously strive to reduce its impact on the external environment, beyond statutory requirements.
- **Safety:** There shall be no injuries or illnesses as a result of working for DOF.

The company has a number of systems in place to ensure that incidents are reported and analysed and that there is transfer of experience to avoid incidents to reoccur. New procedures are build upon a best practice culture. Monitoring and reviews of management systems are done regularly to ensure that systems are followed.

## 34 Post-balance sheet events

### New contracts

**Norskan Offshore Ltda.** has in March signed a new 4 years contract with Petrobras for Skandi Leblon.

**DOF Rederi AS** has agreed extension of the contracts for Skandi Rona and Skandi Foula with one year until April 2012.

**DOF ASA** was awarded two 6 years contract for the ConocoPhillips in the North Sea. The new-builds owned by PSV Invest will be utilized for these contracts.

### New vessels

In February **DOF Rederi AS** took delivery of Skandi Gamma which started on a 4 years contract for Statoil after delivery. The vessel is the first LNG vessel for the Group.

In January **DOFCON Navegacao Ltda** a joint venture between DOF Subsea and Technip took delivery of its second PLSV, Skandi Niteroi from STX Promar in Brazil. The vessels has sailed to STX in Norway to install the pipelaying tower.

### Financing

**DOF ASA** carried out a refinancing of four vessels owned by DOF Rederi and Norskan, and in the same tranche drawn a new loan for the new-build Skandi Gamma. Total drawn loan in January and February was NOK 998 mill.

**DOF Subsea AS** has carried out refinancing of a loan of NOK 240 million.

For up-to-date information on significant events in the DOF ASA Group, please check [www.dof.no](http://www.dof.no)

## 35 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:

|                       | 2010    | 2009     |
|-----------------------|---------|----------|
| USD                   | 5,8361  | 5,7553   |
| Euro                  | 7,8333  | 8,2876   |
| GBP                   | 9,0634  | 9,3345   |
| AUD                   | 5,9401  | 5,1772   |
| Brazilian Real        | 3,5026  | 3,3054   |
| Singapore dollar, SGD | 4,5647  | 5,1917   |
| Danish kroner, DKK    | 104,825 | 111,7300 |

## CONFIRMATION FROM THE BOARD OF DIRECTORS AND CEO

We confirm that, to the best of our knowledge, that the financial statements for the period from 1 January to 31 December 2010 has been prepared in accordance with approved accounting standards, and gives a true and fair view of the Company's consolidated assets, liabilities, financial position and result of operations and that the Report of the Board of Directors provides a true and fair view of the development and performance of the business and the position of the Group and the Company together with a description of the key risks and uncertainty factors that the company is facing.

Storebø, 5 April 2011




Helge Møgster  
(Chairman)



Oddvar Stangeland



Wenche Kjolås



Britt Mjøllem



Helge Singelstad



Mons Aase  
(CEO)

To the Annual Shareholders' Meeting of DOF ASA

## **Independent auditor's report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of DOF ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2010, income statement, changes in equity, cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet as at 31 December 2010, income statement, changes in equity, cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *The Board of Directors and the Managing Director's Responsibility for the Financial Statements*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with simplified IFRS pursuant to § 3-9 of the Norwegian Accounting Act and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion on the financial statements of the parent company*

In our opinion, the financial statements of the parent company give a true and fair view of the financial position of DOF ASA as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with simplified IFRS pursuant to § 3-9 of the Norwegian Accounting Act.

*Opinion on the financial statements of the group*

In our opinion, the financial statements of the group give a true and fair view of the financial position of the group DOF ASA as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

**Report on Other Legal and Regulatory Requirements**

*Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

*Opinion on Registration and documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 5 April 2011  
**PricewaterhouseCoopers AS**

Sturle Døsen  
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.





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