Q1 2017

DOF ASA Financial Report

Management reporting - accounts Q1 2017

RESULT

(MNOK)	Q1 2017	Q1 2016	2016
Operating income	1 677	2 182	8 569
Operating expenses	-1 197	-1 451	-5 745
Net profit from associated and joint ventures	5	2	-10
Net gain on sale of tangible assets	-2	70	171
Operating profit before depreciation and impairment - EBITDA	483	803	2 986
Depreciation	-284	-268	-1 142
Impairment	-302	-330	-1 932
Operating profit - EBIT	-102	205	-89
Financial income	18	7	1 116
Financial costs	-259	-295	-1 190
Net realised gain/loss on currencies	-83	-136	-483
Profit before unrealised finance costs	-426	-218	-646
Unrealised finance costs	166	547	1 049
Profit (loss) before taxes	-260	329	403
Taxes	-43	-61	-202
Profit (loss)	-303	267	201

BALANCE

(MNOK)	31.03.2017	31.03.2016	31.12.2016
ASSETS			
Tangible assets	27 340	26 574	27 469
Goodwill	334	419	330
Deferred taxes	958	1 252	1 023
Investment in associated companies and joint ventures	83	103	70
Other non-current financial assets	624	517	619
Total non-current assets	29 338	28 865	29 511
Receivables	2 035	2 491	2 243
Cash and cash equivalents	2 640	1 799	2 370
Total current assets	4 675	4 289	4 614
Total assets	34 013	33 154	34 125
EQUITY AND LIABILITIES			
Equity	7 994	5 803	8 146
Non-current liabilities	22 370	21 838	22 123
Current liabilities	3 649	5 514	3 856
Total liabilities	26 019	27 352	25 979
Total equity and liabilities	34 013	33 154	34 125
Net interest bearing liabilities	21 563	23 319	21 442

CASH FLOW

(MNOK)	Q1 2017	Q1 2016	2016
Net cash from operation activities	207	352	2 003
Net cash from investing activities	-339	-808	-2 707
Net cash from financing activities	408	70	910
Net changes in cash and cash equivalents	276	-386	205
Cash and cash equivalents at start of the period	2 370	2 220	2 220
Exchange gain/loss on cash and cash equivalents	-6	-35	-54
Cash and cash equivalents at the end of the period	2 640	1 799	2 370

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Financial report 1st Quarter 2017

Group operating income in Q1 (management reporting) totals NOK 1,677 million (NOK 2,182 million), and EBITDA totals NOK 483 million (NOK 803 million including gain from sales of assets NOK 70 million). EBITDA adjusted for hedge accounting was NOK 530 million (NOK 871 million). Operating profit (EBIT) is NOK -102 million (NOK 205 million), of which depreciation and impairment totals NOK 586 million (NOK 598 million).

The Q1 operational result per segment is as follows:

The average utilisation of the Group's owned fleet during Q1

Amounts in NOK mill	PSV	AHTS	CSV	Total
Operating income	181	373	1 123	1 677
Net gain on sale of tangible assets	-1	-	-1	-2
Operating result before depreciation and impairment - EBITDA	36	155	291	483
Depreciation	33	76	175	284
Impairment	107	54	140	302
Operating result - EBIT	-104	25	-24	-102
EBITDA margin	20 %	42 %	26 %	29 %
EBIT margin	-57 %	7 %	-2 %	-6 %

was 71%. The utilisation of the subsea fleet was 68%, the AHTS fleet 67% and the PSV fleet 81%. The Group had by end of the quarter six vessels in lay-up.

Main contract awards year to date are a 3 + 2 years contract for Skandi Pacific with Total in Argentina, a 532-day contract for Skandi Vitoria and a 1-year contract for Skandi Botafogo, both with Petrobras in Brazil. Skandi Vega has in April been awarded a 1-year extension with Statoil from May 2017. DOF Subsea and DOF Rederi have been awarded various contracts both in the Atlantic region and in the Asia Pacific region.

The Company has entered into 3-year agreements for management and operation of three vessels during 1st quarter. Olympic Hera (renamed Skandi Hera) and Olympic Commander (renamed Skandi Darwin) joined the fleet in February and Far Shogun (renamed Skandi Bergen) will be delivered in June-July. The company has an option to purchase the vessels at a price corresponding to the outstanding debt during a period of three years. Skandi Darwin has started a conversion for a contract with Shell at the Prelude field outside Australia.

The second PLSV newbuild Skandi Buzios, owned by DOF Subsea and TechnipFMC, was delivered in January and started its 8-year contract with Petrobras in April.

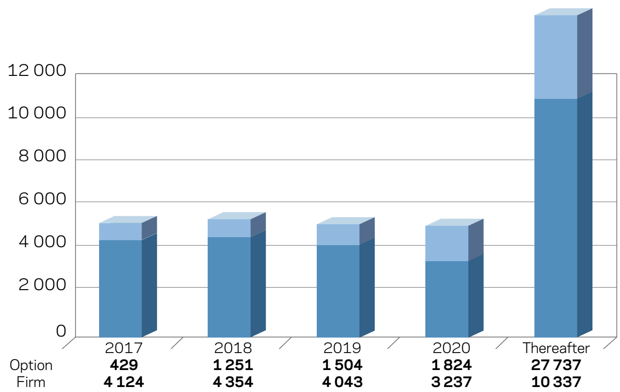
DOF Subsea successfully completed a 5-year unsecured bond issue of USD 175 million in March.

DOF Subsea AS and its shareholders, DOF ASA and First Reserve Corporation have decided to start reviewing possibilities for DOF Subsea to apply for a listing on Oslo Stock Exchange, see separate press release.

DOF ASA is an international Group of companies owning and operating a fleet of PSVs, AHTS' and Subsea vessels in addition to several engineering companies offering services to the subsea market. By March, the fleet comprised 65 vessels including three vessels under construction. Following the addition of two vessels under management in February, the fleet comprises 67 vessels within the following segments: 20 AHTS, 17 PSVs and 30 Subsea. The Group also owns a fleet of 69 ROVs and an additional two ROVs under construction.

The Group has a strategy to operate the majority of its fleet on firm contracts and by end March 2017 the nominal value of firm contracts totals approximately NOK 26 billion excluding options. The contract coverage for the remainder of 2017 is 60%.

Backlog per 31.03.2017



Q1 Operations

The main part of the Group's PSV and AHTS fleet operates on firm contracts, while the subsea fleet partly operates on firm contracts and partly on subsea project contracts. In the project market the utilisation of the vessels is affected by the market and seasonal fluctuations. The project revenues represent 37% of the Group's total revenues during the quarter.

PSV

At the start of the year, the PSV fleet included 18 vessels, of which one vessel is owned via a minority share. The market has been weak throughout the quarter with low rates but decent utilisation. The fleet operating in the North Sea have mainly been committed on firm contracts with three out of 16 vessels fully or partly operating in the spot market. One vessel ended its contract in Canada during February and returned to the North Sea for planned maintenance before joining the spot market by end of the quarter. One PSV, Skandi Waveney, was sold and delivered to new owners in March. The subsidiary Norskan Offshore Ltda. operates four vessels for external owners in Brazil. Three of these vessels were awarded long-term contracts with Petrobras during the quarter. By end March the Group had one PSV in lay-up.

AHTS

The AHTS fleet includes 19 vessels and in addition, the Group took management of one vessel, Skandi Hera in February. Five vessels are 50% owned via DOF Deepwater AS and one vessel is owned via a minority share in Iceman AS.

The majority of the AHTS fleet operate in Brazil and consist of 11 vessels, of which 10 have Brazilian flags. One vessel has been idle during the quarter and was reflagged to Brazilian flag in January, and is expected to be in operation during 2nd quarter. One vessel was idle parts of the quarter and started on a new contract in February and one vessel was partly idle due to planned class-docking in March. The operation in Brazil has shown steady earnings this quarter.

The fleet in Asia comprise three vessels, where the market has been weak with low earnings and variable utilisation. The rest of the fleet operates in the North Sea and in South America partly on firm contracts and in the spot market. Two vessels were taken out of lay-up in January due to contract awards in Argentina and in the Mediterranean. By end March the Group had two AHTS in lay-up.

SUBSEA

The Group operated during Q1 a fleet of 27 subsea vessels, of which one vessel was hired in from external owners, and in addition Skandi Darwin was added to the fleet in February. The majority of the fleet and the project engineering activity are owned by DOF Subsea AS.

Skandi Darwin has started a conversion at a Norwegian yard during the quarter, and is expected to commence on the Shell contract during 2nd half 2017. DOF Subsea had per March further three vessels under construction, of which two vessels, Skandi Olinda and Skandi Recife, were owned through DOFCON Brasila JV 50/50 owned by DOF Subsea and TechnipFMC. One newbuild, Skandi Vinland, was owned via a minority share.

Newbuild

Vessel	Yard	Delivery	Type	Contract	Financing
Skandi Vinland * (NB 834)	Vard Norway	2017	MPV	10 yrs Husky	Long-term funding secured
Skandi Olinda ** (EP 09)	Vard Norway	2018	PLSV	8 yrs Petrobras	Loan agreement signed with BNDES
Skandi Recife ** (EP10)	Vard Brasil	2019	PLSV	8 yrs Petrobras	Loan agreement signed with BNDES

*) 45% ownership
**) 50% ownership

The revenues from the subsea operation include revenues from both project contracts and term contracts. The revenues from the project contracts during Q1 amounted to NOK 614 million of an aggregate turnover of NOK 1,677 million. The Group's project activity is operated by the regions in the Atlantic, Asia Pacific, North- America and South-America (Brazil). The overall utilisation of the project fleet during the period was 51%.

The project activity has been challenging for the Group especially in the North American region and the Asia Pacific region. In the North America region, the Group has faced low utilisation of both personnel and assets, due to low contract coverage in 1st quarter and projects being delayed. In addition, the region has one chartered-in vessel at rates above current market level, but this contract ends in July 2017. In the Asia Pacific region two vessels have had yard stays and been modified to comply with the safety regulations in Australia. One vessel has been in transit from Rio to Singapore for dry-docking and upgrades.

The subsea operation in Brazil is mainly based on firm contracts including lease of vessels and ROVs. In total the Group owned and operated 12 subsea vessels in Brazil including newbuilds, and had in addition management of one vessel for external owners. The PLSV fleet are owned via DOFCON Brasil and comprise six vessels, including two newbuilds scheduled for delivery in 2018 and 2019. Three PLSVs have been in operation during the quarter, but the utilisation for two of the vessels have been low due to idle time between contracts. The fourth vessel, Skandi Buzios was delivered in January and has this quarter mobilised for an 8-year contract with Petrobras, which commenced in April. By end March one of the PLSVs was idle after end of contract in February. The remaining subsea fleet comprise ROV vessels to serve the IRM market. One vessel has been idle during the quarter and reflagged with Brazilian flag. By end March the Group had three subsea vessels in lay-up.

Main Items Interim Accounts Q1 – Financial Reporting

- Operating income totals NOK 1,560 million (NOK 2,075 million).
- Operating profit before depreciation and impairment (EBITDA) totals NOK 377 million (NOK 726 million).

- Gain (loss) from sale of assets totals NOK -2 million (NOK 70 million).
- Operating profit (EBIT) totals NOK -126 million (NOK 190 million).
- Total depreciation and impairment amount to NOK 502 million (NOK 536 million).
- Net financial costs before unrealised gain/loss on foreign exchange and change in fair value of financial instruments totals NOK -294 million (NOK -394 million).
- Unrealised gain/loss on foreign exchange and change in fair value of financial instruments totals NOK 161 million (NOK 519 million).
- Pre-tax profit totals NOK -260 million (NOK 315 million).
- Net interest bearing debt as of 31 March totals NOK 17,393 million (NOK 20,666 million).
- Book equity including minority interests as of 31 March is NOK 7,994 million (NOK 5,803 million).

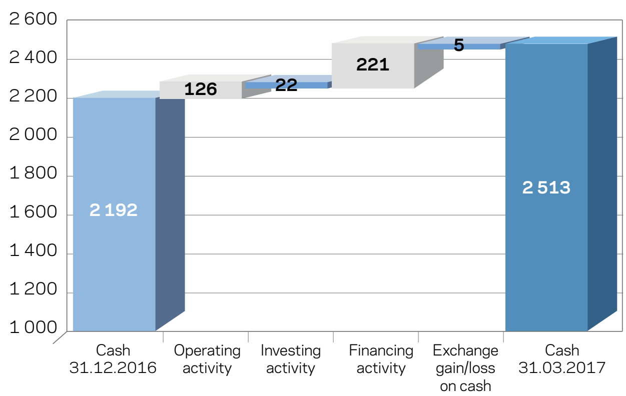
The Group uses hedge accounting for parts of the revenue related to the Brazil operation. This operation is based on long-term charter contracts in USD secured with debt in corresponding currency. The EBITDA effect in Q1 due to the hedge accounting amounts to NOK -47 million (NOK -68 million), and the effect on OCI (other comprehensive income) amounts to NOK 120 million (NOK 374 million).

Tax expense is based on best estimate.

The Group's total balance as of 31 March is NOK 29,478 million (NOK 30,304 million), of which vessels, newbuilds, ROVs and subsea equipment amounts to NOK 21,904 million (NOK 22,943 million). The Group's newbuilds are owned by JVs and associated company and are included as investments in associated companies and non-current receivables.

Cash flow from operational activity after payment of interest is NOK 126 million (NOK 328 million) in Q1. Net cash flow from investing activities is NOK -22 million (NOK 71 million). Cash flow from financing activities totals NOK 221 million (NOK -754 million).

Cash flow from Q1 2017

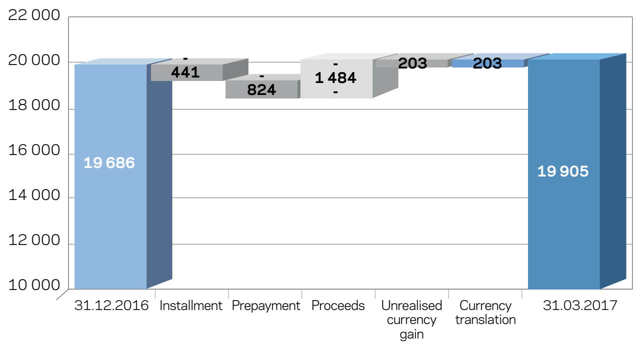


Financing and Capital Structure

The Company replaced three bond loans with a 5-year convertible bond in 2016. The bond holders may convert their bonds to shares at NOK 1 per share through the tenor of the loan and after five years the bonds will be automatically converted. Hence the convertible bond loan has been classified as equity since it was registered. By March the outstanding balance of the convertible bond loan was NOK 365.2 million after conversion of 128 million bonds during 1st quarter.

In March, the subsidiary DOF Subsea successfully completed a new 5 year unsecured bond issue of USD 175 million. In connection with the placement DOF Subsea repurchased bonds with nominal value of NOK 792 million in the existing bond with maturity in May 2018.

Interest bearing debt 31.12.2016 - 31.03.2017



The Group's remaining commitment for vessels under construction totals approximately USD 240 million. All the newbuilds are secured long-term contracts; 8 and 10 years with Petrobras in Brazil and Husky Energy in Canada respectively. Two of the vessels under construction in Brazil have secured long-term financing with BNDES (Brazilian Development Bank) and long-term funding has been secured for the third newbuild, Skandi Vinland, which will serve under the Husky contract. DOF Subsea has after balance sheet date agreed to purchase 100% of the shares in the owner company for this newbuild.

Vessels and equipment constitute 74% of the Group's total assets. Broker estimates received as per March for the Group's fleet show a continued decline in fair market values during 1st quarter. A continued weak market going forward and the risk of further decline in revenues is reflected in a drop in vessel values. The Group receives fair market values from minimum two independent shipbrokers and perform impairment testing in order to confirm the book value of the Group's fleet. The total impairment of the Group's fleet (including vessels owned through associated companies) constituted in Q1 NOK 302 million (NOK 330 million).

The main financial covenants for the Group (excluding DOF Subsea) are minimum free liquidity of NOK 500 million, and minimum booked equity of NOK 3,000 million for the Group. By end of March the Group is in compliance with their financial covenants, ref note 8 to the accounts.

The Group is mainly exposed to NOK and BRL against USD. During the quarter there have been no significant changes in FX rates. Unrealised gain/loss on foreign exchange totals NOK 267 million, of which NOK 132 million is booked to the profit and loss account and NOK 135 million to other comprehensive income.

The portion of long-term debt secured with fixed rate of interest is approximately 76% of total debt and includes debt with fixed interest in BNDES.

Shareholders

Main changes in the share structure in 1st quarter are conversion of bonds to shares from the convertible bond loan DOF 16/21. As of 31 March the Company had 6,021 shareholders, and the share price was NOK 0,96 per share. The main shareholder, Møgster Offshore AS, owned by end March 49.52% in the Company and will on fully diluted basis own 40.5%. During 1st quarter, 128 million bonds have been converted to shares in the company, hence the new share capital is NOK 814,7 million.

Employees

The Group employed as of 31 March 3,919 persons included hired staff, which is a decline during the year of approximately 150 employees. The reduction in number of staff is a result of the planned cost cut, reduced activity and more vessels in lay-up. The marine personnel counts 2,433 people, while 1,190 people are employed within the subsea segment and 296 are employed onshore conducting marine management.

Health, Safety, Environment and Quality

There was not identified any significant HSEQ issues during Q1.

Outlook

The market has continued to be challenging during 1st quarter and is expected to be challenging throughout 2017. In the North Sea, the AHTS market experienced an increase in rig moves in mid February, but has been slow the last weeks. The PSV market has showed somewhat higher activity than last year, but rate levels on short and longer term contracts have remained at very low levels. By end of the quarter 147 vessels were in lay-up in the North Sea.

The Group maintains its strategy to secure the fleet on long-term contracts, and is actively working on securing and increasing the firm employment of the fleet as much as possible. The Group will continue its focus to reduce costs in a challenging market.

The Group's backlog is approximately 60% for the remainder of 2017, and the vessels under construction are secured on firm contracts. A continuing weak market will increase the risk for lower utilisation and earnings for the Group's vessels and as such a risk for further deterioration of the vessel values. The Group's global presence and a flexible business model within the subsea segment, in a combination of high local content and backlog, are expected to reduce these risks.

Norskan in Brazil is expected to deliver steady earnings throughout the year. The AHTS and PSV fleet outside Brazil are expected to continue to deliver weak results due to challenging markets.

Despite a challenging market DOF Subsea is expected to deliver a better operational EBITDA in 2nd quarter, this assumptions is based on commencement of new contracts and higher activity in the project market.

The Board of Directors expects lower operating earnings (EBITDA) in 2017 when compared with 2016, which is in line with earlier reported guidance for the full year 2017.

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The Board of Directors of DOF ASA, May 11th, 2017

Helge Møgster
Chairman

Helge Singelstad
Deputy Chairman

Kathryn Baker

Lars Purlund

Marianne Møgster

Mons S. Aase
CEO

Accounts Q1 2017

Consolidated income statement

(MNOK)	Note	Q1 2017	Q1 2016	2016
Operating income		1 560	2 075	8 134
Operating expenses		-1 174	-1 406	-5 598
Net profit from associated and joint ventures	6	-7	-14	-85
Net gain on sale of tangible assets		-2	70	171
Operating profit before depreciation and impairment - EBITDA		377	726	2 621
Depreciation	5	-255	-256	-1 063
Impairment	5	-247	-280	-1 762
Operating profit - EBIT		-126	190	-203
Financial income		26	12	1 144
Financial costs		-240	-286	-1 134
Net realised gain/loss on currencies		-80	-120	-437
Net unrealised gain/loss on currencies		132	337	742
Net changes in fair value of financial instruments		29	182	248
Net financial costs		-134	125	562
Profit (loss) before taxes		-260	315	359
Taxes	11	-44	-48	-158
Profit (loss) for the period		-303	267	201
Profit attributable to				
Non-controlling interest		-57	148	141
Controlling interest		-247	119	60
Profit per share ex non-controlling interest		-0,15	1,07	0,09
Diluted profit per share ex non-controlling interest		-0,12	1,07	0,07

Condensed statement of comprehensive income

(MNOK)	Note	Q1 2017	Q1 2016	2016
Profit (loss) for the period		-303	267	201
Items that will be subsequently reclassified to profit or loss				
Currency translation differences		36	-100	-59
Cash flow hedge	4	120	374	762
Share of other comprehensive income of joint ventures	6	-4	98	230
Items that not will be reclassified to profit or loss				
Defined benefit plan actuarial gain (loss)		-	-8	-4
Other comprehensive income/loss net of tax		151	363	929
Total comprehensive income/loss		-152	630	1 130
Total comprehensive income/loss net attributable to				
Non-controlling interest		-48	175	264
Controlling interest		-104	455	866

Consolidated statement of financial position

(MNOK)	Note	31.03.2017	31.03.2016	31.12.2016
ASSETS				
Tangible assets	5	21 904	22 943	22 199
Goodwill		334	419	330
Deferred tax assets		885	1 147	951
Investment in associated and joint ventures	6	804	594	808
Other non-current receivables		1 147	1 097	1 152
Total non-current assets		25 075	26 201	25 440
Trade receivables		1 358	1 840	1 506
Other receivables		532	595	592
Current receivables		1 890	2 435	2 098
Restricted deposits		345	453	405
Cash and cash equivalents		2 168	1 216	1 787
Cash and cash equivalents incl. restricted deposits	7	2 513	1 669	2 192
Current assets		4 403	4 103	4 290
Total Assets		29 478	30 304	29 731
EQUITY AND LIABILITIES				
Paid in equity		2 803	1 452	2 675
Other equity		1 718	895	1 950
Non-controlling interests		3 473	3 456	3 521
Total equity		7 994	5 803	8 146
Bond loan	8	1 978	2 650	1 297
Debt to credit institutions	4, 8	16 247	16 269	16 729
Derivatives		64	228	135
Deferred taxes		3	44	1
Other non-current liabilities		49	67	51
Non-current liabilities		18 341	19 259	18 212
Current part of bond loan and debt to credit institutions	8	1 812	3 598	1 805
Accounts payable		823	1 176	1 061
Other current liabilities		507	468	507
Current liabilities		3 143	5 242	3 372
Total liabilities		21 484	24 501	21 584
Total equity and liabilities		29 478	30 304	29 731

Consolidated statement of equity

(MNOK)	Paid-in capital	Other contributed capital	Other equity - Retained earnings	Other equity - Currency translation differences	Other equity - Cash flow hedge	Total other equity	Non-controlling interest	Total equity
Balance at 01.01.2017	2 676	493	1 840	309	-693	1 950	3 521	8 146
Result (loss) for the period			-247			-247	-57	-303
Other comprehensive income/loss			-2	25	120	143	9	151
Converted bond	129	-129				-129		-
Balance at 31.03.2017	2 804	365	1 591	334	-573	1 718	3 473	7 994
Balance at 01.01.2016	1 452	-	1 516	222	-1 299	440	3 281	5 172
Result (loss) for the period			119			119	148	267
Other comprehensive income/loss			42	-80	374	336	27	363
Balance at 31.03.2016	1 452	-	1 677	142	-925	895	3 456	5 803

Key figures

		Q1 2017	Q1 2016	2016
EBITDA margin ex net gain on sale of vessel	1	24 %	32 %	30 %
EBITDA margin	2	24 %	35 %	32 %
EBIT margin	3	-8 %	9 %	-2 %
Cashflow per share (controlling interest)	4	0,07	1,54	4,15
Profit per share (controlling interest)	5	-0,12	1,07	1,02
Profit per share ex. unrealised gain/loss on currencies and changes fair value of financial instruments (controlling interest)	6	0,08	-1,99	-4,30
Return on net capital	7	-4 %	5 %	2 %
Equity ratio	8	27 %	19 %	27 %
Net interest bearing debt		17 393	20 666	17 494
Net interest bearing debt ex. unemployed capital		17 314	20 541	17 468
Average number of shares		1 593 679 842	111 051 348	658 878 610
Number of shares		1 629 377 797	111 051 348	1 501 321 200
Potential average number of shares		1 994 561 862	111 051 348	882 981 813
Potential number of shares		1 994 561 682	111 051 348	1 994 561 682

1) Operating profit before net gain on sale of vessel and depreciation in percent of operating income.
2) Operating profit before depreciation in percent of operating income.
3) Operating profit in percent of operating income.
4) Pre-tax result + depreciation and impairment +/- unrealised gain/loss on currencies +/- net changes in fair value of financial instruments/potential average no of shares.
5) Result /potential average no. of shares.
6) Result + net unrealised currency gain/loss + net changes fair value of financial instruments)/potential no of shares.
7) Result incl non-controlling interest/total equity.
8) Total equity/Total balance.

Cashflow

(MNOK)	Q1 2017	Q1 2016	2016
Operating result	-125	190	-203
Depreciation and impairment	502	536	2 825
Gain/loss on disposal of tangible assets	2	-70	-171
Share of profit/loss from associates and joint ventures	7	14	85
Changes in accounts receivables	148	300	606
Changes in accounts payable	-238	-263	-378
Changes in other working capital	70	-46	64
Exchange rate effects on operating activities	8	-44	-57
Cash from operating activities	374	616	2 770
Interest received	22	24	59
Interest paid	-244	-286	-1 087
Taxes paid	-26	-25	-59
Net cash from operating activities	126	328	1 684
Payments received for sale of tangible assets	31	548	1 531
Purchase of tangible assets	-26	-229	-1 610
Payments received for sale of shares	-	3	-
Purchase of shares	-8	-	-7
Received dividend	-	-	-
Other investments	-18	-249	-356
Net cash from investing activities	-22	71	-443
Proceeds from borrowings	1 484	807	5 088
Repayment of borrowings	-1 262	-1 561	-6 934
Share issue	-	-	1 044
Purchase of converible bond	-	-	-209
Payments to non-controlling interests	-	-	-26
Net cash from financing activities	221	-754	-1 036
Net changes in cash and cash equivalents	326	-354	204
Cash and cash equivalents at the start of the period	2 192	2 056	2 056
Exchange gain/loss on cash and cash equivalents	-5	-33	-68
Cash and cash equivalents at the end of the period	2 513	1 669	2 192

Notes to the Accounts

Note 1 General

DOF ASA (the “Company”) and its subsidiaries (together, the “Group”) own and operate a fleet of PSV, AHTS, subsea vessels and service companies offering services to the subsea market worldwide.

The Company is a public limited company, which is listed on the Oslo Stock Exchange and incorporated and domiciled in Norway. The head office is located at Storebø in the municipality of Austevoll, Norway.

These condensed interim financial statements were approved for issue on 11 May 2017. These condensed interim financial statements have not been audited.

Basis of preparation
These condensed interim financial statements have been prepared in accordance with IAS 34, ‘Interim financial reporting’. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with IFRS.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

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

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016, with the exception of changes in estimates that are required in determining the provision for income taxes.

Note 2 Management reporting

RESULT (MNOK)	Q1 2017 Management reporting	Q1 2017 Reconciliation to equity method	Q1 2017 Financial reporting	Q1 2016 Management reporting	Q1 2016 Reconciliation to equity method	Q1 2016 Financial reporting
Operating income	1 677	-117	1 560	2 182	-107	2 075
Operating expenses	-1 197	23	-1 174	-1 451	45	-1 406
Net profit from associated and joint ventures	5	-12	-7	2	-15	-14
Net gain on sale of tangible assets	-2	-	-2	70	-	70
Operating profit before depreciation and impairment - EBITDA	483	-106	377	803	-77	726
Depreciation	-284	28	-255	-268	12	-256
Impairment	-302	54	-247	-330	50	-280
Operating profit - EBIT	-102	-23	-126	205	-15	190
Financial income	18	7	26	7	5	12
Financial costs	-259	19	-240	-295	9	-286
Net realised gain/loss on currencies	-83	3	-80	-136	16	-120
Net unrealised gain/loss on currencies	137	-5	132	365	-28	337
Net changes in fair value of financial instruments	29	-	29	182	-	182
Net financial costs	-158	24	-134	123	2	125
Profit (loss) before taxes	-260	-	-260	329	-13	315
Taxes	-43	-	-44	-61	13	-48
Profit (loss)	-303	-	-303	267	-	267

BALANCE (MNOK)	31.03.2017 Management reporting	31.03.2017 Reconciliation to equity method	31.03.2017 Financial reporting	31.03.2016 Management reporting	31.03.2016 Reconciliation to equity method	31.03.2016 Financial reporting
ASSETS						
Tangible assets	27 340	-5 436	21 904	26 574	-3 630	22 943
Goodwill	334	-	334	419	-	419
Deferred taxes	958	-72	885	1 252	-105	1 147
Investment in associated companies and joint ventures	83	721	804	103	491	594
Other non-current financial assets	624	524	1 147	517	580	1 097
Total non-current assets	29 338	-4 263	25 075	28 865	-2 664	26 201
Receivables	2 035	-145	1 890	2 491	-56	2 435
Cash and cash equivalents	2 640	-128	2 513	1 799	-130	1 669
Total current assets	4 675	-272	4 403	4 289	-186	4 103
Total assets	34 013	-4 536	29 478	33 154	-2 851	30 304
EQUITY AND LIABILITIES						
Equity	7 994	-	7 994	5 803	-	5 803
Non-current liabilities	22 370	-4 029	18 341	21 838	-2 579	19 259
Current liabilities	3 649	-507	3 143	5 514	-271	5 242
Total liabilities	26 019	-4 535	21 484	27 352	-2 851	24 501
Total equity and liabilities	34 013	-4 536	29 478	33 154	-2 851	30 304
Net interest bearing liabilities	21 563	-4 170	17 393	23 319	-2 653	20 666

Note 3 Segment information - management reporting

	PSV	AHTS	CSV	Total
1st quarter 2017				
Operating income	181	373	1 123	1 677
Gain on sale of tangeble assets	-1	-	-1	-2
Operating result before depreciation and impairment - EBITDA	36	155	291	483
Depreciation	33	76	175	284
Impairment	107	54	140	302
Operation result - EBIT	-104	25	-24	-102
1st quarter 2016				
Operating income	262	383	1 467	2 182
Gain on sale of tangeble assets	-	-	70	70
Operating result before depreciation and impairment - EBITDA	101	136	566	803
Depreciation	45	59	164	268
Impairment	56	73	201	330
Operation result - EBIT	-	4	201	205

Note 4 Hedges

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

Cash flow hedge involving future highly probable income
The Group applies hedge accounting related to the cash flow hedging of expected highly probable income in USD, from its operations in Brazil.

The cash flow hedges hedge a portion of the foreign currency risk arising from highly probable income in USD relating to time charter contracts on vessels owned by the companies Norskan Offshore Ltda and DOF Subsea Navagacao Ltda.

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

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

Amounts accumulated in equity are reclassified to profit or loss in the periods when the expected income is recognised.

Note 5 Tangible assets

2017	Vessel and periodical maintenance	ROV	Newbuilds	Operating equipment	Total
Book value at 01.01.2017	20 869	856	26	448	22 199
Addition	27	1	47	8	83
Disposal	-30	-3			-33
Reclassification		2	6	-8	-
Depreciation	-187	-36		-32	-255
Impairment loss	-247				-247
Currency translation differences	155	1		2	158
Book value at 31.03.2017	20 587	821	78	418	21 904

2016	Vessel and periodical maintenance	ROV	Newbuilds	Operating equipment	Total
Book value at 01.01.2016	21 603	943	106	535	23 187
Addition	195	2	16	16	229
Reclassification		2			2
Depreciation	-176	-47		-33	-256
Impairment loss	-280				-280
Currency translation differences	66		3	-9	60
Book value at 31.03.2016	21 408	900	125	509	22 943

Impairment
The challenging market condition for offshore service vessels has continued. In the 1st quarter 2017, the Group faced lower market values for some of the Group`s vessels. Impairment indicators are observed and an impairment test for vessels in the Group has been performed. Impairment tests are performed in line with accounting principle presented in annual report for 2016. Impairment of NOK 247 million has been recognised in the 1st quarter of 2017.

In addition the impairment have resulted in impairment of vessels in joint ventures with NOK 54 million in 1st quarter.

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

Note 6 Investment in associated and joint ventures

The Company's investment in associates and joint ventures as of 31.03.2017;

Joint ventures	Ownership
DOFCON Brasil AS with subsidiaries	50 %
DOF Deepwater AS	50 %
DOF Iceman AS	50 %

Associated companies	
Master & Commander	20 %
PSV Invest II AS (Skandi Aukra)	15 %
Iceman AS (Skandi Iceman)	25 %
DOF OSM Services AS	50 %
Canadian Subsea Shipping Company Ltd	45 %
DOF Subsea Ghana Ltd	49 %

Effect of application of IFRS 11 on investments in joint ventures;	31.03.2017
Opening balance 01.01.2017	808
Addtions	8
Profit (loss)	-7
Profit (loss) through OCI	-4
Closing balance 31.03.2017	804

Note 7 Cash and cash equivalent

	31.03.2017	31.03.2016	31.12.2016
Restricted cash *)	345	453	405
Cash and cash equivalent	2 168	1 216	1 787
Total cash and cash equivalent	2 513	1 669	2 192

*) Including restricted cash related to non-current loans from Eksportfinans.

Note 8 Interest bearing liabilities

	31.03.2017	31.03.2016	31.12.2016
Non-current interest bearing liabilities			
Bond loan	1 978	2 650	1 297
Debt to credit institutions	16 247	16 269	16 729
Total non-current interest bearing liabilites	18 225	18 919	18 025
Current interest bearing liabilities			
Bond loan	-	1 060	
Debt to credit institutions	1 680	2 255	1 661
Utilised credit facilities		100	
Total current interest bearing liabilities	1 680	3 415	1 661
Total interest bearing liabilities	19 905	22 334	19 686
Net interest bearing liabilities			
Cash and cash equivalents	2 513	1 669	2 192
Total net interest bearing liabilities *)	17 393	20 666	17 494

*) Non-current loans have been provided by Eksportfinans and are invested in restricted deposits in DNB. The loans are fully repaid in 2021.

In March, DOF Subsea successfully completed the issuance of a new unsecured bond with a face value of USD 175 million and maturity in March 2022. In relation to the bond issue, DOF Subsea repurchased parts of the existing bond DOFSUB07 with maturity in May 2018.

Current debt to credit institutions amounts to NOK 1 680 million and is normal amortisation (excluded accrued intrerest).

Installment- and balloon profile *)	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Total current debt	Q2-Q4 2018	2019	2020	2021	Subsequent	Total
Bond loan					-	508				1 484	1 992
Debt to credit institutions	406	434	406	434	1 680	1243	2 897	2 649	3 349	6 170	17 988
Total ')	406	434	406	434	1 680	1 751	2 897	2 649	3 349	7 654	19 980

*) Amortised costs are excluded in the figures above.

Loan divided on currency and fixed interest	Share fixed interest	Balance 31.03.2017
NOK	73 %	8 239
USD	78 %	11 741
Total	76 %	19 980

Covenants regarding non-current liabilities to credit institutions:

DOF ASA
DOF ASA Group shall have a book equity higher than NOK 3,000 million, cash deposits shall at all time be not less than NOK 500 million excluded DOF Subsea AS (and it's subsidiaries) and market value of the vessel shall at all time be not less than 100% of outstanding debt.

DOF Subsea AS
DOF Subsea AS shall have a book equity higher than NOK 3,000 million, cash deposits shall at all time be not less than NOK 500 million, value adjusted equity shall be at least 30% and market value vessels shall at all time be at least 100-130% of outstanding debt.

Per 31.03.2017 the Group's is in complience with its financial covenants.

Note 9 Subsequent events

Fleet
Skandi Buzios (PLSV) has been delivered and commenced its 8-year charter contract with Petrobras as scheduled in April.

DOF Subsea AS has purchased the remaining shares in Canadian Subsea Shipping Company AS. Canadian Subsea Shipping Company AS has a newbuild vessel under construction at Vard Group in Norway.

Contracts
Skandi Vega has been awarded a 1-year extension with Statoil from mid May.

DOF Subsea AS
DOF Subsea AS and its shareholders, DOF ASA and First Reserve Corporation have decided to start reviewing possibilities for DOF Subsea to apply for a listing on Oslo Stock Exchange.

Note 10 Transaction with related parties

Transactions with related parties are governed by market terms and conditions in accordance with the “arm’s length principle”. The transactions are described in the Annual report for 2016.

There are no major changes in the type of transactions between related parties.

Note 11 Taxes

Taxes per 31 March 2017 are a preliminary estimate.

Note 12 Share capital and shareholders

Largest shareholders as of 31.03.2017

Name	No. shares	Shareholding	Voting shares
MØGSTER OFFSHORE AS	806 876 050	49.52 %	49.52 %
PERESTROIKA AS	138 500 000	8.50 %	8.50 %
BNP PARIBAS SECURITIES SERVICES	67 500 000	4.14 %	4.14 %
SKANDINAVISKA ENSKILDA BANKEN AB	22 182 558	1.36 %	1.36 %
DRAGESUND INVEST AS	17 600 000	1.08 %	1.08 %
DNB NOR MARKETS. AKSJEHAND/ANALYSE	16 903 295	1.04 %	1.04 %
MP PENSJON PK	16 735 186	1.03 %	1.03 %
MOCO AS	14 844 184	0.91 %	0.91 %
ARCTIC FUNDS PLC	12 068 579	0.74 %	0.74 %
TOPDANMARK LIVSFORSIKRING A/S	12 050 000	0.74 %	0.74 %
PARETO AS	11 734 975	0.72 %	0.72 %
SKANDINAVISKA ENSKILDA BANKEN S.A.	11 500 000	0.71 %	0.71 %
NORDNET LIVSFORSIKRING AS	10 275 025	0.63 %	0.63 %
AKERSHUS FYLKESKOMM. PENSJONSKASSE	10 000 000	0.61 %	0.61 %
GERDA MARIE AS	10 000 000	0.61 %	0.61 %
THE NORTHERN TRUST COMP. LONDON BR	8 589 578	0.53 %	0.53 %
CLEARSTREAM BANKING S.A.	7 640 535	0.47 %	0.47 %
TOLUMA NORDEN AS	7 000 000	0.43 %	0.43 %
SIGFISK AS	6 000 000	0.37 %	0.37 %
KRISTIAN FALNES AS	5 750 000	0.35 %	0.35 %
Total	1 213 749 965	74.49 %	74.49 %
Total other shareholders	415 627 832	25.51 %	25.51 %
Total no of shares	1 629 377 797	100.00 %	100.00 %

Note 13 Definitions

DOF ASA financial information is prepared in accordance with international financial reporting standards (IFRS). In addition DOF ASA discloses alternative performance measures as a supplement to the financial statement prepared in accordance with IFRS. Such performance measures are used to provide an enhanced insight into the operating performance, financing and future prospects of the company and are frequently used by securities analysts, investors and other interested parties.

The definitions of these measures are as follows:

EBITDA – Operating profi t (earnings) before depreciation, impairment, amortisation, net financial costs and taxes is a key financial parameter. The term is useful for assessing the profitability of its operations, as it is based on variable costs and excludes depreciation, impairment and amortise costs related to investments. Ebitda is also important in evaluating performance relative to competitors.

EBITDA before hedge – Ebitda as described above adjusted for hedge accounting of revenue, according to mangement reporting.

Operational EBITDA – Ebitda as described above adjusted for gain on sale of tangible assets, according to management reporting.

Operational EBITDA before hedge – Ebitda as describe above adjusted for gain on sale of tangible assets and hedge accounting of revenue, according to management reporting.

EBIT – Operating profit (earnings) before net financial costs and taxes.

Profit before unrealised finance costs – Profit before net unrealised gain/loss on currencies and net changes in the fair value of financial instruments.

Unrealised finance costs – Total unrealised gain/loss on currencies and net changes in the fair value of financial instruments.

Unemployed capital – Vessel under construction (newbuildings).

Interest bearing debt – Total of current and non-current borrowings.

Net interest bearing debt – Interest bearing debt minus current and non-current interest-bearing receivables and cash and cash equivalents. The use of the term “net debt” does not necessarily mean cash included in the calculation are available to settle debts if included in the term.

Utilisation - Utilisation of vessel numbers is based on actual available days including days at yard for periodical maintenance, upgrading, transit or idle time between contracts.

Contract coverage – Number of future sold days compared with total actual available days excluded options.

Backlog – Sum of undiscounted revenue related to secured contracts in the future and optional contract extensions as determined by the client. Contract coverage related to master service agreements (MSA`s) within the CSV segment, includes only confirmed purchase order.

Financial reporting – Financial Reporting according to IFRS.

Management reporting – Investments in joint ventures (JV) is consolidated on gross basis in the income statement and the statement of financial position.

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