

# Q2 2019

## DOF ASA Financial Report

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# DOF



# Management reporting:

## Accounts 2<sup>nd</sup> quarter 2019

### RESULT

(MNOK)	Q2 2019	Q2 2018	Acc Q2 2019	Acc Q2 2018	2018
Operating income	1 854	1 804	3 488	3 494	6 938
Operating expenses	-1 180	-1 246	-2 315	-2 456	-4 868
Net profit from associated and joint ventures	-5	2	-8	-1	-5
Net gain on sale of tangible assets	-	-	-	1	2
<b>Operating profit before depreciation and impairment - EBITDA</b>	<b>669</b>	<b>560</b>	<b>1 165</b>	<b>1 039</b>	<b>2 066</b>
Depreciation	-334	-287	-646	-597	-1 240
Impairment	-154	-93	-204	-273	-737
<b>Operating profit - EBIT</b>	<b>181</b>	<b>179</b>	<b>315</b>	<b>168</b>	<b>89</b>
Financial income	8	7	30	15	51
Financial costs	-296	-259	-623	-499	-1 099
Net realised gain/loss on currencies	-79	-54	-185	-105	-352
<b>Profit before unrealised finance costs</b>	<b>-185</b>	<b>-127</b>	<b>-464</b>	<b>-420</b>	<b>-1 311</b>
Unrealised finance costs	142	-422	304	-75	-294
<b>Profit (loss) before taxes</b>	<b>-42</b>	<b>-549</b>	<b>-160</b>	<b>-495</b>	<b>-1 604</b>
Taxes	-64	43	-79	36	102
<b>Profit (loss)</b>	<b>-106</b>	<b>-506</b>	<b>-239</b>	<b>-459</b>	<b>-1 502</b>

### BALANCE

(MNOK)	30.06.2019	30.06.2018	31.12.2018
<b>ASSETS</b>			
Tangible assets	25 585	25 123	25 074
Goodwill	292	318	295
Deferred taxes	930	917	1 006
Investment in associated companies and joint ventures	85	81	89
Other non-current financial assets	272	193	109
<b>Total non-current assets</b>	<b>27 163</b>	<b>26 633</b>	<b>26 572</b>
Receivables	1 874	2 080	1 851
Cash and cash equivalents	1 789	2 062	2 240
<b>Total current assets</b>	<b>3 663</b>	<b>4 143</b>	<b>4 091</b>
<b>Total assets</b>	<b>30 826</b>	<b>30 775</b>	<b>30 663</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	5 630	6 598	5 778
Non-current liabilities	19 088	19 560	19 406
Current liabilities	6 108	4 617	5 479
<b>Total liabilities</b>	<b>25 196</b>	<b>24 177</b>	<b>24 885</b>
<b>Total equity and liabilities</b>	<b>30 826</b>	<b>30 775</b>	<b>30 663</b>
<b>Net interest bearing liabilities</b>	<b>21 628</b>	<b>20 386</b>	<b>20 952</b>

### CASH FLOW

(MNOK)	Q2 2019	Q2 2018	Acc Q2 2019	Acc Q2 2018	2018
Net cash from operation activities	586	358	630	565	1 259
Net cash from investing activities	-237	-988	-1 139	-1 105	-1 430
Net cash from financing activities	-476	710	44	208	26
<b>Net changes in cash and cash equivalents</b>	<b>-126</b>	<b>80</b>	<b>-466</b>	<b>-331</b>	<b>-145</b>
Cash and cash equivalents at start of the period	1 901	2 007	2 240	2 434	2 434
Exchange gain/loss on cash and cash equivalents	14	-25	15	-40	-50
<b>Cash and cash equivalents at the end of the period</b>	<b>1 789</b>	<b>2 062</b>	<b>1 789</b>	<b>2 062</b>	<b>2 240</b>

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# Financial report 2<sup>nd</sup> Quarter 2019

## KEY INFORMATION

Group EBITDA (management reporting) of NOK 712 million (NOK 594 million) before hedge accounting

Fleet utilisation of 74%

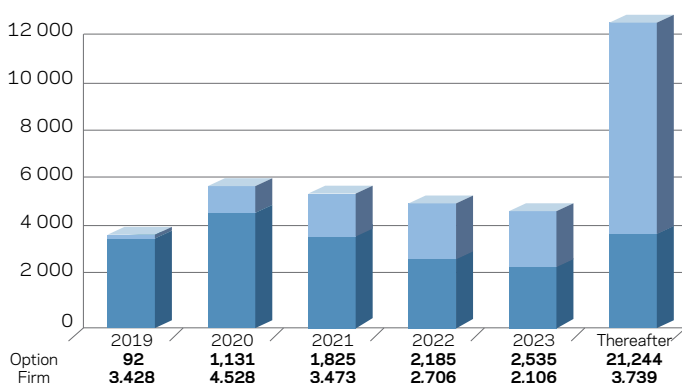
- 67% subsea fleet, 69% AHTS fleet and 93% PSV fleet, 5 vessels in lay-up by end of the quarter

Total fleet of 67 vessels:

- 20 AHTSs, 16 PSVs, 31 Subsea vessels, 74 ROVs
- General market & operational comments:
  - › Improved earnings and utilisation for the PSV and AHTS fleet in the North Sea
  - › Variable earnings and continuing challenging markets for Subsea IMR project fleet
  - › Stable earnings for the fleet on long-term chartering

Short-term refinancing solution secured, a long-term refinancing solution in process

Group backlog of NOK 20 billion per 30.06.2019



## KEY FIGURES

(MNOK)	Management reporting		Financial reporting	
	Q2 2019	Q2 2018	Q2 2019	Q2 2018
Operating income	1 854	1 804	1 542	1 583
EBITDA	669	560	504	471
EBIT	181	179	84	126
Net financial costs	-224	-729	-160	-676
Profit (loss)	-106	-506	-106	-506
EBITDA - before hedge	712	594	547	505
NIBD (Net interest bearing debt)	21 628	20 386	17 141	16 552
NIBD (Net interest bearing debt) excluded effect of IFRS 16	21 292	20 386	16 805	16 552
Equity ratio	18%	21%	22%	25%

## Q2 Operations

The Q2 operational result per segment is as follows;

(MNOK)	PSV	AHTS	Subsea	Total
Operating income	149	326	1 380	1 854
Operating result before depreciation and impairment - EBITDA	43	183	443	669
Depreciation	33	88	212	334
Impairment	2	90	63	154
Operating result - EBIT	8	6	167	181
EBITDA margin	29%	56%	32%	36%
EBIT margin	6%	2%	12%	10%

**The main part of the Group's PSV and AHTS fleet operates on firm contracts or in the spot market, while the subsea fleet is partly utilised on term contracts or on subsea IMR (Inspection, Maintenance and Repair) project contracts.**

### PSV

The PSV fleet includes 16 vessels of which one vessel is owned via a minority share. The majority of the fleet has operated in the North Sea market and the fleet has achieved an average utilisation of 93% (88%) in the quarter. The North Sea market has continued to be busy within this segment, in both the term and the spot market. The first quarter was impacted by several vessels mobilising for new contracts including reactivation of one vessel from lay-up. During 2<sup>nd</sup> quarter all PSVs have been in operation.

Main contract awards have been two 5-year contracts for ConocoPhillips at the Ekofisk field for Skandi Marøy and Skandi Nova with start up in direct continuation of the existing contracts in 4th quarter 2019 and 1st quarter 2020. Skandi Feistein has further been secured a 5-year contract for Esso Australia with start-up in 2<sup>nd</sup> half 2019.

### AHTS

The AHTS fleet includes 18 vessels and additional two vessels on management. Five vessels are 50% owned via DOF Deepwater AS and one vessel is owned via a minority share in Iceman AS. The average utilisation for the AHTS fleet was 69% (66%) in the quarter.

11 vessels have operated in South America, whereof 10 in Brazil and one in Argentina. One vessel has during the quarter sailed from Brazil to the North Sea after end of a contract and is currently idle. The remaining fleet in Brazil has during the period operated on firm contracts whereof the majority of the fleet has local flag.

For the fleet operating in the North Sea, the utilisation and earnings have improved compared to the same period last year, yet the spot market has continued to be very volatile. Three vessels have operated in the spot market and one vessel has operated on a frame agreement with Equinor. For the fleet in Asia-Pacific the activity has

increased, and two vessels have operated on firm contracts in the period. In total three vessels were in lay-up by end of the quarter.

Main contract awards are a 13-month contract for the Skandi Rio for an international oil company in Brazil, and a 1-year contract for the Skandi Botafogo with Petrobras, both with start up in June.

### SUBSEA

During the 2<sup>nd</sup> quarter the Group operated a fleet of 31 Subsea vessels, including vessels hired from external owners. The majority of the fleet is owned by the subsidiary DOF Subsea AS.

The revenues from the subsea operation include revenues from subsea IMR project contracts and long-term charters, performed by DOF Subsea. The revenues from the subsea IMR contracts during the 2<sup>nd</sup> quarter amounted to NOK 776 million (NOK 812 million). The Group's subsea IMR activities are operated from the Atlantic region, the Asia-Pacific region, the North America region, and the South America (Brazil) region. The overall utilisation of the subsea fleet was 67% (76%) in the quarter.

The subsea IMR market has remained challenging with weak utilisation of both personnel and vessels in certain regions. During 2<sup>nd</sup> quarter the Group has experienced weak performance in Asia-Pacific and in the Atlantic region with a continued pressure on rate levels. The remaining regions have had stable utilisation with a mix of vessels and ROVs on firm contracts and on project contracts. Two vessels that were idle in 1<sup>st</sup> quarter have mobilised and started on contracts in the North Sea and in North America. The average utilisation in the subsea IMR/Project fleet has been 67% (72%) in the quarter.

The Group owns, via the DOFCON (JV 50/50 owned by DOF Subsea and TechnipFMC), six PLSVs operating in Brazil. Four vessels are operating on long-term contracts with Petrobras and have achieved high utilisation during the quarter. The last two PLSVs have been idle, however by end of the quarter one vessel started to mobilise for a project contract at Peregrino field in Brazil with estimated start up in 2<sup>nd</sup> half 2019. Two vessels were in lay-up by end of the quarter.

DOF Subsea has been awarded various project contracts and frame agreements in the Atlantic region and in the North America region. In Brazil, Skandi Niteroi has been awarded a contract with TechnipFMC for the Peregrino phase II and Skandi Seven has been awarded a short-term contract with Sapura. In the term market, Skandi Hav has been awarded a 1-year extension for Petrobras with start up in June. Skandi Hugen has been awarded a 5-year contract with ConocoPhillips at the Ekofisk field as a multi role vessel as part of the same awards for the two PSVs mentioned above.

### Main Items Interim Accounts Q2 – Financial Reporting

The below figures represent the Group's consolidated accounts based on Financial Reporting.

#### RESULT

(MNOK)	Q2 2019	Q2 2018	Change %
Operating income	1 542	1 583	-3%
EBITDA	504	471	7%
EBIT	84	126	-34%
Net financial costs	-160	-676	
Profit (loss)	-106	-506	

#### P&L 2<sup>ND</sup> QUARTER

From the 1st of January 2019, the Group has adopted the new accounting standard for IFRS 16 Leases. The Group applied the simplified transition approach, and comparative amounts for the year prior to first adoption are not restated. Total assets and liabilities at the end of second quarter are affected by the implementation of the standard by NOK 485 million. This has increased the lease liabilities, net investment and right-of-use assets compared to the financial position as reported previous period.

Net result in the 2<sup>nd</sup> quarter 2019 was NOK -106 million (NOK -506 million), of which NOK 145 million (NOK 93 million) represents impairment, and NOK 126 million (NOK -417 million) represents unrealised gain/loss on currencies and financial instruments booked in the period.

Total revenues and operating costs were more or less in line with the 2<sup>nd</sup> quarter last year and reflect lower activity within the subsea IMR segment and higher activity from vessels on term contracts. Net profit from associated companies was down from NOK 87 million to NOK 74 million this quarter and represents the operations from the DOFCON JV and the DOF Deepwater JV. The Group Ebitda was NOK 504 million (NOK 471 million) and the Ebit was NOK 84 million (NOK 126 million). Total depreciation and impairment were NOK 419 million (NOK 345 million). The fair market values have shown the same trend as previous quarter with stable valuation for the main part of the fleet and more optimism within the PSV segment, but still a continued drop for the oldest part of the fleet. Impairments booked in the period are NOK 145 million (NOK 93 million) and are based on updated brokers' estimates and value-in-use calculations.

Net financial costs were negative with NOK -160 million (NOK -676 million) and include net interest costs of NOK -213 million (NOK -208 million) and net gain on currencies and financial instruments of NOK 53 million (NOK -468 million) of which unrealised gain mainly relates variances in USD and NOK/BRL from long-term debt from the subsidiaries DOF Subsea and Norskan.

The Group's operation in Brazil is based on firm charter contracts mainly in USD secured with debt in corresponding currency, hence the Group is more or less cash neutral

related to fluctuation in BRL against USD. The Group further uses hedge accounting for parts of the revenues from this operation. The Ebitda impact in the 2<sup>nd</sup> quarter related to hedge accounting amounts to NOK -43 million (NOK -34 million), and the impact on unrealised currency amounts to NOK -69 million (NOK 610 million).

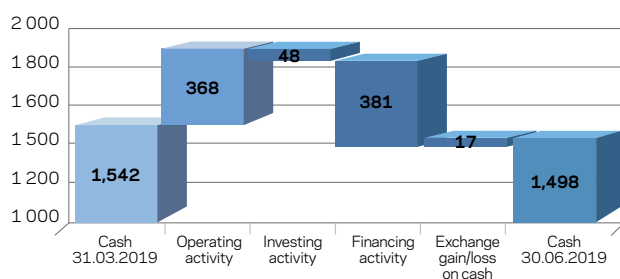
Revenue year to date was more or less in line with previous year resulting in an Ebitda of NOK 835 million (NOK 849 million) and Ebit of NOK 117 million (NOK 81 million). Net financial result was NOK -323 million (NOK -588 million).

#### BALANCE

(MNOK)	30.06.2019	30.06.2018	Change %
Non-current assets	22 822	22 912	0%
Current assets	1 733	1 911	-9%
Cash and cash equivalents	1 498	1 823	-18%
<b>Total assets</b>	<b>26 053</b>	<b>26 646</b>	<b>-2%</b>
Equity	5 630	6 598	-15%
Non-current liabilities	14 712	16 049	-8%
Current liabilities	5 710	4 000	43%
<b>Total equity and liabilities</b>	<b>26 053</b>	<b>26 646</b>	<b>-2%</b>
Net interest bearing debt (NIBD)	17 141	16 552	4%
Net interest bearing debt (NIBD) excl. effect IFRS 16	16 805	16 552	2%

Of the Group's total balance of NOK 26,053 million (NOK 26,646 million), vessels and subsea equipment amount to NOK 18,836 million (NOK 19,293 million). 11 vessels are owned via joint ventures and are represented as associated companies and non-current receivables in the balance sheet, in total NOK 2,842 million (NOK 2,412 million). Goodwill amounts to NOK 292 million (NOK 318 million). Total equity is NOK 5,630 million (NOK 6,598 million) and includes a non-controlling interest of NOK 2,270 million (NOK 2,448 million).

## Cash flow from Q2 2019



Operational cash flow after payment of interest and taxes was in 2<sup>nd</sup> quarter NOK 368 million (NOK 235 million), and net cash flow from investing activities was NOK -48 million (NOK -194 million). Net cash flow from financing activities was NOK -381 million (NOK -29 million).

## Financing and Capital Structure

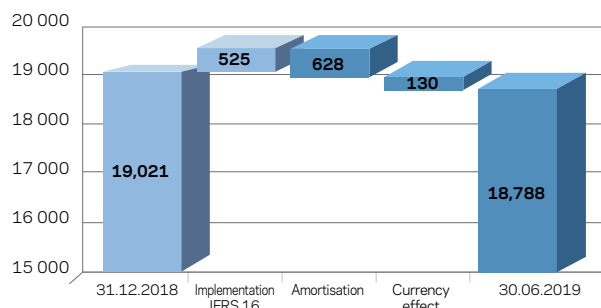
The Group is mainly funded by secured debt (62%), unsecured debt/bonds (10%) and equity (22%). The remaining funding represents net working capital.

The remaining outstanding of a convertible bond loan is by end June NOK 232 million, whereof the original value was NOK 1,032,5 million. The loan is booked as equity.

As part of a financial restructuring completed in 2018, one subsidiary, DOF Rederi AS, has agreed soft terms on a fleet loan until final maturity in 2021. Total outstanding amount of the restructured loan is NOK 3.3 billion. In addition, the DOF Deepwater JV has agreed soft terms until September 2021. The remaining debt within the Group has so far been served by normal amortisation.

The unsecured debt represents three bonds issued by DOF Subsea of NOK 2,554 million, whereof NOK 92 million matures in 2019, NOK 375 million in 2020 and the remainder in 2022 and in 2023.

## Total interest bearing debt 31.12.2018 - 30.06.2019



The vessels and subsea assets (including the JVs) constitute 83% of the Group's total assets, hence the Group's balance sheet is exposed to fluctuations in the valuations of these assets. As part of the quarterly impairment testing, the updated broker estimates have proven stable development

in values of the fleet. However, there is still a general oversupply of vessels globally, hence a risk that the values may continue to drop.

The main financial covenants for the Group (excluding DOF Subsea) are minimum free liquidity of NOK 500 million, minimum booked equity of NOK 3,000 million, and LTV (Loan to value) clauses on the vessels. For DOF Subsea the main financial covenants are the same including a minimum value adjusted equity ratio, however after balance date DOF Subsea has agreed a new threshold of minimum free liquidity, see comments below. By June, the Group was in compliance with all its financial covenants, ref note 9 to the accounts.

The majority of the Group's vessels on long-term contracts are funded in corresponding currency, mainly USD, hence the Group's cash is to a limited extent exposed to fluctuation in currency.

The portion of long-term debt secured with fixed rate of interest is approximately 75% of total debt and includes the debt with fixed interest in BNDES (Brazilian Development Bank).

As reported in 1st quarter, the Group experienced that regular refinancing (rollover) of existing loan facilities has been challenging and that this new situation was likely to result in the Group being in breach of its financial covenants in the near future. The management has during 2<sup>nd</sup> quarter had a dialogue with the involved parties and has agreed a short-term extension for a few facilities. In addition, the subsidiary DOF Subsea has agreed amended terms in the liquidity covenants with the bondholders with a common threshold of NOK 400 million as minimum liquidity. A long-term refinancing solution is however necessary and the management and the Board are, as further described under "Outlook" below, currently working on a proposal.

## Shareholders

By the end of June the total share capital was NOK 1,466 million divided into 293 million shares. The main shareholder Møgster Mohn Offshore AS controls 51.37% of the Company and 47.6% on a fully diluted basis.

## Employees

The Group employed as of 30 June 3,564 employees including hired staff, which is an increase since the previous quarter. The marine personnel amounts to 2,074 people, while 1,215 persons are employed within the subsea segment and 275 are employed onshore conducting marine management.

## Health, Safety, Environment and Quality

There were not identified any significant HSEQ issues during the 2<sup>nd</sup> quarter.

## Sustainability

DOF, Kongsberg, SINTEF Ocean and NORCE has joined forces to deliver "Intelligent Efficiency" for offshore operation. This new tool will act as the foundation for DOF to simplify operational complexity with objective measurement, ultimately enabling optimal utilisation and more sustainable fleet management.

**Outlook**

The North Sea markets within supply (PSV and AHTS) have proven better utilisation compared to same period last year, but there is still high volatility both in rates and utilisation, especially for the AHTS fleet. For the Subsea IMR fleet the markets have remained challenging.

The Group will maintain its strategy to secure the fleet on term contracts and is actively working on keeping the firm employment of the fleet as high as possible. The majority of the Group's high-end assets are committed on firm contracts and represent the largest portion of the Group's backlog. The OSV sector has the last few years experienced very challenging market conditions and the recovery has taken longer than expected. Nevertheless, even though several of the Group's vessels will end their long-term contracts during the next 6-12 months, the Group's backlog is still high.

A continuing weak market will however increase the risk of lower utilisation and earnings of the Group's vessels and represents an increased liquidity risk for the Group. As previously reported, the Group has experienced that regular refinancing (rollover) of existing loan facilities has become challenging, and a short-term solution has been secured. However, based on this new situation and a continued challenging market situation a long-term refinancing solution is necessary. The Board and management are in process to prepare a proposed long-term solution which is needed to secure satisfactory financing and liquidity for the Group throughout a continuing demanding period. This process includes a constructive dialogue with the Group's relevant stakeholders, although no assurance can be given that the Group will be successful in this respect. The effects of a potential breach of financial covenants are further described in note 9 (Net interest bearing debt) to the quarterly accounts.

The Board of Directors expects today the Group's Ebitda for 2<sup>nd</sup> half 2019 to be higher than 1st half 2019.

**IR contacts**

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**Declaration from the Board of Directors and the CEO**

We declare that to the best of our knowledge the financial statements for the period 1 January to 30 June 2019, are prepared in accordance with IAS34 accounting standards for interim reporting, and that the information provided gives a true and fair view of the company's assets, liabilities, profit and loss, and overall financial position.

We also declare that to the best of our knowledge the first half 2019 report provides a true and fair overview of important events during the accounting period and their influence on the interim account, as well as the most significant risks and uncertainties facing the Group during the following accounting period, in addition to material transactions with related parties.

**The Board of Directors of DOF ASA, August 19<sup>th</sup>, 2019**

Helge Møgster  
Chairman

Helge Singelstad  
Deputy Chairman

Kathryn Baker

Frederik W. Mohn

Marianne Møgster

Mons S. Aase  
CEO

# Accounts Q2 2019

## Consolidated statement of profit or loss

(MNOK)	Note	Q2 2019	Q2 2018	Acc Q2 2019	Acc Q2 2018	2018
Operating income	1	1 542	1 583	2 900	3 051	6 051
Operating expenses		-1 112	-1 199	-2 184	-2 359	-4 700
Net profit from associated and joint ventures	7	74	87	118	156	277
Net gain on sale of tangible assets		-	-	-	1	2
<b>Operating profit before depreciation and impairment - EBITDA</b>		<b>504</b>	<b>471</b>	<b>835</b>	<b>849</b>	<b>1 629</b>
Depreciation	6	-274	-252	-533	-525	-1 063
Impairment	6	-145	-93	-184	-243	-691
<b>Operating profit - EBIT</b>		<b>84</b>	<b>126</b>	<b>117</b>	<b>81</b>	<b>-125</b>
Financial income		25	17	60	34	121
Financial costs		-238	-225	-504	-436	-925
Net realised gain/loss on currencies		-73	-51	-177	-98	-341
Net unrealised gain/loss on currencies		105	-336	192	-160	-288
Net changes in fair value of financial instruments		21	-81	106	72	-2
<b>Net financial costs</b>		<b>-160</b>	<b>-676</b>	<b>-323</b>	<b>-588</b>	<b>-1 435</b>
<b>Profit (loss) before taxes</b>		<b>-77</b>	<b>-550</b>	<b>-206</b>	<b>-507</b>	<b>-1 560</b>
Taxes	12	-29	44	-33	48	57
<b>Profit (loss) for the period</b>		<b>-106</b>	<b>-506</b>	<b>-239</b>	<b>-459</b>	<b>-1 502</b>
<b>Profit attributable to</b>						
Non-controlling interest		5	-102	-1	-33	-235
Controlling interest		-111	-404	-238	-426	-1 267
Earnings per share (NOK)		-0,35	-1,29	-0,75	-1,41	-4,09
Diluted earnings per share (NOK)		-0,35	-1,29	-0,75	-1,41	-4,09

## Consolidated statement of comprehensive income

(MNOK)	Note	Q2 2019	Q2 2018	Acc Q2 2019	Acc Q2 2018	2018
<b>Profit (loss) for the period</b>		<b>-106</b>	<b>-506</b>	<b>-239</b>	<b>-459</b>	<b>-1 502</b>
<b>Items that will be subsequently reclassified to profit or loss</b>						
Currency translation differences		9	-56	12	-89	-68
Cash flow hedge	5	74	-380	89	-362	-260
Share of other comprehensive income of joint ventures	7	-4	50	-9	-	123
<b>Items that not will be reclassified to profit or loss</b>						
Defined benefit plan actuarial gain (loss)		-	-	-	-	3
<b>Other comprehensive income/loss net of tax</b>		<b>78</b>	<b>-386</b>	<b>92</b>	<b>-450</b>	<b>-202</b>
<b>Total comprehensive income/loss</b>		<b>-28</b>	<b>-892</b>	<b>-147</b>	<b>-910</b>	<b>-1 705</b>
<b>Total comprehensive income/loss net attributable to</b>						
Non-controlling interest		8	-98	1	-56	-198
Controlling interest		-36	-794	-149	-853	-1 506

## Consolidated statement of balance sheet

(MNOK)	Note	30.06.2019	30.06.2018	31.12.2018
<b>ASSETS</b>				
Tangible assets	6	18 836	19 293	18 898
Goodwill		292	318	295
Deferred tax assets		852	889	898
Investment in associates and joint ventures	7	1 696	1 235	1 547
Other non-current receivables		1 147	1 176	1 177
<b>Total non-current assets</b>		<b>22 822</b>	<b>22 912</b>	<b>22 815</b>
Trade receivables		1 290	1 452	1 312
Other receivables		444	459	406
<b>Current receivables</b>		<b>1 733</b>	<b>1 911</b>	<b>1 718</b>
Restricted deposits		263	327	316
Cash and cash equivalents		1 234	1 496	1 616
<b>Cash and cash equivalents incl. restricted deposits</b>	<b>8</b>	<b>1 498</b>	<b>1 823</b>	<b>1 932</b>
<b>Current assets</b>		<b>3 231</b>	<b>3 734</b>	<b>3 650</b>
<b>Total Assets</b>		<b>26 053</b>	<b>26 646</b>	<b>26 465</b>
<b>EQUITY AND LIABILITIES</b>				
Paid in equity		3 277	3 638	3 277
Other equity		83	511	232
Non-controlling interests		2 270	2 448	2 269
<b>Total equity</b>		<b>5 630</b>	<b>6 598</b>	<b>5 778</b>
Bond loan	9	2 087	1 928	2 480
Debt to credit institutions	5, 9	12 168	13 985	13 007
Lease debt	9	397	-	-
Other non-current liabilities		60	135	90
<b>Non-current liabilities</b>		<b>14 712</b>	<b>16 049</b>	<b>15 578</b>
Current portion of debt	9	4 276	2 583	3 678
Accounts payable		865	930	808
Other current liabilities		570	487	623
<b>Current liabilities</b>		<b>5 710</b>	<b>4 000</b>	<b>5 110</b>
<b>Total liabilities</b>		<b>20 422</b>	<b>20 048</b>	<b>20 687</b>
<b>Total equity and liabilities</b>		<b>26 053</b>	<b>26 646</b>	<b>26 465</b>



## 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 01.01.2019	3 277	232	544	196	-740	232	2 269	5 778
Result (loss) for the period			-238			-238	-1	-239
Other comprehensive income/loss			-6	6	89	89	3	92
Reclassification between CTA and cash flow hedge				-1	1	-		-
<b>Total comprehensive income for the period</b>	-	-	-244	5	90	-149	1	-147
Converted bond loan	-					-		-
Dividend to non-controlling interest								-
<b>Balance at 30.06.2019</b>	<b>3 277</b>	<b>232</b>	<b>301</b>	<b>201</b>	<b>-650</b>	<b>83</b>	<b>2 270</b>	<b>5 630</b>
Balance at 01.01.2018	3 393	276	1 473	232	-537	1 444	2 505	7 342
Result (loss) for the period			-426			-426	-33	-459
Other comprehensive income/loss				-65	-362	-427	-23	-450
Reclassification between CTA and cash flow hedge				-92	92	-		-
<b>Total comprehensive income for the period</b>	-	-	-426	-157	-270	-853	-56	-909
Share issue	202		-11			-11		191
Converted bond loan	43	-43				-43	-	-
IFRS 9 implementation effect			-25			-25		-25
<b>Total transactions with owners</b>	<b>245</b>	<b>-43</b>	<b>-36</b>	<b>-</b>	<b>-</b>	<b>-79</b>	<b>-</b>	<b>166</b>
<b>Balance at 30.06.2018</b>	<b>3 638</b>	<b>233</b>	<b>1 011</b>	<b>75</b>	<b>-807</b>	<b>512</b>	<b>2 449</b>	<b>6 598</b>

## Key figures

		Q2 2019	Q2 2018	Acc Q2 2019	Acc Q2 2018	2018
EBITDA margin ex net gain on sale of vessel	1	33%	30%	29%	28%	27%
EBITDA margin	2	33%	30%	29%	28%	27%
EBIT margin	3	5%	8%	4%	3%	-2%
Cashflow per share (controlling interest)	4	1,76	1,30	2,35	1,91	3,90
Profit per share (controlling interest)	5	-0,75	-1,29	-1,15	-1,36	-4,02
Profit per share ex. unrealised gain/loss on currencies and changes fair value of financial instruments (controlling interest)	6	-1,50	-0,27	-2,31	-1,09	-3,37
Return on net capital	7			-4%	-7%	-26%
Equity ratio	8			22%	25%	22%
Net interest bearing debt				17 141	16 552	17 089
Net interest bearing debt excl. effect of IFRS 16				16 805	16 552	17 089
Number of shares *)		293 237 779	290 139 208	293 237 779	279 849 800	293 237 779
Potential average number of shares *)		316 456 168	313 357 597	316 456 168	303 068 189	309 817 198
Potential number of shares *)		316 456 168	316 456 168	316 456 168	316 456 168	316 456 168

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 average no of shares.

7) Result incl non-controlling interest/total equity

8) Total equity/total balance

\*) The shares in DOF ASA has been consolidated in the ratio of 10:1 in May 2018. Comparable figures are revised.

## Consolidated statement of cash flows

(MNOK)	Q2 2019	Q2 2018	Acc Q2 2019	Acc Q2 2018	2018
Operating result	84	126	117	81	-125
Depreciation and impairment	420	345	717	768	1 754
Gain/loss on disposal of tangible assets	-	-	-	-1	-2
Share of profit/loss from associates and joint ventures	-74	-87	-118	-156	-277
Changes in accounts receivables	50	7	22	128	267
Changes in accounts payable	179	103	57	57	-65
Changes in other working capital	-50	-56	66	-3	201
Exchange rate effects on operating activities	-22	8	-77	-108	-116
<b>Cash from operating activities</b>	<b>587</b>	<b>445</b>	<b>784</b>	<b>766</b>	<b>1 637</b>
Interest received	15	4	50	9	19
Interest paid	-226	-210	-492	-446	-920
Taxes paid	-8	-3	-18	-14	-34
<b>Net cash from operating activities</b>	<b>368</b>	<b>235</b>	<b>325</b>	<b>316</b>	<b>701</b>
Payments received for sale of tangible assets	-	1	-	2	2
Purchase of tangible assets	-214	-157	-323	-264	-510
Purchase of shares	-4	-10	-4	-10	-22
Received dividend	-	-	1	-	-
Other investments	171	-27	175	-12	20
<b>Net cash from investing activities</b>	<b>-48</b>	<b>-194</b>	<b>-151</b>	<b>-285</b>	<b>-511</b>
Proceeds from borrowings	-	519	-	545	1 629
Repayment of borrowings	-381	-489	-629	-1 141	-2 219
Share issue	-	-1	-	191	191
Payments to non-controlling interests	-	-	-	-	-31
<b>Net cash from financing activities</b>	<b>-381</b>	<b>29</b>	<b>-629</b>	<b>-405</b>	<b>-430</b>
<b>Net changes in cash and cash equivalents</b>	<b>-61</b>	<b>71</b>	<b>-455</b>	<b>-375</b>	<b>-239</b>
Cash and cash equivalents at the start of the period	1 542	1 787	1 932	2 238	2 238
Exchange gain/loss on cash and cash equivalents	17	-35	20	-41	-67
<b>Cash and cash equivalents at the end of the period</b>	<b>1 498</b>	<b>1 823</b>	<b>1 498</b>	<b>1 823</b>	<b>1 932</b>

Restricted cash amounts to NOK 263 million (NOK 327 million) and is included in the cash. Changes in restricted cash is reflected in the cash flow. For further information, please see note 8 "Cash and cash equivalents".

# 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 19 August 2019. 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 2018, 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 2018, with the exception of changes in estimates that are required in determining the provision for income taxes.

### **Adoption of new standards from 1 January 2019**

#### *IFRS 16 Leases*

IFRS 16 Leases has replaced the standard IAS 17 Leases and related interpretations. IFRS 16 Leases removes the current distinction between operating and financing leases for lessees and requires recognition of an asset (the right to use the leased item) and a financial liability representing its obligation to make lease payments. Lease payments are reflected as interest expense and a reduction of lease liabilities.

The Group has adopted the standard at its mandatory date 1 January 2019. The Group applied the simplified transition approach and comparative amounts for the year prior to first adoption are not restated.

Reference is made to note 2 ‘Accounting policies’ and note 36 ‘Adoption of new standard as from 01.01.2019 - IFRS 16 Leases’ in the Groups annual report for 2018 for a detailed description of policy- and transition choices made upon the implementation of the standard. There have been no changes to these elements.

Please see note 13 for more information.



## Note 2 Management reporting

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

RESULT (MNOK)	2nd Quarter 2019			2nd Quarter 2018		
	Management reporting	Reconciliation to equity method	Financial reporting	Management reporting	Reconciliation to equity method	Financial reporting
Operating income	1 854	-313	1 542	1 804	-221	1 583
Operating expenses	-1 180	68	-1 112	-1 246	47	-1 199
Net profit from associated and joint ventures	-5	79	74	2	85	87
Net gain on sale of tangible assets	-	-	-	-	-	-
<b>Operating profit before depreciation and impairment - EBITDA</b>	<b>669</b>	<b>-166</b>	<b>504</b>	<b>560</b>	<b>-89</b>	<b>471</b>
Depreciation	-334	59	-274	-287	36	-252
Impairment	-154	9	-145	-93	-	-93
<b>Operating profit - EBIT</b>	<b>181</b>	<b>-98</b>	<b>84</b>	<b>179</b>	<b>-53</b>	<b>126</b>
Financial income	8	16	25	7	10	17
Financial costs	-296	58	-238	-259	34	-225
Net realised gain/loss on currencies	-79	5	-73	-54	3	-51
Net unrealised gain/loss on currencies	121	-16	105	-341	5	-336
Net changes in fair value of financial instruments	21	-	21	-81	-	-81
<b>Net financial costs</b>	<b>-224</b>	<b>63</b>	<b>-160</b>	<b>-729</b>	<b>52</b>	<b>-676</b>
<b>Profit (loss) before taxes</b>	<b>-42</b>	<b>-34</b>	<b>-77</b>	<b>-549</b>	<b>-1</b>	<b>-550</b>
Taxes	-64	34	-29	43	1	44
<b>Profit (loss)</b>	<b>-106</b>	<b>-</b>	<b>-106</b>	<b>-506</b>	<b>-</b>	<b>-506</b>

BALANCE (MNOK)	30.06.2019			30.06.2018		
	Management reporting	Reconciliation to equity method	Financial reporting	Management reporting	Reconciliation to equity method	Financial reporting
<b>ASSETS</b>						
Tangible assets	25 585	-6 749	18 836	25 123	-5 830	19 293
Goodwill	292	-	292	318	-	318
Deferred taxes	930	-78	852	917	-28	889
Investment in associated companies and joint ventures	85	1 611	1 696	81	1 154	1 235
Other non-current financial assets	272	874	1 147	193	983	1 176
<b>Total non-current assets</b>	<b>27 163</b>	<b>-4 341</b>	<b>22 822</b>	<b>26 633</b>	<b>-3 720</b>	<b>22 912</b>
Receivables	1 874	-141	1 733	2 080	-169	1 911
Cash and cash equivalents	1 789	-291	1 498	2 062	-239	1 823
<b>Total current assets</b>	<b>3 663</b>	<b>-432</b>	<b>3 231</b>	<b>4 143</b>	<b>-409</b>	<b>3 734</b>
<b>Total assets</b>	<b>30 826</b>	<b>-4 774</b>	<b>26 053</b>	<b>30 775</b>	<b>-4 129</b>	<b>26 646</b>
<b>EQUITY AND LIABILITIES</b>						
Equity	5 630	-	5 630	6 598	-	6 598
Non-current liabilities	19 088	-4 377	14 712	19 560	-3 512	16 049
Current liabilities	6 108	-397	5 710	4 617	-617	4 000
<b>Total liabilities</b>	<b>25 196</b>	<b>-4 774</b>	<b>20 422</b>	<b>24 177</b>	<b>-4 129</b>	<b>20 048</b>
<b>Total equity and liabilities</b>	<b>30 826</b>	<b>-4 774</b>	<b>26 053</b>	<b>30 775</b>	<b>-4 129</b>	<b>26 646</b>

## Note 3 Segment information - management reporting

	PSV	AHTS	Subsea	Total
<b>2<sup>nd</sup> quarter 2019</b>				
Operating income	149	326	1 380	1 854
Operating result before depreciation and impairment - EBITDA	43	183	443	669
Depreciation	33	88	212	334
Impairment	2	90	63	154
Operation result - EBIT	8	6	167	181
<b>2<sup>nd</sup> quarter 2018</b>				
Operating income	164	298	1 342	1 804
Operating result before depreciation and impairment - EBITDA	31	131	398	560
Depreciation	31	87	169	287
Impairment	19	-	74	93
Operation result - EBIT	-20	44	156	179

## Note 4 Operating income

The Group's operating income streams are a result of the Group's Time Charter contracts and Project Contracts.

Time Charter revenue is based on contracts where the Group deliver a vessel including crew, to a client. The charterer determines, within the contractual limits, how the vessel is to be utilised. A Time Charter contract consists of a bareboat component and a service component. The bareboat period starts from the time the vessel is made available to the customer and expires on the agreed return date. The Bareboat component will normally be within the range 30-80% of the total contract value. The service component covering crew on board the vessel. The service component is within the scope of IFRS 15, while the bareboat component is within the scope of IAS 17/IFRS 16. Both the service and the bareboat are recognised as revenue over the lease period on a straight-line basis. There is no time charter revenue when the vessels are off hire.

Project revenue is based on contracts where the Group utilises its vessels, equipment, crew and the onshore project organisation to perform tailor made service on the client's installations and/or assets. The project revenue is recognised over time.

Both Time Charter contracts and Project contracts are contracts with customers where the Group is compensated based on a fixed day rate for vessel, equipment and personnel. Some of the project contracts will from time to time be lump sum contracts based on a fixed fee for the total service and/or construction delivered.

Operating income	Q2 2019	Q2 2018	Acc Q2 2019	Acc Q2 2018	2018
Lump sum contracts	63	10	113	39	125
Day rate contracts	1 479	1 573	2 787	3 012	5 926
Total	1 542	1 583	2 900	3 051	6 051

## Note 5 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 Navegacao 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 the 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 6 Tangible assets

2019	Vessel and periodical maintenance	ROV	Operating equipment	"Right-of-use" assets	Total
Book value at 31.12.2018	17 787	707	403		18 898
Implementation of IFRS 16 Leases				353	353
Book value at 01.01.2019	17 787	707	403	353	19 251
Addition	289	18	22	10	339
Depreciation	-383	-77	-46	-27	-533
Impairment loss	-184				-184
Currency translation differences	-27		-1	-8	-36
Book value at 30.06.2019	17 482	648	378	328	18 836

2018	Vessel and periodical maintenance	ROV	Newbuilds	Operating equipment	Total
Book value at 01.01.2018	19 368	844	11	444	20 667
Addition	233	2	7	26	268
Reclassification		17	-12	-5	-
Depreciation	-387	-81		-57	-525
Impairment loss	-243				-243
Currency translation differences	-856	-4		-14	-874
Book value at 30.06.2018	18 115	778	6	394	19 293

### Right-of-use asset

Net booked value of right-of-use assets at 30 June 2019 consists of property with NOK 311 million and operating equipment with NOK 17 million.

### Newbuild

Newbuild balance for 2018 relates to other subsea equipment under construction. For presentation purposes the newbuild balance has been allocated to the related asset group in 2019, this also includes the opening balance of newbuilding that was allocated to ROVs and operating equipments.

### Impairment

Impairment indicators are observed and an impairment test for vessels in the Group has been done. Impairment tests are performed in line with accounting principles presented in annual report for 2018. Impairment of NOK 145 million has been recognised in the 2<sup>nd</sup> quarter of 2019 and NOK 184 million year to date 30 June 2019.

In addition an impairment in the joint ventures of NOK 9 million has been done in 2<sup>nd</sup> quarter 2019 and NOK 20 million year to date 30 June 2019.



## Note 7 Investment in associates and joint ventures

The Company's investment in associates and joint ventures as of 30.06.2019;

Joint ventures	Ownership
DOFCON Brasil AS with subsidiaries	50%
DOF Deepwater AS	50%
DOF Iceman AS (owner of 40% in Iceman AS, Skandi Iceman)	50%
<b>Associated companies</b>	
Master & Commander	20%
Skandi Aukra AS	34%
Iceman AS (Skandi Iceman)	35%
DOF OSM Services AS	50%
DOF Subsea Ghana Ltd	49%
<b>Effect of application of IFRS 11 on investments in joint ventures;</b>	<b>30.06.2019</b>
Opening balance 01.01.2019	1 547
Addition	4
Profit (loss)	118
Profit (loss) through OCI	-9
Negative value on investments reallocated to receivable and liabilities	35
<b>Closing balance 30.06.2019</b>	<b>1 696</b>

## Note 8 Cash and cash equivalent

	30.06.2019	30.06.2018	31.12.2018
Restricted cash *)	263	327	316
Cash and cash equivalent	1 234	1 496	1 616
<b>Total cash and cash equivalent</b>	<b>1 498</b>	<b>1 823</b>	<b>1 932</b>

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

## Note 9 Interest bearing liabilities

### Covenants regarding non-current liabilities to credit institutions:

#### DOF ASA

DOF ASA Group shall have a book equity higher than NOK 3,000 million, free cash deposits shall at all times be minimum NOK 500 million (excluding DOF Subsea AS and its subsidiaries) and market value of the vessels on aggregated level shall at all times be higher than 100% of outstanding secured debt.

#### DOF Subsea AS

DOF Subsea AS shall have a book equity higher than NOK 3,000 million, free cash deposits shall at all times be minimum NOK 500 million (based on the proportional consolidation method of accounting for joint ventures), value adjusted equity shall be at least 30% and market value vessels shall at all times be at least 110-130% of outstanding secured debt.

The Group is in compliance with its financial covenants as of 30 June 2019.

DOF Subsea AS has aligned the definition of liquidity covenants in the bond loans, DOFSUB07, DOFSUB08 and DOFSUB09, with the covenants in the remaining loan agreements (all loans based on proportionate consolidation method of accounting for joint ventures).

Interest bearing liabilities	30.06.2019	30.06.2018	31.12.2018
Non-current interest bearing liabilities			
Bond loan	2 087	1 928	2 480
Debt to credit institutions	12 168	13 985	13 007
Lease liabilities (IFRS 16)	397	-	-
Total non-current interest bearing liabilities	14 652	15 913	15 487
Current interest bearing liabilities			
Bond loan	467		100
Debt to credit institutions	3 524	2 145	3 375
Lease liabilities (IFRS 16)	88		
Overdraft facilities	57	317	59
Total current interest bearing liabilities	4 136	2 462	3 534
Total interest bearing liabilities	18 788	18 376	19 021
Net interest bearing liabilities			
Other interest bearing assets non-current (sublease IFRS 16)	149		
Cash and cash equivalents	1 498	1 823	1 932
Total net interest bearing liabilities	17 141	16 552	17 089
Net effect of IFRS 16 Lease	336		
Total net interest bearing liabilities excluded IFRS 16 Lease liabilities	16 805	16 552	17 089

Non-current loans provided by Eksportfinans are invested as restricted deposits. The repayment terms of the loans from Eksportfinans are equivalent with the reduction of the deposits. The loans are fully repaid in 2020. The cash deposit is included in restricted deposits.

Current portion of debt to credit institutions amounts to NOK 3,524 million, including balloon payments of NOK 1,264 million, ordinary instalments of NOK 1,610 million and drawn credit facilities of NOK 650 million. The credit facilities are non-current and may be redrawn.

### Financing

As reported in 1st quarter, the Group experienced that regular refinancing (rollover) of existing loan facilities has been challenging and that this new situation was likely to result in the Group being in breach of its financial covenants in the near future. The management has during 2<sup>nd</sup> quarter had a dialogue with the involved parties and has agreed a short-term extension for a few facilities. In addition, the subsidiary DOF Subsea has agreed amended terms in the liquidity covenants with the bondholders with a common threshold of NOK 400 million as minimum liquidity. The management and the Board of Directors are working on a long-term financial solution for the Group that will involve all relevant stakeholders. The effect of not being able to obtain a long-term financial solution, may result in a reclassification of the Group's non-current debt to credit institutions and bond loans from non-current debt to current debt. If a reclassification should occur, the consequence will be that the amount of current debt will increase by NOK 10.1 billion as of 30 June 2019.

## Note 9 Interest bearing liabilities (continued)

Installment- and balloon profile *)	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Total current debt	Remaining 2020	2021	2022	2023	Subsequent	Total
Bond loan	-	92	-	375	467	-	-	1 253	840	-	2 560
Debt to credit institutions	749	758	414	340	2 261	798	1 222	1 074	991	4 350	10 696
Balloons debt to credit institutions	69	811	384	-	1 264	516	2 351	161	749	-	5 041
Overdraft facilities	57	-	-	-	57	-	-	-	-	-	57
<b>Total</b>	<b>875</b>	<b>1 661</b>	<b>798</b>	<b>715</b>	<b>4 049</b>	<b>1 314</b>	<b>3 573</b>	<b>2 489</b>	<b>2 580</b>	<b>4 350</b>	<b>18 355</b>

\*) Lease debt according to IFRS 16 and amortised costs are excluded in the figures above.

Loan divided on currency and fixed interest	Share fixed interest	Balance 30.06.2019
NOK	69%	8 372
USD	79%	9 519
CAD	100%	369
BRL	0,0 %	95
<b>Total</b>	<b>75%</b>	<b>18 355</b>

**Reconciliation changes in borrowings**

Changes in total liabilities over a period consists of both cash effects (proceeds and repayments) and non-cash effects (amortisations and currency translations effects). The following are the changes in the Group's borrowings:

Reconciliation changes in liabilities	Balance 31.12.2018	Cash flows	Non-cash changes					Balance 30.06.2019
			Implementation IFRS 16 Lease	Proceeds lease debt	Amortised loan expenses	Reclassifi- cation	Currency adjustments	
Non-current interest bearing liabilities								
Bond loan	2 480				-1	-367	-25	2 087
Debt to credit institutions	13 007	-837		5	11		-18	12 168
Lease liabilities		-40	441				-4	397
Total	15 487	-877	441	5	10	-367	-47	14 652
Non-current interest bearing liabilities								
Bond loan	100					367		467
Debt to credit institutions	3 375	250					-101	3 524
Lease liabilities			84				4	88
Overdraft facilities	59	-2						57
Total	3 534	248	84	-	-	367	-97	4 136
Total interest bearing liabilities	19 021	-629	525	5	10	-	-144	18 788

## Note 10 Subsequent events

### **Contracts**

Main contract awards are three 5-year contracts for ConocoPhillips at the Ekofisk field for Skandi Marøy, Skandi Nova and Skandi Hugen with start up in direct continuation of the existing contracts in 4<sup>th</sup> quarter 2019 and 1st quarter 2020, and a 5-year contract for Esso Australia for Skandi Feistein with start-up in 2<sup>nd</sup> half 2019.

Skandi Skansen was awarded a contract with a major operator on the UKCS for decommissioning and subsea infrastructure work commencing for the third quarter 2019.

DOF Subsea secured several short-term contracts in the Subsea/IMR Project segment, securing utilisation for Skandi Skansen, Geosund, and Harvey Deep Sea.

### **Financial**

#### *Share capital*

In July the bondholders in the Subordinated Convertible Bond converted bonds with an aggregate nominal value of NOK 76,500,000 by issuance of 7,650,000 new shares, each with a nominal value of NOK 5, at the conversion price of NOK 10.00 per share. Following the share capital increase, the Company's share capital is NOK 1,504,438,895, divided into 300,887,779 shares. The new outstanding amount under the Subordinated Convertible Bond is NOK 155,683,885.

#### *DOF Subsea*

Following the approval from the bondholders, DOF Subsea has aligned the definition of liquidity covenants in the bond loans, DOFSUB07, DOFSUB08 and DOFSUB09, with the covenants in the remaining loan agreement (all loans based on proportionate consolidated method of accounting for joint ventures).

## Note 11 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 2018.

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

## Note 12 Taxes

Taxes per 30 June 2019 are a preliminary estimate.



## Note 13 Adoption of IFRS 16 Lease from 1 January 2019

The implementation of the IFRS 16 has increased the financial position with lease liabilities, net investments and right-of-use assets. The Groups equity has not been impacted by the implementation of IFRS 16. The following line items in the financial report have been impacted as result of the new accounting standard.

CONSOLIDATED STATEMENT OF BALANCE SHEET	31.12.2018	Implementation IFRS 16 Leases	01.01.2019
Tangible assets	18 898	353	19 251
Other non-current assets	3 917	172	4 089
Total non-current assets	22 815	525	23 340
Total current assets	3 650		3 650
<b>Total assets</b>	<b>26 465</b>	<b>525</b>	<b>26 990</b>
Total equity	5 778		5 778
Non-current liabilities	15 578	441	16 019
Current liabilities	5 110	84	5 194
Total liabilities	20 687	525	21 212
<b>Total equity and liabilities</b>	<b>26 465</b>	<b>525</b>	<b>26 990</b>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	Q2 2019 excluding IFRS 16	Effect of IFRS 16	Q2 2019	Acc Q2 2019 excluding IFRS 16	Effect of IFRS 16	Acc Q2 2019
Operating revenue	1 554	-12	1 542	2 924	-24	2 900
Operating expenses	-1 138	25	-1 112	-2 238	55	-2 184
Share of net income from associates and joint ventures	74		74	118		118
Profit from sale of tangible assets	0		0	0		0
<b>Operating result before depreciation and impairment (EBITDA)</b>	<b>490</b>	<b>13</b>	<b>504</b>	<b>805</b>	<b>30</b>	<b>835</b>
Depreciation	-261	-14	-274	-506	-27	-533
Impairment	-145	-	-145	-184	-	-184
<b>Operating result (EBIT)</b>	<b>84</b>	<b>-1</b>	<b>84</b>	<b>115</b>	<b>3</b>	<b>117</b>
Financial income	23	2	25	56	4	60
Financial costs	-232	-6	-238	-491	-12	-504
Net realised gain/loss on currencies	-73		-73	-177		-177
Net unrealised gain/loss on currencies	107	-2	105	194	-2	192
Net changes in fair value of financial instruments	21		21	106		106
<b>Net financial costs</b>	<b>-154</b>	<b>-7</b>	<b>-160</b>	<b>-312</b>	<b>-11</b>	<b>-323</b>
<b>Profit (loss) before taxes</b>	<b>-69</b>	<b>-7</b>	<b>-77</b>	<b>-198</b>	<b>-8</b>	<b>-206</b>
Taxes	-		-29	-29		-33
<b>Profit (loss) for the period</b>	<b>-69</b>	<b>-7</b>	<b>-106</b>	<b>-227</b>	<b>-8</b>	<b>-239</b>

The table below presents a reconciliation of the Groups operating lease liabilities as reported under IAS 17 Leases per 31 December 2018 and the IFRS 16 lease liability recognised on 1 January 2019.

RECONCILIATION OF LEASE COMMITMENTS TO LEASE LIABILITIES	01.01.2019
Operating lease commitments (IAS 17) at 31 December 2018	678
Practical expedient related to short-term and low-value leases	-72
Effect of discounting	-93
Escalation and amendments to lease agreements	12
Lease liabilities recognised at initial application	525

## Note 14 Share capital and shareholders

### Largest shareholders as of 30.06.2019

Name	No. shares	Shareholding
MØGSTER MOHN OFFSHORE AS	150 638 643	51.37%
BNP PARIBAS SECURITIES SERVICES	9 570 169	3.26%
CITIBANK, N.A.	2 587 634	0.88%
NORDNET BANK AB	2 439 554	0.83%
DRAGESUND INVEST AS	2 360 000	0.80%
MORGAN STANLEY & CO. LLC	2 183 805	0.74%
STAVERN HELSE OG FORVALTNING AS	2 000 000	0.68%
MOCO AS	1 984 419	0.68%
SKANDINAVISKA ENSKILDA BANKEN AB	1 962 201	0.67%
BERGEN KOMMUNALE PENSJONSKASSE	1 800 000	0.61%
AS NAVE	1 768 946	0.60%
NORDNET LIVSFORSIKRING AS	1 544 474	0.53%
HOLDEN	1 465 222	0.50%
AKERSHUS INTERKOMMUNALE	1 000 000	0.34%
KRISTIAN FALNES AS	950 000	0.32%
RBC INVESTOR SERVICES BANK S.A.	900 000	0.31%
DP HOLDING AS	897 688	0.31%
THE NORTHERN TRUST COMP, LONDON BR	874 097	0.30%
SJÁVARSYN EHF.	850 000	0.29%
SIGFISK AS	850 000	0.29%
Total	188 626 852	64.33%
Total other shareholders	104 610 927	35.67%
Total no of shares	293 237 779	100.00%

## Note 15 Performance measurements definitions

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

The definitions of these measures are as follows:

**Financial reporting** – Financial Reporting according to IFRS.

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

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

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

**Debt ratio** – Net interest bearing debt divided on total equity and debt.

**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.

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





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