# Q4 2019

## DOF ASA Financial Report

# Management reporting: Accounts 4th quarter 2019

## RESULT

| (MNOK) | Q4 2019 | Q4 2018 | 2019 | 2018 |
|---|---|---|---|---|
| Operating income | 1 979 | 1 704 | 7 524 | 6 938 |
| Operating expenses | -1 199 | -1 214 | -4 808 | -4 868 |
| Net profit from associated and joint ventures | -32 | 2 | -47 | -5 |
| Net gain on sale of tangible assets | - | - | 4 | 2 |
| Operating profit before depreciation and impairment - EBITDA | 749 | 493 | 2 673 | 2 066 |
| Depreciation | -323 | -339 | -1 314 | -1 240 |
| Impairment | -328 | -340 | -1 449 | -737 |
| Operating profit - EBIT | 98 | -186 | -90 | 89 |
| Financial income | - | 25 | 42 | 51 |
| Financial costs | -321 | -307 | -1 273 | -1 099 |
| Net realised gain/loss on currencies | -10 | -130 | -255 | -352 |
| Profit before unrealised finance costs | -234 | -598 | -1 576 | -1 311 |
| Unrealised finance costs | -53 | -229 | -763 | -294 |
| Profit (loss) before taxes | -287 | -827 | -2 340 | -1 604 |
| Taxes | -226 | 53 | -542 | 102 |
| Profit (loss) | -512 | -774 | -2 881 | -1 502 |

## BALANCE

| (MNOK) | 31.12.2019 | 31.12.2018 |
|---|---|---|
| **ASSETS** | | |
| Tangible assets | 24 303 | 25 074 |
| Goodwill | 85 | 295 |
| Deferred taxes | 200 | 1 006 |
| Investment in associated companies and joint ventures | 45 | 89 |
| Other non-current financial assets | 263 | 109 |
| Total non-current assets | 24 896 | 26 572 |
| Receivables | 1 761 | 1 851 |
| Cash and cash equivalents | 1 715 | 2 240 |
| Total current assets | 3 475 | 4 091 |
| Total assets | 28 371 | 30 663 |
| **EQUITY AND LIABILITIES** | | |
| Equity | 3 451 | 5 778 |
| Non-current liabilities | 18 201 | 19 406 |
| Current liabilities | 6 719 | 5 479 |
| Total liabilities | 24 920 | 24 885 |
| Total equity and liabilities | 28 371 | 30 663 |
| Net interest bearing liabilities excluded effect of IFRS 16 | 21 169 | 20 952 |

## CASH FLOW

| (MNOK) | Q4 2019 | Q4 2018 | 2019 | 2018 |
|---|---|---|---|---|
| Net cash from operation activities | 523 | 577 | 1 539 | 1 259 |
| Net cash from investing activities | -77 | -207 | -1 312 | -1 430 |
| Net cash from financing activities | -424 | 130 | -722 | 26 |
| Net changes in cash and cash equivalents | 21 | 500 | -495 | -145 |
| Cash and cash equivalents at start of the period | 1 679 | 1 750 | 2 240 | 2 434 |
| Exchange gain/loss on cash and cash equivalents | 15 | -10 | -30 | -50 |
| Cash and cash equivalents at the end of the period | 1 715 | 2 240 | 1 715 | 2 240 |

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# Financial report 4th Quarter 2019

## KEY INFORMATION

Group EBITDA (management reporting) of NOK 805 million (NOK 546 million) excl. hedge accounting

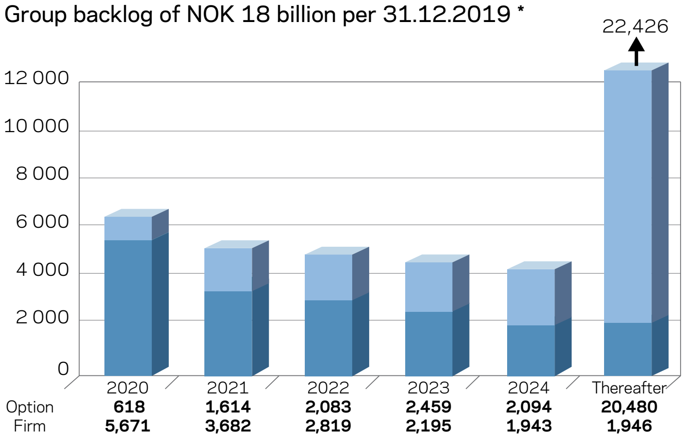
Fleet utilisation of 83%

- 80% subsea fleet, 77% AHTS fleet and 94% 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
  - Improved earnings and utilisation for Subsea IMR project fleet
  - Stable earnings for the fleet in Brazil
- The long-term refinancing solution has been delayed and is expected to be concluded within 1st quarter 2020

Group backlog of NOK 18 billion per 31.12.2019 *




*) Based on management reporting.

## KEY FIGURES

| | Management reporting | | Management reporting | |
|---|---|---|---|---|
| (MNOK) | Q4 2019 | Q4 2018 | 2019 | 2018 |
| Operating income | 1 979 | 1 704 | 7 524 | 6 938 |
| EBITDA | 749 | 493 | 2 673 | 2 066 |
| EBIT | 98 | -186 | -90 | 89 |
| Net financial costs | -384 | -641 | -2 249 | -1 693 |
| Profit (loss) | -512 | -774 | -2 881 | -1 502 |
| EBITDA - before hedge | 805 | 546 | 2 861 | 2 246 |
| NIBD (Net interest bearing debt) | | | 21 499 | 20 952 |
| NIBD (Net interest bearing debt) excluded effect of IFRS 16 | | | 21 169 | 20 952 |
| Equity ratio | | | 12% | 19% |

## Q4 Operations

The Q4 operational result per segment is as follows;

| (MNOK) | PSV | AHTS | Subsea | Total |
|---|---|---|---|---|
| Operating income | 140 | 294 | 1 545 | 1 979 |
| Operating result before depreciation and impairment - EBITDA | 39 | 129 | 581 | 749 |
| Depreciation | 34 | 83 | 206 | 323 |
| Impairment | 60 | 63 | 205 | 328 |
| Operating result - EBIT | -55 | -17 | 170 | 98 |
| EBITDA margin | 28% | 44% | 38% | 38% |
| EBIT margin | -39% | -6% | 11% | 5% |

**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 on term contracts in the period. The average utilisation for the PSV fleet was 94% compared to 87% in 4th quarter 2018. One vessel left the North Sea after completion of a minor conversion and started on a five-year contract with Esso Australia in October.

In the North Sea, a 6-month contract was awarded for the Skandi Barra in November and a 1-year option applicable from February 2020 was exercised for the Skandi Kvitsøy in December. In Italy, multiple contracts were awarded including two PSVs, and Skandi Buchan and Skandi Foula have sailed from Guyana to the Mediterranean to serve these contracts.

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 77% in the quarter and 65% in the 4th quarter 2018.

11 vessels have operated in South America, whereof 10 in Brazil and one in Argentina. The fleet in Brazil has during the period operated on firm contracts whereof the majority of the fleet has local flag. The contract in Argentina was terminated in December and this vessel was idle by end of the year. In the North Sea, the spot market has been busy during 4th quarter and the fleet has achieved utilisation and earnings significantly better compared to same period last year. However, by end of the year the activity declined, and the North Sea activity has continued with low activity so far in 2020. One vessel was in December reactivated from lay-up for a contract and sailed for a 75-day contract in Italy/Mediterranean. In Asia-Pacific, two vessels have operated outside New Zealand to support drilling activities. Three AHTS vessels were idle or in lay-up by end of the year.

Equinor exercised a 6-month option on the Skandi Vega from November. In addition, one AHTS was awarded a 75-day + options as part of the multiple vessel contracts in Italy. Skandi Saigon started on this contract in January 2020.

SUBSEA

During the 4th quarter, the Group operated a fleet of 31 Subsea vessels, including two 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 time charter contracts, mainly performed by DOF Subsea. The revenues from the subsea IMR contracts during the 4th quarter amounted to NOK 825 million (NOK 767 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 80% in the 4th quarter and 69% in the same period last year.

The average utilisation for the Subsea IMR/project fleet has been 79% (65%) in the quarter. The Asia-Pacific region has achieved a higher utilisation of its fleet compared to the same period last year, and has conducted IMR and survey work outside Australia, New Zealand, the Philippines, and Malaysia in the quarter. In the Atlantic region, in particular the North Sea region has shown weak activity in the period and two vessels have been idle the entire quarter. In the North America region, the activity has been stable both in Canada and in the GoM and the region has mainly conducted IMR and installation work during the quarter. This region has also served a contract including RSV services in the Middle East. The Brazil region has been engaged in ROV inspection and diving work contracts with Petrobras.

All the four DOFCON PLSVs operating on long-term contracts with Petrobras have achieved high utilisation during the quarter. In addition, Skandi Niteroi went on-hire on a contract with TechnipFMC at the Peregrino field in October. Skandi Vitoria has been reactivated from lay-up for a 2-year contract with TechnipFMC.

DOF Subsea was during the quarter awarded two contracts in Africa for the Skandi Seven and the Skandi Skansen in Angola and in Ghana respectively. In the North America region, Skandi Neptune was awarded a 3-year frame agreement for IMR and light construction in Trinidad. In the Asia-Pacific region, Skandi Hercules and Skandi Singapore were awarded various contracts securing utilisation into 1st quarter 2020. In the North Sea, the Skandi Carla has been awarded an extension and is firm until October 2020.

## Main Items Interim Accounts Q4 – Financial Reporting

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

RESULT

| (MNOK) | Q4 2019 | Q4 2018 | 2019 | 2018 |
|---|---|---|---|---|
| Operating income | 1 624 | 1 471 | 6 276 | 6 051 |
| EBITDA | 519 | 373 | 1 815 | 1 629 |
| EBIT | 44 | -237 | -387 | -125 |
| Net financial costs | -325 | -527 | -1 909 | -1 435 |
| Profit (loss) | -512 | -774 | -2 881 | -1 502 |

P&L 4 TH QUARTER

The Group has adopted the new accounting standard for IFRS 16 Leases and applied the simplified transition approach, and comparative amounts for the year prior to first adoption are not restated. Total assets at the end of 2019 are affected by the implementation of the standard by NOK 423 million and liabilities are affected with NOK 461 million. This has increased the lease liabilities, net investment, and right-of-use assets compared to the financial position as reported previous period.

Total revenues and operating costs are higher than the same period last year and reflect improved performance within the subsea IMR segment and higher vessel utilisation. Net profit from associated companies was NOK 5 million (NOK 70 million) and represents operations from the DOFCON JV and the DOF Deepwater JV. The Group Ebitda was NOK 519 million (NOK 373 million) and the Ebit was NOK 44 million (NOK -237 million). Total depreciation and impairment were NOK 476 million (NOK 610 million). Impairments booked in the period are NOK 213 million (NOK 332 million). In addition, an impairment of NOK 115 million (NOK 8 million) has been booked in the joint ventures.

Net financial costs were negative with NOK -325 million (NOK -527 million) and include net interest costs of NOK -245 million (NOK -188 million) and net loss on currencies and financial instruments of NOK -81 million (NOK -339 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 has been more or less cash neutral related to fluctuation in BRL and USD. The Group has used hedge accounting for some of the long-term contracts in Brazil, but due to several contract renewals in 2020 the remaining hedge positions have been released during the quarter. The impact on the financial result is NOK -267 million.

Deferred tax assets have been impaired with in total NOK 169 million.

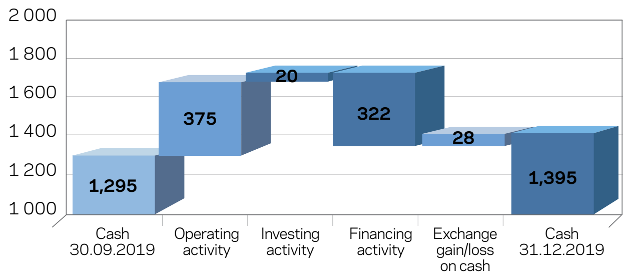
Revenue year to date is higher than last year resulting in a higher Ebitda of NOK 1,815 million (NOK 1,629 million). The Ebit year to date was NOK -387 million (NOK -125 million) and has been highly impacted by impairments on vessels and goodwill. Net financial result was NOK -1,909 million (NOK -1,435 million) and include loss on unrealised currency and release of hedge accounting position. The loss before taxes is NOK -2,296 million (NOK -1,560 million).

BALANCE

| (MNOK) | 31.12.2019 | 31.12.2018 | Change % |
|---|---|---|---|
| Non-current assets | 20 273 | 22 815 | -11% |
| Current assets | 1 795 | 1 718 | 5% |
| Cash and cash equivalents | 1 395 | 1 932 | -28% |
| Total assets | 23 464 | 26 465 | -11% |
| Equity | 3 451 | 5 778 | -40% |
| Non-current liabilities | 13 694 | 15 578 | -12% |
| Current liabilities | 6 318 | 5 110 | 24% |
| Total equity and liabilities | 23 464 | 26 465 | -11% |
| Net interest bearing debt (NIBD) | 16 888 | 17 089 | -1% |
| Net interest bearing debt (NIBD) excl. effect IFRS 16 | 16 558 | 17 089 | -3% |

Of the Group's total balance of NOK 23,464 million (NOK 26,465 million), vessels and subsea equipment amount to NOK 17,765 million (NOK 18,898 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 2,410 million (NOK 2,724 million). Goodwill amounts to NOK 85 million (NOK 295 million). Total equity is NOK 3,451 million (NOK 5,778 million) and includes a non-controlling interest of NOK 186 million (NOK 2,269 million).

Cash flow from Q4 2019




Operational cash flow after payment of interest and taxes was in the 4th quarter NOK 375 million (NOK 413 million), and net cash flow from investing activities was NOK 20 million (NOK -149 million). Net cash flow from financing activities was NOK -322 million (NOK 225 million).

## Financing and Capital Structure

The Group is mainly funded by secured debt 65%, unsecured debt/bonds 11%, and equity 15%. The remaining funding represents net working capital and financial lease debt (IFRS 16).

The remaining outstanding of the convertible bond loan is by end of the year NOK 87 million and is booked as equity.

The Board and Management have since 2nd quarter been working on a long-term refinancing solution for the Group which includes discussions with the banks, the bondholders, and the main shareholders. In parallel, the Group has agreed deferral of instalments and amendments of financial covenants until end of February 2020. The negotiations with the banks and bondholders are progressing well, however the discussions have taken longer time than expected. The Board and Management still believe that a long-term solution is achievable within 1st quarter 2020, however no assurance can be given at this time.

The key terms of the refinancing discussions with the banks in DOF Subsea are to extend the bank facilities with four years including new financial covenants and reduced amortisation profile with a step-up mechanism during the term of the facilities. In addition, a new guarantee facility will be established.

In respect of the DOF Subsea's outstanding bonds, the majority of the bondholders approved on the 20th of December 2019 to extend the maturity as follows:

- DOFSUB07 - extension to April 2024
- DOFSUB08 - extension to May 2025
- DOFSUB09 - extension to October 2025

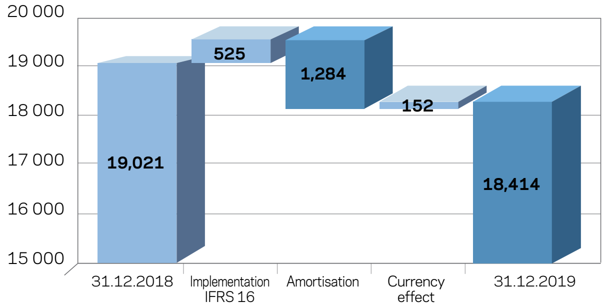
The interest margin will be reduced for the first three years with a PIK structure. In addition, a call structure shall be established. A summons for a meeting on the 27th of February 2020 to final approve the above was sent to the bondholders on 12th of February. The approval is subject to completion of the bank refinancing in DOF Subsea.

The DOFCON JV is not part of the refinancing discussions and all debt are assumed served with original amortisation.

For the Group's bank facilities in Brazil (BNDES), a reduced amortisation profile applicable from 1st of January 2020 has been approved and agreed. In DOF Rederi and DOF Deepwater, the Management is in discussion to extend the facilities until end 2023 and mainly include extension of soft amortisation profile and amendment of financial covenants.

Upon approval of the proposal by bondholders and approval by the banks of the term sheets for the refinancing, a rights offering with preferential rights for existing shareholders in the Company will be conducted, subject to satisfactory refinancing terms with the banks and bondholders in the Group. The largest indirect shareholder of the Company, Laco AS, has committed to indirectly subscribe for NOK 200 million in such rights offering. NOK 200 million in the rights issue is assumed to be injected in DOF Subsea AS.

Total interest bearing debt 31.12.2018 - 31.12.2019




The vessels and subsea assets (including the JVs) constitute 86% 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 minor decrease in valuation of the fleet, however, there is still a risk that the values may continue to drop.

As part of the approved waivers for the DOF Group (excluding DOF Subsea), the minimum free liquidity is reduced from NOK 500 million to NOK 250 million. As part of the approved waivers, the minimum booked equity requirement of NOK 3,000 million and minimum LTV (Loan to value) of 100% are unchanged. For DOF Subsea, the main financial covenants are NOK 500 million in minimum free liquidity, and a minimum value adjusted equity ratio of 30% (based on management reporting). By end of the year the DOF Group and DOF Subsea Group were in compliance with all its financial covenants, ref note 11 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. However, the Group's and its subsidiaries profit and loss accounts and balance sheets are highly impacted by the fluctuation in currency.

The portion of long-term debt secured with fixed rate of interest is approximately 70% of total debt and includes the debt with fixed interest in BNDES (Brazilian Development Bank).

In November, the Company entered into a share purchase agreement with two companies controlled by First Reserve to purchase their 35% stake in DOF Subsea AS. Upon completion of this acquisition, the Company is the sole shareholder of DOF Subsea AS.

## Shareholders

By the end of December, the total share capital was NOK 308 million divided into 308 million shares. The main shareholder Møgster Mohn Offshore AS controls 48.95% of the Company and 47.6% on a fully diluted basis.

## Employees
As of 31st of December, the Group employed 3,501 employees including hired staff, which is a decrease from the previous quarter. The total comprises 2,032 marine personnel, 1,149 subsea segment personnel, 261 onshore marine management personnel, and 59 IT services personnel.

## Health, Safety, Environment and Quality
There were not identified any significant HSEQ issues during the 4th quarter.

## Events after balance date
DOF Subsea has in January been awarded contracts in Australia and in the North America region, and secured utilisation for the Skandi Singapore, Skandi Neptune, and the hired in vessel Harvey Deep Sea well into 1st quarter 2020. The 50% owned PLSV Skandi Vitoria has been awarded a contract with TechnipFMC for two years + options. This contract has commenced in January 2020.

A summons for a meeting on 27th of February has been sent to the bondholders in DOFSUB07, DOFSUB08, and DOFSUB09. The summons is based on agreement in the bondholder meeting in 20th of December 2019.

In February, DOF Subsea was awarded a 5-year contract + options for Geosea with N-Sea.

## Outlook
The North Sea markets within supply (PSV and AHTS) have continued to prove better utilisation, however, even with the modest improvement in rates and utilisation for the AHTS fleet, the average earnings are not sustainable. As part of seasonal variations, the North Sea market activity has declined so far in 2020. In Brazil, the market is expected to be weak the next 12 months. The Group has several contracts up for renewal in 2020, which increases the risk regarding utilisation and earnings in this region. Earnings for the Subsea IMR fleet have been better in the quarter compared to the same period last year and the Asia-Pacific and North America region have proven increased activity. However, there is still an oversupply of vessels and the Group expects reduced earnings in certain regions and especially in the North Sea during the winter season.

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 vessels 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, the Group's backlog is still high.

A continuing weak market brings a risk of lower utilisation and earnings of the Group's vessels and further increases the liquidity risk for the Group. As reported since 2nd quarter, the Board and Management have been working on a long-term solution to secure satisfactory financing and liquidity for the Group throughout a continuing demanding period. The discussions with the relevant stakeholders have been constructive and the progress is good, however no assurance can be given that the Group will be successful in this respect. The effect of not being able to obtain a long-term financial solution will affect the classification of debt (described in note 11 ´Interest bearing debt´ to the quarterly accounts) and may also affect the ´going concern´ assumption. If the Group cannot be treated as ´going concern´, the valuation of the Group's assets must be further revised. Even though there is uncertainty if a long-term financial solution will be achieved, the Board of Directors and Management believe that a solution is obtainable within end of 1st quarter.

The Board of Directors expects today the Group's Ebitda for 2020 to be in line or slightly higher than the Ebitda for 2019.

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**The Board of Directors of DOF ASA, February 20th, 2020**

| | | |
|---|---|---|
| Helge Møgster<br>Chairman | Helge Singelstad<br>Deputy Chairman | Kathryn Baker |
| Marianne Møgster | Hans Olav Lindal | Mons S. Aase<br>CEO |

# Accounts Q4 2019

## Consolidated statement of profit or loss

| (MNOK) | Note | Q4 2019 | Q4 2018 | 2019 | 2018 |
|---|---|---|---|---|---|
| Operating income | 1 | 1 624 | 1 471 | 6 276 | 6 051 |
| Operating expenses | | -1 110 | -1 168 | -4 517 | -4 700 |
| Net profit from associated and joint ventures | 9 | 5 | 70 | 52 | 277 |
| Net gain on sale of tangible assets | | - | - | 4 | 2 |
| Operating profit before depreciation and impairment - EBITDA | | 519 | 373 | 1 815 | 1 629 |
| Depreciation | 6 | -263 | -278 | -1 071 | -1 063 |
| Impairment | 6,7 | -213 | -332 | -1 130 | -691 |
| Operating profit - EBIT | | 44 | -237 | -387 | -125 |
| Financial income | | 10 | 67 | 97 | 121 |
| Financial costs | | -255 | -255 | -1 024 | -925 |
| Net realised gain/loss on currencies | | -6 | -127 | -237 | -341 |
| Net unrealised gain/loss on currencies | | -156 | -98 | -862 | -288 |
| Net changes in fair value of financial instruments | | 81 | -114 | 117 | -2 |
| Net financial costs | | -325 | -527 | -1 909 | -1 435 |
| Profit (loss) before taxes | | -281 | -764 | -2 296 | -1 560 |
| Taxes | 8 | -231 | -10 | -585 | 57 |
| Profit (loss) for the period | | -512 | -774 | -2 881 | -1 502 |
| Profit attributable to | | | | | |
| Non-controlling interest | | -23 | -168 | -402 | -235 |
| Controlling interest | | -489 | -606 | -2 480 | -1 267 |
| Earnings per share (NOK) | | -1,55 | -1,92 | -7,84 | -4,09 |
| Diluted earnings per share (NOK) | | -1,55 | -1,92 | -7,84 | -4,09 |

## Consolidated statement of comprehensive income

| (MNOK) | Note | Q4 2019 | Q4 2018 | 2019 | 2018 |
|---|---|---|---|---|---|
| Profit (loss) for the period | | -512 | -774 | -2 881 | -1 502 |
| Items that will be subsequently reclassified to profit or loss | | | | | |
| Currency translation differences | | 51 | 1 | 24 | -68 |
| Cash flow hedge | 5 | 456 | 174 | 712 | -260 |
| Cash flow hedge - impairment deferred tax | 8 | - | - | -240 | - |
| Share of other comprehensive income of joint ventures | 9 | -49 | 104 | 66 | 123 |
| Items that not will be reclassified to profit or loss | | | | | |
| Defined benefit plan actuarial gain (loss) | | 12 | 3 | 12 | 3 |
| Other comprehensive income/loss net of tax | | 471 | 282 | 574 | -202 |
| Total comprehensive income/loss | | -42 | -492 | -2 307 | -1 705 |
| Total comprehensive income/loss net attributable to | | | | | |
| Non-controlling interest | | -14 | -124 | -363 | -198 |
| Controlling interest | | -28 | -368 | -1 945 | -1 506 |

## Consolidated statement of balance sheet

| (MNOK) | Note | 31.12.2019 | 31.12.2018 |
|---|---|---|---|
| ASSETS | | | |
| Tangible assets | 6 | 17 765 | 18 898 |
| Goodwill | 7 | 85 | 295 |
| Deferred tax assets | 8 | 13 | 898 |
| Investment in associates and joint ventures | 9 | 1 806 | 1 547 |
| Other non-current receivables | | 604 | 1 177 |
| Total non-current assets | | 20 273 | 22 815 |
| Trade receivables | | 1 200 | 1 312 |
| Other receivables | | 595 | 406 |
| Current receivables | | 1 795 | 1 718 |
| Restricted deposits | | 216 | 316 |
| Cash and cash equivalents | | 1 179 | 1 616 |
| Cash and cash equivalents incl. restricted deposits | 10 | 1 395 | 1 932 |
| Current assets | | 3 190 | 3 650 |
| Total Assets | | 23 464 | 26 465 |
| EQUITY AND LIABILITIES | | | |
| Paid in equity | | 3 178 | 3 277 |
| Other equity | | 87 | 232 |
| Non-controlling interests | | 186 | 2 269 |
| Total equity | | 3 451 | 5 778 |
| Bond loan | 11 | 2 122 | 2 480 |
| Debt to credit institutions | 5, 11 | 11 170 | 13 007 |
| Lease debt | | 370 | - |
| Other non-current liabilities | | 33 | 90 |
| Non-current liabilities | | 13 694 | 15 578 |
| Current portion of debt | 11 | 4 900 | 3 678 |
| Accounts payable | | 759 | 808 |
| Other current liabilities | | 660 | 623 |
| Current liabilities | | 6 318 | 5 110 |
| Total liabilities | | 20 013 | 20 687 |
| Total equity and liabilities | | 23 464 | 26 465 |

## 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 | -244 | | -2 236 | | | -2 236 | -402 | -2 881 |
| Other comprehensive income/loss | | | 40 | 24 | 472 | 535 | 39 | 575 |
| Reclassification between CTA and cash flow hedge | | | | -14 | 14 | - | | - |
| Total comprehensive income for the period | -244 | - | -2 196 | 10 | 486 | -1 700 | -363 | -2 307 |
| Converted bond loan | 145 | -145 | | | | -145 | | - |
| Changes ownership non-controlling interest | | | 1 700 | | | 1 700 | -1 720 | -20 |
| Total transactions with the owners | 145 | -145 | 1 700 | - | - | 1 555 | -1 720 | -20 |
| | | | | | | | | - |
| Balance at 31.12.2019 | 3 178 | 87 | 48 | 206 | -254 | 87 | 186 | 3 451 |
| Balance at 01.01.2018 | 3 393 | 276 | 1 473 | 232 | -537 | 1 444 | 2 505 | 7 342 |
| Result (loss) for the period | -362 | | -906 | | | -906 | -235 | -1 502 |
| Other comprehensive income/loss | | | - | 20 | -260 | -239 | 37 | -202 |
| Reclassification between CTA and cash flow hedge | | | | -57 | 57 | - | | - |
| Total comprehensive income for the period | -362 | - | -905 | -36 | -203 | -1 145 | -198 | -1 705 |
| Share issue | 202 | | -11 | | | -11 | | 191 |
| Converted bond loan | 43 | -43 | | | | -43 | | - |
| Dividend to non-controlling interest | | | | | | | -31 | -31 |
| IFRS 9 implementation effect | | | -17 | | | -17 | -9 | -25 |
| Adjustment of merger effect in subsidiary | | | 4 | | | 4 | 2 | 6 |
| Total transactions with owners | 245 | -43 | -24 | - | - | -67 | -38 | 141 |
| Balance at 31.12.2018 | 3 277 | 233 | 544 | 196 | -740 | 232 | 2 269 | 5 778 |

## Key figures

| | | Q4 2019 | Q4 2018 | 2019 | 2018 |
|---|---|---|---|---|---|
| EBITDA margin ex net gain on sale of vessel | 1 | 32% | 25% | 29% | 27% |
| EBITDA margin | 2 | 32% | 25% | 29% | 27% |
| EBIT margin | 3 | 3% | -16% | -6% | -2% |
| Cashflow per share (controlling interest) | 4 | 0,80 | 1,12 | 1,48 | 3,90 |
| Profit per share (controlling interest) | 5 | -1,54 | -1,92 | -7,84 | -4,02 |
| Profit per share ex. unrealised gain/loss on currencies and changes fair value of financial instruments (controlling interest) | 6 | -1,33 | -1,52 | -5,73 | -3,37 |
| Return on net capital | 7 | | | -83% | -26% |
| Equity ratio | 8 | | | 15% | 22% |
| Net interest bearing debt | | | | 16 888 | 17 089 |
| Net interest bearing debt excl. effect of IFRS 16 | | | | 16 558 | 17 089 |
| Number of shares *) | | 307 762 779 | 293 237 779 | 307 762 779 | 293 237 779 |
| Potential average number of shares *) | | 316 456 168 | 316 456 168 | 316 456 168 | 309 817 198 |
| Potential number of shares *) | | 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) | Q4 2019 | Q4 2018 | 2019 | 2018 |
|---|---|---|---|---|
| Operating result | 44 | -237 | -387 | -125 |
| Depreciation and impairment | 475 | 610 | 2 202 | 1 754 |
| Gain/loss on disposal of tangible assets | - | - | -4 | -2 |
| Share of profit/loss from associates and joint ventures | -5 | -70 | -52 | -277 |
| Changes in accounts receivables | 293 | 259 | 112 | 267 |
| Changes in accounts payable | -164 | -69 | -50 | -65 |
| Changes in other working capital | 62 | 104 | 204 | 201 |
| Exchange rate effects on operating activities | -108 | 60 | -152 | -116 |
| Cash from operating activities | 597 | 657 | 1 874 | 1 637 |
| Interest received | 10 | 6 | 69 | 19 |
| Interest paid | -212 | -238 | -980 | -920 |
| Taxes paid | -21 | -12 | -44 | -34 |
| Net cash from operating activities | 375 | 413 | 919 | 701 |
| Payments received for sale of tangible assets | - | - | 6 | 2 |
| Purchase of tangible assets | -69 | -171 | -510 | -510 |
| Payments received for sale of shares | - | - | - | - |
| Purchase of shares | - | -12 | -4 | -22 |
| Received dividend | - | - | 2 | - |
| Other investments | 89 | 34 | 506 | 20 |
| Net cash from investing activities | 20 | -149 | -1 | -511 |
| Proceeds from borrowings | - | 904 | - | 1 629 |
| Repayment of borrowings | -302 | -679 | -1 403 | -2 219 |
| Share issue | - | - | - | 191 |
| Purchase of convertible bond | - | - | - | - |
| Payments to non-controlling interests | -20 | - | -20 | -31 |
| Net cash from financing activities | -322 | 225 | -1 423 | -430 |
| Net changes in cash and cash equivalents | 73 | 490 | -504 | -239 |
| Cash and cash equivalents at the start of the period | 1 295 | 1 468 | 1 932 | 2 238 |
| Exchange gain/loss on cash and cash equivalents | 28 | -26 | -33 | -67 |
| Cash and cash equivalents at the end of the period | 1 395 | 1 932 | 1 395 | 1 932 |

Restricted cash amounts to NOK 216 million (NOK 316 million) and is included in the cash. Changes in restricted cash is reflected in the cash flow. For further information, please see note 10 "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 20 February 2020. These condensed interim financial statements have not been audited.

**Basis of preparation**
This Financial Report has been prepared in accordance with IAS 34, ‘Interim financial reporting’. The Financial Report does not include all the information and disclosure required in the annual financial statements, and should be read in conjunction with the Group’s Annual Report for 2018.

The Financial Report are prepared on the assumption of a going concern. However, the Group’s financial situation is a risk as a long-term financing solution is not in place. The Board of Directors and Management are working on a long-term financial solution for the Group. The discussion with the relevant  stakeholders has been constructive, but time consuming. However, no assurance can be given that the Group will be successful in this respect. If the negotiations are not successful this may affect the ‘Going concern’ assumption. If the Group cannot be treated as going concern, the valuation of the Group’s assets will be further revised.

**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 14 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 | 4th Quarter 2019 | | | 4th Quarter 2018 | | |
|---|---|---|---|---|---|---|
| (MNOK) | Management reporting | Reconciliation to equity method | Financial reporting | Management reporting | Reconciliation to equity method | Financial reporting |
| Operating income | 1 979 | -356 | 1 624 | 1 704 | -234 | 1 471 |
| Operating expenses | -1 199 | 89 | -1 110 | -1 214 | 46 | -1 168 |
| Net profit from associated and joint ventures | -32 | 37 | 5 | 2 | 68 | 70 |
| Net gain on sale of tangible assets | - | - | - | - | - | - |
| Operating profit before depreciation and impairment - EBITDA | 749 | -230 | 519 | 493 | -120 | 373 |
| Depreciation | -323 | 61 | -263 | -339 | 60 | -278 |
| Impairment | -328 | 115 | -213 | -340 | 8 | -332 |
| Operating profit - EBIT | 98 | -54 | 44 | -186 | -51 | -237 |
| Financial income | - | 10 | 10 | 25 | 42 | 67 |
| Financial costs | -321 | 67 | -255 | -307 | 53 | -255 |
| Net realised gain/loss on currencies | -10 | 4 | -6 | -130 | 3 | -127 |
| Net unrealised gain/loss on currencies | -134 | -22 | -156 | -115 | 17 | -98 |
| Net changes in fair value of financial instruments | 81 | - | 81 | -114 | - | -114 |
| Net financial costs | -384 | 60 | -325 | -641 | 114 | -527 |
| Profit (loss) before taxes | -287 | 5 | -281 | -827 | 63 | -764 |
| Taxes | -226 | -5 | -231 | 53 | -63 | -10 |
| Profit (loss) | -512 | - | -512 | -774 | - | -774 |

| RESULT | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| (MNOK) | Management reporting | Reconciliation to equity method | Financial reporting | Management reporting | Reconciliation to equity method | Financial reporting |
| Operating income | 7 524 | -1 248 | 6 276 | 6 938 | -887 | 6 051 |
| Operating expenses | -4 808 | 291 | -4 517 | -4 868 | 168 | -4 700 |
| Net profit from associated and joint ventures | -47 | 99 | 52 | -5 | 282 | 277 |
| Net gain on sale of tangible assets | 4 | - | 4 | 2 | - | 2 |
| Operating profit before depreciation and impairment - EBITDA | 2 673 | -858 | 1 815 | 2 066 | -437 | 1 629 |
| Depreciation | -1 314 | 242 | -1 071 | -1 240 | 177 | -1 063 |
| Impairment | -1 449 | 319 | -1 130 | -737 | 46 | -691 |
| Operating profit - EBIT | -90 | -296 | -387 | 89 | -214 | -125 |
| Financial income | 42 | 54 | 97 | 51 | 70 | 121 |
| Financial costs | -1 273 | 249 | -1 024 | -1 099 | 174 | -925 |
| Net realised gain/loss on currencies | -255 | 18 | -237 | -352 | 12 | -341 |
| Net unrealised gain/loss on currencies | -880 | 18 | -862 | -291 | 3 | -288 |
| Net changes in fair value of financial instruments | 117 | - | 117 | -2 | - | -2 |
| Net financial costs | -2 249 | 340 | -1 909 | -1 693 | 259 | -1 435 |
| Profit (loss) before taxes | -2 340 | 44 | -2 296 | -1 604 | 44 | -1 560 |
| Taxes | -542 | -44 | -585 | 102 | -44 | 57 |
| Profit (loss) | -2 881 | - | -2 881 | -1 502 | - | -1 502 |

## Note 2 Management reporting (continued)

| BALANCE | 31.12.2019 | | | 31.12.2018 | | |
|---|---|---|---|---|---|---|
| (MNOK) | Management reporting | Reconciliation to equity method | Financial reporting | Management reporting | Reconciliation to equity method | Financial reporting |
| ASSETS | | | | | | |
| Tangible assets | 24 303 | -6 537 | 17 765 | 25 074 | -6 175 | 18 898 |
| Goodwill | 85 | - | 85 | 295 | - | 295 |
| Deferred taxes | 200 | -187 | 13 | 1 006 | -108 | 898 |
| Investment in associated companies and joint ventures | 45 | 1 754 | 1 799 | 89 | 1 458 | 1 547 |
| Other non-current financial assets | 263 | 348 | 611 | 109 | 1 069 | 1 177 |
| Total non-current assets | 24 896 | -4 623 | 20 273 | 26 572 | -3 757 | 22 815 |
| Receivables | 1 761 | 35 | 1 795 | 1 851 | -134 | 1 718 |
| Cash and cash equivalents | 1 715 | -320 | 1 395 | 2 240 | -308 | 1 932 |
| Total current assets | 3 475 | -285 | 3 190 | 4 091 | -441 | 3 650 |
| Total assets | 28 371 | -4 908 | 23 464 | 30 663 | -4 198 | 26 465 |
| EQUITY AND LIABILITIES | | | | | | |
| Equity | 3 451 | - | 3 451 | 5 778 | - | 5 778 |
| Non-current liabilities | 18 201 | -4 507 | 13 694 | 19 406 | -3 828 | 15 578 |
| Current liabilities | 6 719 | -401 | 6 318 | 5 479 | -370 | 5 110 |
| Total liabilities | 24 920 | -4 908 | 20 013 | 24 885 | -4 198 | 20 687 |
| Total equity and liabilities | 28 371 | -4 908 | 23 464 | 30 663 | -4 198 | 26 465 |

## Note 3 Segment information - management reporting

| | Q4 2019 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | PSV | AHTS | Subsea | Q4 2019 | PSV | AHTS | Subsea | Total |
| Operating income | 140 | 294 | 1 545 | 1 979 | 516 | 1 226 | 5 782 | 7 524 |
| Operating result before depreciation and impairment - EBITDA | 39 | 129 | 581 | 749 | 113 | 578 | 1 982 | 2 673 |
| Depreciation | 34 | 83 | 206 | 323 | 130 | 350 | 834 | 1 314 |
| Impairment | 60 | 63 | 205 | 328 | 92 | 339 | 1 018 | 1 449 |
| Operation result - EBIT | -55 | -17 | 170 | 98 | -109 | -110 | 129 | -90 |

| | Q4 2018 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | PSV | AHTS | Subsea | Q4 2019 | PSV | AHTS | Subsea | Total |
| Operating income | 112 | 304 | 1 289 | 1 704 | 582 | 1 228 | 5 127 | 6 938 |
| Operating result before depreciation and impairment - EBITDA | 23 | 119 | 351 | 493 | 91 | 498 | 1 477 | 2 066 |
| Depreciation | 31 | 88 | 220 | 339 | 125 | 354 | 762 | 1 240 |
| Impairment | 76 | 93 | 170 | 340 | 189 | 143 | 405 | 737 |
| Operation result - EBIT | -84 | -62 | -39 | -186 | -223 | 1 | 311 | 89 |

## 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 | Q4 2019 | Q4 2018 | 2019 | 2018 |
|---|---|---|---|---|
| Lump sum contracts | 136 | 66 | 357 | 125 |
| Day rate contracts | 1 488 | 1 405 | 5 919 | 5 926 |
| Total | 1 624 | 1 471 | 6 276 | 6 051 |

## Note 5 Hedges

The Group has applied 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 has applied 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 company Norskan Offshore 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.

Due to several contract renewals in 2020 the cash flow hedge is consider ineffective at 31 December 2019 and a loss is recognised in the finance result with NOK -267 million in Q4 2019 and NOK -817 for the total year 2019. Remaining hedge recognised as other comprehensive income in the equity at 31 December 2019 amounts to NOK -254 mill and will be circulated to the profit or loss over the remaining hedge period.

## 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 | 441 | 109 | 51 | 18 | 619 |
| Reclassification | | 7 | -8 | | -1 |
| Depreciation | -767 | -158 | -90 | -56,2 | -1 072 |
| Impairment loss | -874 | | -20 | -27 | -921 |
| Currency translation differences | -118 | | 1 | 4 | -113 |
| Book value at 31.12.2019 | 16 469 | 665 | 337 | 292 | 17 765 |

| 2018 | Vessel and periodical maintenance | ROV | Newbuilds | Operating equipment | Total |
|---|---|---|---|---|---|
| Book value at 01.01.2018 | 19 368 | 844 | 11 | 444 | 20 667 |
| Addition | 436 | 8 | 5 | 78 | 527 |
| Reclassification | 6 | 18 | -16 | -9 | -1 |
| Depreciation | -795 | -157 | | -112 | -1 064 |
| Impairment loss | -661 | -3 | | -1 | -665 |
| Currency translation differences | -559 | -3 | | -3 | -565 |
| Book value at 31.12.2018 | 17 795 | 707 | - | 396 | 18 899 |

**Right-of-use asset**
Net booked value of right-of-use assets at 31 December 2019 consists of property with NOK 280 million and operating equipment with NOK 12 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 the Group has done impairment testing of vessels, operating equipment and right-of-use assets. Impairment tests are performed in line with accounting principles presented in annual report for 2018. Impairment in the amount of NOK 213 million has been recognised in the 4th quarter of 2019 and NOK 921 million year to date 31 December 2019.

In addition an impairment in the joint ventures of NOK 115 million has been done in 4th quarter 2019 and NOK 319 million year to date 31 December 2019.

## Note 7 Goodwill

Goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable.

Continued challenging market situation has resulted in lower earnings and higher risk in the segments for a longer period and market recovery takes longer than previously assumed. To reflect the challenging market situation and delay in the market recovery, the management has reassessed estimated future cash flows and recognised an impairment of NOK 209 million in 2019.

Balance at 31 December 2019 amounts to NOK 85 million and allocated to the subsea segment.

## Note 8 Taxes

Deferred tax asset is recognised on the basis of unused tax losses carried forward and temporary differences to the extent that it is probable that there will be sufficient future earnings available, against which the tax losses carried forward and temporary differences can be utilised.

Continued challenging market situation has resulted in lower earnings and increased risk in some tax jurisdictions. In this context the inherent uncertainty in forecasting, timing of future taxable profits and reversal of temporary differences has increased. As a result, the management has revised its estimates for future taxable profits and has recognised a tax cost of NOK 196 million in Q4 2019. For the total year a tax cost of NOK 959 million has been recognised. NOK 719 million is recognised as tax cost and NOK 240 million is related to cash flow hedge and recognised as other comprehensive income.

At 31 December 2019 the Group has recognised deferred tax asset of NOK 13 million.

## Note 9 Investment in associates and joint ventures

The Company's investment in associates and joint ventures as of 31.12.2019;

| 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% |
| **Associated companies** | |
| Master & Commander | 20% |
| Skandi Aukra AS | 34% |
| Iceman AS (Skandi Iceman) | 35% |
| DOF OSM Services AS | 50% |
| DOF Subsea Ghana Ltd | 49% |

| Effect of application of IFRS 11 on investments in joint ventures; | 31.12.2019 |
|---|---|
| Opening balance 01.01.2019 | 1 547 |
| Addition | 2 |
| Profit (loss) | 52 |
| Profit (loss) through OCI | 66 |
| Negative value on investments reallocated to receivable and liabilities | 139 |
| Closing balance 31.12.2019 | 1 806 |

## Note 10 Cash and cash equivalent

| | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Restricted cash *) | 216 | 316 |
| Cash and cash equivalent | 1 179 | 1 616 |
| Total cash and cash equivalent | 1 395 | 1 932 |

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

# Note 11 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 250 million excluding DOF Subsea AS (and it's subsidiaries) and market value of the vessels on aggregated level shall at all times be higher than 100% of outstanding secured debt. The minimum free liquidity requirements is waived to NOK 250 million until end of February 2020.

**DOF Subsea AS**
DOF Subsea has the following covenants (based on proportional consolidation method of accounting for joint ventures); the book equity shall be higher than NOK 3,000 million, minimum free liquidity shall at all times be minimum NOK 500 million, 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 31 December 2019.

| Interest bearing liabilities | 31.12.2019 | 31.12.2018 |
|---|---|---|
| Non-current interest bearing liabilities | | |
| Bond loan | 2 122 | 2 480 |
| Debt to credit institutions | 11 170 | 13 007 |
| Lease liabilities (IFRS 16) | 370 | - |
| Total non-current interest bearing liabilities | 13 662 | 15 487 |
| Current interest bearing liabilities | | |
| Bond loan | 467 | 100 |
| Debt to credit institutions | 4 116 | 3 475 |
| Lease liabilities (IFRS 16) | 91 | |
| Overdraft facilities | 78 | 59 |
| Total current interest bearing liabilities | 4 752 | 3 534 |
| Total interest bearing liabilities | 18 414 | 19 021 |
| Net interest bearing liabilities | | |
| Other interest bearing assets non-current (sublease IFRS 16) | 131 | |
| Cash and cash equivalents | 1 395 | 1 932 |
| Total net interest bearing liabilities | 16 888 | 17 089 |
| Net effect of IFRS 16 Lease | 330 | |
| Total net interest bearing liabilities excluded IFRS 16 Lease liabilities | 16 558 | 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 4,116 million including balloon payments of NOK 1,779 million, ordinary instalments of NOK 1,787 million and drawn credit facilities of NOK 550 million. The credit facilities are non-current and may be redrawn.

**Financing**
The Board and Management have since 2nd quarter been working on a long-term refinancing solution for the Group which include a discussions with the banks, the bondholders and the main shareholders. In parallel the Group has agreed waivers, including deferral of instalments and amendments of financial covenants until end of February 2020. The negotiations with the banks and bondholders are progressing well, however the discussions have taken longer time than expected. The Board and Management still believes that a long-term solution is achievable within 1st quarter 2020, however no assurance can be given at this time. The effect of not being able to obtain a long-term financial solution will affect the classification of debt and may also affect the ´going concern´ assumption. If the Group cannot be treated as ´going concern´, the valuation of the Group's assets must be further revised.

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 9.7 billion as of 31 December 2019.

## Note 11 Interest bearing liabilities (continued)

| Instalment- and balloon profile *) | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | Total current debt | 2021 | 2022 | 2023 | 2024 | Subsequent | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Bond loan | | 467 | | | 467 | | 1 292 | 840 | | | 2 599 |
| Balloons debt to credit institutions | 1 263 | | 516 | | 1 779 | 2 435 | 166 | 756 | | | 5 136 |
| Debt to credit institutions | 855 | 651 | 396 | 434 | 2 336 | 1 213 | 1 119 | 1 031 | 866 | 3 621 | 10 184 |
| Overdraft facilities | 78 | | | | 78 | | | | | | 78 |
| Total | 2 196 | 1 118 | 912 | 434 | 4 661 | 3 648 | 2 577 | 2 626 | 866 | 3 621 | 17 998 |

*) 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 31.12.2019 |
|---|---|---|
| NOK | 64% | 8 075 |
| USD | 76% | 9 443 |
| CAD | 100% | 383 |
| BRL | | 97 |
| Total | 70% | 17 998 |

**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:

| | | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|---|
| Reconciliation changes in liabilities | Balance 31.12.2018 | Cash flows | Implementation IFRS 16 Lease | Proceeds lease debt | Amortised loan expenses | Currency adjustments | Balance 31.12.2019 |
| Non-current interest bearing liabilities | | | | | | | |
| Bond loan | 2 580 | | | | -5 | 14 | 2 590 |
| Debt to credit institutions | 16 382 | -1 339 | | 87 | 21 | 134 | 15 285 |
| Lease liabilities | | -84 | 525 | 15 | | 5 | 461 |
| Overdraft facilities | 59 | 20 | | | | -1 | 78 |
| Total interest bearing liabilities | 19 021 | -1 403 | 525 | 102 | 17 | 152 | 18 414 |

## Note 12 Subsequent events

**Contracts**
DOF Subsea has in January been awarded contracts in Australia and in the North America region and secured utilisation for the Skandi Singapore, Skandi Neptune and the hired in vessel Harvey Deep Sea well into 1st quarter 2020. The 50% owned PLSV Skandi Vitoria has been awarded a contract with TechnipFMC for two years + options. This contract has commenced in January 2020.

In February, DOF Subsea was awarded a 5-year contract + options for Geosea with N-Sea.

**Refinancing**
A summons for a meeting on 27th of February has been sent to the bondholders in DOFSUB07, DOFSUB08 and DOFSUB09. The summons is based on agreement in the bondholder meeting on 20th of December 2019.

## Note 13 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 14 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 |
| Total assets | 26 465 | 525 | 26 990 |
| 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 |
| Total equity and liabilities | 26 465 | 525 | 26 990 |

| CONSOLIDATED STATEMENT OF PROFIT OR LOSS | Q4 2019 excluding IFRS 16 | Effect of IFRS 16 | Q4 2019 | 2019 excluding IFRS 16 | Effect of IFRS 16 | 2019 |
|---|---|---|---|---|---|---|
| Operating revenue | 1 636 | -12 | 1 624 | 6 324 | -48 | 6 276 |
| Operating expenses | -1 137 | 28 | -1 110 | -4 626 | 109 | -4 517 |
| Share of net income from associates and joint ventures | 5 | | 5 | 52 | | 52 |
| Profit from sale of tangible assets | - | | - | 4 | | 4 |
| Operating result before depreciation and impairment (EBITDA) | 503 | 16 | 519 | 1 754 | 61 | 1 815 |
| Depreciation | -248 | -14 | -263 | -1 016 | -56 | -1 071 |
| Impairment | -213 | - | -213 | -1 130 | - | -1 130 |
| Operating result (EBIT) | 42 | 1 | 44 | -391 | 5 | -387 |
| Financial income | 9 | 2 | 10 | 90 | 7 | 97 |
| Financial costs | -249 | -6 | -255 | -1 000 | -24 | -1 024 |
| Net realised gain/loss on currencies | -6 | | -6 | -237 | | -237 |
| Net unrealised gain/loss on currencies | -154 | -2 | -156 | -862 | - | -862 |
| Net changes in fair value of financial instruments | 81 | | 81 | 117 | | 117 |
| Net financial costs | -319 | -6 | -325 | -1 893 | -17 | -1 909 |
| Profit (loss) before taxes | -277 | -5 | -281 | -2 284 | -12 | -2 296 |
| Taxes | -231 | | -231 | -585 | | -585 |
| Profit (loss) for the period | -507 | -5 | -512 | -2 870 | -12 | -2 881 |

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 expendient 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 15 Share capital and shareholders

Largest shareholders as of 31.12.2019

| Name | No. shares | Shareholding % |
|---|---|---|
| MØGSTER MOHN OFFSHORE AS | 150 638 643 | 48.95 |
| BNP PARIBAS SECURITIES SERVICES | 9 570 169 | 3.11 |
| FOLKETRYGDFONDET | 6 100 000 | 1.98 |
| NORDNET BANK AB | 2 610 818 | 0.85 |
| DRAGESUND INVEST AS | 2 360 000 | 0.77 |
| JIM ØYSTEIN HOLDEN | 2 004 885 | 0.65 |
| RBC INVESTOR SERVICES BANK S.A. | 2 000 000 | 0.65 |
| MOCO AS | 1 984 419 | 0.64 |
| AS NAVE | 1 832 338 | 0.60 |
| BERGEN KOMMUNALE PENSJONSKASSE | 1 800 000 | 0.58 |
| SKANDINAVISKA ENSKILDA BANKEN AB | 1 612 201 | 0.52 |
| STATE STREET BANK AND TRUST COMP | 1 605 497 | 0.52 |
| STAVERN HELSE OG FORVALTNING AS | 1 500 000 | 0.49 |
| DP HOLDING AS | 1 262 500 | 0.41 |
| LAWO INVEST AS | 1 173 377 | 0.38 |
| CITIBANK, N.A. | 1 053 396 | 0.34 |
| AKERSHUS INTERKOMMUNALE | 1 000 000 | 0.32 |
| SOURCE INVEST AS | 1 000 000 | 0.32 |
| EBB HOLDING AS | 949 097 | 0.31 |
| SIGFISK AS | 850 000 | 0.28 |
| Total | 192 907 340 | 62.68 |
| | | |
| Total other shareholders | 114 855 439 | 37.32 |
| Total no of shares | 307 762 779 | 100.00 |

# Note 16 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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