

# Q2 2020

Financial Report

## DOF ASA

**DOF**

# Management reporting: Accounts 2<sup>nd</sup> quarter 2020

## RESULT

(MNOK)	Q2 2020	Q2 2019	Acc Q2 2020	Acc Q2 2019	2019
Operating income	1 802	1 854	3 875	3 488	7 524
Operating expenses	-1 074	-1 180	-2 331	-2 315	-4 808
Net profit from associated and joint ventures	-26	-5	-40	-8	-47
Net gain on sale of tangible assets	-	-	-	-	4
<b>Operating profit before depreciation and impairment - EBITDA</b>	<b>701</b>	<b>669</b>	<b>1 505</b>	<b>1 165</b>	<b>2 673</b>
Depreciation	-277	-334	-584	-646	-1 314
Impairment	-779	-154	-2 311	-204	-1 449
<b>Operating profit - EBIT</b>	<b>-354</b>	<b>181</b>	<b>-1 389</b>	<b>315</b>	<b>-90</b>
Financial income	6	8	18	30	42
Financial costs	-368	-296	-703	-623	-1 273
Net realised gain/loss on currencies	-35	-79	-563	-185	-255
<b>Profit before unrealised finance costs</b>	<b>-751</b>	<b>-185</b>	<b>-2 638</b>	<b>-464</b>	<b>-1 576</b>
Unrealised finance costs	61	142	-2 289	304	-763
<b>Profit (loss) before taxes</b>	<b>-689</b>	<b>-42</b>	<b>-4 927</b>	<b>-160</b>	<b>-2 340</b>
Taxes	14	-64	136	-79	-542
<b>Profit (loss)</b>	<b>-675</b>	<b>-106</b>	<b>-4 791</b>	<b>-239</b>	<b>-2 881</b>

## BALANCE

(MNOK)	30.06.2020	30.06.2019	31.12.2019
<b>ASSETS</b>			
Tangible assets	21 507	25 585	24 303
Goodwill	-	292	85
Deferred taxes	399	930	200
Investment in associated companies and joint ventures	6	85	45
Other non-current financial assets	185	272	263
<b>Total non-current assets</b>	<b>22 097</b>	<b>27 163</b>	<b>24 896</b>
Receivables	1 645	1 874	1 761
Cash and cash equivalents	1 902	1 789	1 715
<b>Total current assets</b>	<b>3 546</b>	<b>3 663</b>	<b>3 475</b>
<b>Total assets</b>	<b>25 643</b>	<b>30 826</b>	<b>28 371</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	-728	5 630	3 451
Non-current liabilities	4 616	19 088	8 422
Current liabilities	21 755	6 108	16 498
<b>Total liabilities</b>	<b>26 371</b>	<b>25 196</b>	<b>24 920</b>
<b>Total equity and liabilities</b>	<b>25 643</b>	<b>30 826</b>	<b>28 371</b>
Net interest bearing liabilities excluded effect of IFRS 16	22 328	21 292	21 169

## CASH FLOW

(MNOK)	Q2 2020	Q2 2019	Acc Q2 2020	Acc Q 2019	2019
Net cash from operation activities	595	586	1 035	630	1 539
Net cash from investing activities	-17	-237	-103	-1 139	-1 312
Net cash from financing activities	-176	-476	-304	44	-722
<b>Net changes in cash and cash equivalents</b>	<b>402</b>	<b>-126</b>	<b>629</b>	<b>-466</b>	<b>-495</b>
Cash and cash equivalents at start of the period	1 606	2 095	1 715	2 434	2 240
Exchange gain/loss on cash and cash equivalents	-106	14	-442	15	-30
<b>Cash and cash equivalents at the end of the period</b>	<b>1 902</b>	<b>1 983</b>	<b>1 902</b>	<b>1 983</b>	<b>1 715</b>

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# Financial report 2<sup>nd</sup> Quarter 2020

## KEY INFORMATION

The COVID-19 virus has had a major impact on the operations during the 2<sup>nd</sup> quarter, however the organisation has been able to protect employees and secure ongoing projects and contracts at close to normal. COVID-19 has also led to postponement of projects and lower activity levels in certain regions in the period. The challenging markets for the Group's fleet have continued resulting in pressure on earnings and utilisation of the Group's assets. During this quarter, the Group has recognised an impairment of NOK 779 million and by June the total impairment is NOK 2.3 billion (management reporting). The NOK has strengthened towards USD during the quarter, but the BRL has continued to weaken, and the FX effects in the 2<sup>nd</sup> quarter is minor. The restructuring of the Group's debt is ongoing and standstill agreements (excluding the JVs) until the 30<sup>th</sup> of September have been signed. A standstill for the BNDES facilities has further been agreed until December 2020.

The Group achieved an EBITDA (management reporting) of NOK 701 million (NOK 712 million)

### The total fleet utilisation is 67%:

- 75% Subsea fleet, 48% AHTS fleet and 74% PSV fleet.

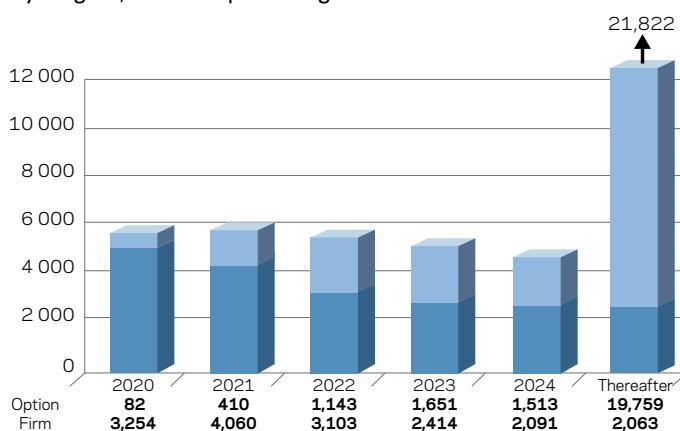
### The total fleet include 67 vessels:

- 20 AHTSs, 16 PSVs, 31 Subsea vessels, 71 ROVs

### General market & operational comments in Q2:

- Contracts and projects have been postponed, terminated or cancelled
- Several vessels entered into lay-up. By August, 17 vessels are in lay-up
- New contract awards in Brazil
- Awards for project work securing reasonable utilisation for the project fleet in Q3

### By August, the Group backlog is NOK 17 billion:



## KEY FIGURES

(MNOK)	Management reporting		Financial reporting	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019
Operating income	1 802	1 854	1 455	1 542
EBITDA	701	669	376	504
EBIT	-354	181	-424	84
Net financial costs	-335	-224	-241	-160
Profit (loss)	-675	-106	-675	-106
EBITDA - before hedge *)	701	712	376	547
NIBD (Net interest bearing debt)	22 640	21 628	17 769	17 141
NIBD (Net interest bearing debt) excluded effect of IFRS 16	22 328	21 292	17 457	16 805
Equity ratio	-3%	18%	-4%	22%

\*) The hedge was terminated in 4<sup>th</sup> quarter 2019 and the ebitda is not effected by hedge in 2020.

## Q2 Operations

The Q2 operational result per segment is as follows;

(MNOK)	PSV	AHTS	Subsea	Total
Operating income	112	275	1 415	1 802
Operating result before depreciation and impairment - EBITDA	16	140	545	701
Depreciation	31	65	180	277
Impairment	18	202	559	779
Operating result - EBIT	-32	-128	-194	-354
EBITDA margin	15%	51%	39%	39%
EBIT margin	-29%	-47%	-14%	-20%

**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 operates in the North Sea market and on term contracts. Due to the significant weaker markets starting in the 1<sup>st</sup> quarter, several vessels went into lay-up during the 2<sup>nd</sup> quarter. Some vessels have partly operated in the spot market at variable utilisation and low rates. The average utilisation for the PSV fleet was 74% compared to 93% in the 2<sup>nd</sup> quarter 2019. No new contracts have been awarded this quarter. By August, six vessels were in lay-up, and ten vessels operated on firm contracts in the North Sea and in Australia.

### AHTS

The AHTS fleet includes 18 vessels and an 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 of the AHTS fleet was 48% in the quarter and 69% in the 2<sup>nd</sup> quarter 2019.

11 vessels are operating in Brazil with local flag and with Petrobras as the main client. Historically this region has achieved high utilisation of its fleet, but after the COVID-19 situation some contracts were early terminated, and two vessels have entered into lay-up during the quarter. An additional two vessels have been partly idle in the period. It was therefore a positive event that Petrobras awarded three new contracts by end of the quarter: a one-year contract for the Skandi Paraty commencing in June, and two 2+2 year-contracts for the Skandi Urca and Skandi Fluminense with start-up during the 2<sup>nd</sup> half of 2020.

The North Sea market has been impacted by reduced activity despite a normally high season in this region, and that several vessels have left the North Sea during the quarter. The majority of the fleet operates in the spot market and has achieved a utilisation rate of 46%. Skandi Vega started a 6+6-month contract with Equinor in the middle of May in direct continuation of the previous

contract. By August the Group had four vessels in lay-up in the North Sea, of which three vessels are owned by the DOF Deepwater JV.

In Asia-Pacific the activity has been low, and all three vessels were idle or in lay-up by end of the quarter. One vessel has been in cold lay-up since 2018 and has during the quarter been prepared for sale.

### SUBSEA

During the 2<sup>nd</sup> 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 2<sup>nd</sup> quarter amounted to NOK 699 million (NOK 776 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 75% in the 2<sup>nd</sup> quarter versus 67% in the 2<sup>nd</sup> quarter last year.

The average utilisation for the subsea IMR/project fleet has been 64% (69%) in the quarter. In the Asia-Pacific region the utilisation rates declined compared to previous quarter mainly due to postponed or cancellation of projects. In this region the Group's fleet has conducted IMR and survey work outside Australia and the Philippines. Two out of four vessels operate on firm contracts in the Asia-Pacific region. In the Atlantic region, the utilisation declined despite expected increased activity due to high season in the North Sea. The Group has performed IMR, decommissioning and survey work in the period. Three contracts have been terminated in the quarter mainly due to COVID-19 and partly due to expected increased challenging subsea markets going forward. Four vessels have operated on firm contracts in the period and the remaining six vessels have achieved low or variable utilisation. In the North America region, the Group has conducted IMR and ROV inspection work. One vessel out of two has operated on a firm contract in the period. In Brazil, the Group's fleet has operated on firm contracts performing ROV and diving services for Petrobras.

The six PLSVs owned by the DOFCOM JV have all operated on firm contracts in the quarter. Four PLSVs have continued on long-term contracts with Petrobras and achieved a high utilisation rate in the quarter. The Skandi Niteroi has operated on a firm contract with TechnipFMC at the Peregrino field and this project was completed during 2<sup>nd</sup> half of June. Skandi Vitoria has been operating on a BB contract with TechnipFMC. The remaining subsea fleet in Brazil (five vessels) operates on firm contracts.

By the end of June, four vessels were in lay-up and one vessel built in 1983 (converted to subsea in 2008) has started a recycling process.

**Main Items Interim Accounts Q2 – Financial Reporting**  
 The below figures represent the Group's consolidated accounts based on Financial Reporting.

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

**RESULT**

(MNOK)	Q2 2020	Q2 2019
Operating income	1 455	1 542
EBITDA	376	504
EBIT	-424	84
Net financial costs	-241	-160
Profit (loss)	-675	-106

During 2<sup>nd</sup> quarter, the Group achieved an operating revenue of NOK 1,455 million (NOK 1,542 million) and an operating result before depreciation and impairment (EBITDA) of NOK 376 million (NOK 504 million). The drop in revenues and Ebitda are mainly related to reduced utilisation of the fleet within all segments due to cancellation of projects, early termination of contracts and more vessels in lay-up. The results from the JVs are NOK -66 million (NOK 74 million) and represent net result in the DOFCON JV and DOF Deepwater JV. Impairment of in total NOK 191 million (NOK 9 million) has been recognised in the JVs in the quarter.

The Group's operating result (Ebit) is NOK -424 million (NOK 84 million) and is highly impacted by impairments of NOK -588 million (NOK -145 million). Due to the significant events after the COVID-19 and the drop in oil prices, the fair market values have dropped during the 2<sup>nd</sup> quarter and in parallel the value-in-use calculations have been reviewed. Total depreciation and impairments represent NOK -799 million (NOK -419 million) this quarter.

The financial result is negative by NOK -241 million (NOK -160 million). Net interest costs were NOK -255 million (NOK -213 million) and net gain on currency and financial instruments is NOK 14 million (NOK 53 million). The NOK has strengthened during the quarter and mainly impacted the long-term debt and financial instruments for the Norwegian entities. The BRL has however continued to weaken to USD resulting in additional currency losses in the quarter. The Group's operation in Brazil is based on firm charter contracts where the USD revenue is secured with debt in corresponding currency, hence the Group has been more or less cash neutral related to fluctuation in BRL and USD. However, the significant weakened BRL to USD has resulted in an accumulated currency loss (unrealised) of NOK 1.7 billion and highly impacted the balance sheet for the Group.

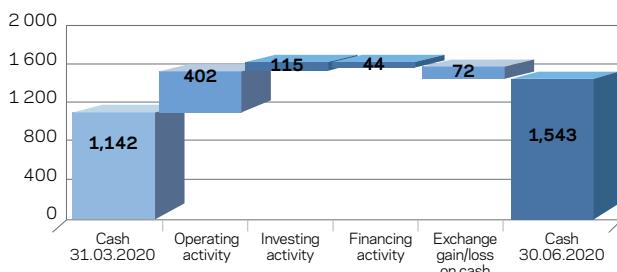
Net result before tax in the 2<sup>nd</sup> quarter is NOK -665 million (NOK -106 million).

**BALANCE**

(MNOK)	30.06.2020	30.06.2019	Change %
Non-current assets	17 524	22 822	-23%
Current assets	1 673	1 733	-3%
Cash and cash equivalents	1 543	1 498	3%
<b>Total assets</b>	<b>20 740</b>	<b>26 053</b>	<b>-20%</b>
Equity	-728	5 630	-113%
Non-current liabilities	358	14 712	-98%
Current liabilities	21 111	5 710	270%
<b>Total equity and liabilities</b>	<b>20 740</b>	<b>26 053</b>	<b>-20%</b>
Net interest bearing debt (NIBD)	17 769	17 141	4%
Net interest bearing debt (NIBD) excl. effect IFRS 16	17 457	17 141	2%

Of the Group's total balance of NOK 20,740 million (NOK 26,053 million), vessels and subsea equipment amount to NOK 14,769 million (NOK 18,836 million). 11 vessels are owned via joint ventures and are represented as associated companies and non-current receivables in the balance sheet of in total NOK 2,586 million (NOK 2,508 million). Goodwill was written down to zero during the 1<sup>st</sup> quarter. Total equity is NOK -728 million (NOK 5,630 million) due to a very weak result in the 1<sup>st</sup> quarter and continued impairments in the 2<sup>nd</sup> quarter.

**Cash flow from Q2 2020**



The operational cash flow after payment of interest and taxes was in the 2<sup>nd</sup> quarter NOK 402 million (NOK 368 million), and net cash flow from investing activities was NOK 115 million (NOK -48 million). The net cash flow from financing activities was NOK -44 million (NOK -381 million). The subsidiary DOF Subsea and the majority of subsidiaries have not paid any instalments or interest to the banks due to standstill agreements. The DOFCON JV has served its debt normally and the DOF Deepwater JV has waived all bank instalments and only served interest on its debt in the period.

### Main Items YTD Accounts Q2 - Financial Reporting

The Group revenue YTD June was NOK 3,162 million (NOK 2,900 million) and Ebitda was NOK 864 million (NOK 835 million). The Ebitda was highly impacted by a strong USD towards NOK and BRL in the 1<sup>st</sup> quarter. Operating profit (Ebit) was NOK -1,523 million (NOK 117 million) whereof impairment and depreciation amount to NOK -2,387 million (NOK -717 million). Net financial result was NOK -3,209 million (NOK -323 million) of which currency loss on long-term debt and financial instruments amounts to NOK -2,718 million (NOK 121 million). Main reason for high currency losses are extreme volatility in the 1<sup>st</sup> quarter.

The operational cash flow YTD June was NOK 652 million (NOK 325 million). Cash flow investment activities was NOK 36 million (NOK -151 million) and financing activities NOK -68 million (NOK -629 million).

### Financing and Capital Structure

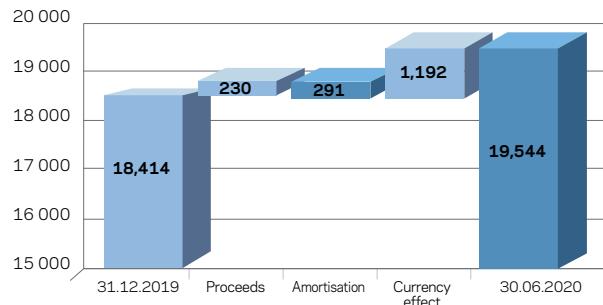
The Group is mainly funded by secured debt 78%, unsecured debt/bonds 12%. By end of the quarter, the equity was negative by NOK -728 million. The remaining funding represents net working capital and financial lease debt (IFRS 16).

The restructuring of the Group's long-term debt is ongoing and standstill agreements have been agreed until 30<sup>th</sup> of September with 93% of the Group's secured lenders. The standstill agreements do not include the NOK 100 million loan facility drawn by DOF Subsea and the JVs (DOFCON and DOF Deepwater). The relevant Group companies have imposed unilateral standstill to the secured lenders not participating in the standstill agreements, however one of the secured lenders in DOF Subsea has requested repayment of USD 47 million, pursuant to the standstill agreement. DOF Subsea and the secured lenders are currently trying to solve this situation. DOF Subsea has further agreed a standstill with its bondholders until the 30<sup>th</sup> of September. The Group will continue its dialogue with the secured lenders and bondholders to secure a long-term and sustainable financial solution going forward.

A 4-year agreement, including reduced amortisation profile (75% reduction) applicable from 1<sup>st</sup> of January 2020, has been signed for the BNDES facilities. BNDES has further approved a full standstill from 1<sup>st</sup> of July until end of the year as part of a governmental package in Brazil due to COVID-19.

The vessels and subsea assets (including the JVs) constitute 82% of the Group's total assets, and 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 indicate a decrease in valuations of the fleet due to significant weaker markets after the 1<sup>st</sup> quarter.

### Total interest bearing debt 31.12.2019 - 30.06.2020



The majority of the Group's vessels on long-term contracts are funded in corresponding currency, mainly USD, and due to extreme currency volatility during the 1<sup>st</sup> half, the Group's balance sheet has been highly negatively impacted, especially for the activity in Brazil.

The portion of long-term debt secured with fixed rate of interest is approximately 68% of total debt and includes the debt with fixed interest in BNDES (Brazilian Development Bank).

Due to the ongoing debt restructuring of the Group, all of the Group's secured- and unsecured debt are classified as current debt. This classification is based on the Group's financial situation and standstill agreements for debt service with the banks and bondholders.

The DOF Deepwater JV ("DDW") owned by the Company and Akastor AS has agreed a standstill until 21<sup>st</sup> of August. Akastor AS and the banks are in final discussions for Akastor to take over 100% of the shares in DDW. The Company is the guarantor for 50% of the external debt in this JV.

The Company is guarantor for the debt in Iceman AS of in total NOK 405 million, with a 50% counter guarantee from another owner in this company. Iceman AS has agreed a standstill period with the banks including deferral of interest and instalments until the 2<sup>nd</sup> half of October.

### Shareholders & the Board

By the end of June, 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. The main shareholders in Møgster Mohn Offshore (MMO), Laco AS and Perestroika AS have in May decided to split MMO including the shares in the Company. Laco AS decided not to exercise its option to retain an ownership of 40.45% of the shares in Company and will have an ownership of 32.49% upon completion of the de-merger of MMO.

Helge Møgster, who has served as chairman for 18 years, has in the period decided to resign and Hans Olav Lindal was elected as the new chairman in the Company and in DOF Subsea at the General Meeting on the 28th of May.

#### Employees

The Group employed as of 30<sup>th</sup> of June, 3,134 employees including hired staff, which is a decrease of 306 employees since end of the 1<sup>st</sup> quarter. The marine personnel amounts to 1,784 people, while 1,048 persons are employed within the subsea segment, 246 are employed onshore conducting marine management and 56 IT services personnel.

#### Health, Safety, Environment and Quality

There was not identified any significant HSEQ issues during the 2<sup>nd</sup> quarter. However, the operations have since the outbreak of COVID-19 been very challenging, especially for the operation in Brazil. The Group has so far been successful in protecting its employees, executing the projects, and operating the vessels close to normal, even though the replacement of crew has continued to be challenging.

#### Events after balance date

DOF Subsea APAC has been awarded two significant IMR service contracts in Australia and in South East Asia. The contract in Australia is a 5-year extension of an existing frame agreement with Chevron Australia. The contract in South East Asia is a moorings replacements and rectification project, securing utilisation for both assets and personnel in Q3 and early Q4 2020.

DOF Subsea has been awarded multiple new contracts in the Atlantic region. The work is planned for execution in Q3 and Q4 and totals above 150 offshore days.

Two long-term contracts have been cancelled and the Group has received and will receive in Q3 2020 cancellation fee from the clients. Estimated cancellation fee is approximately NOK 110 million and will be booked as revenue in Q3 2020.

DOF Rederi completed the sale of the AHTS vessel Skandi Giant (built in 2002) to an international buyer on the 12 of August 2020. DOF Rederi has further entered into an agreement with a yard in Turkey for recycling of the vessel Skandi Hav (built in 1983).

#### Outlook

The market has become more challenging after the effects from COVID-19 and the drop in the oil price, which has resulted in a historical high number of vessels in lay-up. The Group will, however, maintain its strategy to secure the fleet on term contracts and is actively working on keeping the utilisation of the fleet as high as possible. The Group will further continue to adapt its cost level and adjust its capacity to the challenging markets.

Several of the Group's high-end vessels are committed on firm contracts and represent the largest portion of the Group's backlog. A continuing weak market will, however, increase the risk of reduced earnings from the Group's

vessels and put more pressure on the Group's already strained liquidity position if a robust long-term refinancing solution is not achieved.

The outbreak of COVID-19 and the sharp decline in the oil price are expected to negatively impact the market sentiment going forward. As a result, the Board of Directors expects the market conditions to remain challenging, and the timing of a market recovery is highly uncertain. The future earnings and asset values are difficult to forecast, and impairment of assets could further be expected as the Group's assets also are sensitive to the USD/NOK rate. The quarterly financial statements are based on the going concern assumption. If the Group cannot be treated as 'going concern', the valuation of the Group's assets will be further impaired.

As reported, the Group has entered into a standstill agreement with the majority of its secured lenders and the bondholders, giving the Group a temporary deferral of payments of interest and instalments until the 30<sup>th</sup> of September. A further extension of the stand still agreements are expected in order to reach a robust long-term financial solution for the Group. Even though there is still uncertainty if a long-term financial solution will be achieved, the Board of Directors and Management believes that a solution is obtainable, but no assurance can be given.

**The Board of Directors of DOF ASA,  
August 20<sup>th</sup>, 2020**

#### IR contacts

Mons S. Aase, CEO  
+47 91661012, mons.aase@dof.com  
Hilde Dronen, CFO  
+47 91661009, hilde.dronen@dof.com

DOF ASA  
5392 Storebø  
www.dof.com

**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<sup>st</sup> of January to 30<sup>th</sup> of June 2020, 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 or loss, and overall financial position.

We also declare that to the best of our knowledge the first half 2020 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 20<sup>th</sup>, 2020**

Hans Olav Lindal  
Chairman

Helge Singelstad  
Deputy Chairman

Marianne Møgster

Kathryn Baker

Mons S. Aase  
CEO

# Accounts Q2 2020

## Consolidated statement of profit or loss

(MNOK)	Note	Q2 2020	Q2 2019	Acc Q2 2020	Acc Q2 2019	2019
Operating income	3	1 455	1 542	3 162	2 900	6 276
Operating expenses		-1 013	-1 112	-2 192	-2 184	-4 517
Net profit from associated and joint ventures	7	-66	74	-106	118	52
Net gain on sale of tangible assets		-	-	-	-	4
<b>Operating profit before depreciation and impairment - EBITDA</b>		<b>376</b>	<b>504</b>	<b>864</b>	<b>835</b>	<b>1 815</b>
Depreciation	5	-211	-274	-452	-533	-1 071
Impairment	5, 6	-588	-145	-1 935	-184	-1 130
<b>Operating profit - EBIT</b>		<b>-424</b>	<b>84</b>	<b>-1 523</b>	<b>117</b>	<b>-387</b>
Financial income		15	25	52	60	97
Financial costs		-270	-238	-544	-504	-1 024
Net realised gain/loss on currencies		-26	-73	-538	-177	-237
Net unrealised gain/loss on currencies		-60	105	-2 032	192	-862
Net changes in fair value of financial instruments		100	21	-148	106	117
Net financial costs		-241	-160	-3 209	-323	-1 909
<b>Profit (loss) before taxes</b>		<b>-665</b>	<b>-77</b>	<b>-4 732</b>	<b>-206</b>	<b>-2 296</b>
Taxes		-10	-29	-59	-33	-585
<b>Profit (loss) for the period</b>		<b>-675</b>	<b>-106</b>	<b>-4 791</b>	<b>-239</b>	<b>-2 881</b>
<b>Profit attributable to</b>						
Non-controlling interest		-16	5	-35	-1	-402
Controlling interest		-659	-111	-4 756	-238	-2 480
Earnings per share (NOK)		-2,08	-0,35	-15,03	-0,75	-7,84
Diluted earnings per share (NOK)		-2,08	-0,35	-15,03	-0,75	-7,84

## Consolidated statement of comprehensive income

(MNOK)	Note	Q2 2020	Q2 2019	Acc Q2 2020	Acc Q2 2019	2019
<b>Profit (loss) for the period</b>		<b>-675</b>	<b>-106</b>	<b>-4 791</b>	<b>-239</b>	<b>-2 881</b>
<b>Items that will be subsequently reclassified to profit or loss</b>						
Currency translation differences		332	9	345	12	24
Cash flow hedge		14	74	31	89	712
Cash flow hedge - impairment deferred tax		-	-	-	-	-240
Share of other comprehensive income of joint ventures	7	-154	-4	235	-9	66
<b>Items that not will be reclassified to profit or loss</b>						
Defined benefit plan actuarial gain (loss)		-	-	-	-	12
<b>Other comprehensive income/loss net of tax</b>		<b>191</b>	<b>78</b>	<b>612</b>	<b>92</b>	<b>574</b>
<b>Total comprehensive income/loss</b>		<b>-484</b>	<b>-28</b>	<b>-4 179</b>	<b>-147</b>	<b>-2 307</b>
<b>Total comprehensive income/loss net attributable to</b>						
Non-controlling interest		-16	8	-36	1	-363
Controlling interest		-468	-36	-4 144	-149	-1 945

## Consolidated statement of balance sheet

(MNOK)	Note	30.06.2020	30.06.2019	31.12.2019
<b>ASSETS</b>				
Tangible assets	4	14 769	18 836	17 765
Goodwill	6	-	292	85
Deferred tax assets		13	852	13
Investment in associated and joint ventures	7	2 312	1 696	1 806
Other non-current assets		430	1 147	604
<b>Total non-current assets</b>		<b>17 524</b>	<b>22 822</b>	<b>20 273</b>
Trade receivables		1 065	1 290	1 200
Other receivables		608	444	595
<b>Current receivables</b>		<b>1 673</b>	<b>1 733</b>	<b>1 795</b>
Restricted deposits		151	263	216
Cash and cash equivalents		1 392	1 234	1 179
<b>Cash and cash equivalents incl. restricted deposits</b>	8	<b>1 543</b>	<b>1 498</b>	<b>1 395</b>
<b>Current assets</b>		<b>3 216</b>	<b>3 231</b>	<b>3 190</b>
<b>Total Assets</b>		<b>20 740</b>	<b>26 053</b>	<b>23 464</b>
<b>EQUITY AND LIABILITIES</b>				
Paid in equity		308	3 277	3 178
Other equity		-1 170	83	87
Non-controlling interests		134	2 270	186
<b>Total equity</b>		<b>-728</b>	<b>5 630</b>	<b>3 451</b>
Bond loan	9	-	2 087	-
Debt to credit institutions	9	-	12 168	3 994
Lease debt		330	397	370
Other non-current liabilities		27	60	33
<b>Non-current liabilities</b>		<b>358</b>	<b>14 712</b>	<b>4 396</b>
Current portion of debt	9	19 231	4 276	14 198
Accounts payable		706	865	759
Other current liabilities		1 175	570	660
<b>Current liabilities</b>		<b>21 111</b>	<b>5 710</b>	<b>15 617</b>
<b>Total liabilities</b>		<b>21 469</b>	<b>20 422</b>	<b>20 013</b>
<b>Total equity and liabilities</b>		<b>20 740</b>	<b>26 053</b>	<b>23 464</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 01.01.2020	3 194	87	48	206	-254	87	170	3 451
Result (loss) for the period			-4 756			-4 756	-36	-4 791
Other comprehensive income/loss			235	345	31	612	-	612
Reclassification between CTA and cash flow hedge				-43	43	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-4 520</b>	<b>302</b>	<b>74</b>	<b>-4 144</b>	<b>-36</b>	<b>-4 179</b>
Converted bond loan						-	-	-
Changes ownership non-controlling interest						-	-	-
<b>Total transactions with the owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 30.06.2020</b>	<b>3 194</b>	<b>87</b>	<b>-4 472</b>	<b>508</b>	<b>-180</b>	<b>-4 057</b>	<b>134</b>	<b>-728</b>
Balance at 01.01.2019	3 277	232	544	196	-740	232	2 269	5 778
Result (loss) for the period	-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>	<b>-238</b>	<b>-</b>	<b>-6</b>	<b>5</b>	<b>90</b>	<b>89</b>	<b>1</b>	<b>-148</b>
Converted bond loan						-	-	-
Dividend to non-controlling interest						-	-	-
<b>Total transactions with the owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 30.06.2019</b>	<b>3 039</b>	<b>232</b>	<b>538</b>	<b>201</b>	<b>-650</b>	<b>321</b>	<b>2 270</b>	<b>5 630</b>

## Key figures

		Q2 2020	Q2 2019	Acc Q2 2020	Acc Q2 2019	2019
EBITDA margin ex net gain on sale of vessel	1	26%	33%	27%	29%	29%
EBITDA margin	2	26%	33%	27%	29%	29%
EBIT margin	3	-29%	5%	-48%	4%	-6%
Cashflow per share *)	4	0,30	0,87	-0,52	0,86	2,06
Profit per share *)	5	-2,13	-0,33	-15,14	-0,76	-9,11
Profit per share ex. unrealised gain/loss on currencies and changes fair value of financial instruments *)	6	-2,26	-0,55	-8,25	-1,51	-6,75
Return on net capital	7			-658%	-4%	-83%
Equity ratio	8			-4%	22%	15%
Net interest bearing debt				17 769	17 141	16 888
Net interest bearing debt excl. effect of IFRS 16				17 457	16 805	16 888
Number of shares				307 762 779	293 237 779	307 762 779
Potential average number of shares				316 456 168	316 456 168	316 456 168
Potential number of shares				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

\*) Key figures on cash flow per share, profit per share and profit per share ex.unrealised gain/loss on currencies and changes fair value of financial instruments are included controlling interest. Comparable figures are restated.

## Consolidated statement of cash flows

(MNOK)	Q2 2020	Q2 2019	Acc Q2 2020	Acc Q2 2019	2019
Operating result	-424	84	-1 523	117	-387
Depreciation and impairment	800	420	2 387	717	2 202
Gain/loss on disposal of tangible assets	-	-	-	-	-4
Share of profit/loss from associates and joint ventures	66	-74	106	-118	-52
Changes in accounts receivables	288	50	135	22	112
Changes in accounts payable	-205	179	-53	57	-50
Changes in other working capital	-19	-50	-23	66	204
Exchange rate effects on operating activities	-1	-22	41	-77	-152
<b>Cash from operating activities</b>	<b>505</b>	<b>587</b>	<b>1 070</b>	<b>784</b>	<b>1 874</b>
Interest received	11	15	23	50	69
Interest paid	-105	-226	-394	-492	-980
Taxes paid	-9	-8	-47	-18	-44
<b>Net cash from operating activities</b>	<b>402</b>	<b>368</b>	<b>652</b>	<b>325</b>	<b>919</b>
Payments received for sale of tangible assets	-	-	-	-	6
Purchase of tangible assets	-22	-214	-111	-323	-510
Purchase of shares	-	-4	-	-4	-4
Received dividend	-	-	-	1	2
Other investments	137	171	147	175	506
<b>Net cash from investing activities</b>	<b>115</b>	<b>-48</b>	<b>36</b>	<b>-151</b>	<b>-1</b>
Proceeds from borrowings	-	-	230	-	-
Repayment of borrowings	-44	-381	-298	-629	-1 403
Payments to non-controlling interests	-	-	-	-	-20
<b>Net cash from financing activities</b>	<b>-44</b>	<b>-381</b>	<b>-68</b>	<b>-629</b>	<b>-1 423</b>
<b>Net changes in cash and cash equivalents</b>	<b>473</b>	<b>-61</b>	<b>620</b>	<b>-455</b>	<b>-504</b>
Cash and cash equivalents at the start of the period	1 142	1 542	1 395	1 932	1 932
Exchange gain/loss on cash and cash equivalents	-72	17	-472	20	-33
<b>Cash and cash equivalents at the end of the period</b>	<b>1 543</b>	<b>1 498</b>	<b>1 543</b>	<b>1 498</b>	<b>1 395</b>

Restricted cash amounts to NOK 151 million (NOK 263 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 the 20 of August 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 2019.

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

## 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)	2 <sup>nd</sup> Quarter 2020			2 <sup>nd</sup> Quarter 2019		
	Management reporting	Reconciliation to equity method	Financial reporting	Management reporting	Reconciliation to equity method	Financial reporting
Operating income	1 802	-347	1 455	1 854	-313	1 542
Operating expenses	-1 074	61	-1 013	-1 180	68	-1 112
Net profit from associated and joint ventures	-26	-39	-66	-5	79	74
Net gain on sale of tangible assets	-	-	-	-	-	-
<b>Operating profit before depreciation and impairment - EBITDA</b>	<b>701</b>	<b>-325</b>	<b>376</b>	<b>669</b>	<b>-166</b>	<b>504</b>
Depreciation	-277	65	-211	-334	59	-274
Impairment	-779	191	-588	-154	9	-145
<b>Operating profit - EBIT</b>	<b>-354</b>	<b>-69</b>	<b>-424</b>	<b>181</b>	<b>-98</b>	<b>84</b>
Financial income	6	9	15	8	16	25
Financial costs	-368	97	-270	-296	58	-238
Net realised gain/loss on currencies	-35	9	-26	-79	5	-73
Net unrealised gain/loss on currencies	-38	-22	-60	121	-16	105
Net changes in fair value of financial instruments	100	-	100	21	-	21
<b>Net financial costs</b>	<b>-335</b>	<b>94</b>	<b>-241</b>	<b>-224</b>	<b>63</b>	<b>-160</b>
<b>Profit (loss) before taxes</b>	<b>-689</b>	<b>24</b>	<b>-665</b>	<b>-42</b>	<b>-34</b>	<b>-77</b>
Taxes	14	-24	-10	-64	34	-29
<b>Profit (loss)</b>	<b>-675</b>	<b>-</b>	<b>-675</b>	<b>-106</b>	<b>-</b>	<b>-106</b>

BALANCE (MNOK)	30.06.2020			30.06.2019		
	Management reporting	Reconciliation to equity method	Financial reporting	Management reporting	Reconciliation to equity method	Financial reporting
<b>ASSETS</b>						
Tangible assets	21 507	-6 738	14 769	25 585	-6 749	18 836
Goodwill	-	-	-	292	-	292
Deferred taxes	399	-386	13	930	-78	852
Investment in associated companies and joint ventures	6	2 306	2 312	85	1 611	1 696
Other non-current financial assets	185	246	430	272	874	1 147
<b>Total non-current assets</b>	<b>22 097</b>	<b>-4 572</b>	<b>17 524</b>	<b>27 163</b>	<b>-4 341</b>	<b>22 822</b>
Receivables	1 645	28	1 673	1 874	-141	1 733
Cash and cash equivalents	1 902	-359	1 543	1 789	-291	1 498
<b>Total current assets</b>	<b>3 546</b>	<b>-330</b>	<b>3 216</b>	<b>3 663</b>	<b>-432</b>	<b>3 231</b>
<b>Total assets</b>	<b>25 643</b>	<b>-4 903</b>	<b>20 740</b>	<b>30 826</b>	<b>-4 774</b>	<b>26 053</b>
<b>EQUITY AND LIABILITIES</b>						
Equity	-728	-	-728	5 630	-	5 630
Non-current liabilities	4 616	-4 258	358	19 088	-4 377	14 712
Current liabilities	21 755	-644	21 111	6 108	-397	5 710
<b>Total liabilities</b>	<b>26 371</b>	<b>-4 903</b>	<b>21 469</b>	<b>25 196</b>	<b>-4 774</b>	<b>20 422</b>
<b>Total equity and liabilities</b>	<b>25 643</b>	<b>-4 903</b>	<b>20 740</b>	<b>30 826</b>	<b>-4 774</b>	<b>26 053</b>
Net interest bearing liabilities excluded effect of IFRS 16	22 328	-4 871	17 457	21 292	-4 487	16 805

## Note 3 Segment information - management reporting

2nd Quarter 2020	Q2 2020			Total	PSV	Acc Q2 2020			Total
	PSV	AHTS	Subsea			AHTS	Subsea		
Operating income	112	275	1 415	1 802	263	676	2 937	3 875	
Operating result before depreciation and impairment - EBITDA	16	140	545	701	55	371	1 079	1 505	
Depreciation	31	65	180	277	64	140	379	584	
Impairment	18	202	559	779	169	684	1 458	2 311	
Operation result - EBIT	-32	-128	-194	-354	-178	-452	-758	-1 389	

2nd Quarter 2019	Q2 2019			Total	PSV	Acc Q2 2019			Total
	PSV	AHTS	Subsea			AHTS	Subsea		
Operating income	149	326	1 380	1 854	247	635	2 606	3 488	
Operating result before depreciation and impairment - EBITDA	43	183	443	669	38	309	819	1 165	
Depreciation	33	88	212	334	63	180	403	646	
Impairment	2	90	63	154	14	101	90	204	
Operation result - EBIT	8	6	167	181	-39	28	326	315	

## Note 4 Operating income

The Group's income from contracts with customers has been disaggregated and presented in the table below;

Operating income	Q2 2020	Q2 2019	Acc Q2 2020	Acc Q2 2019	2019
Lump sum contracts	39	63	48	113	50
Day rate contracts	1 416	1 479	3 114	2 787	6 226
Total	1 455	1 542	3 162	2 900	6 276

## Note 5 Tangible assets

2020	Vessel and periodical maintenance	ROV	Operating equipment	Asset "Right-of-use"	Total
Book value at 31.12.2019	16 469	665	337	292	17 763
Addition	87	4	21	1	113
Reclassification	9	2	-11	-	-
Depreciation	-310	-79	-36	-27	-452
Impairment loss	-1 831		-18		-1 850
Currency translation differences	-814	-1	1	9	-805
Book value at 30.06.2020	13 610	591	293	275	14 769

2019	Vessel and periodical maintenance	ROV	Operating equipment	Asset "Right-of-use"	Total
Book value at 01.01.2018	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

### Right-of-use asset

Net booked value of right-of-use assets at the 30<sup>th</sup> of June 2020 consists of property with NOK 265 million (NOK 311 million) and operating equipment with NOK 10 million (NOK 17 million).

### Impairment

The fair market values have dropped due to the significant drop in oil price and expected weaker markets going forward. In addition, all value in use calculation have been recalculated. The market conditions are expected to remain challenging, and the timing of market recovery remains uncertain. A continuing weak market and high volatility in currencies may increase the risk for further impairment of the Group's assets going forward.

Impairment tests performed for Q2 2020 has resulted in an impairment of vessels and equipment of NOK 588 million in the 2<sup>nd</sup> quarter 2020 and year to date NOK 1,850 million. In addition an impairment in the joint ventures of NOK 191 million has been done in the 2<sup>nd</sup> quarter 2020 and year to date NOK 376 million.

### Sensitivity analysis of impairment

The Group has applied a nominal WACC after tax in the range of 8.4 - 9.3 %. Negative changes in WACC with 50 basis points will result in an additional impairment of the vessels with approx. NOK 250 million. Negative effect on net future cash flows with 20% will result in an additional impairment of the vessels with approx NOK 1.8 billion.

The impairment tests are USD sensitive and a drop in USD/NOK of NOK 0.50 will result in an additional impairment of NOK 210 mill. given no change in other assumptions.

## Note 6 Goodwill

Goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable. The recent outbreak of COVID-19 and the sharp decline in the oil price is expected to negatively impact the market sentiment. The market conditions have become more challenging with oversupply of services and subsea vessels. The situation is resulting in cancellation and renegotiation of contracts, increased pressure on earnings and challenges with utilisation of both personnel and assets. The market conditions are expected to remain challenging, and the timing of market recovery remains uncertain. Considering these effects, the impairment tests performed for Q1 2020 resulted in an impairment of goodwill of NOK 85 million.

After impairment of NOK 85 million, the goodwill has been written down to zero. Impairment losses on goodwill cannot be reversed.

## Note 7 Investment in associates and joint ventures

The Company's investment in associates and joint ventures as of 30.06.2020;

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%
KDS JV AS	50%

Associated companies	
Master & Commander	20%
Skandi Aukra AS	34%
Iceman AS (Skandi Iceman)	35%
DOF OSM Services AS	50%

Effect of application of IFRS 11 on investments in joint ventures;	30.06.2020
Opening balance 01.01.2020	1 806
Addition	
Profit (loss)	-106
Profit (loss) through OCI	235
Negative value on investments reallocated to receivable and liabilities	376
Closing balance 30.06.2020	2 312

## Note 8 Cash and cash equivalent

	30.06.2020	30.06.2019	31.12.2019
Restricted cash		151	263
Cash and cash equivalent	1 392	1 234	1 179
<b>Total cash and cash equivalent</b>	<b>1 543</b>	<b>1 498</b>	<b>1 395</b>

Loans have been provided by Eksportfinans and are invested as restricted deposits. The repayment terms on the loans are equivalent with the reduction on the deposits. The loans are fully repaid in 2021. The cash deposits are included in Restricted deposits with a total of NOK 48 million (NOK 128 million). In addition NOK 103 million (NOK 135 million) of restricted cash are deposits pledged as security for loans and bank guarantee.

### Cash pool arrangement

The Group has cash pooling arrangements whereby cash surpluses and overdrafts residing in the Group companies bank accounts are pooled together to create a net surplus. Liquidity is made available through the cash pooling for the Companies in the Group to meet their obligations. The bank accounts in the cash pool consists of accounts in various currencies that on a currency basis can be in surplus or overdraft. Only the master accounts, (nominated in NOK) in each of the cash pools hierarchies are classified as bank deposits and included in the table above. The total cash pool can never be in net overdraft. No overdraft facilities are connected to the cash pools.

Surplus cash transferred to the Group's cash pool will be available at all times to meet the Group's financial obligations at any time. Some subsidiaries are not part of the cash pool structure. Surplus cash in these companies will be available for the rest of the Group through loans or dividends. Total cash in these subsidiaries are NOK 465 million and are included in unrestricted cash and cash equivalents.

## Note 9 Interest bearing liabilities

### **Financing**

The Board and Management have since the 2<sup>nd</sup> quarter 2019 been working on a long-term refinancing solution for the Group which includes discussions with the banks, the bondholders, and the main shareholders. The discussions with the relevant stakeholders have been constructive and the progress has been good. However, a refinancing solution was not finally agreed prior to the significant adverse developments in 2020. Following these disruptive events, the Group will be required to reach a refinancing solution which is sufficiently robust to handle these new developments.

Standstill agreements including deferral of interest and instalments and waiver of financial covenants have been agreed until the 30<sup>th</sup> of September with 93% of the secured lenders. The standstill agreements do not include the NOK 100 million loan facility drawn by DOF Subsea and the JVs (DOFCON and DOF Deepwater). The relevant Group companies have imposed unilateral standstill to the secured lenders not participating in the standstill agreements, however one of the secured lenders in DOF Subsea has requested repayment of USD 47 million, pursuant to the standstill agreement. DOF Subsea and the secured lenders are currently trying to solve this situation. DOF Subsea has further agreed a standstill with its bondholders until 30 September 2020. The Group will continue its dialogue with the secured lenders and bondholders to secure a long-term and sustainable financial solution going forward.

A 4-year agreement including reduced amortisation profile (25%) applicable from the 1<sup>st</sup> of January 2020 has been signed for the BNDES facilities. BNDES has further approved a full standstill from the 1<sup>st</sup> of July until end of the year as part of a governmental package in Brazil due to COVID-19.

A further extension of the stand still agreements are expected, in order to reach a robust long-term financial solution for the Group. Even though there is still uncertainty if a long-term financial solution will be achieved, the Board of Directors and Management believes that a solution is obtainable, but no assurance can be given.

The Group's secured and unsecured debt are, in accordance with IFRS, classified as current debt at the 30 of June 2020. The classification is based on the Group's financial situation and standstill agreements of debt service with the banks and bondholders.

### **The main covenants in the loan agreements regarding non-current liabilities to credit institutions are as follows;**

#### **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 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 above financial covenants have been waived in standstill agreements for DOF ASA and DOF Subsea AS (excl. the DOFCON JV).

## Note 9 Interest bearing liabilities (continued)

**At the 30<sup>th</sup> of June 2020 the interest bearing liabilities are as follows:**

	30.06.2020	30.06.2019	31.12.2019
Non-current interest bearing liabilities			
Bond loan	-	2 087	-
Debt to credit institutions	-	12 168	3 994
Lease liabilities (IFRS 16) *)	330	397	370
<b>Total non-current interest bearing liabilities</b>	<b>330</b>	<b>14 652</b>	<b>4 363</b>
Current interest bearing liabilities			
Bond loan	2 730	467	2 589
Debt to credit institutions	16 240	3 524	11 291
Lease liabilities (IFRS 16) *)	92	88	91
Overdraft facilities	30	57	78
<b>Total current interest bearing liabilities</b>	<b>19 092</b>	<b>4 136</b>	<b>14 050</b>
<b>Total interest bearing liabilities</b>	<b>19 422</b>	<b>18 788</b>	<b>18 414</b>
Net interest bearing liabilities			
Other interest bearing assets non-current (sublease IFRS 16)	110	149	131
Cash and cash equivalents	1 543	1 498	1 395
<b>Total net interest bearing liabilities</b>	<b>17 769</b>	<b>17 141</b>	<b>16 888</b>
Net effect of IFRS 16 Lease	312	336	330
<b>Total net interest bearing liabilities excluded IFRS 16 Lease liabilities</b>	<b>17 457</b>	<b>16 805</b>	<b>16 888</b>

\*) Lease liabilities are related to right-of-use assets and sub-leases.

Current interest bearing debt in the statement of balance sheet included accrued interest expenses NOK 139 million. Accrued interest expenses are excluded in the figures above.

	Share fixed interest	Balance 30.06.2020
Loan divided on currency and fixed interest		
NOK	66%	7 003
USD	68%	11 580
CAD	100%	409
BRL	0,0 %	10
<b>Total</b>	<b>68%</b>	<b>19 001</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 31.12.2019	Cash flows	Non-cash changes		Balance 30.06.2020
			Amortised loan expenses	Currency adjustments	
Interest bearing liabilities					
Bond loan	2 589		-1	142	2 730
Debt to credit institutions	15 285	18	8	1 051	16 362
Lease liabilities	461	-44		5	422
Overdraft facilities	78	-43		-6	30
<b>Total interest bearing liabilities</b>	<b>18 414</b>	<b>-68</b>	<b>7</b>	<b>1 192</b>	<b>19 544</b>

## Note 10 Contingency

After a saturation dive campaign in Australia in 2017, some of the divers have been diagnosed with potential long-term health effects with various symptoms. The situation continues to be monitored, and the Group has engaged a team of globally recognised experts and has offered specialist medical support to the divers.

The incident has been under investigation by NOPSEMA since 2018 and the Group has in Q2 2020 received a Prosecution Notice as a result of NOPSEMA's investigation. The Group has engaged an external law firm to act on behalf of the Group for the defense of the charges by the prosecutor. Based on facts and circumstances it is the Group's view that it is more likely than not that there will be no future cash outflow related to the dive campaign in 2017. No provision related to the dive campaign is included in the Group's accounts as of the 30<sup>th</sup> of June 2020.

There is always a risk that changes in interpretations of facts and circumstances will be interpreted to the detriment of the Group. Such changes might result in future cash outflow for the Group.

For further information about contingencies, see Annual Report for 2019.

## Note 11 Subsequent events

### **Contracts**

DOF Subsea APAC has been awarded two significant IMR service contracts in Australia and in South East Asia. The contract in Australia is a 5-year extension of an existing frame agreement with Chevron Australia. The contract in South East Asia is a moorings replacements and rectification project, securing utilisation for both assets and personnel in Q3 and early Q4 2020.

DOF Subsea has been awarded multiple new contracts in the Atlantic region. The work is planned for execution in Q3 and Q4 and totals above 150 offshore days.

Two long-term contracts have been cancelled and the Group has received and will receive in Q3 2020 cancellation fee from the clients. Estimated cancellation fee is approximately NOK 110 million and will be booked as revenue in Q3 2020.

### **Vessels**

DOF Rederi completed the sale of the AHTS vessel Skandi Giant (built in 2002) to an international buyer on the 12 of August 2020. DOF Rederi has further entered into an agreement with a yard in Turkey for recycling of the vessel Skandi Hav (built in 1983).

## Note 12 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 2019.

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

## Note 13 Share capital and shareholders

Largest shareholders as of 30.06.2020

Name	No. shares	Shareholding %
MØGSTER MOHN OFFSHORE AS	150 638 643	48.95%
BNP PARIBAS SECURITIES SERVICES	9 570 169	3.11%
MP PENSJON PK	2 972 887	0.97%
NORDNET BANK AB	2 638 469	0.86%
DRAGESUND INVEST AS	2 360 000	0.77%
HOLDEN, JIM ØYSTEIN	2 097 572	0.68%
BRØNMO, BJARTE	2 079 948	0.68%
MOCO AS	1 984 419	0.64%
LAWO INVEST AS	1 857 377	0.60%
BERGEN KOMMUNALE PENSJONSKASSE	1 800 000	0.58%
BRETTEL INVEST AS	1 700 000	0.55%
SKANDINAViska ENSKILDA BANKEN AB	1 603 201	0.52%
DP HOLDING AS	1 499 142	0.49%
WORKINN, BJØRN ÅGE	1 200 000	0.39%
WANG, FUZHOU	1 100 000	0.36%
WORKINN, HANS KRISTIAN	1 021 597	0.33%
PARETO INVEST AS	1 013 498	0.33%
STAVERN HELSE OG FORVALTNING AS	1 000 000	0.32%
NORDNET LIVSFORSIKRING AS	954 062	0.31%
KRISTIAN FALNES AS	950 000	0.31%
Total	190 040 984	61.75%
Total other shareholders	117 721 795	38.25%
Total no of shares	307 762 779	100.00%

## Note 14 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 described 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.

**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.

**DOF ASA**

Alfabygget  
5392 Storebø  
NORWAY

Phone: +47 56 18 10 00  
management@dof.com

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**NORWAY**

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DOF Subsea AS  
Thormøhlensgate 53 C  
5006 Bergen  
NORWAY

Phone: +47 55 25 22 00

DOF Subsea Norway AS  
Thormøhlensgate 53 C  
5006 Bergen  
NORWAY

Phone: +47 55 25 22 00

DOF Management AS  
Alfabygget  
5392 Storebø  
NORWAY

Phone: +47 56 18 10 00  
management@dof.com

---

**ANGOLA**

---

DOF Subsea Angola  
Belas Business Park-Talatona  
Edifício Bengo, 1º Andar  
Sala 106/107, Luanda  
REPUBLIC OF ANGOLA

Phone: +244 222 43 28 58  
Fax: +244 222 44 40 68  
Mobile: +244 227 28 00 96  
+244 277 28 00 95

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**ARGENTINA**

---

DOF Management Argentina S.A.  
Peron 315, piso 1, Oficina 6-b  
1038 - Buenos Aires  
ARGENTINA

Phone: +54 11 4342 4622  
fgarcia@seaworks.com.ar

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**AUSTRALIA**

---

DOF Subsea Australia Pty Ltd  
5th Floor, 181 St. Georges Tce  
Perth WA 6000  
AUSTRALIA

Phone +61 8 9278 8700  
Fax: +61 8 9278 8799

DOF Management Australia  
5th Floor, 181 St. Georges Tce  
Perth WA 6000  
AUSTRALIA

Phone: +61 3 9556 5478  
Mobile: +61 418 430 939  
management@dof.com

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**BRAZIL**

---

NorSkan Offshore Ltda  
Rua Lauro Muller  
116, 17 andar  
Torre do Rio Sul - Botafogo  
Rio de Janeiro, R.J.  
BRAZIL - CEP: 22290-160

Phone: +55 21 21 03 57 00  
Fax: +55 21 21 03 57 17  
office@norskan.com.br

DOF Subsea Brasil Serviços Ltda  
Rua Fiscal Juca, 330  
Q: W2 - L: 0001  
Loteamento Novo Cavaleiros  
Vale Encantado - Macaé/RJ  
BRAZIL - CEP 27933-450

Phone: +55 22 21 23 01 00  
Fax: +55 22 21 23 01 99

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**CANADA**

---

DOF Subsea Canada  
26 Allston Street  
Mount Pearl, Newfoundland  
CANADA, A1N 0A4

Phone: +1 709 576 2033  
Fax: +1 709 576 2500

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**SINGAPORE**

---

DOF Management Pte Ltd  
25 Loyang Crescent  
Block 302 TOPS Avenue 3  
#01-11  
SINGAPORE 508988

Phone: +65 6868 1001  
Fax: +65 6561 2431  
management@dof.com

DOF Subsea Asia Pacific Pte Ltd  
25 Loyang Crescent  
Block 302 TOPS Avenue 1  
#01-11  
SINGAPORE 508988

Phone: +65 6561 2780  
Fax: +65 6561 2431

---

**UK**

---

DOF (UK) Ltd  
Horizons House,  
81-83 Waterloo Quay  
Aberdeen, AB11 5DE  
UNITED KINGDOM

Phone: +44 1224 586 644  
Fax: +44 1224 586 555  
info@dofman.co.uk

DOF Subsea UK Ltd  
Horizons House  
81-83 Waterloo Quay  
Aberdeen, AB11 5DE  
UNITED KINGDOM

Phone: +44 1224 614 000

Fax: +44 1224 614 001

---

**USA**

---

DOF Subsea USA Inc  
5365 W. Sam Houston Parkway N  
Suite 400  
Houston, Texas  
77041  
USA

Phone: +1 713 896 2500  
Fax: +1 713 726 5800





DOF ASA

Alfabygget  
5392 Storebø  
NORWAY

[www.dof.com](http://www.dof.com)

**DCF**