FINANCIAL REPORT

Q2 2019

DOF Subsea

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Index

Financial Report 2nd quarter 2019

Headlines

In the 2nd quarter of 2019, the Group had an operating revenue of NOK 962 million (NOK 999 million in the 2nd quarter of 2018) with an operating profit before depreciation and impairment (EBITDA) of NOK 305 million (NOK 312 million). The operating profit (EBIT) was NOK 114 million (NOK 119 million) after depreciation and impairment of NOK 191 million (NOK 193 million). The net financial loss was NOK 91 million (loss NOK 390 million), and the profit before tax was NOK 23 million (loss NOK 271 million).

For the first half of 2019, the Group had an operating revenue of NOK 1 806 million with an operating profit before depreciations and impairment (EBITDA) of NOK 530 million (NOK 550 million). The Operating profit (EBIT) was NOK 172 million (NOK 125 million) after depreciation and impairment of NOK 358 million (NOK 425 million). The net financial loss for the first 6 months was NOK 155 million (NOK 221 million) and the profit before tax was NOK 17 million (loss of NOK 96 million).

Key figures (NOK million)	2Q2019	2Q2018	YTD2019	YTD2018
Operating revenue	962	999	1 806	1 839
EBITDA	305	312	530	550
EBIT	114	119	172	125
Net interest-bearing debt	8 716	8 171	8 716	8 171
EBITDA proportional method	445	372	810	684

The current market condition has led to challenges with regards to regular rollover of existing loans and refinancing of vessels. During the quarter the Group faced difficulties of obtaining a long term refinancing of a vessel and the Group was given extention of this loan until end of November. The management and the Board of Directors are working on a long term financial solution for the Group.

Within our industry the market conditions remain challenging with low utilisation of both personnel and assets. In the 2nd quarter the Group has seen weak performance in the Asia Pacific region and the Atlantic region, with low utilisation of both personnel and assets, and continued pressure on rate levels. By the end of the quarter, the vessels Geograph and Geosea were mobilising for work in the NorthSea and off the US East Coast. In the Long-term Charter segment the joint venture PLSVs Skandi Vitoria and Skandi Niteroi have been idle, however Skandi Niteroi is mobilising for a job on the Peregrino field commencing end of the 3rd quarter. The average vessel utilisation in the Subsea/IMR Projects segment has been 67 % for the quarter whilst the utilisation of the vessels within Long-term Charter segment has been 77 %. For the fleet in total, the utilisation was 70 %.

Operational events in the quarter

As of 30 June 2019, the number of subsea employees was 1 239, and the Group's fleet comprised 24 owned vessels, 3 chartered-in vessels and 74 ROVs.

During the 2nd quarter, the Asia Pacific region has conducted IMR and construction work for Shell in the Philippines and in Australia, IMR and Survey work for Chevron and mooring and installation work for Yinson in Malaysia. In the Atlantic region, the Group has executed engineering, survey, light construction and installation work for Eni Angola, survey, IMR and decomissioning work for Shell, Conoco Phillips and Nexans in the North Sea. In the North America region, the Group has conducted IMR and installation work for Husky Energy, Chevron, Talos, Shell, Anardarko and Saipem and RSV services for Argas in the Middle East. In the Brazil region, the Group has been engaged in AUV, ROV inspection work and Diving for Petrobras, Total, Shell and Sapura Energy. In addition, the joint venture with TechnipFMC has provided pipelay services for Petrobras.

During the quarter, the Group has been awarded several short-term contracts in the Subsea/IMR Projects segment, including the renewable industry.

Utilisation	2Q2019	1Q2019	4Q2018	3Q2018	2Q2018
Long-term Chartering	77 %	76 %	73 %	75 %	86 %
Subsea/IMR Projects	67 %	63 %	67 %	76 %	72 %
Fleet	70 %	67 %	69 %	75 %	76 %

Consolidated statement of comprehensive income and consolidated statement of financial position

The Group adopted the new accounting standard IFRS 16 Leases 1st of January 2019. The Group applied the simplified transition approach and comparative amounts for the year prior to first adoption are not restated.

In the 2nd quarter of 2019, the Group achieved an operating revenue of NOK 962 million compared to an operating revenue of NOK 999 million in the 2nd quarter of 2018. Operating profit before depreciation and impairment (EBITDA) was NOK 305 million (NOK 312 million in 2018). The operating profit after depreciation and impairment (EBIT) was NOK 114 million (NOK 119 million). Depreciation and impairment amounted to NOK 191 million (NOK 193 million).

Net financial loss was NOK 91 million (loss NOK 390 million), where NOK 1 million (loss NOK 274 million) was unrealised net gain on derivative instruments and currency positions. The profit before tax was NOK 23 million (loss NOK 271 million), and the profit for the period was NOK 14 million (loss NOK 292 million).

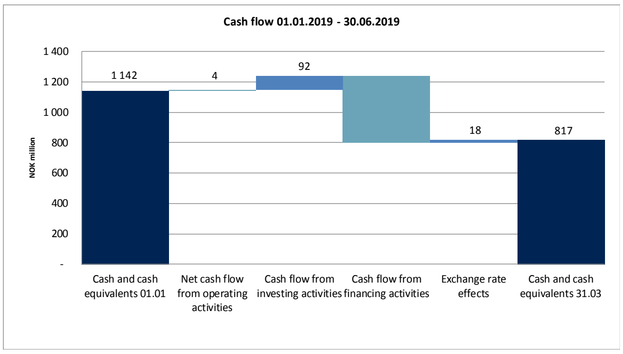
NOK million	2Q 2019	2Q 2018	Change %
Operating revenue	962	999	-4 %
EBITDA	305	312	-2 %
EBIT	114	119	-4 %

The Group's total assets were NOK 16 334 million (NOK 16 378 million), where non-current assets amounted to NOK 14 571 million (NOK 14 348 million), including NOK 554 million (NOK 588 million) in intangible assets. Current assets were NOK 1 763 million (NOK 2 031 million), of which NOK 817 million (NOK 1 017 million) was cash and cash equivalents.

The total equity was NOK 5 732 million (NOK 6 170 million), including non-controlling interests of NOK 197 million (NOK 230 million). Non-current liabilities were NOK 7 234 million (NOK 7 802 million). Current liabilities were NOK 3 367 million (NOK 2 407 million), of which NOK 2 663 million (NOK 1 581 million) was current portion of debt. The Group's total equity and liabilities were NOK 16 334 million (NOK 16 378 million). The net interest-bearing debt (NIBD) was NOK 8 716 million (NOK 8 171 million). At the end of the 2nd quarter, the book equity ratio was 35%, and the value-adjusted equity ratio was 41.5 %. The value-adjusted equity ratio is calculated by adjusting the book equity and total assets by excess values on all owned vessels in the Group.

NOK million	30.06.2019	30.06.2018	Change %
Total assets	16 334	16 378	-0.3 %
Tangible assets	11 136	11 379	-2 %
Cash and cash equivalents	817	1 017	-20 %
Net interest-bearing debt	8 716	8 171	7 %
Total equity	5 732	6 170	-4 %

Cash and cash equivalents have changed due to operating, investing and financing activities. Net cash flow from operating activities in the 2nd quarter was NOK 108 million (NOK 127 million). Cash flow from investing activities was NOK 128 million (NOK -76 million), of which NOK -72 million (NOK -79 million) was from investment in assets that increase or will increase capacity for the Group. Cash flow from financing activities was NOK -249 million (NOK 13 million), related to installments and repayments on long-term interest-bearing debt. At the end of the 2nd quarter, the Group's cash and cash equivalents were NOK 817 million (NOK 1 017 million).



Debt, financing and liquidity

The Group's interest-bearing debt was NOK 9 774 million (NOK 9 260 million), the current portion of interest-bearing debt at the end of June was NOK 2 556 million (NOK 1 492 million), including balloons, bond, drawn credit facilities and ordinary instalments. During the quarter the Group has paid ordinary instalments and interest rate on outstanding debt.

The prolonged weak market conditions have increased the risk for impairment of the Group's non-current assets, however over the last quarters the vessel values have shown some sign of recovery for the most modern vessels in the fleet.

During 2019, some banks have signalised reluctancy to finance assets within in the OSV industry. In the quarter, the Group faced difficulties of obtaining a long term refinancing of a vessel and the Group was given extention of this loan until end of November. The management and the Board of Directors are working on a long term financial solution for the Group.

Financial risk

The Group's operating income is in NOK, USD, AUD, GBP, CAD and BRL, while the Group's loans are distributed between NOK, USD and CAD. This exposes the Group to the risk of exchange rate fluctuations. The Group has an active exchange rate policy and uses derivatives to hedge the exchange rate exposure and interest rate exposure.

Shareholders

The shares in DOF Subsea AS are owned by DOF ASA (64.9%), FRC Lux Holding Limited (30.6%) and Dolphin Invest 2 AS (4.5%). The number of outstanding shares is 167 352 762, with a book equity of NOK 34.25 per share.

Employees

At the end of 2nd quarter, the number of employees in the Group was 1 239. The number does not include marine employees that are employed in DOF Management and Norskan and hired in through shipman agreements to operate the Group's vessels.

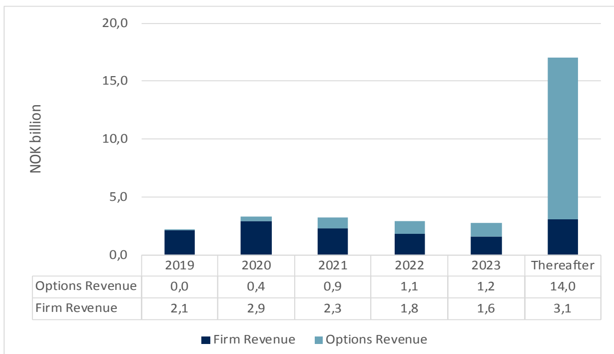
The Fleet

At the end of 2nd quarter, the Group's fleet comprised 24 owned vessels, in addition to three chartered-in vessels.

The Backlog

As at end of 2nd quarter, the firm contract backlog amounts to NOK 13.8 billion. However, the Group is exposed to the short-term market conditions in the Subsea/IMR Projects segment, and the backlog on some of the key assets in this segment are low. In this segment the management is working to increase the backlog and improve the utilisation of personnel and assets.

Contract Backlog*



* Contract backlog excludes master service agreements (MSAs) within the subsea/IRM Projects segment. Under the MSAs only confirmed POs are accounted for.

Events after period end

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

The Group secured several short term contracts in the Subsea/IMR Projects segment, securing utilisation for Skandi Skansen, Geosund and Harvey Deep Sea.

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

Outlook

The market has continued to be challenging, with variations between the different regions, however the Board of Directors states that the financial numbers for the first half of the year are according to expectations.

The Group will maintain its strategy to secure the fleet on long-term contracts and is actively working on keeping the firm employment of the fleet as high as possible. The Group will further continue its focus to reduce costs and to adjust its capacity to the challenging markets.

The majority of the Group's Long-term Chartering assets are committed on firm contracts and represent the largest portion of the Group's backlog. After delivery of the joint venture vessel Skandi Olinda all newbuilds are delivered and committed on firm contracts. A continuing weak market will however increase the risk of lower earnings of the Group's vessels and combined with an increased financing-/refinancing risk put more pressure on the Group's liquidity going forward.

As a result of the continued challenging market situation, the risk of lower utilisation and earnings represents an increased risk for the Group. As previously reported, the Group has experienced that regular refinancing (rollover) of existing loans are challenging. During the 2nd quarter, the Group was given extension of a rollover of a loan facility until end November. The management and the Board of Directors are working on a long term financial solution for the Group. The effect of not being able to obtain a long term financial solution is described in note 6 'Net interest bearing debt' to the quarterly accounts.

The Board of Directors expect that the Group's EBITDA for the second half of 2019 will be higher than the first half of 2019.

Bergen, 19 August 2019
The Board of Directors of DOF Subsea AS

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Confirmation from the Board of Directors

We confirm that, to the best of our knowledge, the half-year financial statements for the period 1st of January to 30th of June 2019 have been prepared in accordance with IAS 34 – Interim Financial Reporting, and that the information in the accounts gives a true and fair view of the Group's assets, liabilities, financial position and overall result. We also confirm that, to the best of our knowledge, the half-year report provides a true and fair view of significant events during the accounting period and their impact on the half-year accounts, the most central risk and uncertainty factors faced by the Group during the next accounting period, and of significant transactions with related parties.

Bergen, 19 August 2019

The Board of Directors of DOF Subsea AS

Helge Møgster Chairman	Helge Singelstad Director	Frederik Wilhelm Mohn Director	Hilde Drønen Director
Neil John Hartley Director	Ryan N. Zafereo Director	Alan Gregory Schwartz Director	Mons Aase CEO

Amounts in NOK million

Financial statements 2nd quarter 2019

Consolidated statement of comprehensive income

	Note	2Q 2019	2Q 2018	YTD 2019	YTD 2018	2018
Operating revenue	1, 2, 3	962	999	1 806	1 839	3 742
Operating expenses		-756	-803	-1 443	-1 511	-3 063
Share of net profit / loss of associates and joint ventures	1, 9	99	116	167	221	403
Profit from sale of non-current assets		-	-	-	1	1
Operating profit before depreciation and impairment (EBITDA)	1, 2	305	312	530	550	1 085
Depreciation and impairment	5	-191	-193	-358	-425	-913
Operating profit (EBIT)		114	119	172	125	172
Financial income	4, 13	20	13	41	27	96
Financial expenses	4, 13	-142	-122	-288	-234	-507
Realised net gain / loss on derivative instruments and currency position	4	29	-8	-27	-32	-168
Unrealised net gain / loss on derivative instruments and currency position	4	1	-274	119	19	-214
Net financial income / loss		-91	-390	-155	-221	-794
Profit / loss before tax		23	-271	17	-96	-622
Income tax expense		-8	-20	-28	-16	-46
Profit / loss for the period		14	-292	-10	-112	-668
Other comprehensive income net of tax						
Items that may be subsequently reclassified to profit / loss						
Currency translation difference (CTA)		13	-38	16	-42	-19
Share of other comprehensive income of associates and joint ventures	9	-4	49	-9	-	123
Other		-	-	-	-	1
Other comprehensive income / loss net of tax		9	11	7	-42	105
Total comprehensive income / loss for the period net of tax		23	-281	-3	-154	-563
Total comprehensive income / loss attributable to:						
Non-controlling interests		2	-2	3	4	-2
Owners of the parents		20	-279	-7	-158	-562

Amounts in NOK million

Consolidated statement of financial position

Assets	Note	30.06.2019	30.06.2018	31.12.2018
Tangible assets	5	11 136	11 379	11 100
Goodwill		334	361	337
Deferred tax asset		220	227	220
Investments	1, 9	1 712	1 249	1 553
Non-current receivables	7, 13	1 170	1 132	1 204
Total non-current assets		14 571	14 348	14 414
Trade receivables		697	736	631
Other current receivables	7	249	277	289
Current receivables		946	1 014	920
Restricted cash		183	258	223
Unrestricted cash and cash equivalents		634	759	919
Cash and cash equivalents	6	817	1 017	1 142
Total current assets		1 763	2 031	2 062
Total assets		16 334	16 378	16 476

Amounts in NOK million

Consolidated statement of financial position

Equity and liabilities	Note	30.06.2019	30.06.2018	31.12.2018
Paid-in equity	11	4 344	4 344	4 344
Other equity		1 191	1 595	1 197
Non-controlling interests		197	230	194
Total equity		5 732	6 170	5 735
Bond loans	6	2 087	1 928	2 480
Debt to credit institutions	6	4 781	5 840	5 278
Lease liabilities	13	350	-	-
Other non-current liabilities	7	17	33	34
Total non-current liabilities		7 234	7 802	7 793
Current portion of debt	6	2 663	1 581	2 177
Trade payables		420	439	406
Other current liabilities	7	284	387	366
Total current liabilities		3 367	2 407	2 949
Total liabilities		10 601	10 209	10 742
Total equity and liabilities		16 334	16 378	16 476

Amounts in NOK million

Consolidated statement of cash flows

	Note	2Q 2019	2Q 2018	YTD 2019	YTD 2018	2018
Operating profit (EBIT)		114	119	172	125	172
Depreciation and impairment	5	191	193	358	425	913
Profit from sale of non-current assets		-	-	-	-1	-1
Share of net profit / loss of associates and joint ventures	1, 9	-99	-116	-167	-221	-403
Change in trade receivables		1	-15	-65	119	223
Change in trade payables		92	70	14	47	14
Changes in other working capital		-42	-47	30	111	25
Exchange rate effect on operating activities		-26	39	-78	-68	-73
Cash flow from operating activities		231	243	264	536	869
Interest received		3	-	37	4	6
Interest paid		-120	-112	-283	-254	-519
Tax paid		-7	-4	-15	-4	-32
Net cash flow from operating activities		108	127	4	282	324
Sale of tangible assets		-	1	-	1	1
Purchase of tangible assets	5	-72	-79	-120	-122	-267
Net cash flows from other non-current receivables		200	2	212	13	27
Cash flow from investing activities		128	-76	92	-108	-239
Proceeds on non-current debt		-	482	-	482	1 558
Instalments on non-current debt		-249	-469	-438	-707	-1 524
Payments from non-controlling interests		-	-	-	-	-31
Cash flow from financing activities		-249	13	-439	-224	3
Net change in cash and cash equivalents		-14	64	-343	-51	88
Cash and cash equivalents, including restricted cash, at period start		812	972	1 142	1097	1 097
Exchange rate effect on cash and cash equivalents		18	-19	18	-29	-43
Cash and cash equivalents, including restricted cash, at period end		817	1 017	817	1 017	1 142

Restricted cash at period end is NOK 183 million (NOK 258 million) and is in included in Cash and cash equivalents. Changes in restricted cash is reflected in the cash flow.

Amounts in NOK million

Consolidated statement of changes in equity

	Share capital	Share premium	Other paid-in capital	**Paid-in equity**	Retained earnings	Currency translation differences	**Other equity**	Non-controlling interests	**Total equity**
Equity at 01.01.2019	1 674	540	2 130	4 344	1 155	42	1 197	194	5 735
Profit / loss for the period	-	-	-	-	-14	-	-14	3	-10
Other comprehensive income for the period	-	-	-	-	-9	16	7	-	7
Total comprehensive income for the period	-	-	-	-	-23	16	-7	3	-3
Equity at 30.06.2019	1 674	540	2 130	4 344	1 133	58	1 191	197	5 732
Equity at 01.01.2018	1 674	540	2 130	4 344	1 716	62	1 778	226	6 348
Profit / loss for the period	-	-	-	-	-116	-	-116	4	-112
Other comprehensive income for the period	-	-	-	-	-	-42	-42	-	-42
Total comprehensive income for the period	-	-	-	-	-116	-42	-158	4	-154
IFRS 9 implementation effect	-	-	-	-	-25	-	-25	-	-25
Equity at 30.06.2018	1 674	540	2 130	4 344	1 576	19	1 595	230	6 170

Amounts in NOK million

Notes to the financial statements

Note 1 Management reporting

Joint ventures are accounted for by using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of profits or losses and movements in other comprehensive income in the investee.

In management reporting the Group uses the proportionate consolidation method when accounting for joint ventures. Proportionate consolidation method implies full consolidation for subsidiaries, and consolidation of 50% of the comprehensive income and financial position for the joint ventures. Proportional consolidation method is used to better reflect the operating performance for vessels in the joint ventures.

At the end of the 2nd quarter of 2019 the joint venture owns six PLSVs.

The bridge between the management reporting and the figures reported in the financial statements are presented below:

	2Q 2019 Consistent with management reporting	Reconciliation to equity method	2Q 2019	YTD 2019 Consistent with management reporting	Reconciliation to equity method	YTD 2019
Operating revenue	1 257	-295	962	2 360	-554	1 806
Operating expenses	-809	53	-756	-1 547	104	-1 443
Share of net income of associates and joint ventures	-3	102	99	-3	170	167
Operating profit before depreciation and impairment (EBITDA)	445	-140	305	810	-280	530
Depreciation and impairment	-238	47	-191	-447	89	-358
Operating profit (EBIT)	207	-94	114	364	-191	172
Financial income	6	14	20	13	28	41
Financial expenses	-193	51	-142	-392	104	-288
Realised net gain / loss on derivative instruments and currency position	27	2	29	-29	2	-27
Unrealised net gain / loss on derivative instruments and currency position	11	-10	1	113	6	119
Net financial income / loss	-148	57	-91	-296	141	-155
Profit / loss before tax	59	-37	23	68	-50	17
Income tax expense	-45	37	-8	-78	50	-28
Profit / loss for the period	14	-	14	-10	-	-10

Amounts in NOK million

Note 1 Management reporting (continued from previous page)

Consolidated statement of financial position	30.06.2019 Consistent with management reporting	Reconciliation to equity method	30.06.2019
Intangible assets	651	-97	554
Tangible assets	17 489	-6 354	11 136
Financial assets	431	2 451	2 881
Total non-current assets	18 571	-4 000	14 571
Other current assets	1 128	-182	946
Cash and cash equivalents	1 092	-274	817
Total current assets	2 219	-456	1 763
Total assets	20 790	-4 456	16 334

Consolidated statement of financial position	30.06.2019 Consistent with management reporting	Reconciliation to equity method	30.06.2019
Total equity	5 732	-	5 732
Non-current liabilities	11 126	-3 891	7 234
Current liabilities	3 932	-565	3 367
Total liabilities	15 058	-4 456	10 601
Total equity and liabilities	20 790	-4 456	16 334

Consolidated statement of cash flows	30.06.2019 Consistent with management reporting	Reconciliation to equity method	30.06.2019
Net cash flow from operating activities	320	-316	4
Cash flow from investing activities	-912	1 004	92
Cash flow from financing activities	241	-680	-439
Net change in cash and cash equivalents	-351	8	-343
Cash and cash equivalent at the beginning of the period	1 430	-288	1 142
Exchange rate effect on cash and cash equivalents	13	6	18
Cash and Cash equivalents at the end of the period	1 092	-274	817

Amounts in NOK million

Note 2 Segment information

Operating segments are determined based on the information given to the Group's operating decision-makers for the purposes of allocating resources and assessing performance. Segments are reported to the chief operating decision-makers on a regular basis.

The segment reporting below is presented according to management reporting, with principle as described in note 1, and reconciled to the financial statement.

Operating revenue consistent with management reporting	2Q 2019	2Q 2018	YTD 2019	YTD 2018	2018
Long-term Chartering	480	391	921	778	1 574
Subsea/IMR Projects	776	812	1 439	1 479	3 033
Total consistent with management reporting	1 257	1 203	2 360	2 257	4 607
Reconciliation to equity method	-295	-204	-554	-418	-865
Total	962	999	1 806	1 839	3 742

EBITDA consistent with management reporting	2Q 2019	2Q 2018	YTD 2019	YTD 2018	2018
Long-term Chartering	366	300	694	592	1 203
Subsea/IMR Projects	79	72	116	90	199
Total consistent with management reporting	445	372	810	682	1 402
Reconciliation to equity method	-140	-60	-280	-132	-317
Total	305	312	530	550	1 085

The Group's business is divided into two business segments: Subsea/IMR Projects and Long-term Chartering.

The Group has gradually built the Subsea/IMR Projects segment to become a global provider of subsea services with a core focus on IMR. In addition to the IMR market, the Subsea/IMR Projects segment has focused on mooring, light construction and survey work utilising the Group's core competences and assets.

The Long-term Chartering segment covers letting of vessels to thirdparty charterers and is managed through the Group's associated company DOF Management AS and Norskan Offshore Ltda. The Longterm Chartering segment is built on DOF Subsea's long standing as an internationally recognised vessel owner and operator of high-end subsea vessels.

Note 3 Operating revenue

The Group's revenue from contracts with customers has been disaggregated and presented in the tables below:

Operating revenue	2Q 2019	2Q 2018	YTD 2019	YTD 2018	2018
Lump sum contracts	63	10	113	39	125
Day rate contracts	899	989	1 693	1 800	3 617
Total operating revenue	962	999	1 806	1 839	3 742

Amounts in NOK million

Note 4 Financial income and expenses

Financial income and expenses	2Q 2019	2Q 2018	YTD 2019	YTD 2018	2018
Interest income	19	11	37	24	52
Other financial income	2	2	3	3	45
Financial income	20	13	41	27	96
Interest expenses	-136	-115	-274	-222	-481
Other financial expenses	-5	-7	-14	-12	-27
Financial expenses	-142	-122	-288	-234	-507
Realised foreign currency net gain/loss on non-current debt	23	-17	3	-39	-74
Realised foreign currency net gain / loss on current receivables / liabilities	19	-7	21	-4	-47
Realised net gain / loss on financial derivatives	-12	16	-50	12	-47
Realised net gain / loss on derivative instruments and currency position	29	-8	-27	-32	-168
Unrealised foreign currency net gain / loss on non-current debt	-10	-190	33	9	-149
Unrealised foreign currency net gain / loss on current receivables / liabilities	-5	-7	-9	-44	-40
Net change in unrealised gain / loss on financial derivatives	16	-76	95	54	-25
Unrealised net gain / loss on derivative instruments and currency position	1	-274	119	19	-214
Net financial income / loss	-91	-390	-155	-221	-794

Amounts in NOK million

Note 5 Tangible assets

30.06.2019	Vessels & periodic maintenance	ROVs	Operating equipments	Right-of-use assets	Total
Net booked value 31.12.18	10 033	730	338	-	11 100
Implementation of IFRS 16 Leases	-	-	-	284	284
Net booked value 01.01.	10 033	730	338	284	11 384
Additions	90	12	17	2	121
Reclassification	-	-2	-1	-	-2
Depreciation	-150	-78	-34	-21	-282
Impairment	-76	-	-	-	-76
Currency translation differences	-3	-	-1	-8	-13
Net booked value 30.06.	9 894	663	319	258	11 136

Net booked value of right-of-use assets at 2nd quarter 2019 consists of property with NOK 250 million and operating equipments of NOK 8 million.

30.06.2018	Vessels & periodic maintenance	ROVs	Operating equipments	Newbuilds	Total
Net booked value 01.01.	10 525	856	381	11	11 773
Additions	97	2	17	7	122
Reclassification	-	16	-4	-11	-
Depreciation	-149	-79	-45	-	-273
Impairment	-152	-	-	-	-152
Currency translation differences	-78	-4	-9	-	-91
Net booked value 30.06.	10 243	792	338	7	11 379

In the 2nd quarter 2019, the Group faced lower market values for some of the Group`s vessels. Impairment indicators are observed, and an impairment test for vessels in the Group has been performed. Impairment tests are performed in line with accounting principles presented in the Group's Annual Report for 2018. Impairments of NOK 48 million have been recognised in the 2nd quarter of 2019.

Amounts in NOK million

Note 6 Net interest-bearing debt

	30.06.2019	30.06.2018	31.12.2018
Non-current interest-bearing debt			
Bond loans	2 087	1 928	2 480
Debt to credit institutions	4 781	5 840	5 278
Lease liabilities	350	-	-
Total non-current interest-bearing debt	7 218	7 768	7 759
Current interest-bearing debt			
Bond loans	467	-	100
Debt to credit institutions	2 012	1 492	1 969
Lease liabilities	76	-	-
Total current interest-bearing debt	2 556	1 492	2 069
Total non-current and current interest-bearing debt	9 774	9 260	9 827
Net interest-bearing debt			
Cash and cash equivalent	817	1 017	1 142
Other interest-bearing assets - non-current	240	72	79
Total net interest-bearing debt	8 716	8 171	8 606

Current portion of debt in the statement of financial position includes accrued interest expenses. Accrued interest expenses are excluded in the current interest-bearing debt above.

Total net interest-bearing debt is redefined with the implementation of IFRS 16 Leases. Below is the impact as result of the new accounting standard:

	31.12.2018	Implementation of IFRS 16 Leases	01.01.2019
Total non-current interest-bearing debt	7 759	394	8 153
Total current interest-bearing debt	2 069	75	2 144
Total non-current and current interest-bearing debt	9 827	470	10 297
Net interest-bearing debt			
Total interest-bearing assets	1 221	185	1 406
Total net interest-bearing debt	8 606	285	8 891

Amounts in NOK million

Note 6 Interest-bearing debt (continued from previous page)

Cash and non-cash changes in total borrowings

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

			Cash changes	Non-cash changes			
	Balance 31.12.18	Implementation of IFRS 16 Leases	Cash flows	Amortised loan expense	Re-classification	Currency adjustment	Balance 30.06.19
Non-current interest bearing debt							
Bond loans	2 480	-	-	-1	-367	-25	2 087
Debt to credit institutions	5 278	-	-542	6	-	39	4 781
Lease liabilities	-	394	-39	-	-	-4	350
Total non-current interest bearing debt	7 759	394	-580	4	-367	10	7 218
Current interest bearing debt							
Bond loans	100	-	-	-	367	-	467
Debt to credit institutions	1 969	-	142	-	-	-99	2 012
Lease liabilities	-	75	-	-	-	1	76
Total current interest bearing debt	2 069	75	142	-	367	-98	2 556
Total interest bearing debt	9 827	470	-438	4	-	-88	9 774

The table below summarises the repayment profile of the Group's financial liabilities, excluding interests:

Debt repayment profile	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Total current debt	Q3-Q4 2020	2021	2022	2023	Thereafter	Total
Bond loan	-	92	-	375	467	-	-	1 253	840	-	2 560
Debt to credit institutions	529	213	244	113	1 099	610	602	524	444	974	4 253
Debt to credit institutions, balloons	-	811	-	-	811	516	328	161	749	-	2 564
Total repayment	529	1 116	244	489	2 378	1 125	930	1 938	2 033	974	9 378

Amortised costs are not included in the repayment profile above.

A non-current loan has been provided by Eksportfinans and is invested as a restricted deposit. The repayment terms on the loan from Eksportfinans are equivalent with the reduction on the deposit. The loan is fully repaid in 2020. The cash deposit is included in restricted deposits.

As a result of the continued challenging market situation, the risk of lower utilisation and earnings represents an increased risk for the Group. As previously reported, the Group has experienced that regular refinancing (rollover) of existing loans are challenging. During the 2nd quarter, the Group was given extension of a rollover until end of November. The management and the Board of Directors are working on a long-term financial solution for the Group.

The effect of not being able to obtain a long-term financial solution, this 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 6.9 billion as of 30 June 2019.

Amounts in NOK million

Note 6 Interest-bearing debt (continued from previous page)

Share of debt secured by fixed interest rate:

	Fixed rate	Balance 30.06.2019
NOK	68 %	4 552
USD	77 %	4 457
CAD	100 %	369
Total debt	74 %	9 378

Financial covenants

The Group's long-term financing agreements include the following covenants:

- The Group shall have available cash of at least NOK 500 million at all times (based on the proportionate consolidation method of accounting for joint ventures)
- The Group shall have value-adjusted equity to value-adjusted assets of at least 30%
- The Group shall have book equity of at least NOK 3 000 million at all times
- The Group shall have positive working capital at all times, excl. current portion of debt to credit institutions
- The fair value of the Group's vessels shall always be at least 110-130% of the outstanding loan amount

In addition to the above mentioned financial covenants, the loan agreements are also subject to the following covenants:

- The Group's assets shall be fully insured
- There shall not be any change to classification, flag, management or ownership of the ships without the prior written approval of the lenders
- DOF ASA shall be the principal shareholder in DOF Subsea AS, and own a minimum of 50.1 % of the shares
- DOF Subsea AS shall not performe merge or demerge activities without the prior written approval of the lenders
- DOF Subsea AS shall report financial information to the lenders and Oslo Stock Exchange on a regular basis
- The Group's vessels shall be operated in accordance with applicable laws and regulations

The Group is in compliance with all covenants at period end.

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

Amounts in NOK million

Note 7 Financial instruments and hedging activities

	30.06.2019		30.06.2018	
	Assets	Liabilities	Assets	Liabilities
Non-current and current portion				
Interest rate swaps	23	9	36	12
Foreign exchange contracts	14	23	25	60
Total non-current and current	37	31	61	72
Non-current portion				
Interest rate swaps	23	5	36	9
Foreign exchange contracts	-	-	3	6
Total non-current portion	23	5	39	15
Total current portion	14	26	22	57

As of period end the Group held the following foreign exchange rate derivatives, not qualified for hedge accounting:

Instrument	Received	30.06.2019 Contract amount	30.06.2018 Contract amount
Foreign exchange contracts	NOK/USD	1 448	1 988
Foreign exchange contracts	NOK/EUR	489	484
Foreign exchange contracts	USD/NOK	4	-

Note 8 Transactions with related parties

Description of transactions with related parties is given in the Group's Annual Report for 2018. There are no major changes in type of transactions between related parties during the second quarter 2019. The Group has receivables and liabilities towards DOF ASA, Norskan, DOF Management and Marin IT related to operations.

Amounts in NOK million

Note 9 Investments in associates and joint ventures

The Group has the following investments in associated and joint ventures accounted for using the equity method:

Name of entity	Place of business / country of incorporation	Industry	% of ownership interest	Nature of relationship	Measurement method
DOFCON Brasil Group	Norway	Subsea Chartering	50%	Joint Venture	Equity
DOF Management Group	Norway	Vessel management and operation	34%	Associate	Equity
Marin IT AS	Norway	IT	35%	Associate	Equity
Master and Commander AS	Norway	Seismic Chartering	20%	Associate	Equity

Reconciliation of the aggregate carrying amounts in investments:

	Total
Booked value of investments 01.01	1 553
Share of net profit / loss for the period	167
Share of other comprehensive income	-9
Booked value of investments 30.06	1 712

Note 10 Events after period end

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

The Group secured several short term contracts in the Subsea/IMR Projects segment, securing utilisation for Skandi Skansen, Geosund and Harvey Deep Sea.

Following the approval from the bondholders, the Group has aligned the definition of liquidity covenants in the bond loans, DOFSUB07, DOFSUB08 and DOFSUB09, with the covenants in the bank loan agreements (all loans based on proportionate consolidation method of accounting for joint ventures).

Note 11 Shareholder information

Name	No. shares	Shareholding	Voting shares
DOF ASA	108 683 241	64.9 %	64.9 %
FRC Lux Holding Limited	51 131 358	30.6 %	30.6 %
Dolphin Invest 2 AS	7 538 163	4.5 %	4.5 %
Total	167 352 762	100 %	100 %

Note 12 General

This Financial Report has been prepared in accordance with the standard for interim reporting (IAS 34). The Financial Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's Annual Report for 2018. The Financial Report is unaudited.

Amounts in NOK million

Note 13 Changes in accounting policies 2019

IFRS 16 Leases replaces the current 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. The Group adopted the standard at January 1, 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 32 'Accounting policies', paragraph Z. in the Group's annual report 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.

The implementation of the standard has increased the statement of financial position with lease liabilities, net investments and right-of-use assets. The Group's 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 financial position	31.12.2018	Implementation of IFRS 16 Leases	01.01.2019
Tangible assets	11 100	284	11 384
Other non-current receivables	3 314	185	3 499
Total non-current assets	14 414	470	14 884
Total current assets	2 062	-	2 062
Total assets	16 476	470	16 946
Total equity	5 735	-	5 735
Non-current liabilities	7 793	394	8 187
Current liabilities	2 949	75	3 024
Total liabilities	10 742	470	11 212
Total equity and liabilities	16 476	470	16 947

Lease expenses within the scope of the standard are removed and replaced by depreciation of right-of-use assets and interest costs. Lease income within the scope of the standard are removed and replaced by interest income.

The table below presents a reconciliation of the Group's 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	583
Practical expedient related to short-term- and low-value leases	-76
Effect of discounting	-77
Escalation and amendments to lease agreements	40
Lease liabilities recognised at initial application	470

Amounts in NOK million

Note 14 Performance measurement definitions

Alternative performance measurements

The Group's presents alternative performance measurements (APM) that are regularly reviewed by management and aim to enhance the understanding of the Group's performance. APMS are calculated consistently over time and are based on financial data presented in accordance with IFRS and other operational data as described in the table below.

Measure	Description	Reason for including
Operating profit before depreciation (EBITDA)	EBITDA is defined as operating profit, including profit from sale of non-current assets, before impairment of tangible and intangible assets, depreciation of tangible assets and amortisation of contract assets. EBITDA represents earnings before interest, tax, depreciation and amortisation, and is a key financial parameter for the Group.	This measure is useful in evaluating operating profitability on a more variable cost basis as it excludes depreciation, impairment and amortisation expenses related primarily to capital expenditures and acquisitions that occurred in the past. EBITDA shows operating profitability regardless of capital structure and tax situations with the purpose of simplifying comparison in the same industry.
EBITDA margin	EBITDA margin presented is defined as EBITDA divided by operating revenue.	Enables comparability of profitability relative to operating revenue.
Operating profit (EBIT)	EBIT represents earnings before interest and tax	EBIT shows operating profitability regardless of capital structure and tax situations.
EBIT margin	EBIT margin presented is defined as EBIT divided by operating revenue.	Enables comparability of profitability relative to operating revenue.
Net interest-bearing debt	Net interest-bearing debt consists of both current and non-current interest-bearing liabilities less interest bearing financial assets, cash and cash equivalents. Non-current receivables from joint ventures are not included in net interest-bearing debt. Cash and cash equivalents will include restricted cash. Current interest-bearing debt includes interest-bearing debt related to asset held for sale.	Net interest-bearing debt is a measure of the Group's net indebtedness that provides an indicator of the overall statement. It measures the Group's ability to pay all interest-bearing liabilities within available interest bearing financial assets, cash and cash equivalents, if all debt matured on the day of the calculation. It is therefore a measurement of the risk related to the Group's capital structure.
Working capital	The working capital position of the Group is equal to current assets less current liabilities.	It is a measure of the Group's liquidity and efficiency, and demonstrates the Group's ability to pay its current liabilities.
Return on net capital	Profit / loss for the period divided by equity.	Return on net capital represents the total return on equity capital and shows the Group's ability to turn assets into profits.
Equity ratio	Equity divided by assets at the reporting date.	Measure capital contributed by shareholders to fund the Group's assets.
Value-adjusted equity ratio	Value-adjusted equity divided by value-adjusted assets at the reporting date. The market value is used for the vessels.	Measure capital contributed by shareholders to fund the Group's assets.
Book value equity per share	Equity divided by number of shares outstanding.	Measures the Group's net asset value on a per-share basis.
Value-adjusted equity per share	Value-adjusted equity divided by number of shares outstanding. The market value is used for the vessels.	Measures the Group's net asset value on a per-share basis.

Other definitions

Measure	Description
Market value	Calculated average vessel value between several independent brokers' estimates based on the principle of "willing buyer and willing seller".
Vessel utilisation	Vessel utilisation is a measure of the Group`s ability to keep vessels in operation and on contract with clients, expressed as a percentage. The vessel utilisation numbers are based on actual available days, including yard-stay days for dry docking, repair and upgrade/conversion, transits and idle time.
Contract backlog	Sum of undiscounted revenue related to secured contracts in the future and optional contract extensions as determined by the client in the future. Contract backlog excludes master service agreements (MSAs) within the Subsea/IMR Projects segment. Under the MSAs only confirmed POs are included.
Firm contract backlog	Sum of undiscounted revenue related to secured contracts in the future. Secured contracts are contracts signed with clients in the past, covering future delivery of services.
Backlog options	Sum of undiscounted revenue related to optional contract extensions as determined by the client in the future.

Amounts in NOK million

Supplemental information

The supplemental information below is presented according to management reporting, based on the proportionate consolidation method. Proportionate consolidation method implies full consolidation for subsidiaries, and consolidation of 50% of the comprehensive income and financial position for the joint ventures.

Condensed statement of comprehensive income 5 last quarters

	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018
Operating revenue	1 257	1 103	1 166	1 184	1 203
Operating expenses	-809	-738	-824	-810	-839
Share of net income of associates and joint ventures	-3	-	-1	2	7
Operating profit before depreciation and impairment (EBITDA)	445	365	342	376	372
Depreciation and impairment	-238	-209	-343	-235	-221
Operating profit (EBIT)	207	156	-1	141	151
Financial income	6	6	14	5	3
Financial expenses	-193	-200	-194	-177	-149
Realised gain / loss on financial instruments	27	-56	-78	-59	-9
Unrealised gain / loss on financial instruments	11	102	-244	10	-266
Net financial income / loss	-148	-148	-501	-220	-421
Profit / loss before tax	59	9	-503	-79	-270
Tax expenses	-45	-33	44	-19	-21
Profit / loss for the period	14	-25	-458	-98	-292

Amounts in NOK million

Condensed statement of financial position 5 last quarters

Assets	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018
Intangible assets	651	679	688	628	640
Tangible assets	17 489	17 707	16 847	16 615	16 752
Financial assets	431	453	283	281	292
Total non-current assets	18 571	18 840	17 818	17 523	17 684
Total receivables	1 128	1 165	1 101	1 309	1 237
Cash and cash equivalents	1 092	1 152	1 430	1 011	1 237
Total current assets	2 219	2 317	2 532	2 320	2 474
Total assets	20 790	21 156	20 350	19 843	20 158

Equity and liabilities	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018
Paid in equity	4 344	4 344	4 344	4 344	4 344
Other equity	1 191	1 170	1 197	1 520	1 595
Non-controlling interests	197	195	194	199	230
Total equity	5 732	5 708	5 735	6 063	6 170
Bond loans	2 087	2 474	2 480	1 930	1 928
Debt to credit institutions	8 664	9 030	8 605	8 833	9 140
Other non-current liabilities	375	412	45	35	42
Total non-current liabilities	11 126	11 915	11 130	10 798	11 110
Current portion of debt to credit institutions	3 090	2 715	2 554	2 090	1 888
Other current liabilities	843	817	930	893	990
Total current liabilities	3 932	3 533	3 484	2 983	2 879
Total liabilities	15 058	15 448	14 615	13 780	13 988
Total equity and liabilities	20 790	21 156	20 350	19 843	20 158

Key figures

	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018
Profit per share (NOK)	0.09	-0.15	-2.74	-0.59	-0.02
EBITDA margin	35 %	33 %	29 %	32 %	31 %
EBIT margin	16.49 %	14.19 %	-0.12 %	12 %	13 %
Return on net capital	0.3 %	-0.4 %	-8 %	-2 %	-5 %
Book value equity per share (NOK)	34.25	34.11	34.27	36.23	36.87
Value-adjusted equity per share (NOK)	45.03	45.14	45.81	45.67	44.96
Net interest-bearing debt (NOK million)	12 721	12 774	11 983	11 642	11 510

DOF Subsea vessels

Owned vessels

DOF Subsea currently owns one of the largest fleet of high-end construction vessels (including newbuilds) in the world. These assets offer a versatile, new generation of high-powered and purpose-built vessels with broad offshore capabilities.

Geograph

Geoholm

Geosea

Geosund

Skandi Acergy

Skandi Achiever

Skandi Açu

Skandi Africa

Skandi Buzios

Skandi Carla

Skandi Constructor

Skandi Hawk


Skandi Hercules


Skandi Neptune


Skandi Niteroi


Skandi Patagonia

Skandi Recife


Skandi Salvador


Skandi Seven


Skandi Singapore


Skandi Skansen

Skandi Vinland


Skandi Vitoria


Skandi Olinda

DOF Subsea vessels (continued)

Chartered-in vessels

DOF Subsea charters in vessels on short and long-term contracts based on operational needs, building greater flexibility and a complementary fleet mix to meet our clients' subsea challenges.

Harvey Deep-Sea

Harvey Sub-Sea

Skandi Darwin

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