

DOF INSTALLER
FINANCIAL REPORT
Q2 2020



DOF Installer ASA

Alfabygget
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NORWAY

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Financial Report 2nd quarter 2020

Headlines

During the 2nd quarter 2020, Skandi Hercules, Skandi Skansen and Skandi Vinland have mainly been on charter contracts to the DOF Subsea Group – Skandi Hercules to the Asia Pacific region, Skandi Skansen to the Atlantic region and Skandi Vinland to the North America region.

Operational events

Skandi Hercules has since end March been in warm lay up in New Zealand due to covid-19 travel restriction in the region.

Skandi Skansen started the quarter with a project for Equinor on the Johan Castberg field and continued in May doing a small project for CNR on UK sector. In June the vessel commenced on a project in the northern part of Norway to anchor a fish farm for Nordlaks (Havfarmen Jostein Albert).

Skandi Vinland is on a long-term charter contract to the DOF Subsea North America where she is operating under a 10-year IMR contract with Husky Energy off the East Coast of Canada.

Statement of comprehensive income

The operating revenue for the 2nd quarter of 2020 was NOK 26 million (NOK 49 million in 2nd quarter of 2019). The EBITDA was NOK 23 million (NOK 43 million), whilst the EBIT was NOK negative 79 million (profit of NOK 26 million) after depreciation and impairment of NOK 102 million (NOK 17 million). Net financial loss was NOK 6 million (loss of NOK 21 million), and the loss after tax was NOK 85 million (profit of NOK 6 million).

During the 2nd quarter, the Company has recognised an impairment of tangible assets of NOK 92 million due to continued challenging market for vessel services and uncertainty regarding the DOF Subsea Group's long term financial solution.

Statement of financial position

Total assets were NOK 2 210 million (NOK 2 533 million), where non-current assets amounted to NOK 1 616 million (NOK 2 029 million). Current assets amounted to NOK 594 million (NOK 503 million), of which NOK 453 million (NOK 303 million) was cash and cash equivalents.

Total equity was NOK 823 million (NOK 1 143 million) and non-current liabilities were zero (NOK 1 201 million). Current liabilities were NOK 1 387 million (NOK 189 million), of which NOK 1 376 million (NOK 179 million) was current portion of debt. At quarter end the book equity ratio was 37 %.

Statement of cash flows

Net cash flow from operating activities for the 2nd quarter of 2020 was NOK 67 million (NOK -35 million). Cash flow from investing activities was zero (NOK -1 million). Cash flow from financing activities was zero (NOK -21 million). Cash and cash equivalents at the end of the period were NOK 453 million (NOK 303 million).

Debt, financing and liquidity

Given the unclear situation and the broader impact of covid-19, the medium-term financial situation for the DOF Subsea Group is challenging. On the 30th of June the Group entered into a standstill agreement with 88 % of its secured lenders. Towards the remaining secured lender, the Group has imposed an unilateral standstill on the secured lender not participating in the agreement.

The Company and Group will continue its effort together with the secured lenders in order to try to reach a robust long-term financial solution.

Shareholders

The number of outstanding shares is 33 931 000, with a book value of NOK 24.25 per share. DOF Subsea AS owns 84.92% of the shares. The remaining 15.08% of the shares is held by 39 shareholders. Of that, Euroclear Bank S.A./N.V. owns 4.43%, Meteva AS owns 1.86%, MP Pensjon PK owns 1.50%, AS Clipper owns 1.08% and AS Straen owns 1.08%. The remaining shareholders own less than 1.00%.

Events after period end

DOF Subsea has secured a substantial contract for a Moorings replacement and Rectification project in the Asia Pacific region. With onshore works underway, the offshore campaign is scheduled mid Q3 2020. The project will provide significant utilisation for Skandi Hercules throughout Q3 and early Q4 2020.

Skandi Skansen commenced end July on a trenching project for Subsea 7 with duration of 75 days firm and 50 days options.

Outlook

The Company will maintain its strategy to secure backlog on Skandi Hercules and Skandi Skansen and is actively working on keeping the firm employment of the vessels as high as possible. The Company will further continue to adapt its cost level and adjust its capacity to the challenging markets.

The outbreak of the covid-19 virus and the sharp decline in the oil price will impact the market and the market sentiment going forward. As a result, the Board of Directors expects the market conditions to remain challenging, and the timing of market recovery remains uncertain. The uncertainty of future earnings and that the asset values are sensitive to the USDNOK and CADNOK exchange rate, may lead to further impairment of the Company's assets. The quarterly financial statements are based on the going concern assumption. If the Company cannot be treated as 'going concern', the valuation of the Company's assets will be further revised. As reported, the Company and the Group has entered into a standstill agreement with the majority of its secured lenders, giving the Company a temporary deferral of payments of interest and instalments until 30th 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.

DOF Installer ASA 20 August 2020

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Financial statements 2nd quarter 2020

Statement of comprehensive income

	Note	2Q 2020	2Q 2019	YTD 2020	YTD 2019	2019
Operating revenue		26	49	74	99	197
Operating expenses		-3	-6	-9	-13	-22
Gain/loss on sale of tangible assets		-	-	-	-	2
Operating profit before depreciation and impairment (EBITDA)		23	43	65	86	177
Depreciation and impairment	3	-102	-17	-273	-33	-176
Operating profit (EBIT)		-79	26	-208	53	1
Financial income	2	1	3	3	5	11
Financial expenses	2	-15	-16	-35	-35	-81
Realised gain / loss on financial instruments	2	4	-4	40	-4	5
Unrealised gain / loss on financial instruments	2	4	-4	-20	-8	-22
Net financial income / loss		-6	-21	-12	-41	-88
Profit / loss before tax		-85	6	-221	12	-88
Tax expense		-	-	-	-	-
Profit / loss for the period		-85	6	-221	12	-88

Amounts in NOK million

Statement of financial position

Assets	Note	30.06.2020	30.06.2019	31.12.2019
Tangible assets	3	1 616	2 029	1 889
Total non-current assets		1 616	2 029	1 889
Current receivables from Group companies		139	198	169
Other current receivables		2	3	4
Current receivables		141	201	173
Unrestricted cash and cash equivalents		453	303	334
Cash and cash equivalents	4	453	303	334
Total current assets		594	503	507
Total assets		2 210	2 533	2 396

Equity and liabilities	Note	30.06.2020	30.06.2019	31.12.2019
Paid-in equity	6	1 044	1 106	1 044
Other equity		-221	36	-
Total equity		823	1 143	1 044
Debt to credit institutions	4	-	1 201	-
Non-current liabilities		-	1 201	-
Current portion of debt	4	1 376	179	1 346
Trade payables		3	4	-
Current liabilities to Group companies		9	6	6
Current liabilities		1 387	189	1 352
Total liabilities		1 387	1 390	1 352
Total equity and liabilities		2 210	2 533	2 396

Statement of cash flows

	Note	2Q 2020	2Q 2019	YTD 2020	YTD 2019	2019
Operating profit (EBIT)		-79	26	-208	53	1
Depreciation and impairment	3	102	17	273	33	176
Profit from sale of non-current assets		-	-	-	-	-2
Change in trade receivables		-	-1	2	-	-
Change in trade payables		3	4	3	2	-2
Changes in other working capital		43	-72	28	-108	-85
Exchange rate effect on operating activities		-3	-	9	-	1
Cash flow from operating activities		65	-27	107	-20	88
Interest received		2	3	3	5	11
Interest paid		-	-11	-22	-35	-78
Net cash flow from operating activities		67	-35	88	-50	22
Sale of tangible assets	3	-	-	-	2	8
Purchase of tangible assets	3	-	-1	-	-1	-5
Cash flow from investing activities		-	-1	-	1	3
Proceeds of interest-bearing debt		-	-	-	-	-
Installments on non-current liabilities		-	-21	-	-71	-121
Dividend paid		-	-	-	-	-
Cash flow from financing activities		-	-21	-	-71	-121
Net change in cash and cash equivalents		67	-57	88	-119	-96
Cash and cash equivalents at 01.01		389	362	334	426	426
Exchange rate gain / loss on cash and cash equivalents		-3	-3	31	-4	4
Cash and cash equivalents at 31.12		453	303	453	303	334

Statement of changes in equity

Changes in equity	Share capital	Share premium	Paid-in equity	Other equity	Total equity
Equity at 01.01.2020	34	1 010	1 044	-	1 044
Profit / loss for the period	-	-	-	-221	-221
Total comprehensive income for the period	-	-	-	-221	-221
Equity at 30.06.2020	34	1 010	1 044	-221	823
Equity at 01.01.2019	34	1 072	1 106	25	1 131
Profit / loss for the period	-	-	-	12	12
Total comprehensive income for the period	-	-	-	12	12
Equity at 30.06.2019	34	1 072	1 106	36	1 143

Notes to the financial statements

Note 1 Segment reporting

Skandi Hercules, Skandi Skansen and Skandi Vinland are hired out under charter contracts to the DOF Subsea Group or third-party charterers.

Note 2 Financial income and expenses

	2Q 2020	2Q 2019	YTD 2020	YTD 2019	2019
Interest income	1	3	3	5	11
Financial income	1	3	3	5	11
Interest expenses	-14	-15	-32	-33	-77
Other financial expenses	-1	-1	-3	-2	-4
Financial expenses	-15	-16	-35	-35	-81
Realised net gain / loss on derivative instruments and currency position	4	-4	40	-4	5
Unrealised net gain / loss on derivative instruments and currency position	4	-4	-20	-8	-22
Net financial income / loss	-6	-21	-12	-41	-88

Amounts in NOK million

Note 3 Tangible assets

30.06.2020	Vessels	Periodic maintenance	Total
Net booked value 01.01.	1 854	34	1 889
Additions	-	-	-
Disposals	-	-	-
Depreciation	-13	-11	-24
Impairment	-249	-	-249
Net booked value 30.06.	1 593	23	1 616

30.06.2019	Vessels	Periodic maintenance	Total
Net booked value 01.01.	2 008	55	2 064
Reclassifications	2	-2	-
Additions	-	1	1
Disposals	-2	-	-2
Depreciation	-22	-11	-33
Net booked value 30.06.	1 986	44	2 029

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, impairment tests performed for Q2 2020 have resulted in impairment losses of NOK 92 million. Impairment tests are highly USD and CAD sensitive and a drop in USD/NOK and CAD/NOK might result in further impairments, given no changes in other assumptions.

Note 4 Net interest-bearing debt

	30.06.2020	30.06.2019	31.12.2019
Debt to credit institutions	-	1 161	-
Other non-current debt	-	40	-
Total non-current interest-bearing debt	-	1 201	-
Debt to credit institutions	1 318	147	1 273
Other current debt	50	10	50
Total current interest-bearing debt	1 368	157	1 323
Total non-current and current interest-bearing debt	1 368	1 358	1 323
Cash and cash equivalents	453	303	334
Interest-bearing receivables from Group companies	90	141	90
Total net interest-bearing debt	825	914	900

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

Given the unclear situation and the broader impact of covid-19, the medium-term financial situation for the Company and the Group is challenging. On the 30th of June the Group entered into a standstill agreement with 88 % of its secured lenders. Towards the remaining secured lender, the Group has imposed an unilateral standstill on the secured lender not participating in the agreement.

The Company and Group will continue its effort together with the secured lenders in order to try to reach a robust long-term financial solution.

The effect of not having a long-term financial solution in place or waivers covering more than 12 months after balance sheet date is that the Company, in accordance with IFRS, present debt to credit institution as current debt. The repayment profile for debt is under negotiations with secured lenders.

Financial covenants

The financial covenants are suspended through the standstill agreements. However, the loan agreements of the Company and the Group include the following covenants (based on the proportionate consolidation method of accounting for joint ventures):

- The fair value of the Company's vessels shall always be at least 110-125% of the outstanding loan amount

In addition to the above-mentioned financial covenants, the guarantor (DOF Subsea AS) on a consolidated basis should fulfil the following covenants (based on the proportionate consolidation method of accounting for joint ventures):

- The Group shall have available cash of at least NOK 500 million at all times
- 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 time

Note 5 Transactions with related parties

Transactions with related parties are described in the Annual Report for 2019.

There are no new types of transactions with related parties in the quarter.

Note 6 Shareholder information

Shareholders at 31.06.2020	No. shares	Shareholding and voting shares
DOF SUBSEA AS	28 815 295	84.92%
Euroclear Bank S.A./N.V.	1 501 800	4.43%
METEVA AS	630 000	1.86%
MP PENSJON PK	508 190	1.50%
AS CLIPPER	366 100	1.08%
AS STRAEN	364 915	1.08%
EUROMAR AS	331 900	0.98%
PROFOND AS	321 380	0.95%
AS AUDLEY	225 750	0.67%
SUNDT AS	140 000	0.41%
SNIPTIND INVEST AS	129 560	0.38%
LANDE EIENDOM INVEST AS	75 000	0.22%
LEIF INGE SLETTHEI AS	69 500	0.20%
BARQUE AS	56 500	0.17%
BYGGEVIRKSOMHET AS	56 000	0.17%
Total	33 591 890	99.00%
Other shareholders	339 110	1.00%
Total number of shares	33 931 000	100%

Note 7 Going Concern

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 Company's Annual Report for 2019. The Financial Report is unaudited.

The Financial Report is prepared on the assumption of a going concern. However, the Company and the Group's financial situation is at risk as a long-term financing solution is not in place. The Board of Directors and the 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 Company and the Group will be successful in this respect. If the negotiations are not successful, this may affect the 'Going concern' assumption.

Note 8 Events after period end

DOF Subsea has secured a substantial contract for a Moorings replacement and Rectification project in Asia Pacific. With onshore works underway, the offshore campaign is scheduled mid Q3 2020. The project will provide significant utilisation for the vessel Skandi Hercules throughout Q3 and early Q4 2020.

Skandi Skansen commenced end July on a trenching project for Subsea 7 with duration of 75 days firm and 50 days options.

Note 9 Performance measurement definitions

Alternative performance measurements

The Company presents alternative performance measurements (APM) that are regularly reviewed by management and aim to enhance the understanding of the Company'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 Company.	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 Company's net indebtedness that provides an indicator of the overall statement. It measures the Company'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 Company's capital structure.
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 Company'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 Company'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 Company's assets.
Book value equity per share	Equity divided by number of shares outstanding.	Measures the Company'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 Company'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".	

Supplemental information

Statement of comprehensive income 5 last quarters

	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019
Operating revenue	26	48	47	51	49
Operating expenses	-3	-6	-4	-5	-6
Operating profit before depreciation and impairment (EBITDA)	23	42	43	47	43
Depreciation and impairment	-102	-171	-26	-117	-17
Operating profit (EBIT)	-79	-129	17	-69	26
Financial income	1	2	2	4	3
Financial expenses	-15	-20	-21	-26	-16
Realised gain / loss on financial instruments	4	36	-	9	-4
Unrealised gain / loss on financial instruments	4	-25	3	-18	-4
Net financial income / loss	-6	-6	-16	-31	-21
Profit / loss for the period	-85	-136	1	-100	6

Amounts in NOK million

Statement of financial position 5 last quarters

Assets	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019
Tangible assets	1 616	1 717	1 889	1 914	2 029
Total non-current assets	1 616	1 717	1 889	1 914	2 029
Other current receivables	141	189	173	170	201
Cash and cash equivalents	453	389	334	310	303
Total current assets	594	578	507	480	503
Total assets	2 210	2 295	2 396	2 394	2 533

Equity and liabilities	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019
Paid-in equity	1 044	1 106	1 044	1 106	1 106
Other equity	-221	-198	-	-64	36
Total equity	823	908	1 044	1 042	1 143
Non-current debt	-	-	-	1 169	1 201
Non-current liabilities	-	-	-	1 169	1 201
Current portion of debt	1 376	1 377	1 346	176	179
Other current liabilities	12	10	6	6	10
Current liabilities	1 387	1 387	1 352	182	189
Total liabilities	1 387	1 387	1 352	1 351	1 390
Total equity and liabilities	2 210	2 295	2 396	2 394	2 533

Key figures

	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019
Profit per share (NOK)	-2.51	-4.00	0.03	-2.95	0.16
EBITDA margin	87.8%	88.1%	90.6%	93.5 %	87.7 %
EBIT margin	-304.3%	-270.9%	36.6%	-136.8 %	53.3 %
Return on net capital	-10.3%	-14.9%	0.1%	-9.6 %	0.5 %
Book value equity per share (NOK)	24.25	26.76	30.76	30.72	33.68
Net interest-bearing debt	825	880	900	928	914

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