

FINANCIAL REPORT

Q2 2019



DOF INSTALLER

DOF Installer ASA

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NORWAY

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Financial Report 2nd quarter 2019

Headlines

During the 2nd quarter 2019, Skandi Hercules, Skandi Skansen and Skandi Vinland have 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 conducted mooring and installation work for Yinson in Malaysia on behalf of the Asia Pacific region.

Skandi Skansen has conducted decommission work for Shell and construction work for ConocoPhillips in the North Sea on behalf of the Atlantic region.

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 2019 was NOK 49 million (NOK 48 million in 2nd quarter of 2018). The EBITDA was NOK 43 million (NOK 38 million), whilst the EBIT was NOK 26 million (NOK 16 million) after depreciation and impairment of NOK 17 million (NOK 22 million). Net financial loss was NOK 21 million (loss NOK 22 million), and the profit after tax was NOK 6 million (loss NOK 6 million).

Statement of financial position

Total assets were NOK 2 533 million (NOK 2 783 million), where non-current assets amounted to NOK 2 029 million (NOK 2 113 million). Current assets amounted to NOK 503 million (NOK 670 million), of which NOK 303 million (NOK 515 million) was cash and cash equivalents.

Total equity was NOK 1 143 million (NOK 1 340 million) and non-current liabilities were NOK 1 201 million (NOK 1 334 million). Current liabilities were NOK 189 million (NOK 108 million), of which NOK 179 million (NOK 92 million) was current portion of debt. At quarter end the book equity ratio was 45.12 %, and the value-adjusted equity ratio was 47.34 %.

Statement of cash flows

Net cash flow from operating activities for the 2nd quarter of 2019 was NOK -35 million (NOK -83 million). Cash flow from investing activities was NOK -1 million (NOK -10 million). Cash flow from financing activities was NOK -21 million (NOK 240 million). Cash and cash equivalents at the end of the period were NOK 303 million (NOK 515 million).

Shareholders

The number of outstanding shares is 33 931 000, with a book value of NOK 33.68 per share. The value-adjusted equity per share at quarter end was NOK 36.83.

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%.

Outlook

Skandi Hercules, Skandi Skansen and Skandi Vinland will continue working for the DOF Subsea Group where they will be utilised in the Subsea/IMR Projects segment in the Asia Pacific region, Atlantic region and North America region, respectively.

The market has continued to be challenging, however the Board of Directors states that the financial numbers for the 2nd quarter is according to expectations. The Board of Directors is working in order 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.

As a result of the continued challenging market situation, the risk of lower utilisation and earnings represents an increased risk for the DOF Subsea 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 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 is described in note 4 'Interest bearing debt' to the quarterly accounts.

**DOF Installer ASA
19 August 2019**

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Financial statements 2nd quarter 2019

Statement of comprehensive income

	Note	2Q 2019	2Q 2018	YTD 2019	YTD 2018	2018
Operating revenue		49	48	99	132	232
Operating expenses		-6	-10	-13	-37	-49
Operating profit before depreciation and impairment (EBITDA)		43	38	86	95	183
Depreciation and impairment	3	-17	-22	-33	-38	-93
Operating profit (EBIT)		26	16	53	57	90
Financial income	2	3	1	5	2	8
Financial expenses	2	-16	-18	-35	-33	-71
Realised gain / loss on financial instruments	2	-4	3	-4	-9	-2
Unrealised gain / loss on financial instruments	2	-4	-8	-8	29	16
Net financial income / loss		-21	-22	-41	-11	-50
Profit / loss before tax		6	-6	12	46	40
Tax expense		-	-	-	-	-
Profit / loss for the period		6	-6	12	46	40

Amounts in NOK million

Statement of financial position

Assets	Note	30.06.2019	30.06.2018	31.12.2018
Tangible assets	3	2 029	2 113	2 064
Total non-current assets		2 029	2 113	2 064
Trade receivables		-	-2	-
Current receivables from Group companies		198	153	87
Other current receivables		3	3	2
Current receivables		201	155	89
Unrestricted cash and cash equivalents		303	515	426
Cash and cash equivalents	4	303	515	426
Total current assets		503	670	515
Total assets		2 533	2 783	2 578

Equity and liabilities	Note	30.06.2019	30.06.2018	31.12.2018
Paid-in equity	7	1 106	1 106	1 106
Other equity		36	234	25
Total equity		1 143	1 340	1 131
Debt to credit institutions	4	1 201	1 334	1 275
Non-current liabilities		1 201	1 334	1 275
Current portion of debt	4	179	92	167
Trade payables		4	6	2
Current liabilities to Group companies		6	9	4
Current liabilities		189	108	172
Total liabilities		1 390	1 442	1 447
Total equity and liabilities		2 533	2 783	2 578

Statement of cash flows

	Note	2Q 2019	2Q 2018	YTD 2019	YTD 2018	2018
Operating profit (EBIT)		26	16	53	56	90
Depreciation and impairment	3	17	22	33	38	93
Change in trade receivables		-1	34	-	37	35
Change in trade payables		4	7	2	6	1
Changes in other working capital		-72	-130	-108	-127	-66
Exchange rate effect on operating activities		-	1	-	-4	-2
Cash flow from operating activities		-27	-51	-20	6	150
Interest received		3	1	5	2	8
Interest paid		-11	-34	-35	-49	-65
Net cash flow from operating activities		-35	-83	-50	-40	94
Sale of tangible assets	3	-	-	2	-	-
Purchase of tangible assets	3	-1	-10	-1	-10	-16
Cash flow from investing activities		-1	-10	1	-10	-16
Proceeds of interest-bearing debt		-	464	-	464	464
Instalments on non-current liabilities		-21	-224	-71	-253	-274
Dividend paid		-	-	-	-	-204
Cash flow from financing activities		-21	240	-71	212	-13
Net change in cash and cash equivalents		-57	146	-119	161	66
Cash and cash equivalents at 01.01		362	366	426	359	359
Exchange rate gain / loss on cash and cash equivalents		-3	3	-4	-5	2
Cash and cash equivalents at 30.06		303	515	303	515	426

Amounts in NOK million

Statement of changes in equity

Changes in equity	Share capital	Share premium	Paid-in equity	Other equity	Total equity
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
Equity at 01.01.2018	34	1 072	1 106	188	1 295
Profit / loss for the period	-	-	-	46	46
Total comprehensive income for the period	-	-	-	46	46
Equity at 30.06.2018	34	1 072	1 106	234	1 340

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 2019	2Q 2018	YTD 2019	YTD 2018	2018
Interest income	3	1	5	2	8
Financial income	3	1	5	2	8
Interest expenses	-15	-18	-33	-32	-68
Other financial expenses	-1	-1	-2	-2	-3
Financial expenses	-16	-18	-35	-33	-71
Realised net gain / loss on derivative instruments and currency position	-4	3	-4	-9	-2
Unrealised net gain / loss on derivative instruments and currency position	-4	-8	-8	29	16
Net financial income / loss	-21	-22	-41	-11	-50

Note 3 Tangible assets

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

30.06.2018	Vessels	Periodic maintenance	Total
Net booked value 01.01.	2 082	59	2 141
Additions	-	10	10
Depreciation	-25	-8	-33
Impairment	-5	-	-5
Net booked value 30.06.	2 052	60	2 113

Amounts in NOK million

Note 4 Interest-bearing debt

	30.06.2019	30.06.2018	31.12.2018
Debt to credit institutions	1 161	1 279	1 231
Other non-current debt	40	55	45
Total non-current interest-bearing debt	1 201	1 334	1 275
Debt to credit institutions	147	90	136
Other non-current debt	10	-	8
Total current interest-bearing debt	157	90	144
Total non-current and current interest-bearing debt	1 358	1 424	1 420
Cash and cash equivalents	303	515	426
Interest-bearing receivables from Group companies	141	100	50
Total net interest-bearing debt	914	809	944

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

Debt repayment profile	Remaining balance 2019	2020	2021	2022	2023	Thereafter	Total
Debt to credit institutions	68	137	137	137	629	211	1 319
Other non-current debt	5	20	10	15	-	-	50
Total repayment	73	157	147	151	629	211	1 368

As a result of the continued challenging market situation, the risk of lower utilisation and earnings represents an increased risk for the DOF Subsea 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 of DOF Subsea are working on a long-term financial solution for the Group.

The effect of not being able to obtain a long-term financial solution for the Group, may result in a reclassification of the company's non-current debt to credit institutions 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 1.2 billion as of 30 June 2019.

Financial covenants

DOF Installer ASA financing agreements include the following covenants:

- 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:

- The Group shall have value adjusted equity to value adjusted assets of at least 30%
- The Group shall have a minimum book equity of NOK 3 000 million
- The Group shall have free cash of minimum NOK 500 million (based on the proportionate consolidation method of accounting for joint ventures)

DOF Installer ASA and DOF Subsea AS are in compliance with all covenants at period end.

The DOF Subsea Group has aligned the definition of liquidity covenants where all loan agreements are based on proportionate consolidation method of accounting for joint ventures.

Note 5 Transactions with related parties

Transactions with related parties are described in the Annual Report for 2018.

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

Note 6 Operational events after period end

Skandi Skansen, through DOF Subsea Atlantic, was awarded a contract with Equinor for mooring installation and decommissioning for a major operator on the UKCS for work commencing for the third quarter 2019.

Note 7 Shareholder information

Shareholders at 30.06.2019	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%
SLETHEI 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 8 Taxes

Taxes are estimated.

Note 9 General

This Financial Report has been prepared in accordance with the standard for interim reporting (IAS34).

DOF Installer ASA has implemented IFRS 16 Leases effective from 1 January 2019. Implementation of IFRS 16 has nil effect for the Company.

There have been no other significant changes to accounting policies in the quarter compared to applied accounting policies described in the latest published annual accounts.

The Financial Report is unaudited.

Note 10 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 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018
Operating revenue	49	50	46	54	48
Operating expenses	-6	-7	-6	-5	-10
Operating profit before depreciation and impairment (EBITDA)	43	44	40	48	38
Depreciation and impairment	-17	-17	-38	-17	-22
Operating profit (EBIT)	26	27	2	31	16
Financial income	3	2	3	3	1
Financial expenses	-16	-18	-19	-19	-18
Realised gain / loss on financial instruments	-4	-	6	1	3
Unrealised gain / loss on financial instruments	-4	-4	-5	-8	-8
Net financial income / loss	-21	-21	-15	-23	-22
Profit / loss for the period	6	6	-13	8	-6

Amounts in NOK million

Statement of financial position 5 last quarters

Assets	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018
Tangible assets	2 029	2 045	2 064	2 099	2 113
Non-current assets	2 029	2 045	2 064	2 099	2 113
Total receivables	-	-	-	-	155
Other current receivables	201	126	89	126	-
Cash and cash equivalents	303	362	426	379	515
Current assets	503	489	515	505	670
Total assets	2 533	2 534	2 578	2 604	2 783

Equity and liabilities	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018
Paid-in equity	1 106	1 106	1 106	1 106	1 106
Other equity	36	31	25	38	234
Total equity	1 143	1 137	1 131	1 144	1 340
Non-current debt		1 230	1 275	1 292	1 334
Non-current liabilities	1 201	1 230	1 275	1 292	1 334
Current portion of debt	179	161	167	158	92
Other current liabilities	10	6	6	9	15
Current liabilities	189	167	172	168	108
Total liabilities	1 390	1 397	1 447	1 460	1 442
Total equity and liabilities	2 533	2 534	2 578	2 604	2 783

Key figures

	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018
Profit per share (NOK)	0.16	0.18	-0.39	0.22	-0.18
EBITDA margin	87.7 %	86.9 %	86.9 %	89.9 %	79.2 %
EBIT margin	53.3 %	53.5 %	4.0 %	57.5 %	33.3 %
Return on net capital	0.5 %	0.5 %	-1.2 %	0.7 %	-0.4 %
Book value equity per share (NOK)	33.68	33.51	33.33	33.73	39.50
Value-adjusted equity per share (NOK)	36.83	36.32	36.33	35.60	41.02
Net interest-bearing debt	914	941	944	976	909

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