

FINANCIAL REPORT

Q1 2019

DCF Subsea

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Financial Report 1st quarter 2019

Headlines

In the 1st quarter of 2019, the Group had an operating income of NOK 844 million (NOK 840 million in the 1st quarter of 2018) with an operating profit before depreciation and impairment (EBITDA) of NOK 226 million (NOK 238 million). The operating profit (EBIT) was NOK 59 million (NOK 6 million) after depreciation and impairment of NOK 167 million (NOK 232 million). The net financial loss was NOK 64 million (profit NOK 169 million), and the loss before tax was NOK 5 million (profit NOK 175 million).

During the quarter the joint venture with TechnipFMC took delivery of the newbuild Skandi Olinda, and the vessel commenced the eight-year contract with Petrobras. The delivery of Skandi Olinda marks the successful conclusion of the newbuild program of the joint venture with TechnipFMC.

Key figures (NOK million)	1Q2019	1Q2018
Operating revenue	844	840
EBITDA	226	238
EBIT	59	6
Net interest-bearing debt	8 997	7 964
EBITDA proportional method	365	311

The general market conditions within our industry remain challenging, with low activity and weak margins in some of the regions during the winter. In the 1st quarter the Group has seen that the weak performance in the Asia Pacific region and the Atlantic region has continued, with low utilisation of both personnel and assets, pressure on rate levels, fewer call offs under frame agreements and postponement of planned projects. Geograph and Geosea were idle in the quarter and the utilisation of Skandi Hercules and Skandi Singapore has been low. The remaining regions within the Subsea/IMR Project segment have had stable performance and vessel utilisation together with multiple projects commencing. In the 1st quarter, Geoholm and Skandi Neptune have mobilised on new contracts in the Red Sea and Guyana respectively. In the Long-term Charter segment Skandi Vitoria has been idle together with Skandi Niteroi. The average vessel utilisation in the Subsea/IMR Projects segment has been 63 % for the quarter whilst the utilisation of the vessels within Long-term Charter segment has been 76 %. For the fleet in total, the utilisation was 67%.

Operational events 1st quarter

As at 31 March 2019, the number of subsea employees was 1 160, and the Group's fleet comprised 24 owned vessels, 3 chartered-in vessels, 73 ROVs and one ROV on order.

During the 1th quarter, the Asia Pacific region has conducted IMR and construction work for Shell in the Philippines and in Australia, IMR and Survey work for Quadrant Energy and Chevron and decommissioning work for Woodside in Australia. In the Atlantic region, the Group has executed engineering, survey, light construction and installation work for Eni Angola, FPSO mooring work for Exxon and BWO in Nigeria, Survey and IMR work for Total in the North Sea and a salvage project for Ardent in the Netherlands. In the North America region, the Group has conducted IMR and installation work for Husky Energy, Chevron, Talos, Subsea 7 and Oceaneering and survey and positioning work for HMC. In Brasil, the Group has been engaged in ROV inspection work and Diving for Petrobras. 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, also within the renewable industry.

Utilisation	1Q2019	4Q2018	3Q2018	2Q2018	1Q2018
Long-term Chartering	76 %	73 %	75 %	86 %	88 %
Subsea/IMR Projects	63 %	67 %	76 %	72 %	65 %
Fleet	67 %	69 %	75 %	76 %	72 %

Consolidated statement of comprehensive income and consolidated statement of financial position

From Q1 2019, the Group has adopted the new accounting standard IFRS 16 Leases. The Group applied the simplified transition approach and comparative amounts for the year prior to first adoption are not restated. Total assets and liabilities at the end of the first quarter are affected by the implementation of the standard by NOK 470 million, increasing lease liabilities, net investment and right-of-use assets compared to the financial position as reported in previous period.

In the 1st quarter of 2019, the Group achieved an operating income of NOK 844 million compared to an operating income of NOK 840 million in the 1st quarter of 2018. Operating profit before depreciation and impairment (EBITDA) was NOK 226 million (NOK 238 million in 2018). The operating profit after depreciation and impairment (EBIT) was NOK 59 million (NOK 6 million). Depreciation and impairment amounted to NOK 167 million (NOK 232 million).

Net financial loss was NOK 64 million (profit NOK 169 million), where NOK 118 million (NOK 292 million) was unrealised net gain on derivative instruments and currency positions. The loss before tax was NOK 5 million (profit NOK 175 million), and the loss for the period was NOK 25 million (profit NOK 180 million).

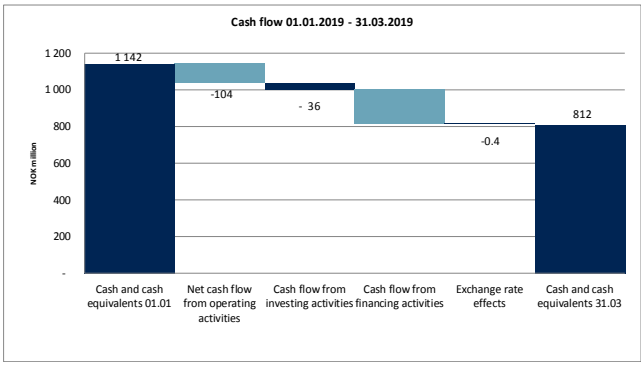
NOK million	1Q 2019	1Q 2018	Change %
Operating revenue	844	840	0.5 %
EBITDA	226	238	-5 %
EBIT	59	6	883 %

The Group's total assets were NOK 16 551 million (NOK 16 302 million), where non-current assets amounted to NOK 14 792 million (NOK 14 311 million), including NOK 552 million (NOK 610 million) in intangible assets. Current assets were NOK 1 760 million (NOK 1 992 million), of which NOK 812 million (NOK 972 million) was cash and cash equivalents.
The total equity was NOK 5 708 million (NOK 6 450 million), including non-controlling interests of NOK 195 million (NOK 232 million). Non-current liabilities were NOK 7 887 million (NOK 7 994 million). Current liabilities were NOK 2 957 million (NOK 1 859 million), of which NOK 2 291 million (NOK 1 132 million) was current portion of debt. The Group's total equity and liabilities were NOK 16 551 million (NOK 16 302 million). The net interest-bearing debt (NIBD) was NOK 8 997 million (NOK 7 964 million). At the end of the 1st

quarter, the book equity ratio was 34.5%, and the value-adjusted equity ratio was 42%. 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	31.03.2019	31.03.2018	Change %
Total assets	16 551	16 302	2 %
Tangible assets	11 258	11 539	-2 %
Cash and cash equivalents	812	972	-16 %
Net interest-bearing debt	8 997	7 964	13 %
Total equity	5 708	6 450	-12 %

Cash and cash equivalents have changed due to operating, investing and financing activities. Net cash flow from operating activities in the 1st quarter was NOK -104 million (NOK 155 million). Cash flow from investing activities was NOK -36 million (NOK -32 million), of which NOK -48 million (NOK -44 million) was from investment in assets that increase or will increase capacity for the Group. Cash flow from financing activities was NOK -189 million (NOK -238 million), related to installments and repayments on long-term interest-bearing debt, and draw-down of new long term debt. At the end of the 1st quarter, the Group's cash and cash equivalents were NOK 812 million (NOK 972 million).



Debt, financing and liquidity

The Group's interest-bearing debt was NOK 8 997 million, the current portion of interest-bearing debt at the end of March was NOK 2 291 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, which will reduce the Group's ability to refinance and finance assets going forward.

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 34.11 per share.

Employees

At the end of 1st quarter, the number of employees in the Group was 1 160. 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.

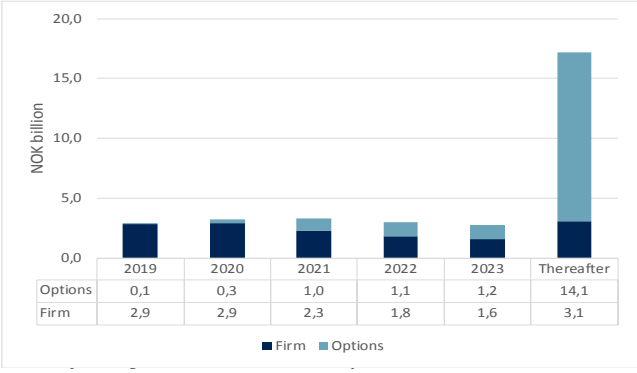
The Fleet

At the end of 1st quarter, the Group's fleet comprised 24 owned vessels, three chartered-in vessels.

The Backlog

As at end of 1st quarter, the firm contract backlog amounts to NOK 14.7 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*



Operational events after period end

In May, DOF Subsea secured several contracts and frame agreements in the North Sea, securing utilisation of approximately 100 vessel days and an accumulated revenue of NOK 80 million.

DOF Subsea was also awarded contracts for both Skandi Seven and Skandi Niteroi in Brazil. Skandi Seven will perform a Riser and Umbilical installation for a Floating Storage and Regasification Unit

(FPSO) for CELSE, while Skandi Niteroi has been committed with TechnipFMC for the Peregrino Phase II Surf Project to Equinor.

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 1st quarter is according to expectations.

The Group will maintain its strategy to secure the fleet on firm 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 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 Group have experienced that regular rollover (or refinancing) of existing loan facilities is very challenging. This new situation is likely to result in the Group being in breach of its financial covenants in the near future and the Group being unable to repay (or rollover) certain of its existing loans when they fall due. The management will commence a dialogue with the involved parties and believes it is possible to reach agreements to solve the expected challenging situation for the Group, although no assurance can be given that the Group will be successful in this respect. The effects of such breach is further described in note 6 Net interest-bearing debt to the quarterly accounts.

The Board of Directors expects that the Group's EBITDA for 2nd quarter 2019 to be higher than 1st quarter.

Bergen, 22 May 2019
The Board of Directors of DOF Subsea AS

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SKANDI VINLAND
DOF

Amounts in NOK million

Financial statements 1st quarter 2019

Consolidated statement of comprehensive income

	Note	1Q 2019	1Q 2018	2018
Operating revenue	1, 2, 3	844	840	3 742
Operating expenses		-687	-708	-3 063
Share of net profit / loss of associates and joint ventures	1, 9	68	105	403
Profit from sale of non-current assets		-	1	1
Operating profit before depreciation and impairment (EBITDA)	1, 2	226	238	1 085
Depreciation and impairment	5	-167	-232	-913
Operating profit (EBIT)		59	6	172
Financial income	4, 13	20	14	96
Financial expenses	4, 13	-146	-112	-507
Realised net gain / loss on derivative instruments and currency position	4	-56	-24	-168
Unrealised net gain / loss on derivative instruments and currency position	4	118	292	-214
Net financial income / loss		-64	169	-794
Profit / loss before tax		-5	175	-622
Income tax expense		-19	5	-46
Profit / loss for the period		-25	180	-668
Other comprehensive income net of tax				
Items that may be subsequently reclassified to profit / loss				
Currency translation difference (CTA)		4	-4	-19
Share of other comprehensive income of associates and joint ventures	9	-5	-49	123
Other		-	-	1
Other comprehensive income / loss net of tax		-1	-53	105
Total comprehensive income / loss for the period net of tax		-26	127	-563
Total comprehensive income / loss attributable to:				
Non-controlling interests		1	6	-2
Owners of the parents		-27	121	-562

Amounts in NOK million

Consolidated statement of financial position

Assets	Note	31.03.2019	31.03.2018	31.12.2018
Tangible assets	5	11 258	11 539	11 100
Goodwill		337	362	337
Deferred tax asset		215	248	220
Investments	1, 9	1 617	1 083	1 553
Non-current receivables	7, 13	1 364	1 080	1 204
Total non-current assets		14 792	14 311	14 414
Trade receivables		698	721	631
Other current receivables	7	250	299	289
Current receivables		948	1 020	920
Restricted cash		181	265	223
Unrestricted cash and cash equivalents		631	706	919
Cash and cash equivalents	6	812	972	1 142
Total current assets		1 760	1 992	2 062
Total assets		16 551	16 302	16 476

Amounts in NOK million

Consolidated statement of financial position

Equity and liabilities	Note	31.03.2019	31.03.2018	31.12.2018
Paid-in equity	11	4 344	4 344	4 344
Other equity		1 170	1 872	1 197
Non-controlling interests		195	232	194
Total equity		**5 708**	**6 450**	**5 735**
Bond loans	6	2 474	1 864	2 480
Debt to credit institutions	6	5 012	6 093	5 278
Lease liabilities	13	375	-	-
Other non-current liabilities	7	25	37	34
Total non-current liabilities		**7 887**	**7 994**	**7 793**
Current portion of debt	6	2 291	1 132	2 177
Trade payables		328	369	406
Other current liabilities	7	338	357	366
Total current liabilities		**2 957**	**1 859**	**2 949**
Total liabilities		**10 843**	**9 852**	**10 742**
Total equity and liabilities		**16 551**	**16 302**	**16 476**

Amounts in NOK million

Consolidated statement of cash flows

	Note	1Q 2019	1Q 2018	2018
Operating profit (EBIT)		59	6	172
Depreciation and impairment	5	167	232	913
Profit from sale of non-current assets		-	-1	-1
Share of net profit / loss of associates and joint ventures	1, 9	-68	-105	-403
Change in trade receivables		-67	133	223
Change in trade payables		-78	-23	14
Changes in other working capital		72	158	25
Exchange rate effect on operating activities		-51	-107	-73
Cash flow from operating activities		33	293	869
Interest received		34	4	6
Interest paid		-163	-142	-519
Tax paid		-8	-	-32
Net cash flow from operating activities		-104	155	324
Sale of tangible assets		-	1	1
Purchase of tangible assets	5	-48	-44	-267
Net cash flows from other non-current receivables		12	11	27
Cash flow from investing activities		-36	-32	-239
Proceeds on non-current debt		-	-	1 558
Instalments on non-current debt		-189	-238	-1 524
Payments from non-controlling interests		-	-	-31
Cash flow from financing activities		-189	-238	3
Net change in cash and cash equivalents		-329	-115	88
Cash and cash equivalents, including restricted cash, at period start		1 142	1 097	1 097
Exchange rate effect on cash and cash equivalents		-	-10	-43
Cash and cash equivalents, including restricted cash, at period end		812	972	1 142

Restricted cash at period end is NOK 181 million (NOK 265 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	-	-	-	**-**	-25	-	**-25**	1	**-24**
Other comprehensive income for the period	-	-	-	**-**	-5	4	**-1**	-	**-1**
Total comprehensive income for the period	-	-	-	**-**	-30	4	**-27**	1	**-26**
Equity at 31.03.2019	1 674	540	2 130	**4 344**	1 125	46	**1 170**	195	**5 708**
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	-	-	-	**-**	174	-	**174**	6	**180**
Other comprehensive income for the period	-	-	-	**-**	-49	-4	**-53**	-	**-53**
Total comprehensive income for the period	-	-	-	**-**	125	-4	**121**	6	**127**
IFRS 9 implementation effect	-	-	-	**-**	-25	-	**-25**	-	**-25**
Equity at 31.03.2018	1 674	540	2 130	**4 344**	1 815	58	**1874**	232	**6 450**



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 1th quarter of 2019 the joint venture owns six PLSVs. The last of the PLSVs, Skandi Olinda, was delivered in January 2019 and commenced on her eight-year contract in February 2019.

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

	1Q 2019 Consistent with management reporting	Reconciliation to equity method	1Q 2019
Operating revenue	1 103	-259	844
Operating expenses	-738	51	-687
Share of net income of associates and joint ventures	-	68	68
Profit from sale of non-current assets	-	-	-
Operating profit before depreciation and impairment (EBITDA)	365	-140	226
Depreciation and impairment	-209	42	-167
Operating profit (EBIT)	156	-98	59
Financial income	6	14	20
Financial expenses	-200	53	-146
Realised net gain / loss on derivative instruments and currency position	-56	-	-56
Unrealised net gain / loss on derivative instruments and currency position	102	16	118
Net financial income / loss	-148	84	-64
Profit / loss before tax	9	-14	-5
Income tax expense	-33	14	-19
Profit / loss for the period	-25	-	-25

Amounts in NOK million

Note 1 Management reporting (continued from previous page)

Consolidated statement of financial position	31.03.2019 Consistent with management reporting	Reconciliation to equity method	31.03.2019
Intangible assets	679	-126	553
Tangible assets	17 707	-6 449	11 258
Financial assets	453	2 528	2 981
Total non-current assets	18 840	-4 048	14 792
Total current assets	2 317	-557	1 760
Total assets	21 156	-4 605	16 551

Consolidated statement of financial position	31.03.2019 Consistent with management reporting	Reconciliation to equity method	31.03.2019
Total equity	5 708	-	5 708
Non-current liabilities	11 915	-4 028	7 887
Current liabilities	3 533	-576	2 957
Total liabilities	15 448	-4 605	10 843
Total equity and liabilities	21 156	-4 605	16 551

Consolidated statement of cash flows	31.03.2019 Consistent with management reporting	Reconciliation to equity method	31.03.2019
Net cash flow from operating activities	-18	-86	-104
Cash flow from investing activities	-840	804	-36
Cash flow from financing activities	582	-771	-189
Net change in cash and cash equivalents	-275	-54	-329
Cash and cash equivalent at the beginning of the period	1 430	-288	1 142
Exchange rate effect on cash and cash equivalents	-3	3	-
Cash and Cash equivalents at the end of the period	1 152	-340	812

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	1Q 2019	1Q 2018	2018
Long-term Chartering	441	387	1 574
Subsea/IMR Projects	662	667	3 033
Total consistent with management reporting	1 103	1 053	4 607
Reconciliation to equity method	-259	-213	-865
Total	844	840	3 742

EBITDA consistent with management reporting			
Long-term Chartering	328	293	1 203
Subsea/IMR Projects	38	18	199
Total consistent with management reporting	365	311	1 402
Reconciliation to equity method	-139	-74	-317
Total	226	238	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	1Q 2019	1Q 2018	2018
Lump sum contracts	50	19	125
Day rate contracts	794	821	3 617
Total operating revenue	844	840	3 742

Amounts in NOK million

Note 4 Financial income and expenses

Financial income and expenses	1Q 2019	1Q 2018	2018
Interest income	17	12	52
Other financial income	3	2	45
Financial income	20	14	96
Interest expenses	-138	-107	-481
Other financial expenses	-9	-5	-27
Financial expenses	-146	-112	-507
Realised foreign currency net gain / loss on non-current debt	-20	-22	-74
Realised foreign currency net gain / loss on current receivables / liabilities	2	2	-47
Realised net gain / loss on financial derivatives	-38	-4	-17
Realised net gain / loss on derivative instruments and currency position	-56	-24	-168
Unrealised foreign currency net gain / loss on non-current debt	43	199	-149
Unrealised foreign currency net gain / loss on current receivables / liabilities	-3	-37	-40
Net change in unrealised gain / loss on financial derivatives	78	130	-25
Unrealised net gain / loss on derivative instruments and currency position	118	292	-214
Net financial income / loss	-64	169	-794

Amounts in NOK million

Note 5 Tangible assets

31.03.2019	Vessels & periodic maintenance	ROVs	Operating equipments	Right-of-use assets	Total
Net booked value 31.12.18	10 033	730	338	0	11 100
Implementation of IFRS 16 Leases	-	-	-	284	284
Net booked value 01.01.	10 033	730	338	284	11 384
Additions	29	12	8	-	48
Depreciation	-72	-39	-18	-10	-139
Impairment	-28	-	-	-	-28
Currency translation differences	-9	-	-1	2	-8
Net booked value 31.03.	9 954	703	326	276	11 258

Net booked value of right-of-use assets at 31 March 2019 consists of property with NOK 267 million and operating equipments of NOK 8 million.

31.03.2018	Vessels & periodic maintenance	ROVs	Operating equipments	Newbuilds	Total
Net booked value 01.01.	10 525	856	381	11	11 773
Additions	34	-	5	4	44
Reclassification	-	3	-3	-	-
Depreciation	-80	-44	-21	-	-144
Impairment	-88	-	-	-	-88
Currency translation differences	-34	-2	-10	-	-46
Net booked value 31.03.	10 358	814	352	15	11 539

In the 1th 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 annual report for 2018. Impairments of NOK 28 million have been recognised in the 1th quarter of 2019.

Amounts in NOK million

Note 6 Net interest-bearing debt

	31.03.2019	31.03.2018	31.12.2018
Non-current interest-bearing debt			
Bond loans	2 474	1 864	2 480
Debt to credit institutions	5 012	6 093	5 278
Lease liabilities	375	-	-
Total non-current interest-bearing debt	7 861	7 957	7 759
Current interest-bearing debt			
Bond loans	92	-	100
Debt to credit institutions	2 033	1 059	1 969
Lease liabilities	76	-	-
Total current interest-bearing debt	2 202	1 059	2 069
Total non-current and current interest-bearing debt	10 063	9 016	9 827
Net interest-bearing debt			
Cash and cash equivalent	812	972	1 142
Other interest-bearing assets - non-current	254	80	79
Total net interest-bearing debt	8 997	7 964	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 31.03.19
Non-current interest bearing debt							
Bond loans	2 480	-	-	-1	8	-13	2 474
Debt to credit institutions	5 278	-	-264	3	-	-4	5 012
Lease liabilities	-	394	-20	-	-	2	375
Total non-current interest bearing debt	7 759	394	-284	2	8	-15	7 861
Current interest bearing debt							
Bond loans	100	-	-	-	-8	-	92
Debt to credit institutions	1 969	-	95	-	-	-30	2 033
Lease liabilities	-	75	-	-	-	1	76
Total current interest bearing debt	2 069	75	95	-	-	-29	2 202
Total interest bearing debt	9 827	470	-189	2	-	-45	10 063

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

Debt repayment profile	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Total current debt	Q2-Q4 2020	2021	2022	2023	Thereafter	Total
Bond loan	-	-	92	-	92	375	-	1 265	840	-	2 572
Debt to credit institutions	435	262	208	245	1 149	725	606	527	447	978	4 432
Debt to credit institutions, balloons	537	-	344	-	881	516	328	163	751	-	2 638
Total repayment	972	262	644	245	2 122	1 616	933	1 954	2038	978	9 642

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.

Amounts in NOK million

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

Share of debt secured by fixed interest rate

31.03.2019	Fixed rate	Floating rate	Total
NOK			
Debt to credit institutions	95 %	5 %	100 %
Bond loan	38 %	62 %	100 %
Total NOK	79 %	21 %	100 %
USD			
Debt to credit institutions	68 %	32 %	100 %
Bond loan	100 %	-	100 %
Total USD	77 %	23 %	100 %
CAD			
Debt to credit institutions	100 %	-	100 %
Total CAD	100 %	-	100 %
Total debt	78 %	22 %	100 %

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.

As a result of the continued challenging market situation, the Group has experienced that regular rollover (or refinancing) of existing loan facilities is very challenging. This new situation is likely to result in the Group being in breach of its financial covenants in the near future and the Group being unable to repay (or rollover) certain of its existing loans when they fall due. The management will commence a dialogue with the involved parties and believes it is possible to reach agreements to solve the expected challenging situation for the Group, although no assurance can be given that the Group will be successful in this respect.

A possible breach of the financial covenants going forward will 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 breach should occur under a credit facility or the Group should be unable to repay (or rollover) a credit facility when due, and the Group is unable to obtain a waiver from the relevant creditor(s), the Group will be in default of the relevant credit facility with potential cross-default under other credit facilities within the Group. Per 31 March 2019, the consequence will be that the amount of current debt will increase by NOK 7,5 billion.

Amounts in NOK million

Note 7 Financial instruments and hedging activities

	31.03.2019		31.03.2018	
	Assets	Liabilities	Assets	Liabilities
Non-current and current portion				
Interest rate swaps	27	10	27	13
Foreign exchange contracts	13	42	4	109
Total non-current and current	41	53	31	121
Non-current portion				
Interest rate swaps	27	9	27	11
Foreign exchange contracts	1	3	2	5
Total non-current portion	29	12	29	17
Total current portion	12	40	2	105

	31.03.2019		31.03.2018	
Instrument	Committed	Amount	Committed	Amount
Foreign exchange contracts	NOK	2 269	NOK	2 375

Note 8 Transactions with related parties

Description of transactions with related parties is given in the 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:

	31.03.2019
Booked value of investments 01.01	1 553
Share of net profit / loss for the period	68
Share of other comprehensive income	-5
Booked value of investments 31.12	1 617

Note 10 Operational events after period end

In May, DOF Subsea secured several contracts and frame agreements in the North Sea, securing utilisation of approximately 100 vessel days and an accumulated revenue of NOK 80 million.

DOF Subsea was also awarded contracts for both Skandi Seven and Skandi Niteroi in Brazil. Skandi Seven will perform a Riser and Umbilical installation for a Floating Storage and Regasification Unit (FPSO) for CELSE, while Skandi Niteroi has been committed with TechnipFMC for the Peregrino Phase II Surf Project to Equinor.

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 consolidated financial statements as at 31 December 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 effect of the standard in the profit or loss for Q1 2019 is presented in the table below:

Consolidated statement of comprehensive income	1Q 2019 excluding IFRS 16	Effect of IFRS 16 Leases	1Q 2019
Operating revenue	857	-13	844
Operating expenses	-713	26	-687
Share of net income of associates and joint ventures	68	-	68
Operating profit before depreciation and impairment (EBITDA)	213	13	226
Depreciation and impairment	-157	-10	-167
Operating profit (EBIT)	55	4	59
Financial income	18	2	20
Financial expenses	-140	-6	-146
Realised net gain / loss on derivative instruments and currency position	-56	-	-56
Unrealised net gain / loss on derivative instruments and currency position	118	-	118
Net financial income / loss	-60	-4	-64
Profit / loss before tax	-5	-	-5
Income tax expense	-19	-	-19
Profit / loss for the period	-25	-	-25

Amounts in NOK million

Note 13 Changes in accounting policies 2019 (continued from previous page)

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.
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

	1Q 2019	4Q 2018	3Q 2018	2Q 2018	1Q 2018
Operating revenue	1 103	1 166	1 184	1 203	1 053
Operating expenses	-738	-824	-810	-839	-748
Share of net income of associates and joint ventures	-	-1	2	7	6
Profit from sale of non-current assets	-	-	-	-	1
Total operating expenses	-738	-824	-808	-831	-742
Operating profit before depreciation and impairment (EBITDA)	365	342	376	372	311
Depreciation and impairment	-209	-343	-235	-221	-260
Operating profit (EBIT)	156	-1	141	151	51
Financial income	6	14	5	3	6
Financial expenses	-200	-194	-177	-149	-137
Realised gain / loss on financial instruments	-56	-78	-59	-9	-25
Unrealised gain / loss on financial instruments	102	-244	10	-266	291
Net financial income / loss	-148	-501	-220	-421	136
Profit / loss before tax	9	-503	-79	-270	187
Tax expenses	-33	44	-19	-21	-7
Profit / loss for the period	-25	-458	-98	-292	180

Amounts in NOK million

Condensed statement of financial position 5 last quarters

Assets	1Q 2019	4Q 2018	3Q 2018	2Q 2018	1Q 2018
Intangible assets	679	688	628	640	659
Tangible assets	17 707	16 847	16 615	16 752	15 924
Financial assets	453	283	281	292	297
Total non-current assets	18 840	17 818	17 523	17 684	16 881
Total receivables	1 165	1 101	1 309	1 237	1 228
Cash and cash equivalents	1 152	1 430	1 011	1 237	1 171
Total current assets	2 317	2 532	2 320	2 474	2 399
Total assets	21 156	20 350	19 843	20 158	19 280

Equity and liabilities	1Q 2019	4Q 2018	3Q 2018	2Q 2018	1Q 2018
Paid in equity	4 344	4 344	4 344	4 344	4 344
Other equity	1 170	1 197	1 520	1 595	1 874
Non-controlling interests	195	194	199	230	232
Total equity	5 708	5 735	6 063	6 170	6 450
Non-current provisions for commitment	19	22	15	18	17
Other non-current liabilities	11 896	11 108	10 783	11 092	10 467
Total non-current liabilities	11 915	11 130	10 798	11 110	10 485
Current portion of debt to credit institutions	2 715	2 554	2 090	1 888	1 426
Other current liabilities	817	930	893	990	919
Total current liabilities	3 533	3 484	2 983	2 879	2 345
Total liabilities	15 448	14 615	13 780	13 988	12 829
Total equity and liabilities	21 156	20 350	19 843	20 158	19 280

Key figures

	1Q 2019	4Q 2018	3Q 2018	2Q 2018	1Q 2018
Profit per share (NOK)	-0.15	-2.74	-0.59	-0.02	1.08
EBITDA margin	33 %	29 %	32 %	31 %	30 %
EBIT margin	14.19 %	-0.12 %	12 %	13 %	5 %
Return on net capital	-0.4 %	-8 %	-2 %	-5 %	3 %
Book value equity per share (NOK)	34.11	34.27	36.23	36.87	38.54
Value-adjusted equity per share (NOK)	45.14	45.81	45.67	44.96	43.42
Net interest-bearing debt (NOK million)	12 774	11 983	11 642	11 510	10 698

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.


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)

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

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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