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Bond Presentation

# DOF Subsea Group



08 October 2019

# Background

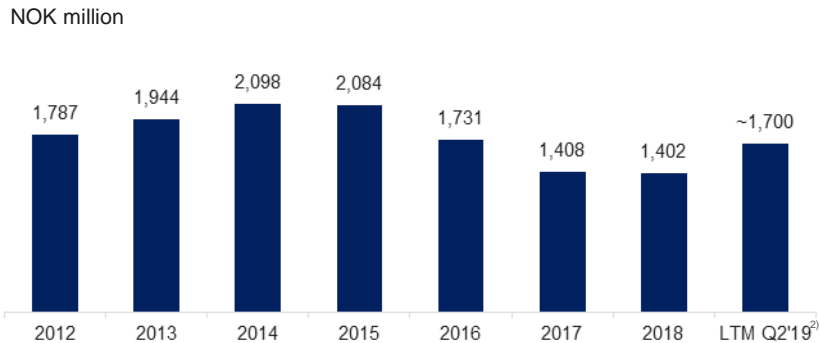
- DOF Subsea is experiencing continued challenging subsea market with low utilisation and depressed day rates
- The market for financing and refinancing has become significantly more challenging
- DOF Subsea has experienced that regular rollover (refinancing) of existing loan facilities is challenging
- The current earnings is not sufficient to support the current amortization plan and there are imbalances in earnings and liquidity between different entities within the Group
- The combined effect of the above is that capital markets are closed for any additional fundraising and from a planning perspective ordinary refinancing is expected to remain challenging
- The Group has obtained a short-term runway until end November 2019, but immediate measures are required to secure sufficient liquidity runway
- The main objective is to structure a new financial plan with a debt repayment schedule and covenant structure that fit the current market environment, and establish a viable long-term platform to secure operational and financial stability until the market has recovered

# DOF Subsea has a solid platform with modern vessels and a significant backlog

**DOF Subsea**

- 2005** DOF Subsea established following the acquisition of Geoconsult. The Company was listed on the Oslo Stock Exchange second half 2005.
- 2008** First Reserve acquires 49% of DOF Subsea, which in the following is delisted from the Oslo Stock Exchange
- 2010** Large and global organisation following multiple acquisitions from 2005-2010  
**Covus Subsea** **Century Subsea**  
**SWG Offshore** **CSL** **SEMAR**
- 2013** Awarded four PLSV long-term contracts in joint venture with TechnipFMC
- 2014** Expanding organisation on the back of several large contract awards. Number of employees and vessels peaking at 1 858 and 27, respectively
- 2016** Focus on consolidation and streamlining of business operations to improve efficiency and competitiveness in weak market
- 2017** Delivery of two newbuilds entering into long-term contracts and commencement of two long-term IMR contracts
- 2018** Delivery of one JV newbuild entering into long-term contract and award of several long-term contracts within both business segments
- 2019** Delivery of the last JV newbuild entering into a long-term contract and award of several contracts within both business segments

## Historical development in EBITDA<sup>1)</sup>



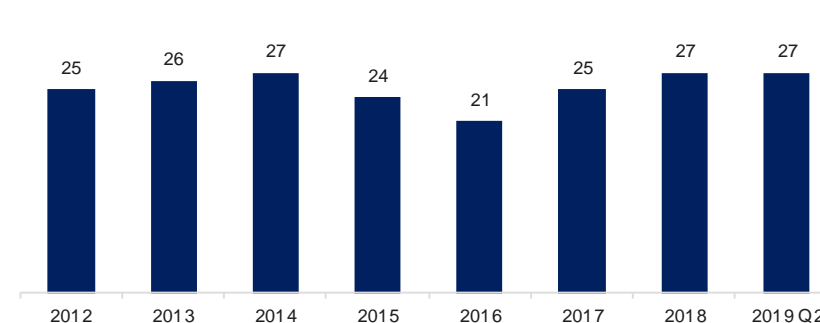
**NOK 13.8 billion**  
Firm backlog  
Q2'19



**27<sup>4)</sup>**

Subsea vessels  
Value adjusted fleet age  
below 6 years

## Development in number of vessels in operation<sup>3)</sup>



**74**  
ROVs

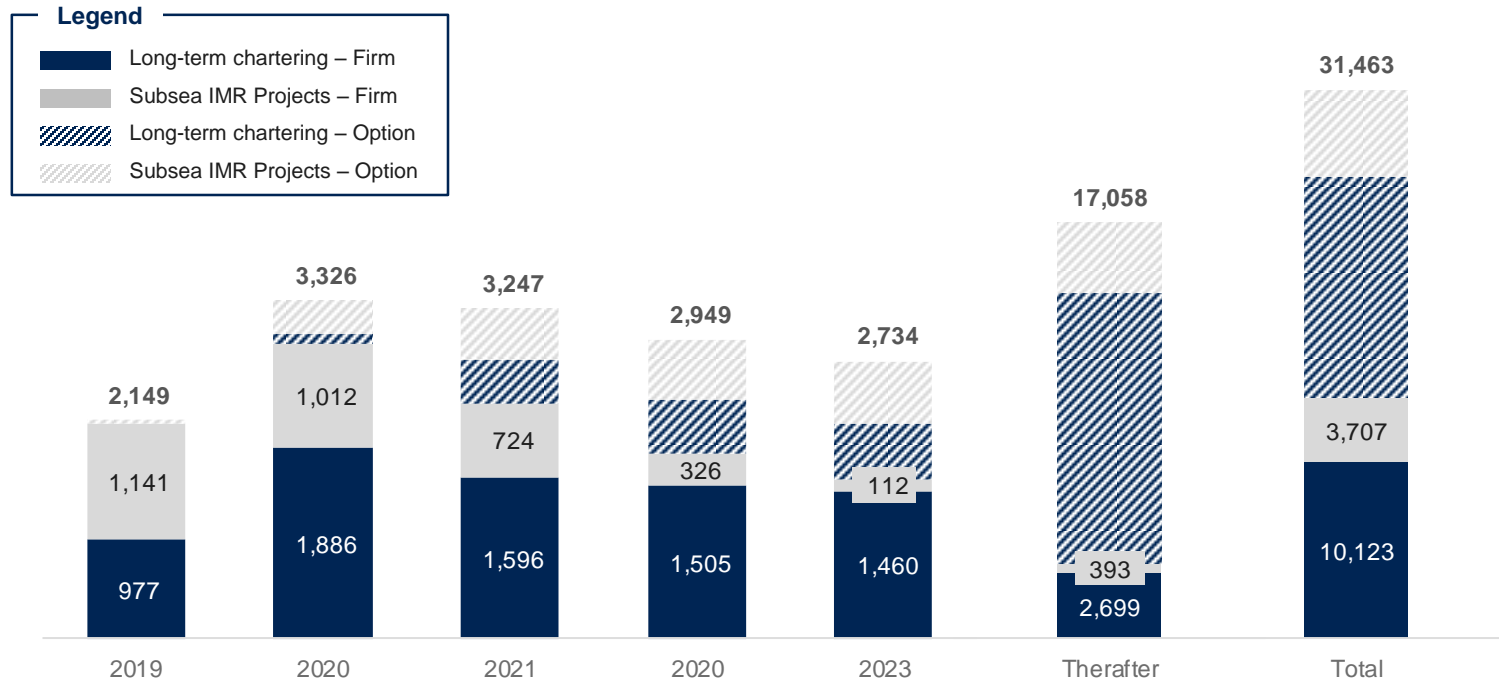
1) Note: Excluding gains from sale of vessels  
 2) EBITDA LTM as of Q2 2019 represent the sum of the 4 most recent quarters, except for DOFCON JV where it is 2Q 2019 x 4 (due to major delivery in February 2019, against 8-year contract).  
 3) Note: Newbuild not included  
 4) Note: Including chartered-in vessels Harvey Deep-Sea, Harvey Subsea, Skandi Chieftain and Skandi Darwin

# DOF Subsea is de-risked compared to the start of the down cycle

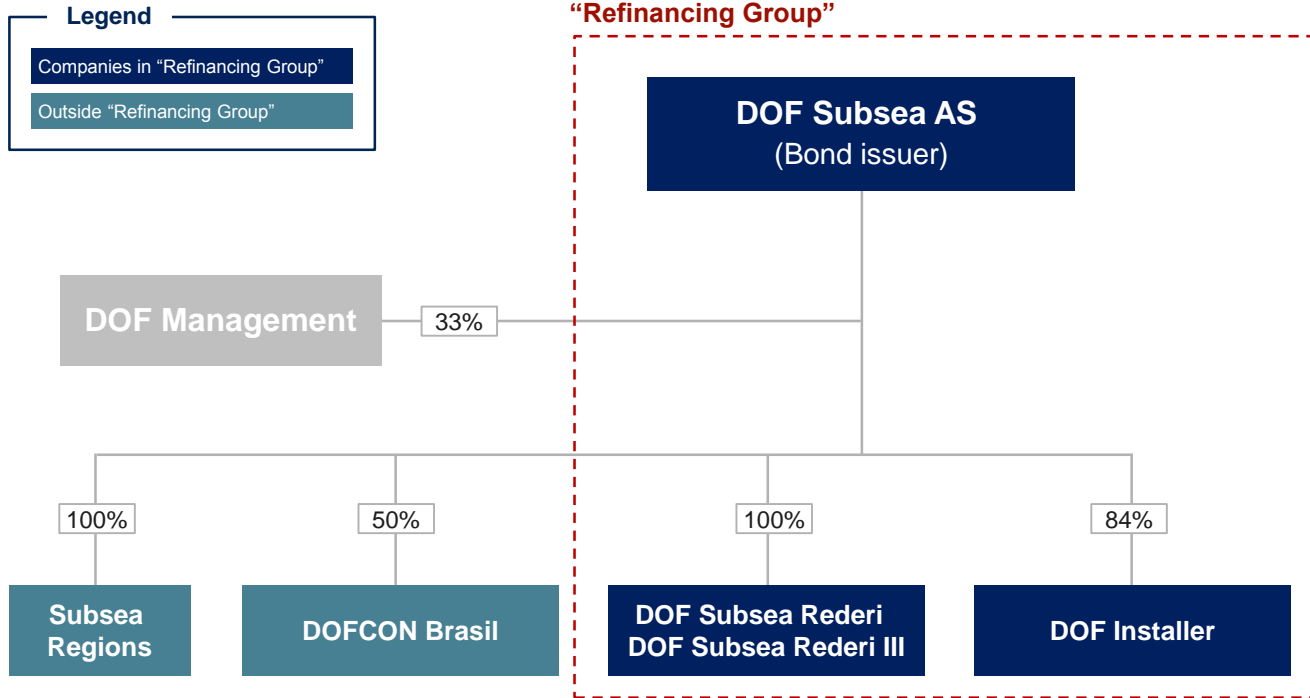
- Fleet renewal program completed with no remaining newbuild commitments
- DOF Subsea Group has sold 5 vessels and repaid the vessels' debt of NOK 2 billion since 2015
- Total debt and remaining capex has been reduced from NOK 22.2 billion to 13.8 billion
- Regular amortization of debt – in a period where most competitors have paid reduced or no instalments
- Enabled through continuous financing and refinancing through the down cycle:
  - Raised NOK 500 million in equity
  - Refinanced USD 173 million and NOK 840 million of unsecured bonds
  - Refinanced NOK 2,600 million of bank debt
  - Financed USD 485 million and CAD 68 million of the newbuilding program
- Reduced cost of operations through cost cutting with 40% reduction in the work force – continuous focus on improvements

# DOF Subsea has a large backlog underpinning the importance of keeping the company as going-concern

## Current backlog<sup>1)</sup> (NOK million)

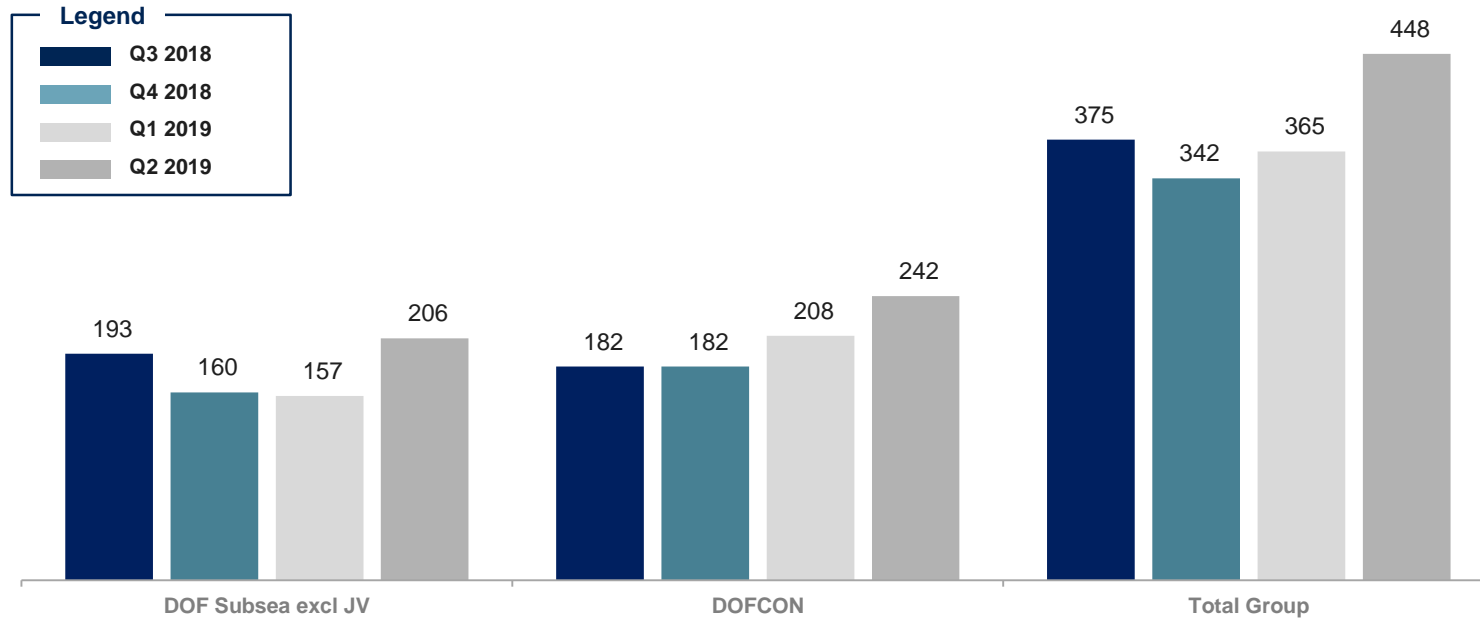


# Simplified Group overview



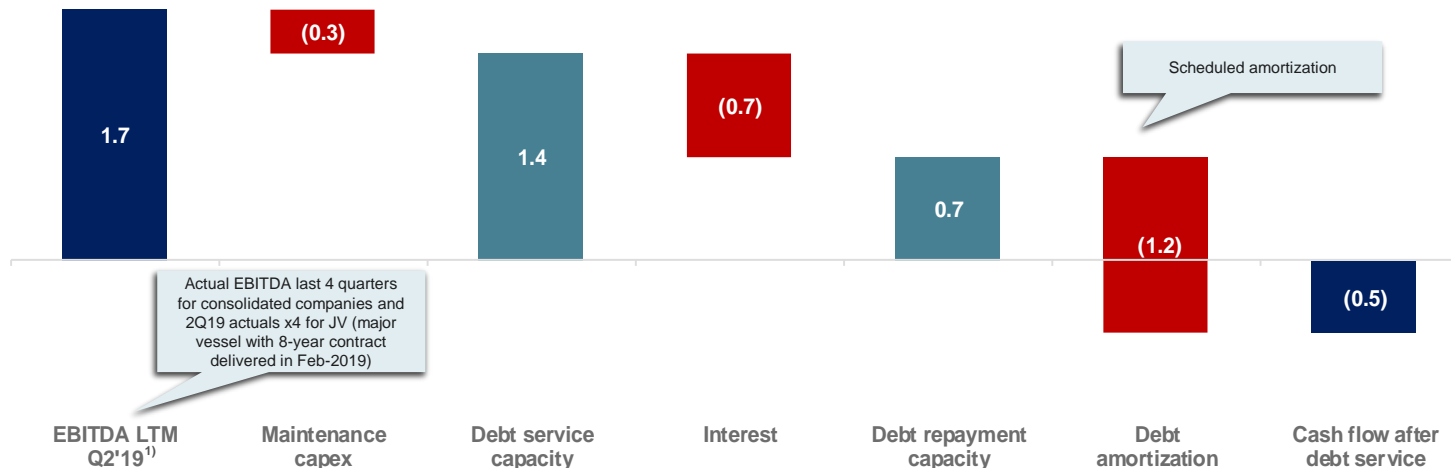
# EBITDA per quarter

## EBITDA development



# DOF Subsea has significant debt reduction capacity

## Current debt service capacity (NOKbn, management reporting)



- Total group has a net shortage of NOK 500 million per year unless market improves
- Above assume no changes in working capital and annual refinancing of bank balloons and bonds



# Key numbers | Current run rate (based on LTM Q2'19)

(NOKm) <sup>1)</sup>	DOF Subsea "Bank Group"	HoldCo	Group excl. JV	DOFCON JV	Total Group
EBITDA LTM Q2'19 <sup>2)</sup>	700	0	700	1,000	1,700
Maintenance capex	(200)	0	(200)	(100)	(300)
<b>Debt service capacity</b>	<b>500</b>	<b>0</b>	<b>500</b>	<b>900</b>	<b>1,400</b>
Interest	(250)	(250)	(500)	(200)	(700)
<b>Debt repayment capacity</b>	<b>250</b>	<b>(250)</b>	<b>0</b>	<b>700</b>	<b>700</b>
Debt amortization	(800)	0	(800)	(400)	(1,200)
<b>Cash flow after debt service</b>	<b>(550)</b>	<b>(250)</b>	<b>(800)</b>	<b>300</b>	<b>(500)</b>

# Debt overview as of 30 June 2019



**DOF Subsea AS**

**Debt NOK ~2.6bn (DOFSUB07/08/09)**  
 Consolidated excl JVs:

- EBITDA NOK 0.7bn last 12m
- Secured debt/EBITDA 8.4x
- Total debt/EBITDA 12.2x
- Total debt/EBITDA 7.8x (including JV)

**Key figures**

**TOTAL GROUP**

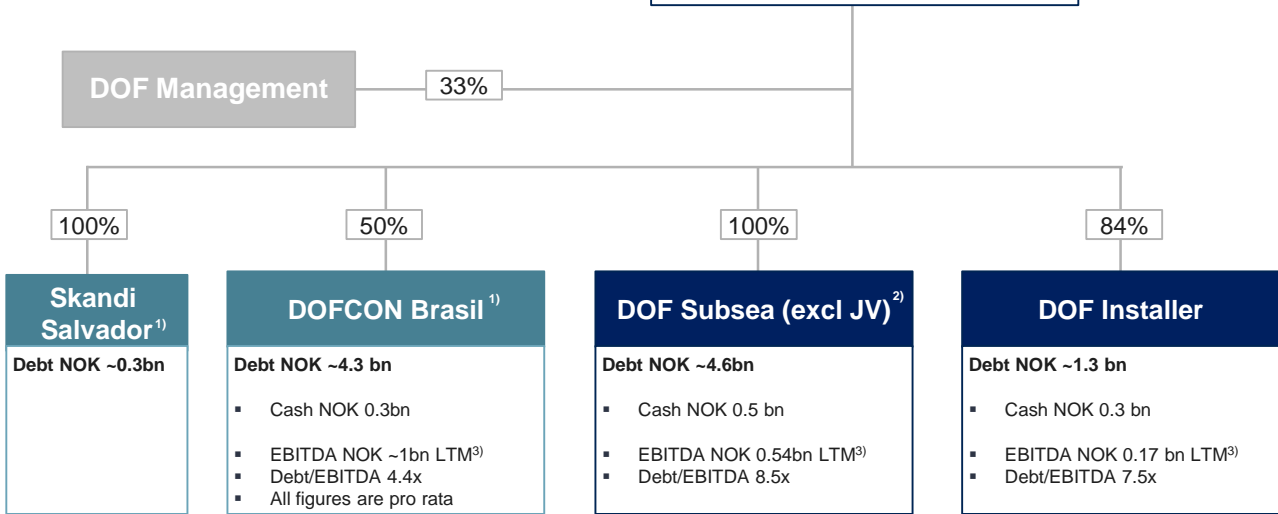
- NOK 11.0 billion bank
- NOK 2.6 billion bond
- NOK 0.2 billion equipment leases
- **NOK 13.8 billion total debt**
- NOK 1.1 billion cash
- **EBITDA NOK 1.7 billion LTM<sup>3)</sup>**

**"REFINANCING GROUP"**

- NOK 5.9 billion bank
- NOK 2.6 billion bond
- NOK 0.2 billion equipment lease
- **NOK 8.7 billion total debt**
- NOK 0.8 billion cash
- **EBITDA NOK 0.7 billion LTM<sup>2)</sup>**

**TOTAL JV & Other<sup>1)</sup>**

- **NOK 4.6 billion debt**
- NOK 0.3 billion cash
- **EBITDA NOK 1.0 billion LTM<sup>3)</sup>**
- All figures pro rata
- EBITDA excludes Salvador



1) DOF Subsea Brasil Ltda owning Skandi Salvador, seen in conjunction with DOFCON due to same lender as JV and contract  
 2) DOF Subsea Rederi AS and DOF Subsea Rederi 3 AS.  
 3) EBITDA LTM (last twelve months): Sum of 4 most recent quarters, except for DOFCON JV where it is 4x 2Q 2019 (due to major delivery in February 2019, against 8-year contract).  
 4) Operational leases of ROVs and other short lived equipment will remain unchanged

# The contemplated solution involves all stakeholders

- The main objective of the financial plan is to achieve a new debt repayment schedule for the bank debt and bond loans as well as a new covenant structure that fit the current market environment and establish a viable long-term platform to secure operational and financial stability until the market has recovered
- The Group is in discussions with its owners regarding a new capital injection to strengthened the near term liquidity
- The new liquidity and the closed financial market will require a longer term solution from creditors to secure the Group as a going concern
- The contemplated solution involves all stakeholders

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