

# Quarterly Report

## Boa OCV AS

### 4Q - 2014

Org.nr. 984 158 939



# BOA OCV AS

## CEO'S REPORT - 4Q 2014

### General Information

The unaudited interim report is prepared in accordance with NGAAP.

### Nature and location of activities:

The company owns and charters out the offshore construction vessels "Boa Deep C" and "Boa Sub C", and management of the vessels is performed by Boa Offshore AS..

### Review of fourth quarter 2014 accounts:

Operating income in the period was NOK 98,8 million (NOK 103,0 million in the same period 2013).

EBITDA for the period was NOK 76,8 million (NOK 66,4 million).

Operating expenses were NOK 45,0 million (NOK 52,7 million).

Operating Profit/EBIT was NOK 53,8 million (NOK 50,4 million).

Net financial items were - NOK 63,5 million (- NOK 7,0 million).

Profit before tax was - NOK 9,7 million (NOK 43,4 million).

### Cash flow in the period

Net cash flow from operating activities was NOK 9,5 million. (NOK 33,1 million in the same period 2013).

Net cash flow from investing activities was - NOK 0,9 million (NOK 0,0 million).

Net cash flow from financing activities was NOK 3,8 million (- NOK 26,4 million).

Net change in cash was NOK 12,3 million (NOK 6,7 million).

### Balance sheet 31.12.2014

Total assets per 31.12.2014 were NOK 1 522 million (NOK 2 094 million per 31.12.2013). Interest bearing debt was NOK 1 200 million (NOK 1 013 million), and the equity NOK 194 million (NOK 932 million). The equity ratio decreased to 12,8 % (44,5 % per 31.12.2013).

Cash and Cash equivalents per 31.12.2014 were NOK 184,2 million (NOK 205,6 million per 31.12.2013).

### Events in the fourth quarter:

Boa OCV AS refinanced the existing bond and did a new NOK 1 200 million Bond loan with maturity 2019. Fees and call premium amounted to approx. NOK 55 million in one-off finance expenses in the quarter. The proceeds from the refinancing was used as part of a cash dividend of NOK 240 million, as well as a non-cash dividend to repay intercompany loan to the parent company Boa Offshore AS.

### Financial risk:

#### Market risk:

The company is susceptible to changes in currency exchange rates, since a considerable percentage of the company's earnings are in USD. The market risk is reduced somewhat since the company's operating purchases partially also take place in USD. The company continuously considers entering into currency futures contracts or other agreements to reduce currency risk. The interest on the company's long-term debt is partly firm due to two interest swaps.

#### Credit risk:

The risk that the other contracting party will not have the financial means to meet its obligations is considered to be low. No agreements have been made or other financial means established to minimize the company's credit risk.

#### Liquidity risk:

The company's liquidity risk is considered to be acceptable.

**Events after the balance sheet date:**

There have been no events after the end of the period that would have material impact on the evaluation of the company's profit and loss account or balance sheet.

**Future development:**

The short to medium term outlook for the subsea segment has become more uncertain on the back of the drop in oil prices from mid 2014. Despite a 30% recovery of the Brent oil price from the January 2015 low to the current USD60/bbl, oil prices probably need to recover to the USD70-80/bbl range to spur demand growth again in general.

Ongoing and sanctioned projects will ensure decent activity in the subsea sector in the short to medium term. Furthermore, IMR and subsea well-related services still seem to be a growing part of the subsea market, which is less cyclical than the installation segment. The long-term market outlook for the subsea segment remains prospective. Deepwater oil and gas reserves come at a marginal cost lower than a number of other sources of oil and gas, and a significant part of discovered oil and gas reserves over the last decade has been made offshore deepwater. Hence, deepwater and subsea will remain one of the most important growth opportunities for oil companies also in the coming decade.

Boa Sub C is leased on a firm contract to mid 2015, while Boa Deep C is chartered by Boa Offshore AS' US entity BMSI (BOA Marine Services Inc). Despite the current softer market, there are still opportunities for short and long-term contracts on both vessels from 2015, both with BMSI and third party charterers.

**Statement from the CEO**

I hereby declare that to the best of my knowledge the interim accounts for the fourth quarter of 2014 are prepared in accordance with NGAAP – Interim financial reporting, and that the information in the financial statements gives a true picture of the company's assets, liabilities, financial position and result as a whole, as well as the most important risk and uncertainty factors to which the company might be exposed in the next financial period.

Trondheim, 27 February 2015



Helge Kvalvik  
CEO

**Income statement**  
**Boa OCV AS**

(figures in NOK 1 000)

	Q4 2014	YTD 2014	Q4 2013	YTD 2013
<b>Operating income and operating exp.</b>				
Operating income	98 817	363 435	103 045	425 368
<b>Operating income</b>	<b>98 817</b>	<b>363 435</b>	<b>103 045</b>	<b>425 368</b>
Operating expenses ships	6 489	39 153	12 557	48 708
Payroll expenses	12 497	55 762	18 583	74 523
Depreciation	22 933	84 339	16 053	64 212
Other operating expenses	3 067	12 860	5 459	24 697
<b>Operating expenses</b>	<b>44 985</b>	<b>192 113</b>	<b>52 652</b>	<b>212 140</b>
<b>Operating profit</b>	<b>53 832</b>	<b>171 322</b>	<b>50 393</b>	<b>213 228</b>
<b>Financial income and expences</b>				
Interest income from group entities	9 886	53 361	13 773	61 097
Other interest income	3 730	4 516	1 854	1 854
Other financial income	11 787	31 806	3 052	14 868
Interest expenses to group entities	0	0	0	0
Other interest expenses	58 012	124 038	23 184	95 824
Other financial expenses	30 937	43 443	2 501	8 084
<b>Net financial income and expenses</b>	<b>-63 546</b>	<b>-77 798</b>	<b>-7 006</b>	<b>-26 090</b>
<b>Operating result before tax</b>	<b>-9 714</b>	<b>93 523</b>	<b>43 387</b>	<b>187 138</b>
Tax	-9 933	-9 933	913	913
<b>Result after tax</b>	<b>220</b>	<b>103 456</b>	<b>42 475</b>	<b>186 226</b>

**Balance sheet**  
**Boa OCV AS**

*(figures in NOK 1 000)*

	<b>31.12.2014</b>	<b>31.12.2013</b>
<b>Assets</b>		
<b>Intangible fixed assets</b>		
Deferred tax asset	9 043	0
<b>Total intangible fixed assets</b>	<b>9 043</b>	<b>0</b>
<b>Fixed assets</b>		
Ships	781 864	814 538
<b>Total tangible fixed assets</b>	<b>781 864</b>	<b>814 538</b>
<b>Financial fixed assets</b>		
Loan to group companies	505 113	1 019 752
<b>Total financial receivables</b>	<b>505 113</b>	<b>1 019 752</b>
<b>Total fixed assets</b>	<b>1 296 019</b>	<b>1 834 290</b>
<b>Current assets</b>		
<b>Debtors</b>		
Accounts receivables	29 658	40 050
Other receivables	11 849	14 322
Group receivables	0	0
<b>Total debtors</b>	<b>41 507</b>	<b>54 372</b>
Cash and bank deposits	184 222	205 596
<b>Total current assets</b>	<b>225 729</b>	<b>259 968</b>
<b>Total assets</b>	<b>1 521 748</b>	<b>2 094 258</b>

**Balance sheet**  
**Boa OCV AS**

(figures in NOK 1 000)

	31.12.2014	31.12.2013
<b>Equity</b>		
<b>Restricted equity</b>		
Share capital	100	100
Share premium	80 108	80 108
Other restricted equity	14 445	14 445
<b>Total restricted equity</b>	<b>94 653</b>	<b>94 653</b>
<b>Retained earnings</b>		
Other equity	99 424	837 465
<b>Total retained earnings</b>	<b>99 424</b>	<b>837 465</b>
<b>Total equity</b>	<b>194 076</b>	<b>932 117</b>
<b>Liabilities</b>		
<b>Provisions</b>		
Other provisions	0	53 475
<b>Total provisions</b>	<b>0</b>	<b>53 475</b>
<b>Other long term liabilities</b>		
Bonds	1 200 000	1 012 500
<b>Total of other long term liabilities</b>	<b>1 200 000</b>	<b>1 012 500</b>
<b>Current liabilities</b>		
Trade creditors	29 843	22 125
Group liabilities	50 000	37 245
Tax payable	1 037	1 331
Other short term liabilities	46 791	35 465
<b>Total short term liabilities</b>	<b>127 672</b>	<b>96 166</b>
<b>Total liabilities</b>	<b>1 327 672</b>	<b>1 162 141</b>
<b>Total equity and liabilities</b>	<b>1 521 748</b>	<b>2 094 258</b>

## Cash flow report

Figures in 1 000 NOK	Note	Q4 2014	YTD 2014	Q4 2013	YTD 2013
<b>Cash flow from operating activities</b>					
Profit before income taxes		-9 714	93 523	43 387	187 138
Paid in tax		306	-1 331	-42	-1 652
Depreciation		22 933	84 339	16 053	64 212
Changes in trade receivables and creditors		15 815	32 160	-13 914	-8 588
Changes in receivables from group entities	1.	-46 968	-67 411	-25 071	-64 426
Changes in other short-term receivables and liabilities		27 100	13 800	12 692	14 201
<b>Net cash flow from operating activities</b>		<b>9 472</b>	<b>155 080</b>	<b>33 105</b>	<b>190 886</b>
<b>Cash flow from investing activities</b>					
Purchase of fixed assets		-917	-86 709	0	0
<b>Net cash flow from investing activities</b>		<b>-917</b>	<b>-86 709</b>	<b>0</b>	<b>0</b>
<b>Cash flow from financing activities</b>					
Repayment of long term liabilities		-956 250	-1 012 500	-18 750	-75 000
Group contribution		-240 000	-277 245	-7 669	-25 600
Raised long term liabilities		1 200 000	1 200 000	-	-
<b>Net cash flow from financing activities</b>		<b>3 750</b>	<b>-89 745</b>	<b>-26 419</b>	<b>-100 600</b>
Net changes in cash and cash equivalents		12 304	-21 374	6 686	90 286
Cash and cash equivalents start at period		171 918	205 596	198 910	115 310
<b>Cash and cash equivalents end of period</b>		<b>184 222</b>	<b>184 222</b>	<b>205 596</b>	<b>205 596</b>

1. The changes in receivables from group entities does not include the group contribution.

## Notes to Q4 2014 report

### Note 1 Accounting principles / general information

The quarterly report is unaudited and is prepared in compliance with NGAAP using the same principles as in the last financial year, except the following explained change of principle.

#### Change of principle - classification cost

##### Former principle

The group companies was making allocations for class costs. The allocations was made based on estimated time for next periodic class survey. Changes in estimates were spread over the remaining period up to the next drydocking.

##### New principle

From 01.01.2014 the cost of periodic maintenance of vessels is capitalized as dry-docking costs and depreciated over the useful lifetime of the parts replaced.

#### Miscellaneous

All figures in the notes are quoted in NOK 1 000.

#### Events after the balance date

There have been no significant events taking place after the balance date.

### Note 2 Fixed assets

	Vessels	Periodic maintenance	Total
Acquisition cost 01.01.14	1 295 411		1 295 411
Additions	21 524	65 185	86 709
Disposals			0
Corr. due to change of princ.	-74 039	74 039	0
<b>Acquisition cost 31.12.14</b>	<b>1 242 896</b>	<b>139 224</b>	<b>1 382 121</b>
Accumulated depr. 01.01.14	480 873		480 873
Acc. depreciation disposals			0
Depreciation this period	61 610	22 729	84 339
Corr. due to change of princ.	35 044		35 044
<b>Accum. depreciation 31.12.14</b>	<b>577 527</b>	<b>22 729</b>	<b>600 256</b>
<b>Book value 31.12.14</b>	<b>665 369</b>	<b>116 495</b>	<b>781 864</b>
Economic life	20		
Depreciation schedule	Linear	Linear	



## Notes to Q4 2014 report

### Note 3 Shareholder's equity

	Share capital	Share premium	Other restricted equity	Other equity	Total
Equity 01.01.14	100	80 108	14 445	837 465	932 117
Profit for the period				103 456	103 456
Dividend				-858 000	-858 000
Change of principles				16 502	16 502
<b>Equity 31.12.14</b>	<b>100</b>	<b>80 108</b>	<b>14 445</b>	<b>99 423</b>	<b>194 076</b>

### Note 4 Income statement - summary

	Q4 2014	YTD 2014	Q4 2013	YTD 2013
<b>Operating income</b>	<b>98 817</b>	<b>363 435</b>	<b>103 045</b>	<b>425 368</b>
Operating expenses	22 052	107 774	36 599	147 928
<b>EBITDA</b>	<b>76 765</b>	<b>255 661</b>	<b>66 446</b>	<b>277 440</b>
EBITDA %	78 %	70 %	64 %	65 %
Depreciation	22 933	84 339	16 053	64 212
<b>EBIT</b>	<b>53 832</b>	<b>171 322</b>	<b>50 393</b>	<b>213 228</b>
Net finance	-63 546	-77 798	-7 006	-26 090
<b>Pre tax profit</b>	<b>-9 714</b>	<b>93 523</b>	<b>43 387</b>	<b>187 138</b>
Tax	-9 933	-9 933	913	913
<b>Net profit</b>	<b>220</b>	<b>103 456</b>	<b>42 475</b>	<b>186 226</b>