

# Quarterly Report

## Boa OCV AS

### 2Q - 2014

Org.nr. 984 158 939



# BOA OCV AS

## CEO'S REPORT - 2Q 2014

### General Information

The unaudited interim accounts are 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 second quarter 2014 accounts:

Operating income in the period was NOK 87,2 million (NOK 104,6 million in the same period 2013).

EBITDA for the period was NOK 51,4 million (NOK 66,2 million).

Operating expenses were NOK 56,8 million (NOK 54,4 million).

Operating Profit/EBIT was NOK 30,4 million (NOK 50,1 million).

Net financial items were - NOK 4,8 million (- NOK 6,2 million).

Profit before tax was NOK 25,5 million (NOK 44,0 million).

### Cash flow in the period

Net cash flow from operating activities was NOK 26,0 million. (NOK 34,1 million in the same period 2013).

Net cash flow from investing activities was - NOK 57,5 million (NOK 0,5 million).

Net cash flow from financing activities was - NOK 18,8 million (- NOK 28,2 million).

Net change in cash was - NOK 50,2 million (NOK 6,4 million).

### Balance sheet 30.06.2014

Total assets per 30.06.2014 were NOK 2 040 million (NOK 2 000 million per 30.06.2013). Interest bearing debt was NOK 975 million (NOK 1 050 million), and the equity NOK 1 007 million (NOK 932 million). The equity ratio increased to 49,7 % (43,4 % per 30.06.2013).

Cash and Cash equivalents per 30.06.2014 were NOK 129,1 million (NOK 131,9 million per 30.06.2013).

### 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. Future currency agreements are used and covering a part of the contractual USD income for the upcoming two quarters. 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. Er den ikke ebdre en akseptabel?

**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 long-term market outlook for the subsea segment remains robust. Although several oil companies have announced reduced growth and moderation in their investment plans in the short-term, ongoing and sanctioned projects will ensure relatively high activity in the subsea sector in the years to come, and in the long term the subsea segment will continue to be a growing market. The major offshore construction companies have all time high backlogs and the demand for tonnage from smaller construction- and IRM companies is steadily increasing. The fleet of subsea construction vessels will increase over the next two years, but that is mainly smaller vessels than the vessels in Boa OCV AS. Boa Sub C is leased on a long-term contract to mid 2015, while Boa Deep C is chartered by Boa Offshore AS' US entity (BOA Marine Services Inc) for the remainder of the year and will perform a number of short term contracts in the US GoM. There are promising opportunities for long-time contracts on both vessels from 2015.

**Statement from the CEO**

I hereby declare that to the best of my knowledge the interim accounts for the second 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, 29 August 2014



Helge Kvalvik  
CEO

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

*(figures in NOK 1 000)*

	<b>Q2 2014</b>	<b>YTD 2014</b>	<b>Q2 2013</b>	<b>YTD 2013</b>
<b>Operating income and operating exp.</b>				
Operating income	87 175	169 113	104 568	204 295
<b>Operating income</b>	<b>87 175</b>	<b>169 113</b>	<b>104 568</b>	<b>204 295</b>
Operating expenses ships	13 640	19 098	11 657	23 879
Payroll expenses	18 245	31 497	18 867	38 612
Depreciation	21 002	39 842	16 053	32 106
Other operating expenses	3 914	7 022	7 864	13 775
<b>Operating expenses</b>	<b>56 801</b>	<b>97 459</b>	<b>54 442</b>	<b>108 372</b>
<b>Operating profit</b>	<b>30 374</b>	<b>71 653</b>	<b>50 126</b>	<b>95 923</b>
<b>Financial income and expences</b>				
Interest income from group entities	14 492	28 824	15 774	31 376
Other interest income	754	754	0	0
Other financial income	4 189	9 939	2 987	9 054
Interest expenses to group entities	0	0	0	0
Other interest expenses	22 068	44 093	23 031	48 753
Other financial expenses	2 192	8 353	1 890	3 546
<b>Net financial income and expences</b>	<b>-4 825</b>	<b>-12 928</b>	<b>-6 160</b>	<b>-11 869</b>
<b>Operating result before tax</b>	<b>25 549</b>	<b>58 726</b>	<b>43 966</b>	<b>84 054</b>
Tax	-15	0	0	0
<b>Result after tax</b>	<b>25 564</b>	<b>58 726</b>	<b>43 966</b>	<b>84 054</b>

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

*(figures in NOK 1 000)*

	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>31.12.2013</b>
<b>Assets</b>			
<b>Fixed assets</b>			
Ships	797 391	846 644	814 538
<b>Total tangible fixed assets</b>	<b>797 391</b>	<b>846 644</b>	<b>814 538</b>
<b>Financial fixed assets</b>			
Loan to group companies	1 019 752	958 656	1 019 752
<b>Total financial receivables</b>	<b>1 019 752</b>	<b>958 656</b>	<b>1 019 752</b>
<b>Total fixed assets</b>	<b>1 817 143</b>	<b>1 805 300</b>	<b>1 834 290</b>
<b>Current assets</b>			
<b>Debtors</b>			
Accounts receivables	49 136	27 193	40 050
Other receivables	15 740	3 810	14 322
Group receivables	28 824	31 376	0
<b>Total debtors</b>	<b>93 700</b>	<b>62 379</b>	<b>54 372</b>
Cash and bank deposits	129 101	131 906	205 596
<b>Total current assets</b>	<b>222 801</b>	<b>194 286</b>	<b>259 968</b>
<b>Total assets</b>	<b>2 039 944</b>	<b>1 999 585</b>	<b>2 094 258</b>

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

(figures in NOK 1 000)

	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>31.12.2013</b>
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	100	100	100
Share premium	80 108	80 108	80 108
Other restricted equity	14 445	14 445	14 445
<b>Total restricted equity</b>	<b>94 653</b>	<b>94 653</b>	<b>94 653</b>
<b>Retained earnings</b>			
Other equity	853 967	688 484	837 465
This years retained earnings	58 726	84 054	
<b>Total retained earnings</b>	<b>912 693</b>	<b>772 538</b>	<b>837 465</b>
<b>Total equity</b>	<b>1 007 345</b>	<b>867 190</b>	<b>932 117</b>
<b>Liabilities</b>			
<b>Provisions</b>			
Other provisions	1 928	43 530	53 475
<b>Total provisions</b>	<b>1 928</b>	<b>43 530</b>	<b>53 475</b>
<b>Other long term liabilities</b>			
Bonds	975 000	1 050 000	1 012 500
<b>Total of other long term liabilities</b>	<b>975 000</b>	<b>1 050 000</b>	<b>1 012 500</b>
<b>Current liabilities</b>			
Trade creditors	33 020	10 531	22 125
Group liabilities	0	7 669	37 245
Tax payable	-321	42	1 331
Other short term liabilities	22 971	20 622	35 465
<b>Total short term liabilities</b>	<b>55 670</b>	<b>38 865</b>	<b>96 166</b>
<b>Total liabilities</b>	<b>1 032 599</b>	<b>1 132 395</b>	<b>1 162 141</b>
<b>Total equity and liabilities</b>	<b>2 039 944</b>	<b>1 999 585</b>	<b>2 094 258</b>

## Cash flow report

Figures in 1 000 NOK	Note	Q2 2014	YTD 2014	Q2 2013	YTD 2013
<b>Cash flow from operating activities</b>					
Profit before income taxes		25 549	58 726	43 966	84 054
Paid in tax		-811	-1 637	-805	-1 610
Depreciation		21 002	39 842	16 053	32 106
Changes in trade receivables and creditors		4 703	18 220	-11 763	-10 654
Changes in receivables from group entities	1.	-12 836	-30 742	-13 246	-31 376
Changes in other short-term receivables and liabilities		-11 566	-28 420	-85	-492
<b>Net cash flow from operating activities</b>		<b>26 040</b>	<b>55 989</b>	<b>34 120</b>	<b>72 028</b>
<b>Cash flow from investing activities</b>					
Purchase of fixed assets		-57 465	-57 739	514	
<b>Net cash flow from investing activities</b>		<b>-57 465</b>	<b>-57 739</b>	<b>514</b>	<b>-</b>
<b>Cash flow from financing activities</b>					
Repayment of long term liabilities		-18 750	-37 500	-18 750	-37 500
Group contribution		-	-37 245	-9 466	-17 931
<b>Net cash flow from financing activities</b>		<b>-18 750</b>	<b>-74 745</b>	<b>-28 216</b>	<b>-55 431</b>
Net changes in cash and cash equivalents		-50 175	-76 496	6 419	16 597
Cash and cash equivalents start at period		179 275	205 596	125 488	115 310
<b>Cash and cash equivalents end of period</b>		<b>129 101</b>	<b>129 101</b>	<b>131 906</b>	<b>131 906</b>

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

## Notes to Q2 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	Drydocking	Total
Acquisition cost 01.01.14	1 295 411		1 295 411
Additions	7 317	89 418	96 734
Disposals			0
Corr. due to change of princ.	-121 518		-121 518
<b>Acquisition cost 30.06.14</b>	<b>1 181 210</b>	<b>89 418</b>	<b>1 270 627</b>
Accumulated depr. 01.01.14	480 873		480 873
Acc. depreciation disposals			0
Depreciation this period	30 967	8 875	39 842
Corr. due to change of princ.	-47 479		-47 479
<b>Accum. depreciation 30.06.14</b>	<b>464 361</b>	<b>8 875</b>	<b>473 236</b>
<b>Book value 30.06.14</b>	<b>716 848</b>	<b>80 543</b>	<b>797 391</b>

Economic life	20	
Depreciation schedule	Linear	Linear

### 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				58 726	58 726
Change of principles				16 502	16 502
<b>Equity 30.06.14</b>	<b>100</b>	<b>80 108</b>	<b>14 445</b>	<b>912 693</b>	<b>1 007 345</b>



## Notes to Q2 2014 report

### Note 4            Income statement - summary

	<b>Q2 2014</b>	<b>YTD 2014</b>	<b>Q2 2013</b>	<b>YTD 2013</b>
<b>Operating income</b>	<b>87 175</b>	<b>169 113</b>	<b>104 568</b>	<b>204 295</b>
Operating expences	35 799	57 617	38 389	76 266
<b>EBITDA</b>	<b>51 376</b>	<b>111 496</b>	<b>66 179</b>	<b>128 029</b>
EBITDA %	59 %	66 %	63 %	63 %
Depreciation	21 002	39 842	16 053	32 106
<b>EBIT</b>	<b>30 374</b>	<b>71 654</b>	<b>50 126</b>	<b>95 923</b>
Net finance	-4 825	-12 928	-6 160	-11 869
<b>Pre tax profit</b>	<b>25 549</b>	<b>58 726</b>	<b>43 966</b>	<b>84 054</b>
Tax	-15	-	-	-
<b>Net profit</b>	<b>25 564</b>	<b>58 726</b>	<b>43 966</b>	<b>84 054</b>