

Quarterly Report

Consolidated

Boa Offshore AS

4Q - 2014

Org.nr. 926 265 156



CONSOLIDATED BOA OFFSHORE AS

CEO'S REPORT – 4Q 2014

General Information

The unaudited interim report is prepared in accordance with NGAAP.

Nature and location of activities:

Boa Offshore AS is the parent and the management company of the Boa Offshore Group ("Group"). The company also invests in shipping and offshore related companies. The Group is comprised of several ship owning companies within the following segments; tugboats, barges and offshore vessels. The tugboat activity, including salvaging, operates along the Norwegian coast and the North Sea. The barge fleet consists of larger barges operated internationally, and the offshore department manages offshore support vessels within construction and oil exploration, operating worldwide. The management is located in Trondheim. An American subsidiary located in Houston is currently engaged in the Gulf of Mexico operating chartered construction vessels in addition to some of the Group's vessels.

Review of fourth quarter 2014 accounts:

Operating income in the period was NOK 477,4 million (NOK 374,6 million in the same period 2013).

EBITDA for the period was NOK 112,0 million (NOK 114,4 million).

Operating expenses was NOK 422,1 million (NOK 295,8 million).

Operating Profit/EBIT was NOK 55,2 million (NOK 78,9 million).

Net financial items was - NOK 115,2 million (- NOK 68,0 million).

Profit before tax was - NOK 59,9 million (NOK 35,0 million).

Cash flow in the period

Net cash flow from operating activities was - NOK 79,7 million (- NOK 15,4 million).

Net cash flow from investing activities was - NOK 179,5 million (- 257,5 million).

Net cash flow from financing activities was NOK 458,6 million (NOK 602,7 million).

Net change in cash was NOK 189,4 million (NOK 329,9 million).

Balance sheet 31.12.2014

Total assets per 31.12.2014 were NOK 5 763 million (NOK 4 969 million per 31.12.2013). Interest bearing debt was NOK 3 650 million (NOK 2 880 million), and the equity NOK 1 632 million (NOK 1 487 million). The equity ratio is 28,3 %, a decrease from 31,3 % last quarter (39,9 % per 31.12.2013).

Cash and Cash equivalents per 31.12.2014 were NOK 634 million (NOK 748 million per 31.12.2013).

The value adjusted equity ratio for Boa Offshore per 31.12.2014 was 43,3 % and the NIBD/EBITDA ratio was 6,55 (EBITDA last 12 months/4 quarters).

Events in the fourth quarter:

The subsidiary Boa OCV AS refinanced its 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.

In addition to the above one-off finance expenses of NOK 55 million Net income is negatively impacted by FX on Non-NOK denominated debt with NOK 29 million in the quarter.

The Group subsidiary Boa PSV AS has two newbuilding contracts with Nantong Mingde Heavy Industries in China. The yard has over a period of time had financial problems and there has not been any progress in the building process. At the end of 2014 the yard started debt settlement negotiations with their creditors.

The yard has confirmed that despite the debt settlement negotiations, they will complete the building process for the vessels. Boa PSV has started a legal process to look into the company's rights to cancel the contracts according to the British regulations they are subjected to. Boa PSV AS has received bank guarantees from the yard for paid-in capital on the projects and this guarantee is considered to cover all paid-in capital to the yard.

Financial risk:

Market risk:

The Group is susceptible to changes in currency rates considering that the Group's earnings and long-term financing is partly in foreign currency. However, the currency risk is reduced somewhat since the operating costs of the Group are in the same currency. The Group continually considers entering into forward contracts and other agreements in order to reduce the currency risk. By 31.12.2014 the total of the group's interest bearing debt was NOK 3 650 million where of NOK 1 002 million is secured by interest rate swap agreements or fixed rate.

Credit risk:

The risk that the other contracting party will not have the financial means to meet its obligations is considered low. Agreements have not been made for set-offs or other financial tools to minimise the Group's credit risk.

Liquidity risk:

The Group's liquidity position as of 31.12.2014 is NOK 634 million. The initiated new-building program is fully financed with both short-term construction loans and long-term financing. The parent company has 2 bonds of a total of NOK 559 million listed at Oslo Stock Exchange ABN, as well as a non-listed bond of NOK 50 million outstanding. The bonds have maturity dates in 2015 (NOK 59 million) and 2018 (NOK 500 million) and 2020 (NOK 50 million). The total of outstanding bonds as of 31.12.2014 was NOK 2 179 million.

Events after the balance sheet date:

There have been no events after the end of the financial period that would have material impact on the evaluation of the Group's profit and loss account or balance sheet as per 31.12.2014.

Future Development:

The short to medium term outlook for some of the segments Boa Offshore operates within remains uncertain, despite a 30% recovery of the Brent oil price from the January 2015 low to the current USD60/bbl.

A number of offshore projects are now being postponed as oil companies focus more on cash flow on the back of lower oil prices. On the other hand the cost level of the oil and gas industry has adjusted and decreased as a result, and oil prices probably need to recover to the USD70-80/bbl range to spur demand growth again in general. Sanctioned projects and projects under development will provide a certain sustained activity level in the short to medium term.

A number of the segments Boa Offshore operates within are exposed to other sectors and industries than oil and gas. Both the barge and tug businesses of Boa Offshore are exposed to other industries and demand drivers than oil and gas. For both these segments we see good possibilities for the next couple of years. A large part of the work performed by Boa OCV and BMSI is within the IMR part of the subsea sector, which is less cyclical than the installation segment. BMSI and the AHTS segment represent the spot exposed income in the Boa Group. Activity in the US GoM, where BMSI operates, is relatively healthy. However, increased competition from more vessels mobilized to the region represents some risk in the short to medium term. In the AHTS segment the level of the North Sea AHTS spot fleet will determine the strength of the market, as demand from working rigs and FPSO installations are seen stable to slightly up Y/Y in 2015.

The long-term outlook for the offshore sector is still considered to be prospective as global demand for oil and gas continue to grow, and offshore will play an important role in developing new reserves and increase production.

The Group's strategy remains to focus on a modern fleet of large offshore vessels adapting to new demands from customers and the increased long-term activity in offshore developments. The Group seeks to balance the contract portfolio between spot and long-term contracts.

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

Consolidated Income Statement

Boa Offshore AS

Figures in 1 000 NOK

	Note	Q4 2014	YTD 2014	Q4 2013	YTD 2013
Operating income	2	477 369	1 765 482	374 639	1 247 198
Operating cost ships		283 452	1 016 818	204 968	534 821
Payroll expenses		75 258	267 597	59 754	243 987
Depreciation	3	56 772	190 665	35 541	141 283
Write down on tangible assets	3	0	30	-0	5
Other operating expenses		6 646	20 342	-4 489	38 772
Operating expenses		422 127	1 495 452	295 773	958 868
Operating profit		55 241	270 030	78 866	288 330
Financial income and expenses					
Interest income from group companies		2 294	8 651	1 887	7 805
Other interest income		8 219	11 703	1 729	4 115
Other financial income		32 452	74 283	7 150	36 995
Depreciation of other financial fixed assets		141	141	0	0
Interest expense to group companies		145	668	186	1 072
Other interest expenses		89 921	242 544	46 028	185 978
Other financial expenses		67 912	110 496	32 596	78 780
Net financial income and expenses		-115 153	-259 212	-68 044	-216 915
Operating result before tax		-59 912	10 818	34 971	71 414
Tax on ordinary result		-23 913	-21 704	1 725	2 687
Operating result		-35 998	32 522	33 246	68 727

Consolidated Balance Sheet

Boa Offshore AS

Figures in 1 000 NOK

Assets	Note	31.12.2014	31.12.2013
Fixed assets			
Intangible fixed assets			
Deferred tax asset		205 563	177 335
Total intangible assets		<u>205 563</u>	<u>177 335</u>
Tangible fixed assets			
Buildings and land	3	5 447	1 447
Ships	3	2 721 196	1 976 156
Equipment and other movables	3	5 248	3 298
Newbuilding contracts	3	1 232 648	1 417 040
Total tangible fixed assets		<u>3 964 539</u>	<u>3 397 941</u>
Financial fixed assets			
Loans to group companies		167 433	144 175
Investments in shares		270	410
Other receivables		201 032	191 496
Total financial fixed assets		<u>368 735</u>	<u>336 081</u>
Total fixed assets		<u>4 538 837</u>	<u>3 911 356</u>
Current assets			
Inventories		5 427	2 709
Debtors			
Accounts receivables		391 391	246 224
Loan to group companies		53	2 275
Other receivables		192 269	58 197
Total debtors		<u>583 713</u>	<u>306 696</u>
Investments			
Other financial instruments		334	340
Total investments		<u>334</u>	<u>340</u>
Cash and bank deposits		634 206	748 201
Total current assets		<u>1 223 679</u>	<u>1 057 946</u>
Total assets		<u>5 762 516</u>	<u>4 969 303</u>

Consolidated Balance Sheet

Boa Offshore AS

Figures in 1 000 NOK

Equity and liabilities	Note	31.12.2014	31.12.2013
Restricted equity			
Share capital	4	2 500	2 500
Share premium	4	74 447	74 447
Other restricted equity	4	3 106	3 106
Total restricted equity		80 053	80 053
Retained earnings			
Other equity	4	1 552 211	1 407 159
Total retained earnings		1 552 211	1 407 159
Total equity		1 632 263	1 487 211
Liabilities			
Provisions			
Other provisions	1	0	79 310
Total provisions		0	79 310
Other long-term liabilities			
Bonds	5	2 179 200	1 961 700
Liabilities to financial institutions	5	1 470 676	912 380
Liabilities to group companies		12 142	11 474
Other long term liabilities	5	0	5 925
Total of other long term liabilities		3 662 018	2 891 479
Current liabilities			
Liabilities to financial institutions		0	1 234
Trade creditors		261 574	386 302
Liabilities to group companies		0	12 227
Tax payable		11 502	15 604
Public duties payable		9 597	7 943
Dividends		9 100	0
Other short term liabilities		176 462	87 992
Total short term liabilities		468 235	511 303
Total liabilities		4 130 253	3 482 092
Total equity and liabilities		5 762 516	4 969 303

Consolidated Cash Flow Statement

Boa Offshore AS

Figures in 1 000 NOK

		Q4 2014	YTD 2014	Q4 2013	YTD 2013
Cash flow from operating activities					
Profit before income taxes		-59 912	10 818	10 820	71 413
Income tax payable		1 842	-15 860	277	-19 553
Depreciation and write-down		56 772	190 695	35 541	141 288
Gain on sale of tangible fixed assets		0	33	-3 933	-4 179
Write-down of financial fixed assets		141	141	0	
Currency gain/-loss		27 725	38 445	1 785	10 994
Changes in inventories		542	-2 718	-237	712
Changes in trade receivables		-48 176	-145 167	-74 304	-88 054
Changes in other receivables		-80 930	-134 072	23 260	3 192
Changes in trade creditors		8 758	-43 210	-29 981	-41 799
Changes in receivables from group companies		-4 889	-32 595	-5 016	-34 754
Changes in other short-term liabilities		18 470	89 272	26 415	9 629
Net cash flow from operating activities	A	-79 657	-44 218	-15 373	48 888
Cash flow from investing activities					
Sale of tangible fixed assets		0	5 445	247 777	321 999
Purchase of tangible fixed assets		-182 125	-806 185	-342 175	-617 414
Changes in other investments		-7 403	-9 530	-163 057	-175 302
Net cash flow from investing activities	B	-189 528	-810 270	-257 455	-470 717
Cash flow from financing activities					
Raised long term liabilities		1 582 333	1 886 854	783 719	1 466 623
Paid in long term liabilities		-1 066 631	-1 155 450	-172 014	-581 935
Changes in liabilities		-39 477	-36 244	3 172	14 912
Group contribution		-17 667	-17 667	-12 167	-12 167
Paid in share capital		0	63 000	0	63 000
Net cash flow from financing activities	C	458 558	740 494	602 709	950 432
Net changes in cash and cash equivalents	A+B+C	189 373	-113 995	329 882	528 604
Cash and cash equivalent start at period		444 836	748 201	418 318	219 597
Cash and cash equivalents at end of period		634 206	634 206	748 201	748 201

Income Statement

Boa Offshore AS

Figures in 1 000 NOK

	Note	Q4 2014	YTD 2014	Q4 2013	YTD 2013
Operating income and operating expenses					
Operating income	2	16 428	49 316	6 199	29 856
Other operating income	2	61 874	206 766	54 902	185 268
Operating Income		78 302	256 082	106 868	215 124
Operating cost ships		3 832	5 782	579	8 573
Payroll expenses		52 143	189 087	40 991	152 650
Depreciation	3	338	1 476	545	2 559
Write down on tangible assets	3	0	30	0	5
Other operating expenses		10 983	35 156	11 020	26 674
Operating expenses		67 295	231 531	98 656	190 461
Operating profit		11 007	24 551	8 212	24 663
Financial income and expenses					
Income from subsidiaries		862 549	862 549		39 328
Interest income from group companies		34 820	88 752	18 230	70 896
Other interest income		3 718	5 464	361	500
Other financial income		-8 355	3 772	142	3 943
Depreciation of other financial fixed assets		141	141	8 101	8 101
Interest expense to group companies		12 152	62 926	16 087	69 656
Other interest expenses		13 287	50 299	6 472	14 041
Other financial expenses		1 143	4 621	12 190	20 513
Net financial income and expenses		866 009	842 550	-24 117	2 356
Operating result before tax		877 017	867 101	17 796	27 019
Tax on ordinary result		2 284	2 286	9 669	9 669
Operating result		874 732	864 815	8 127	17 350

Balance Sheet

Boa Offshore AS

Figures in 1 000 NOK

	Note	31.12.2014	31.12.2013
Fixed assets			
Intangible assets			
Deferred tax asset		204 422	206 707
Total intangible assets		<u>204 422</u>	<u>206 707</u>
Tangible fixed assets			
Buildings and land	3	5 447	1 447
Vessels	3	4 121	10 067
Equipment and other movables	3	2 752	1 475
Total tangible fixed assets		<u>12 320</u>	<u>12 988</u>
Financial fixed assets			
Investments in subsidiaries		299 315	297 125
Loans to group companies		1 623 254	1 096 946
Investments in shares		20	160
Other receivables		12 440	5 928
Total financial fixed assets		<u>1 935 029</u>	<u>1 400 159</u>
Total fixed assets		<u>2 151 771</u>	<u>1 619 855</u>
Current assets			
Inventories		189	209
Receivables			
Trade receivables		14 528	8 179
Loans to group companies		153 673	55 418
Other receivables		11 251	11 396
Total receivables		<u>179 453</u>	<u>74 992</u>
Cash and bank deposits		186 843	393 375
Total current assets		<u>366 485</u>	<u>468 577</u>
Total assets		<u>2 518 256</u>	<u>2 088 431</u>

Balance Sheet

Boa Offshore AS

Figures in 1 000 NOK

	Note	31.12.2014	31.12.2013
Equity and liabilities			
Restricted equity			
Share capital	4	2 500	2 500
Share premium	4	74 447	74 447
Other restricted equity	4	3 106	3 106
Total restricted equity		<u>80 053</u>	<u>80 053</u>
Retained earnings			
Other equity	4	1 084 269	233 102
Total retained earnings		<u>1 084 269</u>	<u>233 102</u>
Total equity		<u>1 164 321</u>	<u>313 154</u>
Liabilities			
Provisions			
Other provisions		0	528
Total provisions		<u>0</u>	<u>528</u>
Other long term liabilities			
Bonds	5	609 200	559 200
Liabilities to financial institutions	5	30 000	15 022
Liabilities to subsidiaries		662 126	1 161 199
Total other long term liabilities		<u>1 301 326</u>	<u>1 735 421</u>
Current liabilities			
Trade creditors		4 342	4 437
Liabilities to group companies		17 032	13 729
Public duties payable		8 987	7 008
Dividends		9 100	0
Other short term liabilities		13 148	14 154
Total short term liabilities		<u>52 609</u>	<u>39 328</u>
Total liabilities		<u>1 353 935</u>	<u>1 775 277</u>
Total liabilities and equity		<u>2 518 256</u>	<u>2 088 431</u>

Cash Flow Statement

Boa Offshore AS

Figures in 1 000 NOK

		Q4 2014	YTD 2014	Q4 2013	YTD 2013
Cash flow from operating activities					
Profit before income taxes		877 014	867 100	23 177	27 019
Gain on investments in subsidiaries		-862 549	-862 549	-39 328	-39 328
Income tax payable		6	-356	0	-96
Depreciation and write-down		338	1 506	545	2 559
Gain on sale of tangible fixed assets		0	33	-294	-759
Write-down of financial fixed assets		141	141	4 547	8 101
Currency gain/-loss		0	0	-863	0
Changes in inventories		53	20	-45	-108
Changes in trade receivables		-3 303	-6 349	-1 051	-5 529
Changes in other receivables		9 803	501	-2 481	-1 116
Changes in trade creditors		1 172	-95	2 243	-609
Changes in receivables from group companies		-227 419	-524 945	-88 131	-166 143
Changes in other short-term liabilities		3 362	969	8 168	9 045
Net cash flow from operating activities	A	-201 382	-524 024	-93 514	-166 964
Cash flow from investing activities					
Sale of tangible fixed assets		0	5 445	1 341	3 170
Purchase of tangible fixed assets		-3 834	-5 890	-50	-1 634
Purchase of financial fixed assets		0	-2 190	3 424	-1 930
Changes in other investments		-6 512	-6 512	0	0
Net cash flow from investing activities	B	-10 346	-9 147	4 715	-394
Cash flow from financing activities					
Raised long term liabilities		50 000	80 000	500 000	625 000
Paid in long term liabilities		-7 771	-15 022	-144 915	-151 717
Changes in liabilities		528	0	72	201
Group contribution		267 161	261 661	30 975	30 975
Net cash flow from financing activities	C	309 918	326 639	386 132	504 460
Net changes in cash and cash equivalents	A+B+C	98 190	-206 532	297 333	337 102
Cash and cash equivalent start at period		88 653	393 375	96 041	56 273
Cash and cash equivalents at end of period		186 843	186 843	393 375	393 375

Notes to 4Q 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 were making allocations for class costs. The allocations were 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 Segments

Consolidated

	OCV vessels*	Seismic vessels*	Barges	Other / elimination	Total
Operating income	363 435	121 150	167 802	1 113 095	1 765 482
EBITDA	255 661	63 769	119 733	21 562	460 725
EBIT	171 322	26 541	83 295	-11 128	270 030

* OCV vessels is the Boa Deep C & Boa Sub C, Seismic vessels is the Boa Thalassa & Boa Galatea.

Note 3 Fixed assets - consolidated

	Vessels	Periodic maintenance	Newbuilding contracts	Equipment	Buildings and land	Sum
Acquisition cost 01.01.14	2 749 196	0	1 464 440	10 059	1 447	4 225 141
Additions	126 041	128 680	625 706	3 276	4 000	887 703
Disposals	-13 143	-10 551	-100 816	2 756		-121 754
Completed vessels	736 017	0	-736 017			0
Corr. due to change of princ.	-111 963	110 423				-1 540
Acquisition cost 31.12.14	3 486 147	228 552	1 253 313	16 091	5 447	4 989 551
Accumulated depr. 01.01.14	773 043	0	47 400	6 760	0	827 203
Acc. depreciation disposals	-7 684	-2 628	-26 735	2 334		-34 714
Write-down this period				30		30
Depreciation this period	153 351	35 594	0	1 720		190 665
Corr. due to change of princ.	-3 279	45 106				41 827
Accum. depr. 31.12.14	915 431	78 073	20 665	10 843	0	1 025 011
Book value 31.12.14	2 570 717	150 479	1 232 652	5 248	5 447	3 964 539

Economic life	16-27 years	2,5-10 years	5 years
Depreciation schedule	Linear	Linear	Linear

Annual lease amount on fixed assets not included on the balance sheet 307 836

Note 4 Shareholder's equity**Parent company**

	Share capital	Share premium	Other restricted equity	Other equity	Total
Equity 01.01.14	2 500	74 447	3 106	233 101	313 154
Profit of the year				864 814	864 814
Dividends				-14 600	-14 600
Change of principles				953	953
Equity 30.09.14	2 500	74 447	3 106	1 084 268	1 164 321

Consolidated

	Share capital	Share premium	Other restricted equity	Other equity	SUM
Equity 01.01.14	2 500	74 447	3 106	1 407 159	1 487 211
Profit of the year				32 522	32 522
Paid in equity				63 000	63 000
Dividends				-14 600	-14 600
Adjustments to equity				64 130	64 130
Equity end 30.09.14	2 500	74 447	3 106	1 552 211	1 632 263

Note 5 Long term liabilities**Parent company**

Instalments of debt falling due more than 5 years from the balance date:

	2015	2016	2017	2018	2019	→
Instalments	89 200	0	0	500 000	0	50 000

Consolidated

Instalments of debt falling due more than 5 years from the balance date:

	2015	2016	2017	2018	2019	→
Instalments	295 178	241 905	242 006	742 114	1 319 952	596 845

A MNOK 212 loan in Boa PSV AS is a combined construction- and long term loan, and as such not included in the above table.

Note 6 Consolidated income statement - summary

	4Q 2014	YTD 2014	4Q 2013	YTD 2013
Operating income	477 369	1 765 482	374 639	1 247 198
Operating expenses	365 356	1 304 757	260 238	817 586
EBITDA	112 013	460 725	114 401	429 612
EBITDA %	23 %	26 %	31 %	34 %
Depreciation	56 772	190 695	35 536	141 283
EBIT	55 241	270 030	78 865	288 329
Net finance	-115 153	-259 212	-68 044	-216 915
Pre tax profit	-59 912	10 818	10 821	71 414
Tax	-23 913	-21 704	1 725	2 687
Net profit	-35 999	32 521	9 096	68 727

Note 7 Interest bearing debt / equity

Key figures	31.12.2014	31.12.2013
Interest bearing debt	3 649 876	2 880 005
Cash and cash equivalents	634 206	748 201
Net Interest Bearing Debt (NIBD)	3 015 670	2 131 804
NIBD / EBITDA *	6,55	4,96
* Last four quarters		
Booked equity ratio	28,3 %	29,9 %
Value adjusted equity ratio	43,3 %	46,8 %