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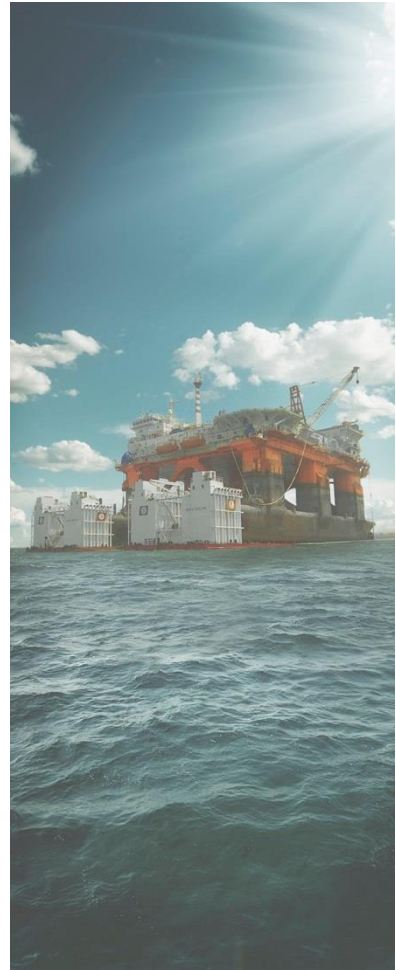
Quarterly Report

Consolidated

Boa Offshore AS

4Q - 2016

Org.nr. 926 265 156



CONSOLIDATED BOA OFFSHORE AS

CEO'S REPORT – 4Q 2016

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.

Review of fourth quarter 2016 accounts:

Operating income in the period was mNOK 179,0 (mNOK 348,7 in the same period 2015).

EBITDA for the period was mNOK 15,4 (mNOK -9,8).

Operating expenses were mNOK 568,2 (mNOK 649,9).

Operating Profit/EBIT was mNOK -389,3 (mNOK -301,2).

Net financial items were mNOK -42,6 (mNOK -64,0).

Profit before tax was mNOK -431,9 (mNOK -365,1).

Cash flow in the period:

Net cash flow from operating activities was mNOK 83,0 (mNOK 139,5).

Net cash flow from investing activities was mNOK -9,1 (mNOK -110,1).

Net cash flow from financing activities was mNOK -80,6 (mNOK -39,6).

Net change in cash was mNOK -6,7 (mNOK -10,3).

Balance sheet 31.12.2016:

Total assets per 31.12.2016 were mNOK 3 955 (mNOK 5 410 per 31.12.2015). Interest bearing debt was mNOK 3 295 (mNOK 3 747), and the equity mNOK 455 (mNOK 1 268). The equity ratio is 11,5 %, a decrease from 19,8 % last quarter (23,4 % per 31.12.2015).

Cash and Cash equivalents per 31.12.2016 were mNOK 364 (mNOK 482 per 31.12.2015).

The value adjusted equity ratio for Boa Offshore per 31.12.2016 was 33,4 % and the NIBD/EBITDA ratio was 24,61 (EBITDA last 12 months/4 quarters).

Financial risk:

Interest risk

The Group companies are exposed to interest rate fluctuations on long-term debt. By 31.12.2016 the total of the group's interest bearing debt was mNOK 3 295 where of mNOK 569 is secured by interest rate swap agreements or fixed rates.

Currency risk

The Group companies are exposed to currency risk as revenues and costs are denominated in various currencies. Substantial parts of the earnings in the Group are in USD. However this currency risk is to a certain degree reduced by the companies also

having certain operating costs denominated in USD. The Group companies continuously monitor the currency markets and reduces currency exposure when appropriate by entering into forward agreements or other financial contracts to reduce currency risk.

Liquidity risk

The company's liquidity position of 31.12.2016 is mNOK 89 and the Groups liquidity position as per 31.12.2016 is mNOK 364. The company is financed by debt and equity. The parent company has a bond of mNOK 499 and a subordinated bond of mNOK 61 outstanding, both listed at Oslo Stock Exchange Nordic ABN. The listed bonds have maturity dates in December 2018. The total of outstanding bonds for the company was 31.12.2016 mNOK 560. The total of outstanding bonds for the group as of 31.12.2016 was mNOK 1 890. The group has in addition loan to financial institutions of mNOK 1374 with various maturities between 2019 and 2027. If the company fails to repay or refinance its loan facility additional equity financing may be required. If the current market conditions persists there is no assurance that the company, or the group, will not experience cash flow shortfall or to remain in compliance with minimum cash requirements.

Credit risk:

The Group companies are exposed to the risk that the contracting parties will not have the financial means to meet their obligations. No agreements have been entered into or other financial means established to minimize the Group companies credit risk.

Events in the period – ongoing financial restructuring:

Boa Tugs AS, a 100 % owned subsidiary in the Group, has sold the tug Boa Loke.

In October 2016 Boa Offshore AS reached an agreement to redeem the full amount of a mNOK 50 bond loan with one of its creditors. The bond loan relates to accounts payable from one of the Groups suppliers and both parties agreed to terminate the loan without cash considerations. The redemption of the loan has reduced the net interest bearing debt of Boa Offshore AS with a total of mNOK 50.

At the end of November 2016 a proposal for a restructuring of the company's balance sheet was initiated as part of a larger restructuring for the Group. This is presented to and discussed with the Group's largest financial creditors and these discussions are progressing. The Group's loan agreements contain several financial covenants related to equity ratio, minimum cash, asset cover ratio, NIBD/EBITDA ratio, gross unsecured debt ratio and working capital. By the end of fourth quarter 2016, the Group is, except of Boa Barges AS, in breach with one or several of these covenants in all of its loan and bond agreements.

While these discussions are ongoing, the Group continues to operate normally in all material respects, upholding the highest level of service to all its customers and continue to honor all its external suppliers and trade creditors. Since the process was initiated, no interest or amortization has been paid and will not be paid to financial or intercompany creditors during the restructuring process.

Events after the balance sheet date:

In January Boa Tugs AS, a 100 % owned subsidiary in the Group, sold the tug Boa Siw.

In February Boa Shipping AS, a 100 % owned subsidiary of Boa Offshore AS, received approximately mUSD 16 as dividend related to a disputed cancellation of a firm contract on Boa Rover back in 2009. The accounting effect is a gain of approximately mNOK 85 to be booked in first quarter 2017.

Future development:

The outlook for Boa Offshore continues to be a mixed picture. Boa Offshore's Barge and Tug segments are exposed to more industries and demand drivers than oil and gas. The Barge business currently holds a high backlog, of which a significant part is non-oil and gas related. The activity level for the Barge business is expected to remain robust and stable in the coming years. After increased activity in 2015, the Tug business has during 2016 and into 2017 experienced significantly softer market conditions.

The short to medium term outlook for the offshore vessel segment (OCV, SBL and AHTS) remains very uncertain and challenging due to the drop in oil prices from mid-2014. A number of offshore exploration and development projects have been postponed or scrapped, as oil companies focuses to a greater extent on cash flow due to lower oil prices.

The cost level in the oil and gas industry have adjusted accordingly and decreased as a result. A recovery in the sector can therefore most likely be seen at significantly lower oil prices than those experienced before the drop in mid-2014. However, timing and magnitude of such a recovery still remains uncertain. Despite oil prices recovering from around USD30/bbl at the beginning of 2016 and stabilizing at around USD55/bbl over the last three months, tendering activity has not picked up

notably yet. If oil prices remain at current levels or above, it is expected to see some increase in activity through 2017 and into 2018. However, for certain offshore segments demand need to pick up significantly to catch up with the current oversupply of vessels.

With persistent challenging markets the Group has over the last 12 months introduced several initiatives with the aim to mitigate and improve the Groups overall competitive position and cash level. The strategy includes a cost efficient lay-up plan for the Groups AHTSs, tugs and one seismic vessel. The OCV vessels could also be put in lay-up to reduce spot risk and increase predictability and cash flow in order to minimize risk for creditors and increase available free cash going forward. The initiatives also include renegotiated agreements with key suppliers, cut in administrative costs, layoffs and cost cuts of sea crew. Moreover, the Group has initiated an active sales process for some of the Groups assets.

Statement from the CEO:

I hereby declare that to the best of my knowledge the interim accounts for the fourth quarter of 2016 are prepared in accordance with NGAAP – Interim financial reporting, and that the information in the financial statements portrays a true picture of the company’s assets, liabilities, financial position and result as a whole, as well as the more important risk and uncertainty factors to which the company might be exposed in the next financial period. It should be noted that the group’s financial position, liquidity situation, liabilities and the principles for valuation of its assets may be affected by i.a. the ongoing restructuring process.

Trondheim, 28 February 2017



Helge Kvalvik
CEO

Consolidated Income Statement

Boa Offshore AS

Figures in 1 000 NOK

	Note	Q4 2016	FY 2016	Q4 2015	FY 2015
Operating income	2	178 966	810 694	348 722	1 683 741
Operating cost ships		67 601	287 290	237 035	1 053 029
Payroll expenses		65 358	275 439	93 407	349 719
Depreciation	3	47 664	189 315	49 562	182 180
Write down on tangible assets	3	357 059	581 947	241 850	265 041
Other operating expenses		30 558	128 852	28 058	79 456
Operating expenses		568 241	1 462 843	649 912	1 929 425
Operating profit		-389 275	-652 149	-301 191	-245 683
Financial income and expenses					
Interest income from group companies		2 030	7 529	2 075	8 038
Other interest income		3 984	122 902	2 212	4 823
Other financial income		23 169	57 304	22 213	139 629
Write down of other financial fixed assets		472	472	0	0
Interest expense to group companies		342	1 715	984	1 425
Other interest expenses		50 900	214 540	59 888	226 424
Other financial expenses		20 079	116 412	29 583	142 736
Net financial income and expenses		-42 609	-145 404	-63 954	-218 094
Operating result before tax		-431 884	-797 552	-365 145	-463 778
Tax on ordinary result		1 885	2 152	-42 438	-42 425
Operating result		-433 769	-799 704	-322 707	-421 352

Consolidated Balance Sheet

Boa Offshore AS

Figures in 1 000 NOK

Assets	Note	31.12.2016	31.12.2015
Fixed assets			
Intangible fixed assets			
Deferred tax asset		247 982	248 332
Total intangible assets		247 982	248 332
Tangible fixed assets			
Buildings and land	3	5 847	5 847
Ships	3	2 700 391	3 152 167
Equipment and other movables	3	20 112	5 746
Newbuilding contracts	3	0	304 677
Total tangible fixed assets		2 726 350	3 468 437
Financial fixed assets			
Loans to group companies		158 943	161 362
Investments in shares		1 772	3 294
Other receivables		21 801	17 917
Total financial fixed assets		182 515	182 573
Total fixed assets		3 156 847	3 899 342
Current assets			
Inventories		10 531	12 880
Debtors			
Accounts receivables		221 430	206 920
Loan to group companies		23 475	5 606
Other receivables		179 193	802 958
Total debtors		424 098	1 015 484
Investments			
Other financial instruments		357	350
Total investments		357	350
Cash and bank deposits		363 648	482 401
Total current assets		798 635	1 511 115
Total assets		3 955 482	5 410 456

Consolidated Balance Sheet

Boa Offshore AS

Figures in 1 000 NOK

Equity and liabilities	Note	31.12.2016	31.12.2015
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	374 781	1 187 981
Total retained earnings		374 781	1 187 981
Total equity		454 834	1 268 034
Liabilities			
Other long-term liabilities			
Bonds	5	1 890 060	2 127 840
Liabilities to financial institutions	5	1 374 273	1 588 667
Liabilities to group companies		30 843	30 984
Total of other long term liabilities		3 295 177	3 747 491
Current liabilities			
Trade creditors		80 582	154 932
Liabilities to group companies		1 072	0
Tax payable		765	950
Public duties payable		10 320	11 995
Other short term liabilities		112 732	227 056
Total short term liabilities		205 471	394 932
Total liabilities		3 500 648	4 142 423
Total equity and liabilities		3 955 482	5 410 456

Consolidated Cash Flow Statement

Boa Offshore AS

Figures in 1 000 NOK

	4Q 2016	FY 2016	Q4 2015	FY 2015	
Cash flow from operating activities					
Profit before income taxes	-431 884	-797 552	-365 145	-463 778	
Income tax paid	3 159	-2 169	-229	-12 452	
Depreciation and write-down	404 723	771 262	291 412	447 221	
Loss on sale of tangible fixed assets	3 800	3 800	0	0	
Loss on sale of financial items	90	90	0	-728	
Write-down of financial fixed assets	472	472	0	0	
Currency gain/-loss	0	0	4 813	23 811	
Changes in inventories	-1 597	2 349	-3 946	-7 453	
Changes in trade receivables	55 077	-14 509	123 781	184 471	
Changes in other receivables	76 100	638 381	76 742	64 153	
Changes in trade creditors	-33 027	-74 350	-59 436	-106 642	
Changes in receivables from group companies	-13 005	-14 519	33 694	19 360	
Changes in other short-term liabilities	19 063	-39 848	37 791	-10 008	
Net cash flow from operating activities	A	82 971	473 406	139 477	137 956
Cash flow from investing activities					
Sale of tangible fixed assets	5 793	5 793	0	0	
Purchase of tangible fixed assets	-15 843	-87 002	-109 946	-410 709	
Sale of financial fixed assets	960	960	0	0	
Purchase of financial fixed assets	0	-63 000	0	-3 024	
Changes in other investments	-8	-8	-189	0	
Net cash flow from investing activities	B	-9 097	-143 256	-110 135	-413 733
Cash flow from financing activities					
Raised long term liabilities	0	0	0	527 848	
Paid in long term liabilities	-80 606	-448 902	-30 535	-455 775	
Group contribution	0	0	-9 100	-9 100	
Paid in share capital	0	0	0	61 000	
Net cash flow from financing activities	C	-80 606	-448 902	-39 635	123 973
Net changes in cash and cash equivalents	A+B+C	-6 732	-118 753	-10 293	-151 805
Cash and cash equivalent start at period		370 380	482 401	492 695	634 206
Cash and cash equivalents at end of period		363 648	363 648	482 401	482 401

Income Statement

Boa Offshore AS

Figures in 1 000 NOK

	Note	Q4 2016	FY 2016	Q4 2015	FY 2015
Operating Income	2	66 848	284 058	84 683	299 944
Operating cost ships		1 133	5 175	854	3 244
Payroll expenses		47 471	215 551	57 646	242 528
Depreciation	3	624	2 031	249	994
Other operating expenses		2 310	40 481	54 847	82 843
Operating expenses		51 538	263 238	113 596	329 609
Operating profit		15 310	20 820	-28 913	-29 665
Financial income and expenses					
Income from subsidiaries		1 977	1 977	2 665	2 665
Interest income from group companies		18 310	87 163	35 996	98 060
Other interest income		3 595	8 878	1 991	3 362
Other financial income		1 201	18 362	-9 380	19 476
Depreciation of other financial current assets		0	0	31 500	31 500
Depreciation of other financial fixed assets		359 242	359 242	0	0
Interest expense to group companies		13 236	51 891	12 013	44 860
Other interest expenses		14 265	60 169	17 827	62 390
Other financial expenses		1 681	18 129	5 516	29 952
Net financial income and expenses		-363 342	-373 052	-35 584	-45 138
Operating result before tax		-348 032	-352 232	-64 497	-74 803
Tax on ordinary result		10 133	10 513	6 024	6 024
Operating result		-358 165	-362 745	-70 522	-80 827

Balance Sheet

Boa Offshore AS

Figures in 1 000 NOK

Assets	Note	31.12.2016	31.12.2015
Fixed assets			
Intangible fixed assets			
Deferred tax asset		189 808	199 838
Total intangible fixed assets		189 808	199 838
Tangible fixed assets			
Buildings and land	3	5 847	5 847
Vessels	3	4 162	4 597
Equipment and other movables	3	4 120	4 583
Total tangible fixed assets		14 129	15 027
Financial fixed assets			
Investments in subsidiaries		419 120	403 360
Loans to group companies		1 305 876	1 908 009
Investments in shares		1 522	3 044
Other receivables		18 974	14 148
Total financial fixed assets		1 745 492	2 328 561
Total fixed assets		1 949 429	2 543 426
Current assets			
Inventories		67	0
Receivables			
Trade receivables		6 651	2 813
Loans to group companies		154 147	94 122
Other receivables		31 120	48 276
Total receivables		191 918	145 211
Cash and bank deposits		89 101	98 827
Total current assets		281 086	244 038
Total assets		2 230 515	2 787 464

Balance Sheet

Boa Offshore AS

Figures in 1 000 NOK

Equity and liabilities	Note	31.12.2016	31.12.2015
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	640 697	1 003 442
Total retained earnings		<u>640 697</u>	<u>1 003 442</u>
Total equity		<u>720 749</u>	<u>1 083 494</u>
Liabilities			
Other long term liabilities			
Bonds	5	560 060	677 840
Liabilities to financial institutions	5	0	149 753
Liabilities to subsidiaries		875 826	731 576
Total other long term liabilities		<u>1 435 886</u>	<u>1 559 169</u>
Current liabilities			
Trade creditors		6 397	7 978
Liabilities to group companies		33 210	4 951
Public duties payable		9 216	11 036
Other short term liabilities		25 057	120 836
Total short term liabilities		<u>73 879</u>	<u>144 801</u>
Total liabilities		<u>1 509 766</u>	<u>1 703 970</u>
Total liabilities and equity		<u>2 230 515</u>	<u>2 787 464</u>

Cash Flow Statement

Boa Offshore AS

Figures in 1 000 NOK

	4Q 2016	YTD 2016	4Q 2015	YTD 2015
Cash flow from operating activities				
Profit before income taxes	-348 032	-352 232	-32 997	-43 303
Gain on investments in subsidiaries	-1 977	-1 977	-2 665	-2 665
Income tax paid	-482	-482	-425	-425
Depreciation and write-down	624	2 031	249	994
Loss / (gain) on sale of financial items	90	90	0	-728
Write-down of financial fixed assets	359 242	359 242	0	0
Currency gain/-loss	0	0	4 813	15 556
Changes in inventories	94	-67	127	189
Changes in trade receivables	-1 792	-3 838	3 301	11 715
Changes in other receivables	-17 513	-19 170	6 276	-5 525
Changes in trade creditors	-400	-1 581	755	3 636
Changes in receivables from group companies	36 830	713 101	-113 291	-249 719
Changes in other short-term liabilities	15 597	-36 641	35 348	46 741
Net cash flow from operating activities	A	42 279	-98 508	-223 533
Cash flow from investing activities				
Purchase of tangible fixed assets	-603	-1 133	-3 100	-3 702
Sale of financial fixed assets	960	960	0	0
Purchase of financial fixed assets	0	-63 000	0	-107 069
Changes in other investments	0	-343 030	0	0
Net cash flow from investing activities	B	358	-406 203	-110 771
Cash flow from financing activities				
Raised long term liabilities	0	0	0	292 975
Paid in long term liabilities	-50 000	-264 662	0	-89 472
Group contribution	0	2 665	42 784	42 784
Net cash flow from financing activities	C	-50 000	42 784	246 287
Net changes in cash and cash equivalents	A+B+C	-7 363	-58 824	-88 016
Cash and cash equivalent start at period		96 465	157 651	186 843
Cash and cash equivalents at end of period		89 101	98 827	98 827

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.

Miscellaneous

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

Note 2 Specification companies and segments**Consolidated - YTD 4Q 2016**

Company	Segment	Operating income	EBITDA	Cash 31.12
Boa OCV AS	OCV	214 805	-28 472	44 953
Boa SBL AS	Seismic	51 773	8 923	46 999
Boa Barges AS	Barges	166 544	111 604	49 257
Boa Barges LLC	Barges	71 905	898	253
Boa Tugs AS	Tugs	92 246	-17 127	13 052
T.A. Kittilsen Shipping AS	Tugs	32 917	6 743	7 372
NFDS Offshore 1 AS	AHTS	30 700	-21 609	16 644
NFDS Offshore 2 AS	AHTS	38 208	-8 714	24 728
Boa Offshore AS	Other	284 058	22 851	89 101
Boa PSV AS	Other	56 488	53 806	45 672
Other / elimination	Other	-228 949	-9 789	25 617
Total		810 694	119 113	363 648

Note 3 Fixed assets - consolidated

	Vessels	Periodic maintenance	New-building contracts	Equipment	Buildings and land	Sum
Acquisition cost 01.01.	4 135 198	276 343	441 385	7 276	5 847	4 866 049
Additions	39 849	14 355	28 735	4 063	0	87 002
Disposals	-4 748	-9 922	0	-1 380	0	-16 050
Transfer	404 172	6 002	-470 120	13 000	0	-46 946
Acquisition cost 31.12.	4 574 471	286 777	0	22 958	5 847	4 890 054
Accumulated depr. 01.01.	1 137 615	121 760	136 708	1 530	0	1 397 612
Disposals	-480	-4 472	0	-219	0	-5 171
Transfer	136 708	0	-136 708	0	0	0
Write-down this period	582 587	-640	0	0	0	581 947
Depreciation this period	136 848	50 933	0	1 535	0	189 316
Accum. depr. 31.12.	1 993 277	167 581	0	2 846	0	2 163 703
Book value 31.12.	2 581 194	119 197	0	20 112	5 847	2 726 350

Economic life	27-30 years	2,5-10 years	5 years
Depreciation schedule	Linear	Linear	Linear

Lease amount on fixed assets, not included in the balance sheet, year to date:

39 480

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

	Share capital	Share premium	Other restricted equity	Other equity	Total
Equity 01.01.	2 500	74 447	3 106	1 003 442	1 083 495
Profit of the year	0	0	0	-362 745	-362 745
Equity 31.12	2 500	74 447	3 106	640 697	720 750

Consolidated

	Share capital	Share premium	Other restricted equity	Other equity	Total
Equity 01.01.	2 500	74 447	3 106	1 187 981	1 268 034
Profit of the year	0	0	0	-799 704	-799 704
Other changes	0	0	0	-13 496	-13 496
Equity 31.12.	2 500	74 447	3 106	374 781	454 834

Minority share of operating result YTD	-16 195
Minority share of total equity	-4 312

Note 5 Long term liabilities**Parent company**

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

	2017	2018	2019	2020	2021	→
Instalments	0	590 060	0	0	0	0

Consolidated

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

	2017	2018	2019	2020	2021	→
Instalments	246 966	1 123 204	1 053 822	380 597	68 934	420 811

Note 6 Consolidated income statement - summary

	4Q 2016	YTD 2016	4Q 2015	YTD 2015
Operating income	178 966	810 694	348 722	1 683 741
Operating expences	163 518	691 581	358 501	1 482 204
EBITDA	15 448	119 113	-9 779	201 537
EBITDA %	9 %	15 %	-3 %	12 %
Depreciation and write-down	404 723	771 262	291 412	447 221
EBIT	-389 275	-652 149	-301 191	-245 684
Net finance	-42 609	-145 404	-63 954	-218 094
Pre tax profit	-431 884	-797 552	-365 145	-463 778
Tax	1 885	2 152	-42 438	-42 426
Net profit	-433 769	-799 704	-322 706	-421 352

Note 7 Interest bearing debt / equity

Key figures	31.12.16	31.12.15
Interest bearing debt	3 295 177	3 746 507
Cash and cash equivalents	363 648	482 401
Net Interest Bearing Debt (NIBD)	2 931 529	3 264 105
NIBD / EBITDA *	24,61	16,20
* Last four quarters		
Booked equity ratio	11,5 %	23,4 %
Value adjusted equity ratio	33,4 %	37,3 %