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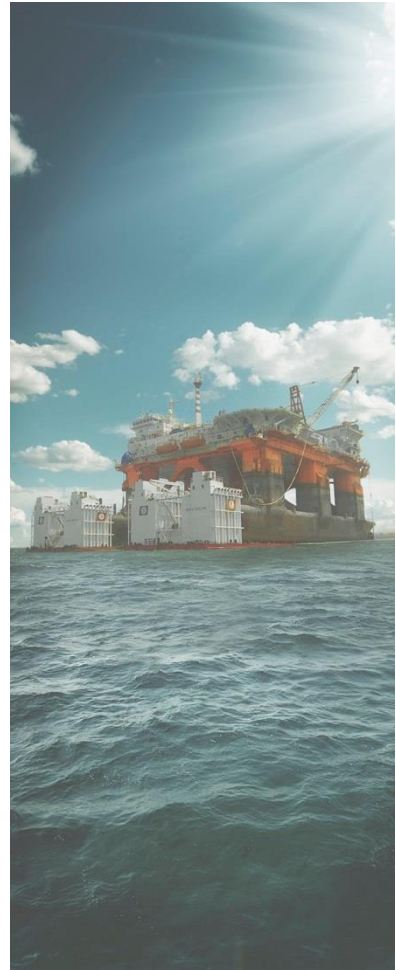
Annual Report

Boa Offshore AS

Group

2016

Org.nr. 926 265 156



BOA OFFSHORE AS

GROUP

BOARD'S ANNUAL REPORT FOR 2016

Nature and location of activities:

Boa Offshore AS is the management company of the Taubåtkompaniet Group and the parent 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, and the offshore department manages offshore supply vessels within construction and oil exploration, operating worldwide. The management is located in Trondheim. The group has also an office in Houston, operating part of the Groups fleet in the Gulf of Mexico.

Work environment:

At year-end the Group had approx. 342 employees and, in the opinion of the Board, a good work environment. The total absenteeism rate for the year was around 4.3 %.

Equal opportunity:

The Group operates within a sector that historically has been dominated by men. This is also the case among our staff, in which men form the majority of sailing personnel. Consequently, the percentage of women in leading positions is small.

The company aims to ensure that any discrimination based on gender, religion or nationality is subject to immediate follow-up by the management staff onboard the vessels and onshore ensuring conditions guarantees equal opportunity.

The ratio among men and woman in administration onshore is approx. 33 % women and 67 % men. There are two top positions in the Group management held by a woman.

For the Group, the distribution among the employees is about 10 % women and about 90 % men.

Health, safety, the environment and quality:

The goal of the Group's health, safety, the environment and quality policy is 'zero tolerance' when it comes to injury to persons, damage to ships, work-related illness and environmental damage. This can be achieved by establishing a good work environment and work routines both onboard the vessels and onshore. The risk factors linked to the company's operations are continuously identified and the necessary risk-reducing measures implemented. The Group has established procedures for dealing with accidents and other emergency situations and meets international requirements concerning safeguards against acts of terrorism. The Group aims to be known in the market for providing high-quality services and in accordance with national and international laws and regulations.

To achieve these goals, the Group has established an integrated health, safety, environment and quality control system that is used by both the onshore organisations and those onboard the vessels. The system meets all relevant requirements with regard to international standards as well as requirements and guidelines developed by branch organisations within the offshore and shipping sectors. The system undergoes continuous improvements based on reports from users and annual reviews by customers, authorities and the organisation itself.

The goal for the future with regard to the integrated health, safety, the environment and quality system is to achieve combined certification pursuant to the requirements of the ISM code and ISO 9001:2000 quality standard. Parts of this certification are now introduced.

Over the last year it has been none serious work-related injury among employees nor contracted personnel. The Group is continuously working to reduce the number of work related injuries.

External environment:

The machinery on the vessels run on fuel and, apart from the emissions from this machinery, the Board does not believe that the ships pollute the external environment beyond what is normal for this type of maritime activity. The Group is continuously working to reduce discharge to sea and air.

Continued operations:

To ensure continued operations, a proposal for restructuring of the Groups balance sheet was initiated in November 2016. This is a part of a larger restructuring for the Group. The proposal is presented to and discussed with the Group's largest financial creditors and the discussions are progressing. The Group's loan agreements contains 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 2016 the Group is in breach with one or several of these covenants.

While these discussions are ongoing, the Group continues to operate normally in all material respects. In understanding with the creditors, no interest or amortisation has been paid in Boa Offshore AS since the restructuring process was initiated. This is also the case for the subsidiaries in the Group.

Based on the necessary restructuring, it is uncertainty regarding continued operations. However, the Board believes there will be a solution in place, and the presentation of the annual accounts is based on this. All assets and liabilities are assessed based on the assumption of continued operations.

The Board confirms that the annual accounts for 2016 for the Group were drawn up under the assumption of continued operations.

Review of annual accounts:

The operating profit for the Group in 2016 was MNOK -652.1, compared to MNOK -245.7 in 2015. In 2016, ship value impairment losses of 581.9 million were made. It is the board's view that in today's market these valuations are associated with uncertainty.

Net financial items were MNOK -145.4, compared to MNOK -218.1 in 2015.

The Group has in 2016 had a tax expense of MNOK 193.8, compared to a tax income of MNOK 42.4 in 2015.

The final result was a loss of MNOK 991.4 compared to MNOK 421.4 in 2015.

Total year end assets were MNOK 3 764, compared to MNOK 5 410 the previous year. The percentage of shareholder's equity on December 31, 2016 was 7.0 %, compared with 23.4 % on December 31, 2015.

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, this market risk is to a certain degree reduced by the Group also having certain operating costs in the same currency. The Group continuously considers entering into forward contracts and other agreements in order to reduce the currency risk. By 31.12.2016 the total of the group's interest bearing debt was NOK 3 295 million where of NOK 569 million is secured by interest rate swap agreements or fixed rate.

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.

Liquidity risk:

The Group's liquidity position as of 31.12.2016 is NOK 364 million. The parent company has a bond of NOK 499 million and a subordinated bond of NOK 61 million listed at Oslo Stock Exchange ABN. The bonds have maturity dates in December 2018. The total of outstanding bonds as of 31.12.2016 was NOK 1 890 million. The group has in addition loan to financial institutions of mNOK 1374 with various maturities between 2019 and 2027. Without a successful financial restructuring, the Group will not have sufficient liquidity for normal operations in the future.

Appropriation of profits:

The year-end result of the parent company, Boa Offshore AS, was MNOK -1 051.9. The Board proposes the following distribution:

Transferred from other equity MNOK 1 051.9

Events after the balance sheet date:

Besides the above mentioned, no events have taken place after the end of the financial year that would materially affect the evaluation of the Group's profit and loss account or balance sheet as per December 31, 2016.

Future development:

The outlook for Boa Offshore Group continues to be a mixed picture. Boa Offshores 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 based on current prospects. The Tug business is currently experiencing somewhat higher activity after some challenging quarters. Medium term outlook for the Tug business is still considered more uncertain.

The short to medium term outlook for the offshore vessel segment (OCV, SBL and AHTS) remains uncertain and challenging due to the drop in oil prices from mid-2014. A number of offshore exploration and development projects have since then been postponed or scrapped, as oil companies focus 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 above USD50/bbl in the first half of 2017, 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 initiatives also include renegotiated agreements with key suppliers, cut in administrative costs, layoffs and cost cuts of sea crew.

Trondheim, 30.05.2017

The Board of Boa Offshore AS



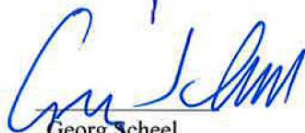
Ole T. Bjørnevik
Chairman of the Board



Svein Sivertsen
Deputy Chairman



Oddvar Sørtømme
Board member



Georg Scheel
Board member



Eskil Bjørnevik
Board member



Siv Marita Bjørnevik
Board member



Helge Kvalvik
CEO

Income statement

Boa Offshore AS

Figures in 1 000 NOK

Parent company				Group	
2016	2015	Operating income and operating expenses	Note	2016	2015
284 058	299 944	Total operating income		810 694	1 683 741
5 175	3 244	Operating cost ships		287 290	1 053 029
215 551	242 528	Payroll expenses	3, 9, 15	275 439	349 719
2 031	994	Depreciation	4	189 315	182 180
0	0	Write down fixed assets	4	581 947	265 041
48 305	82 843	Other operating expenses	3, 15	128 852	79 456
271 062	329 609	Total operating expenses		1 462 843	1 929 425
12 996	-29 665	Operating result		-652 149	-245 683
		Financial income and expenses			
1 977	2 665	Income from subsidiaries		0	0
87 163	98 060	Interest income from group companies	15	7 529	8 038
8 878	3 362	Other interest income		122 902	4 823
18 362	19 476	Other financial income		57 304	139 629
0	31 500	Depreciation of financial current assets		0	0
850 808	0	Depreciation of other financial fixed assets		472	0
51 891	44 860	Interest expense to group companies	15	1 715	1 425
60 169	62 390	Other interest expenses		214 540	226 424
18 129	29 952	Other financial expenses		116 412	142 736
-864 618	-45 138	Financial result		-145 404	-218 094
-851 622	-74 803	Result before tax		-797 552	-463 778
200 320	6 024	Tax on ordinary result	12	193 837	-42 425
-1 051 942	-80 827	Profit for the year		-991 389	-421 352
0	0	Minority share		-16 195	-131 521
1 051 942	80 827	From other equity	8	991 389	421 352
-1 051 942	-80 827	Net brought forward		-991 389	-421 352

Balance sheet

Boa Offshore AS

Figures in 1 000 NOK

Parent company				Group	
31.12.2016	31.12.2015		Note	31.12.2016	31.12.2015
		Fixed assets			
		Intangible assets			
0	199 838	Deferred tax asset	12	56 296	248 332
<u>0</u>	<u>199 838</u>	Total intangible assets		<u>56 296</u>	<u>248 332</u>
		Tangible fixed assets			
5 847	5 847	Buildings and land		5 847	5 847
4 162	4 597	Vessels		2 700 391	3 152 167
4 120	4 583	Equipment and other movables		20 112	5 746
0	0	Newbuilding contracts		0	304 677
<u>14 129</u>	<u>15 027</u>	Total tangible fixed assets	4	<u>2 726 350</u>	<u>3 468 437</u>
		Financial fixed assets			
138 776	403 360	Investments in subsidiaries	5	0	0
1 094 654	1 908 009	Loans to group companies	6, 11	158 943	161 362
1 522	3 044	Investments in shares	5	1 772	3 294
18 974	14 148	Other receivables	6, 9	21 801	17 917
<u>1 253 926</u>	<u>2 328 561</u>	Total financial fixed assets		<u>182 515</u>	<u>182 573</u>
<u>1 268 055</u>	<u>2 543 426</u>	Total fixed assets		<u>2 965 161</u>	<u>3 899 342</u>
		Current assets			
67	0	Inventories		10 531	12 880
		Receivables			
6 651	2 813	Trade receivables		221 430	206 920
146 323	94 122	Loans to group companies	11	23 475	5 606
31 120	48 276	Other receivables	12	179 193	802 958
<u>184 094</u>	<u>145 211</u>	Total receivables		<u>424 098</u>	<u>1 015 484</u>
		Investments			
0	0	Other financial instruments		357	350
<u>0</u>	<u>0</u>	Total investments		<u>357</u>	<u>350</u>
89 101	98 827	Cash and bank deposits	14	363 648	482 401
<u>273 262</u>	<u>244 038</u>	Total current assets		<u>798 635</u>	<u>1 511 115</u>
<u>1 541 318</u>	<u>2 787 464</u>	Total assets		<u>3 763 796</u>	<u>5 410 456</u>

Balance sheet

Boa Offshore AS

Figures in 1 000 NOK

Parent company				Group	
31.12.2016	31.12.2015		Note	31.12.2016	31.12.2015
		Equity and liabilities			
		Restricted equity			
2 500	2 500	Share capital	7, 8	2 500	2 500
74 447	74 447	Share premium	8	74 447	74 447
3 106	3 106	Other restricted equity	8	3 106	3 106
80 053	80 053	Total restricted equity		80 053	80 053
		Retained earnings			
-48 500	1 003 442	Other equity	8	183 096	1 187 981
-48 500	1 003 442	Total retained earnings		183 096	1 187 981
31 552	1 083 494	Total equity		263 149	1 268 034
0	0	Minority share		-4 312	49 697
		Liabilities			
		Provisions			
		Other long term liabilities			
560 060	677 840	Bonds	10, 13	1 890 060	2 127 840
0	149 753	Liabilities to financial institutions	10, 13	1 374 273	1 588 667
875 826	731 576	Liabilities to subsidiaries	11	30 843	30 984
1 435 886	1 559 169	Total other long term liabilities		3 295 177	3 747 491
		Current liabilities			
6 397	7 978	Trade creditors		80 582	154 932
33 210	4 951	Liabilities to subsidiaries	11	1 072	0
0	0	Tax payable	12	765	950
9 216	11 036	Public duties payable		10 320	11 995
25 057	120 836	Other short term liabilities		112 732	227 056
73 879	144 801	Total short term liabilities		205 471	394 932
1 509 766	1 703 970	Total liabilities		3 500 648	4 142 423
1 541 318	2 787 464	Total liabilities and equity		3 763 796	5 410 456

Balance sheet

Boa Offshore AS

Trondheim, 30.05.2017


The Board of Boa Offshore AS



Ole T. Bjørnevik
Chairman of the Board



Svein Sivertsen
Deputy Chairman



Oddvar Sørtømme
Board member



Georg Scheel
Board member



Eskil Bjørnevik
Board member



Siw Marita Bjørnevik
Board member



Helge Kvalvik
CEO

Consolidated Cash Flow Statement

Boa Offshore AS

Figures in 1 000 NOK

2016	2015		2016	2015
		Cash flow from operating activities		
-571 278	-74 803	Profit before income taxes	-797 552	-463 778
-1 977	-2 665	Gain on investments in subsidiaries	0	0
-482	-425	Income tax payable	-2 169	-12 452
2 031	994	Depreciation and write-down	771 262	447 221
0	0	Gain on sale of tangible fixed assets	3 800	0
90	-728	Gain on sale of financial fixed assets	90	-728
570 464	31 500	Write-down of financial fixed assets	472	0
0	15 556	Currency gain/-loss	0	23 811
-67	189	Changes in inventories	2 349	-7 453
-3 838	11 715	Changes in trade receivables	-14 509	184 471
-19 170	-5 525	Changes in other receivables	638 381	64 153
-1 581	3 636	Changes in trade creditors	-74 350	-106 642
720 925	-249 719	Changes in receivables from group companies	-14 519	19 360
-36 641	46 741	Changes in other short-term liabilities	-39 848	-10 008
658 475	-223 533	Net cash flow from operating activities	A	473 406
		Cash flow from investing activities		
0	0	Sale of tangible fixed assets	5 793	0
-1 133	-3 702	Purchase of tangible fixed assets	-87 002	-410 709
960	0	Sale of financial fixed assets	960	0
-63 000	-107 069	Purchase of financial fixed assets	-63 000	-3 024
-343 030	0	Changes in other investments	-8	0
-406 203	-110 771	Net cash flow from investing activities	B	-143 256
		Cash flow from financing activities		
0	292 975	Raised long term liabilities	0	527 848
-264 662	-89 472	Paid in long term liabilities	-448 902	-455 775
2 665	42 784	Group contribution	0	-9 100
0	0	Paid in share capital	0	61 000
-261 997	246 287	Net cash flow from financing activities	C	-448 902
-9 726	-88 016	Net changes in cash and cash equivalents	A+B+C	-118 753
98 827	186 843	Cash and cash equivalent start at period	482 401	634 206
89 101	98 827	Cash and cash equivalents at end of period	363 648	482 402

Note 1 Accounting principles

The annual accounts are established in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting principles.

Consolidation principles

The consolidated financial statement comprises Boa Offshore AS and subsidiaries, where the company has controlling interest as a result of legal or actual control. The consolidated accounts are established in accordance with uniform accounting principles for similar transactions within all companies included in the consolidated financial statement. All essential transactions and outstanding accounts between companies within the group are eliminated. Investments in companies in which the group has considerable influence (associates and joint ventures) are valued in the consolidated financial statement in accordance with the equity method. Considerable influence generally means that the group owns 20 to 50 percent of the voting capital.

Principle rule for recording and categorising assets and debts

Assets intended for long-term ownership or usage are categorised as fixed assets. Other assets are categorised as current assets. Debts to be paid back within a year are also categorised as current assets. Similar criteria are used to categorise short-term and long-term debts.

Fixed assets are valued at purchase cost, and depreciated over the economic lifetime. If the actual value of the fixed assets is lower than the booked value and the decrease in value is not expected to be temporary, devaluation to the actual value is carried out. Fixed assets are depreciated linearly.

Current assets are recorded at the lowest of historical cost and net realisable value.

Other long-term and short-term debts are recognised at nominal value.

Assets and debt in foreign currency

Money items in foreign currency are converted at the rate applicable on the balance sheet date.

Capitalised interests

Interest related to ships under construction are capitalized.

Shares in associates, joint ventures and subsidiaries

Investments in subsidiaries are valued according to the cost method and written down at the actual value if the decrease in value is not temporary, and it is considered necessary in accordance with generally accepted accounting principles. Dividend from subsidiaries are recorded as other financial income. The same applies to investments in associates and joint ventures.

Other shares classified as fixed assets

Shares and investments in general partnerships and limited partnerships in which the company does not have considerable influence are valued according to the cost method. Investments are written down at the actual value if the decrease in value is not expected to be temporary. Profits received from the companies are recognised as other financial income.

Bonds classified as fixed assets

Bonds are recognised at purchase cost. Bonds are written down at the actual value if the decrease in value is not expected to be temporary.

Investments classified as floating assets

Market-based financial instruments, including shares included in a trading portfolio, are recognised at the actual value on the balance sheet date.

Receivables

Accounts receivable and other receivables are entered at nominal value after deducting the provision for expected losses. The provision for losses is based on an individual assessment of the separate claims.

Notes to 2016 annual report

Bank deposits, cash, etc.

This category includes cash, bank deposits and other forms of payment with an expiration date that is shorter than three months from purchase.

Revenue

Revenues from the sale of services are recognised in the income statement according to the project's level of completion. Revenues are booked at the net sales value at the time of the transaction.

Expenses

Expenses are recognised in the same period as the related revenues. In those instances in which there is no clear connection between expenses and revenues, the distribution is determined based on discretionary criteria. Other exceptions from the classification principle are disclosed when relevant.

Pensions

Contribution pension plan

The company has a contribution-based obligatory company pension scheme for onshore personnel. This is expensed at date of payment.

Performance-based scheme

The company also has a performance-based company pension scheme for maritime personnel. The liability is valued annually and the balance is classified as long-term provisions (receivables) in the balance sheet.

Government subsidies

The group receives a subsidy from the Norwegian Maritime Directorate in connection with the employment of Norwegian maritime personnel. The subsidy is entered as a reduction under the group's salary costs.

Taxes

Tax expenses are grouped with operating profit before tax. Taxes are recognised directly in equity to the extent that they relate to equity transactions.

The Ship Owning companies is taxed by the Norwegian shipowning tax regime as of 01.01.2007.

Tax cost includes taxes payable (tax on this years taxable income and interest surplus), tonnage tax and change in net deferred taxes.

Deferred tax and deferred tax benefits are entered in net amounts on the balance sheet.

Continued operations

To ensure continued operations, a proposal for restructuring of the Groups balance sheet was initiated in November 2016. This is a part of a larger restructuring for the Group. The proposal is presented to and discussed with the Group's largest financial creditors and the discussions are progressing. The Group's loan agreements contains 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 2016 the Group is 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. Since the process was initiated, no interest has been paid to financial creditors in Boa Offshore AS.

Based on the necessary restructuring, it is uncertainty regarding continued operations. However, the Board believes there will be a solution in place, and the presentation of the annual accounts are based on this. All assets and liabilities are assessed based on the assumption of continued operations.

Miscellaneous

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

Note 2 Segments**Group**

Company	Segment	Operating income	EBITDA	Cash
Boa OCV AS	OCV	214 805	-28 472	44 953
Boa SBL AS	Seismic	51 773	8 923	46 999
Boa Barges AS	Barge	166 544	111 604	49 257
Boa Barges LLC	Barge	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
Sum		810 694	119 113	363 648

Note 3 Personnel compensation, number of employees and loans to employees etc.

	Parent company		Group	
	2016	2015	2016	2015
Salaries	185 049	208 612	214 903	271 037
Employer's national insurance contribution	9 357	15 799	10 237	16 702
Pension contribution	6 949	5 074	7 083	5 287
Other personnel expenses	9 871	10 336	10 051	10 430
Hired in staff	4 324	2 706	33 165	46 263
Total personnel costs	215 551	242 528	275 439	349 719
Number of man-labour years employed	294	342	340	411

Management remuneration	Salary	Pension cost	Other
CEO	2 423	27	276
Board of Directors			200
			200

Loan and securities to shareholders, management personnel and employees

	Amount	Interest rate	Securities
Employees	7 006	0 - 4 %	Security in fixed assets
Related parties	7 678	4 %	Pledged shares

Auditor	Parent company	Group
Audit fee for 2016 to Deloitte AS was NOK	274	918
Fee for audit related services was NOK	196	492
Fee paid to Deloitte Advokatfirma AS was NOK	47	47

Note 4 Fixed assets**Parent company**

	Vessels	Periodic maintenance	Property	Property, Vehicles	Sum
Acquisition cost on 01.01	10 584	548	5 847	5 241	22 219
Transfer	0	232	0	901	1 133
Additions	0	0	0	0	0
Acquisition cost on 31.12	10 584	780	5 847	6 142	23 352
Accumulated depreciation 01.01	6 190	345	0	658	7 192
Transfer	0	0	0	0	0
Depreciation this year	521	146	0	1 364	2 031
Accum. depreciation 31.12.	6 711	491	0	2 022	9 223
Book value	3 873	289	5 847	4 120	14 129
Economic life	27-30 years	2,5-5 years		5 years	
Depreciation schedule	Linear	Linear		Linear	

Annual lease amount on fixed assets not included on the balance sheet 395

Group

	Vessels	Periodic maintenance	Ships under construction	Buildings, land and equipment	Sum
Acquisition cost on 01.01	4 135 198	276 343	441 385	13 123	4 866 049
Transfers	404 172	6 002	-470 120	13 000	-46 946
Additions	39 849	14 355	28 735	4 063	87 002
Disposals	-4 748	-9 922	0	-1 380	-16 050
Acquisition cost on 31.12	4 574 471	286 777	0	28 805	4 890 054
Accumulated depreciation 01.01	1 137 615	121 760	136 708	1 530	1 397 612
Transfers	136 708	0	-136 708	0	0
Acc. depreciation disposals	-480	-4 472	0	-219	-5 171
Depreciation this year	136 848	50 933	0	1 535	189 316
Write-down this year	582 587	-640	0	0	581 947
Accum. depreciation 31.12.	1 993 277	167 581	0	2 846	2 163 703
Book value	2 581 194	119 197	0	25 959	2 726 350
Economic life	27-30 years	2,5-10 years		5 years	
Depreciation schedule	Linear	Linear		Linear	

Annual lease amount on fixed assets not included on the balance sheet 39 480

In 2016 vessels have been written off with 581.947.000,-. By the end of 2016, two independent broker values are obtained to determine net selling price for the vessels. Brokers' estimate assume the vessels are without charter contracts, immediately available for sale in the market and that a willing seller and a willing buyer exist. In cases where there is uncertainty regarding book value against net selling price, a calculation for value in use is done by discounting future cash flows to present value at the balance sheet date. Due to reduced liquidity in the market for vessels, there is an increased uncertainty about the estimated ship values in today's market.

Note 5 Shareholdings in subsidiaries, associated companies and joint ventures

Group	Year of acquisition	Office address	Share	Equity Dec. 31 2016	Results 2016
Subsidiaries (Norwegian)					
Boa Shipping AS		2000 Trondheim	100 %	-440 074	-493 854
Boa OCV AS		2002 Trondheim	100 %	192 316	-132 975
Boa SBL AS		2008 Trondheim	100 %	205 399	-46 742
T.A. Kittilsen Shipping AS		1998 Brevik	100 %	7 129	202
Nye Kystlink AS		2012 Trondheim	100 %	-17 036	-11 705
Boa Tugs AS		2008 Trondheim	100 %	49 779	-77 200
Det Nordenfjeldske Dampskibsselskab A		2012 Trondheim	99 %	-126	-5 825
NFDS Offshore 1 AS		2012 Trondheim	100 %	-20 019	-294 238
NFDS Offshore 2 AS		2014 Trondheim	94 %	2 702	-254 795
Boa IMR AS		2014 Trondheim	63 %	94 856	-70 185
Tier subsidiaries (Norwegian)					
Boa Barges AS		2008 Trondheim	100 %	333 151	54 555
Boa PSV AS		2011 Trondheim	100 %	102 167	110 468
Subsidiaries (foreign)					
Boa Marine S.A		2006 Gdynia i Polen	100 %	194	149
Rederi AB		2005 Sverige	100 %	954	-40
Boa Tugs AB		2011 Sverige	100 %	9	-117
Boa Offshore LLC		2011 USA	100 %	-25 190	-13 945
Tier subsidiaries (foreign)					
Boa Barges LLC		2015 USA	100 %	403	896
Boa Marine Management LLC		2016 USA	100 %	1345	1 295
Boa Marine LLC		2016 USA	100 %	2481	2 387

Fixed assets**Parent company**

Company	Share	Acq. costs	Book value	Market value
Midnor Bestik (foundation)	0,50 %	10	10	10
EMGS ASA		135	4	4
Nio Inc.		10	0	0
Åfjord Utvikling AS	3 %	6	6	6
Åfjord Sparebank		1 974	1 502	1 502
Sum		2 134	1 522	1 522

Group Company	Share	Acq. costs	Book value	Market value
Midnor Bestik (foundation)	0,50 %	10	10	10
EMGS ASA		135	4	4
Nio Inc.		10	0	0
Åfjord Utvikling AS	3 %	6	6	6
Taklift AS	10 %	250	250	250
Åfjord Sparebank		1 974	1 502	1 502
Sum		2 384	1 772	1 772

Note 6 Long-term receivables

	Parent company		Group	
	2016	2015	2016	2015
Receivables from group companies	1 094 654	1 908 009	158 943	161 362
Other long-term receivables	18 974	14 148	21 801	17 917
Sum	1 113 628	1 922 157	180 744	179 279

Note 7 Shareholder information

	Shares	Equity share	Voting share
Taubåtkompaniet AS	2 000	100,00 %	100,00 %
Total number of shares	2 000	100,00 %	100,00 %

The company's share capital is NOK 2 500 000, distributed among 2 000 shares of par value NOK 1 250.

The company has only one class of shares.

The company Boa Offshore AS and its subsidiaries is a part of the group Taubåtkompaniet AS. The groups financial statement can be distributed from the office in Trondheim.

Note 8 Shareholder's equity

Parent company	Share capital	Share premium	Other restricted equity	Other equity	SUM
Equity 01.01.	2 500	74 447	3 106	1 003 442	1 083 494
Profit of the year				-1 051 942	-1 051 942
Equity 31.12.	2 500	74 447	3 106	-48 500	31 552

Group	Share capital	Share premium	Other restricted equity	Other equity	SUM
Equity 01.01.	2 500	74 447	3 106	1 187 981	1 268 034
Subsidiaries addition				-	-
Profit of the year				-991 389	-991 389
Conversion differences				-960	-960
Equity 31.12.	2 500	74 447	3 106	183 096	263 149

Note 9 Pension costs and net pension liabilities

The company is obliged to have a company pension scheme in accordance with the Norwegian Pension Act, for all employees.

The company has performance-based pension schemes for a total of 119 persons. These schemes entitle the employee to certain future payments. This primarily depends on the number of years of employment, the salary level upon reaching retirement age and the size of the contribution from the National Insurance. These obligations are covered through an insurance company.

Pension cost

	2016	2015
Net present value of pension build-up this year	2 790	2 083
Interest costs for pension obligation	277	199
Return on pension funds	-341	-248
Estimated deviation recorded	368	420
Administrative costs	237	184
Accrued employer's contribution	418	313
Net costs after employer's contribution	3 750	2 951

Pension obligation

	2016	2015
Pension obligation	-12 040	-10 495
Pension funds (at market value)	11 114	9 344
Accrued employer's contribution	-131	-162
Deferred obligation for (losses)/profits	5 250	6 198
Net pension funds	4 193	4 885

Financial assumptions

	2016	2015
Interest rate	2,6 %	2,7 %
Expected return	3,6 %	3,3 %
Salary increase	2,5 %	2,5 %
G-regulation	2,3 %	2,3 %
Regulation of continuous pension	0,0 %	0,0 %
Employer's contribution rate	14,1 %	14,1 %
Voluntary resignation before the age of 40	0,0 %	0,0 %
Voluntary resignation after the age of 40	0,0 %	0,0 %

Actuary predictions for demographic factors and resignations are based on commonly used assumptions within the insurance industry.

Note 10 Long-term debts**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

Group

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 11 Outstanding accounts with companies within the same group

Parent company	Long term liabilities		Short term liabilities	
	2016	2015	2016	2015
Boa Barges AS	42 046	52 794	0	13
Boa Barges LLC	0	0	33	0
Boa Eiendom AS	30 843	30 984	19	0
Boa Marine Services Inc.	0	0	0	918
Boa Marine Services SA.	0	0	157	119
Boa OCV AS	576 717	539 681	26 282	0
Boa Offshore LLC	0	0	4 836	2 236
Boa Marine Management LLC	0	0	719	0
Boa PSV AS	110 997	0	0	0
Boa SBL AS	115 283	108 137	0	925
Rederi AB	-60	0	0	0
Boa Tugs AS	0	0	110	9
NFDS Offshore 1 AS	0	0	0	712
NFDS Offshore 2 AS	0	0	0	20
Rederi AB	0	-20	0	0
Taubåtkompaniet AS	0	0	1 053	0
Sum	875 826	731 576	33 210	4 951

	Long term receivables		Short term receivables	
	2016	2015	2016	2015
Boa Barges AS	0	0	4 224	17 770
Boa Barges LLC	0	0	40	130
Boa Eiendom AS	111	12 010	15 390	0
Boa IMR AS	10 183	9 178	2 600	0
Boa Investment AS	10 100	9 631	4 603	3 827
Boa Marine Services Inc	0	0	0	918
Boa OCV AS	0	0	60 577	8 070
Boa Offshore LLC	0	26 581	1 193	1 099
Boa Marine LLC	0	0	12 174	0
Boa Marine Management LLC	0	0	-3	0
Boa PSV AS	0	303 800	0	3 360
Boa SBL AS	69 147	65 927	-141	4 021
Boa Shipping AS	815 290	1 100 638	0	200
Boa Tugs AB	329	314	12	5
Boa Tugs AS	10 608	48 859	30 714	12 537
Helitrans AS	0	0	2 635	1 751
NFDS AS	97	74	0	5
NFDS Offshore 1 AS	0	100 000	2 564	21 168
NFDS Offshore 2 AS	0	63 589	6 299	16 366
Nye Kystlink AS	9 152	6 562	0	0
T. A. Kittilsen Shipping AS	20 905	21 126	2 594	2 867
Taubåtkompaniet AS	148 732	139 721	847	28
Sum	1 094 654	1 908 009	146 323	94 122

Group	Long term liabilities		Short term liabilities	
	2016	2015	2016	2015
Boa Eiendom AS	111	12 010	15 390	0
Boa Investment AS	10 100	9 631	4 603	3 827
Helitrans AS	0	0	2 635	1 751
Taubåtkompaniet AS	148 732	139 721	847	28
Sum	158 943	161 362	23 475	5 606

Group	Long term debt		Short term debt	
	2016	2015	2016	2015
Boa Eiendom AS	30 843	30 984	19	0
Taubåtkompaniet AS	0	0	1 053	0
Sum	30 843	30 984	1 072	0

Note 12 Tax**Parent company**

This years tax:	2016	2015
Changes in deferred tax	8 153	4 584
Tax payable US	482	0
Tax previous years	0	1 440
Write-down deferred tax asset	191 685	0
This years tax expense	200 320	6 024
This years tax basis:	2016	2015
Result before tax	-851 622	-74 803
Permanent differences	850 005	30 208
Changes in timing differences	-2 556	-14 400
Group contribution	1 977	2 665
This years tax basis	-2 196	-56 330
Temporary differences:	2016	2015
Tangible fixed assets	1 678	1 818
Receivables	-7 824	-
Profit and loss account	-44 802	-56 002
Short term liabilities	4 289	4 969
Tax losses carried forward	-752 031	-750 137
Net temporary differences	-798 690	-799 352
Net deferred tax	0	199 838

Note 12 Tax, continuing.

Group:		
This years tax:	2016	2015
Changes in deferred tax	350	-42 769
Tax payable Norway	587	793
Tonnage tax	178	157
Tax previous years	-173	-233
Tax payable US	1 210	-372
Write-down deferred tax asset	191 685	0
This years tax expense	193 837	-42 425
This years tax basis, ordinary taxation:	2016	2015
Result before tax	-641 075	-463 156
Permanent differences	10 933	228 519
Changes in timing differences	311 407	22 075
Loss carried forward	-4 576	0
This years tax basis	-323 311	-212 562
Calculation of tax base for the year shipping taxation:	2016	2015
Profit and loss account	2 350	2 937
Financial result	-18 031	-60 149
Loss carried forward used	6 700	6 115
Tax base for the year	-8 981	-51 097
Tax payable in balance:	2016	2015
Calculated tonnage tax	178	157
Taxes payable	587	793
Tax payable in balance	765	950
Temporary differences:	2016	2015
Tangible fixed assets	-275 388	-81 795
Receivables	-52 407	-47 891
Profit and loss account	63 985	79 982
Short term liabilities	4 289	4 969
Tax losses carried forward	-1 355 816	-1 018 863
Net temporary differences	-1 615 336	-1 063 599
Temporary differences not included	-1 380 768	-70 270
Net temporary differences	-234 568	-993 329
Net deferred tax	56 296	248 332

The shipowning companies in the group are taxed in accordance with the Norwegian shipowning tax regime.

Note 13 Pledges and guarantees, etc.

Parent company:		
Book debt secured by pledge:	2016	2015
Debts to credit institutions	0	149 753
Accrued interest	0	871
Total	0	150 624
Book value of pledged assets:		
	2016	2015
Cash deposits	0	98 827
Total	0	98 827
Book value of assets mortgaged for debt for group companies:		
	2016	2015
Shares	0	280 344
Total	0	280 344
Guarantee liabilities	1 214 331	1 274 417

Boa Offshore AS is the guarantor for the fulfillment of loan obligations in Boa Barges AS, Boa Tugs AS, NFDS Offshore 1 AS and NFDS Offshore 2 AS.

Boa Offshore AS are in breach of financial covenants in the loan agreements regarding value adjusted equity.

Group:		
Book debt secured by pledge:	2016	2015
Debts to credit institutions	2 700 183	3 034 103
Accrued interest	31 737	28 434
Total	2 731 920	3 062 536
Book value of pledged assets:		
	2016	2015
Cash deposits	271 683	420 103
Accounts receivables	45 118	39 822
Vessels	2 763 974	3 378 027
Shares/bonds	509 989	1 032 990
Group receivables	692 000	647 819
Other	18 653	20 706
Total	4 301 417	5 539 467
Guarantee liabilities	1 214 331	1 274 417
Pledge for other group companies	150 000	150 000

Boa Offshore AS, Boa Ocv AS, Boa SBL AS, Boa Tugs AS, NFDS Offshore 1 AS and NFDS Offshore 2 AS are in breach with financial covenants in the loan agreements regarding minimum cash, market value vessels/loan, booked equity, NIBD/EBITDA and value adjusted equity.

Note 14 Bank deposits

	Parent company		Group	
Restricted deposits	2016	2015	2016	2015
Employees' tax deduction	5 638	6 784	6 088	7 234
Other restricted deposits	54 181	53 221	59 905	53 221
Total	59 818	60 005	65 994	60 455

Note 15 Intercompany transactions

The owner of the company is Taubåtkompaniet AS, with 100 % of the shares. Ole T Bjørnevik is controlling Boa Holding AS.

Management remunerations are mentioned in note 3, and the outstanding accounts with group companies are mentioned in note 9. Mortgages and guarantees are mentioned in note 11.

Parent company:

Operating transactions:	2016	2015
Income		
- Mother company	1 703	18
- Subsidiary	259 177	283 847
- Other group companies	6 968	1 640
Total revenue from operating transactions	267 848	285 505
Services		
- Mother company	8 400	0
- Subsidiary	6 385	6 301
- Other group companies	19	10
Total expenses from operating transactions	14 804	6 310
Finance transactions:		
Group contribution and dividend		
- Subsidiary	1 977	2 665
Interest income		
- Mother company	6 881	6 323
- Subsidiary	67 684	76 208
- Other group companies	648	1 715
Income from guarantee commission		
- Subsidiary	11 950	13 815
Total income from finance transactions	89 140	100 726
Interest expense		
- Subsidiary	50 176	43 876
- Other group company	1 715	984
Total expenses from finance transactions	51 891	44 860

Service to group companies are priced at the same conditions as for external parts. Services to group companies are management and crew hire. These services are priced at cost + 2,5% to 10%. Financial transactions are priced at the same conditions as for external parts.

Note 15 Intercompany transactions, continuing.**Group:**

Operating transactions:	2016	2015
Income		
- Mother company	1 703	18
- Other group companies	6 968	1 640
Total revenue from operating transactions	8 671	1 658
Services		
- Mother company	8 400	0
- Other group companies	26	10
Total expenses from operating transactions	8 426	10
Finance transactions:		
Interest income		
- Mother company	6 881	6 323
- Other group companies	648	1 715
Total income from finance transactions	7 529	8 038
Interest expense		
- Other group companies	1 715	984
Guaratee commission		
- Mother company	0	0
Total expenses from finance transactions	1 715	984

Service to group companies are priced at the same conditions as for external parts. Services to group companies are management and crew hire. These services are priced at cost + 2,5% to 10%. Financial transactions are priced at the same conditions as for external parts.

To the General Meeting of Boa Offshore AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Boa Offshore AS showing a loss of NOK 1 051 942 000 in the financial statements of the parent company and loss of NOK 991 389 000 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2016, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Clarification

Without significance to our conclusions on the financial statements, we refer to "Note 1" and The Board's Annual Report describing Boa Offshore AS Group's necessary restructuring proposal to its creditors, to ensure its ability to continue as a going concern for the subsidiaries affected by the restructuring. There is uncertainty related to the Company's and the Group's ability to continue as a going concern. The Board believes that the restructuring will be successful and consider the assumption about the Company's and the Group's ability to continue as a going concern is present.

All assets and liabilities are valued on the basis of the assumption of the Company's and the Group's ability to continue as a going concern is present, and do not reflect any write-downs or provisions that may be required if the assumption ceases to be present.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in

accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Trondheim, 30 May 2017
Deloitte AS



Jon Bjørnaas
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.