



**BOA**

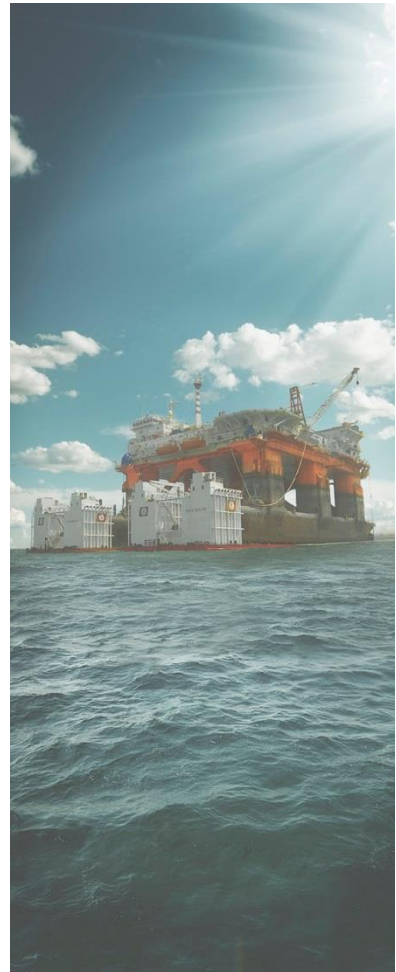
# **Annual Report**

## **Taubåtkompaniet AS**

### **Group**

### **2016**

**Org.nr. 989 023 268**



# TAUBÅTKOMPANIET AS

## GROUP

### BOARD'S ANNUAL REPORT FOR 2016

**Nature and location of activities:**

Taubåtkompaniet AS is the parent company of the Taubåtkompaniet Group. 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 supply vessels within construction and oil exploration, operating worldwide. The group also comprises property and helicopter activity. 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. 395 employees and, in the opinion of the Board, a good work environment. The total absenteeism rate for the year was around 3.9 %.

**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 11 % women and about 89 % 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 is 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. Since the process was initiated, no interest or amortization has been paid to financial creditors in the Boa Offshore 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 are 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 -654.0, compared to MNOK -239.0 in 2015.

Net financial items were MNOK -143.1, compared to MNOK -209.7 in 2015.

The tax expenses for 2016 were MNOK 1.8.

The final result was a loss of MNOK 799.0.

Total year end assets were MNOK 4 022,3, compared to MNOK 5 477.3 the previous year. The percentage of shareholder's equity on December 31, 2016 was 10.1 %, compared with 22.2 % 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 3 386 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 372 million. The total of outstanding bonds as of year end was NOK 1 859 million. The group has in addition loan to financial institutions of mNOK 1527 with various maturities between 2019 and 2027. If the company fails to repay or refinance its loan facility additional equity financing may be required.

**Appropriation of profits:**

The year-end result of the parent company, Taubåtkompaniet AS, was MNOK 4.0. The Board proposes the following distribution:

|                             |      |     |
|-----------------------------|------|-----|
| Transferred to other equity | MNOK | 0.3 |
| Dividends                   | MNOK | 3.7 |

**Events after the balance sheet date:**

Nordenfjeldske Luftfart AS has in 2017 sold its subsidiary Helitrans AS.

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 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 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 May 2017



Ole T. Børnevik  
Chairman of the Board / CEO

# Income statement

Taubåtkompaniet AS

Figures in 1 000 NOK

| Parent company |              |   |       | Group            |                  |
|----------------|--------------|---|-------|------------------|------------------|
| 2016           | 2015         | Operating income and operating expenses | Note  | 2016             | 2015             |
| 0              | 0            | Operating income                        | 2     | 827 822          | 1 755 411        |
| 13 400         | 0            | Other operating income                  | 2     | 70 291           | 29 433           |
| <b>13 400</b>  | <b>0</b>     | <b>Total operating income</b>           |       | <b>898 113</b>   | <b>1 784 844</b> |
| 1 829          | 0            | Payroll expenses                        | 3     | 315 342          | 385 846          |
| 0              | 0            | Depreciation                            | 4     | 196 013          | 188 407          |
| 0              | 0            | Write-down fixed assets                 | 4     | 581 947          | 265 041          |
| 616            | 87           | Other operating expenses                | 3, 19 | 458 950          | 1 184 554        |
| <b>2 446</b>   | <b>87</b>    | <b>Total operating expenses</b>         |       | <b>1 552 252</b> | <b>2 023 848</b> |
| <b>10 954</b>  | <b>-87</b>   | <b>Operating result</b>                 |       | <b>-654 139</b>  | <b>-239 004</b>  |
|                |              | <b>Financial income and expenses</b>    |       |                  |                  |
| 0              | 15 000       | Income from subsidiaries                |       | 0                | 0                |
| 0              | 0            | Income from associated companies        | 5     | 5 428            | 5 548            |
| 1 733          | 441          | Interest income from subsidiaries       | 19    | 0                | 0                |
| 196            | 139          | Interest income                         |       | 124 489          | 5 575            |
| 0              | 0            | Other financial income                  |       | 65 159           | 157 496          |
| 0              | 0            | Write-down financial fixed assets       |       | 472              | 0                |
| 6 881          | 6 888        | Interest expenses to subsidiaries       | 19    | 0                | 0                |
| 0              | 0            | Interest expenses                       |       | 219 445          | 230 717          |
| 1              | 1            | Other financial expenses                |       | 118 218          | 147 572          |
| <b>-4 953</b>  | <b>8 691</b> | <b>Financial result</b>                 |       | <b>-143 059</b>  | <b>-209 671</b>  |
| <b>6 002</b>   | <b>8 604</b> | <b>Result before tax</b>                |       | <b>-797 198</b>  | <b>-448 675</b>  |
| 2 010          | 1 116        | Tax on ordinary result                  | 16    | 193 525          | -42 193          |
| <b>3 991</b>   | <b>7 488</b> | <b>Profit for the year</b>              |       | <b>-990 723</b>  | <b>-406 482</b>  |
| 0              | 0            | Minority share                          |       | -16 195          | -131 521         |
|                |              | <b>Brought forward</b>                  |       |                  |                  |
| 3 679          | 10 000       | Dividend                                | 11    | 3 679            | 10 000           |
| 312            | 0            | To other equity                         | 11    | 0                | 0                |
| 0              | 2 512        | From other equity                       | 11    | 994 402          | 431 482          |
| <b>3 991</b>   | <b>7 488</b> | <b>Net brought forward</b>              |       | <b>-990 723</b>  | <b>-406 482</b>  |

# Balance sheet

## Taubåtkompaniet AS

Figures in 1 000 NOK

| Parent company |                |  |          | Group            |                  |
|----------------|----------------|--|----------|------------------|------------------|
| 2016           | 2015           | Assets   | Note     | 2016             | 2015             |
|                |                | <b>Fixed assets</b>                                |          |                  |                  |
|                |                | <b>Intangible assets</b>                           |          |                  |                  |
| 0              | 0              | Concessions, patents etc                           | 4        | 1 500            | 1 500            |
| 12 240         | 14 250         | Deferred tax asset                                 | 16       | 68 768           | 270 735          |
| <b>12 240</b>  | <b>14 250</b>  | <b>Total intangible assets</b>                     |          | <b>70 268</b>    | <b>272 235</b>   |
|                |                | <b>Tangible fixed assets</b>                       |          |                  |                  |
| 0              | 0              | Buildings and land                                 | 4        | 8 905            | 9 618            |
| 0              | 0              | Fictures and fitting etc.                          | 4        | 22 829           | 8 062            |
| 0              | 0              | Vessels and barges                                 | 4, 17    | 2 700 391        | 3 152 167        |
| 0              | 0              | Helicopters  | 4, 17    | 125 383          | 112 581          |
| 0              | 0              | Newbuilding contracts                              | 4        | 0                | 304 677          |
| <b>0</b>       | <b>0</b>       | <b>Total tangible fixed assets</b>                 |          | <b>2 857 507</b> | <b>3 587 105</b> |
|                |                | <b>Financial fixed assets</b>                      |          |                  |                  |
| 112 159        | 112 159        | Investments in subsidiaries                        | 5        | 0                | 0                |
| 28 850         | 25 000         | Loans to group companies                           | 15       | 0                | 0                |
| 0              | 0              | Investments in associated comp. and joint ventures | 5        | 15 610           | 10 182           |
| 0              | 0              | Loans to associated companies and joint ventures   | 8        | 1 485            | 2 309            |
| 0              | 0              | Investments in shares                              | 6        | 1 933            | 3 455            |
| 0              | 0              | Other receivables                                  | 3, 8, 12 | 28 996           | 22 028           |
| <b>141 009</b> | <b>137 159</b> | <b>Total financial fixed assets</b>                |          | <b>48 024</b>    | <b>37 973</b>    |
| <b>153 249</b> | <b>151 410</b> | <b>Total fixed assets</b>                          |          | <b>2 975 799</b> | <b>3 897 313</b> |
|                |                | <b>Current assets</b>                              |          |                  |                  |
| 0              | 0              | Inventories  | 9, 17    | 15 114           | 22 282           |
|                |                | <b>Receivables</b>                                 |          |                  |                  |
| 0              | 0              | Trade receivables                                  | 7, 17    | 228 751          | 213 917          |
| 1 944          | 0              | Trade receivables to subsidiaries                  | 15, 17   | 0                | 0                |
| 4 664          | 3 887          | Other receivables                                  |          | 238 595          | 852 536          |
| <b>6 608</b>   | <b>3 887</b>   | <b>Total receivables</b>                           |          | <b>467 345</b>   | <b>1 066 453</b> |
|                |                | <b>Investments</b>                                 |          |                  |                  |
| 0              | 0              | Bonds  |          | 357              | 350              |
| <b>0</b>       | <b>0</b>       | <b>Total investments</b>                           |          | <b>357</b>       | <b>350</b>       |
| 329            | 4              | Cash and bank deposits                             | 17, 18   | 371 952          | 501 180          |
| <b>6 937</b>   | <b>3 891</b>   | <b>Total current assets</b>                        |          | <b>854 768</b>   | <b>1 590 264</b> |
| <b>160 187</b> | <b>155 301</b> | <b>Total assets</b>                                |          | <b>3 830 568</b> | <b>5 487 576</b> |

**Balance sheet**  
**Taubåtkompaniet AS**  
**Figures in 1 000 NOK**

| Parent company |                |  | Group  |                  |                  |
|----------------|----------------|--|--------|------------------|------------------|
| 2016           | 2015           |  | Note   | 2016             | 2015             |
|                |                | <b>Equity and liabilities</b>            |        |                  |                  |
|                |                | <b>Restricted equity</b>                 |        |                  |                  |
| 1 250          | 1 200          | Share capital                            | 10, 11 | 1 250            | 1 200            |
| 4 080          | 4 080          | Share premium                            | 11     | 4 080            | 4 080            |
| <u>5 330</u>   | <u>5 280</u>   | <b>Total restricted equity</b>           |        | <u>5 330</u>     | <u>5 280</u>     |
|                |                | <b>Retained earnings</b>                 |        |                  |                  |
| 584            | 272            | Other equity                             | 11     | 208 182          | 1 210 773        |
| <u>584</u>     | <u>272</u>     | <b>Total retained earnings</b>           |        | <u>208 182</u>   | <u>1 210 773</u> |
| <u>5 914</u>   | <u>5 552</u>   | <b>Total equity</b>                      |        | <u>213 512</u>   | <u>1 216 053</u> |
| 0              | 0              | Minority share                           |        | -4 312           | 49 697           |
|                |                | <b>Liabilities</b>                       |        |                  |                  |
|                |                | <b>Provisions</b>                        |        |                  |                  |
| 0              | 0              | Deferred tax                             | 16     | 0                | 10 254           |
| <u>0</u>       | <u>0</u>       | <b>Total provisions</b>                  |        | <u>0</u>         | <u>10 254</u>    |
|                |                | <b>Other long term liabilities</b>       |        |                  |                  |
| 0              | 0              | Bonds                                    | 13, 17 | 1 858 560        | 2 104 340        |
| 0              | 0              | Liabilities to financial institutions    | 13, 17 | 1 527 231        | 1 725 783        |
| 148 732        | 139 721        | Liabilities to subsidiaries              | 15     | 0                | 0                |
| <u>148 732</u> | <u>139 721</u> | <b>Total other long term liabilities</b> |        | <u>3 385 791</u> | <u>3 830 123</u> |
|                |                | <b>Current liabilities</b>               |        |                  |                  |
| 713            | 0              | Trade creditors                          |        | 85 349           | 163 172          |
| 0              | 0              | Tax payable                              | 16     | 776              | 950              |
| 0              | 0              | Public duties payable                    |        | 13 201           | 14 411           |
| 3 679          | 10 000         | Dividends                                |        | 3 679            | 10 000           |
| 301            | 0              | Other short term liabilities             |        | 128 260          | 242 613          |
| <u>5 540</u>   | <u>10 028</u>  | <b>Total short term liabilities</b>      |        | <u>231 265</u>   | <u>431 146</u>   |
| <u>154 273</u> | <u>149 749</u> | <b>Total liabilities</b>                 |        | <u>3 617 056</u> | <u>4 271 523</u> |
| <u>160 187</u> | <u>155 301</u> | <b>Total liabilities and equity</b>      |        | <u>3 830 568</u> | <u>5 487 576</u> |

Trondheim, 30 May 2017

  
 Ole T. Bjørnevik  
 Chairman of the Board

# Taubåtkompaniet AS - group

## Cash flow statement

Figures in 1 000 NOK

| Parent company |               |  | Group        |                 |
|----------------|---------------|--|--------------|-----------------|
| 2015           | 2016          |  | 2016         | 2015            |
|                |               | <b>Cash flow from operating activities</b>     |              |                 |
| 8 604          | 6 002         | Profit before income taxes                     | -797 198     | -448 675        |
| 0              | 0             | Gain on investments in associated companies    | -5 428       | -5 548          |
| -15 000        | 0             | Gain on investments in subsidiaries            | 0            | 0               |
| 0              | 0             | Income tax payable                             | -2 169       | -12 452         |
| 0              | 0             | Depreciation and write-down                    | 777 960      | 453 449         |
| 0              | 0             | Gain on sale of tangible fixed assets          | 4 933        | -325            |
| 0              | 0             | Gain on sale of financial fixed assets         | 90           | 25              |
| 0              | 0             | Currency gain/-loss                            | 0            | 23 811          |
| 0              | 0             | Changes in inventories                         | 7 168        | -7 446          |
| 0              | 0             | Changes in trade receivables                   | -14 834      | 185 920         |
| -1 489         | -777          | Changes in other receivables                   | 632 441      | 2 076           |
| 0              | 713           | Changes in trade creditors                     | -77 823      | -105 471        |
| 16 991         | 4 036         | Changes in receivables from subsidiaries       | 0            | 0               |
| -7             | 301           | Changes in other short-term liabilities        | -49 905      | 51 777          |
| <b>9 099</b>   | <b>10 275</b> | <b>Net cash flow from operating activities</b> | <b>A</b>     | <b>475 235</b>  |
|                |               | <b>Cash flow from investing activities</b>     |              |                 |
|                |               | <b>Investing activities</b>                    |              |                 |
| 0              | 0             | Sale of tangible fixed assets                  | 10 701       | 1 050           |
| 0              | 0             | Purchase of tangible fixed assets              | -107 105     | -444 189        |
| 0              | 0             | Sale of financial fixed assets                 | 960          | 0               |
| 0              | 0             | Purchase of financial fixed assets             | -58 000      | -16 434         |
| 0              | 0             | Changes in other investments                   | -8           | 0               |
| <b>0</b>       | <b>0</b>      | <b>Net cash flow from investing activities</b> | <b>B</b>     | <b>-153 452</b> |
|                |               | <b>Cash flow from financing activities</b>     |              |                 |
| 0              | 0             | Raised long term liabilities                   | 42 909       | 627 355         |
| 0              | 0             | Paid in long term liabilities                  | -483 971     | -499 995        |
| -9 100         | -10 000       | Dividends                                      | -10 000      | -9 100          |
| 0              | 50            | Paid in equity                                 | 50           | 61 000          |
| <b>-9 100</b>  | <b>-9 950</b> | <b>Net cash flow from financing activities</b> | <b>C</b>     | <b>-451 012</b> |
| -1             | 325           | Net changes in cash and cash equivalents       | <b>A+B+C</b> | <b>-129 228</b> |
| 5              | 4             | Cash and cash equivalent at 01.01              |              | <b>501 180</b>  |
| <b>4</b>       | <b>329</b>    | <b>Cash and cash equivalents at 31.12</b>      |              | <b>371 952</b>  |



## **Note 1      Accounting principles**

The financial statement have been prepared in accordance with the Norwegian Accounting Act of 1998 and Generally Accepted Accounting Principles in Norway.

### **Consolidation principles**

The consolidated financial statement comprises Taubåtkompaniet 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. Accounts receivable that mature within one year are 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 valued 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**

Liquid funds and debt in foreign currency are converted to 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.

### **Inventories**

Inventories are recognised at the lowest of purchase cost and net sales value.

### **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.

### **Bank deposits, cash, etc.**

Bank deposits, cash, etc includes cash, bank deposits and other forms of payment which mature less than three months from the acquisition date.

### **Revenue**

#### *On sale of goods:*

Revenues from the sale of goods are recognised in the income statement once delivery has taken place and most of the risk and control has been transferred to the customer, normally on delivery to the customer. Revenues are booked at the net sales value at the time of the transaction.

#### *On sale of services:*

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.

### **Pension**

#### *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.

Tax expenses consist of tax payable (tax on financial income for the year) and changes in deferred taxes. Tax expenses are divided between ordinary returns and returns from extraordinary items according to the tax base. Deferred tax and deferred tax assets are presented net in 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 or amortization has been paid to financial creditors in the Boa Offshore 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 are based on this. All assets and liabilities are assessed based on the assumption of continued operations.

**Miscellaneous**

All numbers are presented in 1 000 NOK.

**Note 2 Revenues****Group**

| <b>Per business area</b> | <b>2016</b>    | <b>2015</b>      |
|--------------------------|----------------|------------------|
| Shipping activities      | 795 822        | 1 682 792        |
| Helicopter/planes        | 102 291        | 102 052          |
| <b>Total</b>             | <b>898 113</b> | <b>1 784 844</b> |

**Note 3 Personnel expenses, number of employees, employee loans, etc.****Group**

|  | <b>2016</b>    | <b>2015</b>    |
|--|----------------|----------------|
| Salaries                                   | 248 740        | 301 851        |
| Employer's national insurance contribution | 14 352         | 20 508         |
| Pension contribution                       | 8 087          | 5 812          |
| Other personnel expenses                   | 10 855         | 11 412         |
| Hired in staff                             | 33 309         | 46 263         |
| <b>Total personnel costs</b>               | <b>315 343</b> | <b>385 846</b> |

|                                     |     |     |
|-------------------------------------|-----|-----|
| Number of man-labour years employed | 395 | 454 |
|-------------------------------------|-----|-----|

| <b>Management remuneration</b> | <b>Salary</b> | <b>Other</b> |
|--------------------------------|---------------|--------------|
| CEO                            | 873           | 15           |
| Board of Directors             |               | 257          |

**Loan and securities to shareholders, management personnel and employees**

|                 | <b>Amount</b> | <b>Interest rate</b> | <b>Securities</b>  |
|-----------------|---------------|----------------------|--------------------|
| Employees       | 43 024        | 0 - 4 %              | Real estate/shares |
| Related parties | 7 678         | 4 %                  | Shares             |

| <b>Auditor</b>           | <b>Group</b> | <b>Parent company</b> |
|--------------------------|--------------|-----------------------|
| Deloitte, audit          | 1 177        | 41                    |
| Deloitte, other services | 340          | 2                     |
| Deloitte, lawyer         | 200          |                       |
| <b>Total</b>             | <b>1 716</b> | <b>43</b>             |

**Note 4 Fixed assets****Group****Intangible assets**

|                             |              |
|-----------------------------|--------------|
| Acc. cost on Jan. 1         | 1 000        |
| Additions                   | 500          |
| Disposals                   | 0            |
| <b>Acc. cost on Dec. 31</b> | <b>1 500</b> |

|                                     |          |
|-------------------------------------|----------|
| Acc. depreciation on Jan. 1         | 0        |
| Depreciation current year           | 0        |
| Write-down current year             | 0        |
| <b>Acc. depreciation on Dec. 31</b> | <b>0</b> |

|                              |              |
|------------------------------|--------------|
| <b>Book value on Dec. 31</b> | <b>1 500</b> |
|------------------------------|--------------|

|                             | Vessels and barges | Ships under construction | Helicopters    | Fictures and fitting | Property      | Total            |
|-----------------------------|--------------------|--------------------------|----------------|----------------------|---------------|------------------|
| Acc. cost on Jan. 1         | 4 411 541          | 441 385                  | 130 204        | 16 837               | 18 029        | 5 017 997        |
| Transfers                   | 410 174            | -470 120                 | 0              | 13 000               | 0             | -46 946          |
| Additions                   | 54 204             | 28 735                   | 22 017         | 5 654                | 0             | 110 610          |
| Disposals                   | -14 670            | 0                        | -5 000         | -1 700               | 0             | -21 370          |
| <b>Acc. cost on Dec. 31</b> | <b>4 861 249</b>   | <b>0</b>                 | <b>147 221</b> | <b>33 791</b>        | <b>18 029</b> | <b>5 060 291</b> |

|                                     |                  |          |               |               |              |                  |
|-------------------------------------|------------------|----------|---------------|---------------|--------------|------------------|
| Acc. depreciation on Jan. 1         | 1 259 375        | 136 708  | 17 622        | 8 776         | 8 412        | 1 430 892        |
| Transfers                           | 136 708          | -136 708 | 0             | 0             | 0            | 0                |
| Acc. depreciation disposals         | -4 952           | 0        | -897          | -219          | 0            | -6 068           |
| Depreciation current year           | 187 781          | 0        | 5 114         | 2 405         | 713          | 196 013          |
| Write-down current year             | 581 947          | 0        | 0             | 0             | 0            | 581 947          |
| <b>Acc. depreciation on Dec. 31</b> | <b>2 160 859</b> | <b>0</b> | <b>21 840</b> | <b>10 962</b> | <b>9 125</b> | <b>2 202 785</b> |

|                              |                  |          |                |               |              |                  |
|------------------------------|------------------|----------|----------------|---------------|--------------|------------------|
| <b>Book value on Dec. 31</b> | <b>2 700 391</b> | <b>0</b> | <b>125 383</b> | <b>22 829</b> | <b>8 905</b> | <b>2 857 507</b> |
|------------------------------|------------------|----------|----------------|---------------|--------------|------------------|

|                       |             |              |             |          |
|-----------------------|-------------|--------------|-------------|----------|
| Economic life         | 27-30 years | 8 - 10 years | 3 - 6 years | 20 years |
| Depreciation schedule | Linear      | Linear       | Linear      | Linear   |

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

**Note 5 Shareholdings in subsidiaries, associated companies and joint ventures**

| <b>Group</b>                           | <b>Year of Office<br/>aquisition address</b> |                | <b>Share</b> | <b>Equity<br/>31.12.16</b> | <b>Results 2016</b> |
|--|--|----------------|--------------|----------------------------|---------------------|
| <b>Subsidiaries (Norwegian)</b>        |  |                |              |                            |                     |
| Boa Offshore AS                        | 1979   | Trondheim      | 100 %        | 31 552                     | -1 051 942          |
| T.A. Kittilsen Shipping AS             | 1998   | Brevik         | 100 %        | 7 129                      | 202                 |
| Boa Shipping AS                        | 2000   | Trondheim      | 100 %        | -440 074                   | -493 854            |
| Boa Eiendom AS                         | 2000   | Trondheim      | 100 %        | -9 281                     | -38 772             |
| Boa OCV AS                             | 2002   | Trondheim      | 100 %        | 192 316                    | -132 975            |
| Boa SBL AS                             | 2008   | Trondheim      | 100 %        | 205 399                    | -46 742             |
| Boa Barges AS                          | 2008   | Trondheim      | 100 %        | 333 151                    | 54 555              |
| Boa Tugs AS                            | 2008   | Trondheim      | 100 %        | 49 779                     | -77 200             |
| Boa Investment AS                      | 2006   | Trondheim      | 100 %        | 18 241                     | -4 965              |
| Nordenfjeldske Luftfart AS             | 2006   | Trondheim      | 100 %        | 67 496                     | 7 443               |
| Helitrans AS                           | 2006   | Stjørdal       | 100 %        | 8 449                      | -6 712              |
| Boa PSV AS                             | 2011   | Trondheim      | 100 %        | 102 167                    | 110 468             |
| NFDS Offshore 1 AS                     | 2012   | Trondheim      | 100 %        | -20 019                    | -294 238            |
| NFDS Offshore 2 AS                     | 2014   | Trondheim      | 94 %         | 2 702                      | -254 795            |
| Det Nordenfjeldske Dampskibsselskab AS | 2012   | Trondheim      | 99 %         | -126                       | -5 825              |
| Nye Kystlink AS                        | 2012   | Trondheim      | 100 %        | -17 036                    | -11 705             |
| Boa IMR AS                             | 2014   | Trondheim      | 63 %         | 91 695                     | -3 161              |
| <b>Subsidiaries (foreign)</b>          |  |                |              |                            |                     |
| Rederi AB                              | 2005   | Sverige        | 100 %        | 954                        | -40                 |
| Boa Marine S.A                         | 2006   | Gdynia i Polen | 100 %        | 194                        | 149                 |
| Boa Offshore LLC                       | 2008   | USA            | 100 %        | -25 190                    | -13 945             |
| Boa Tugs AB                            | 2011   | Sverige        | 100 %        | 9                          | -117                |
| Boa Barges LLC                         | 2015   | USA            | 100 %        | 403                        | 896                 |
| Boa Marine Management LLC              | 2016   | USA            | 100 %        | 1 345                      | 1 295               |
| Boa Marine LLC                         | 2016   | USA            | 100 %        | 2 481                      | 2 387               |
| <b>Associated companies</b>            |  |                |              |                            |                     |
| Royal Garden Invest AS                 | 2003   | Trondheim      | 25 %         | 414                        | 2 230               |
| Fremo Næringspark AS                   | 2007   | Trondheim      | 28 %         | 15 585                     | 300                 |
| Perpetual AS                           | 2014   | Trondheim      | 50 %         | 4 146                      | -112                |
| KS Royal Garden Invest                 | 2003   | Trondheim      | 23 %         | 50 329                     | 23 776              |

Associated companies and joint ventures are valued in accordance with the equity method in the consolidated accounts.

**Associated companies**

|                              | Fremo                |                         | KS Royal                       |                         | Total         |
|------------------------------|----------------------|-------------------------|--------------------------------|-------------------------|---------------|
|                              | Perpetual AS<br>50 % | Nærings-park AS<br>28 % | Royal Garden Invest AS<br>25 % | Garden Invest<br>22,5 % |               |
| Acquisition costs            | 15                   | 4 800                   | 25                             | 8 775                   | 13 615        |
| Book value Jan. 1            | 0                    | 4 208                   | 0                              | 5 974                   | 10 182        |
| Share of current year result | 0                    | 83                      | 0                              | 5 350                   | 5 433         |
| Additions/disposals          | 0                    | 0                       | 0                              | 0                       | 0             |
| Adjustments to equity        | 0                    | -4                      | 0                              | 0                       | -4            |
| <b>Book value Dec. 31</b>    | <b>0</b>             | <b>4 208</b>            | <b>0</b>                       | <b>11 324</b>           | <b>15 610</b> |

**Total share of current year result and book value at Dec. 31 in associated companies and joint ventures**

|                                       | Year result  | Book value    |
|---------------------------------------|--------------|---------------|
| Associated companies this year result | 5 432        | 15 610        |
| Associated companies corrections      | -4           | 0             |
| Associated companies loss from sale   | 0            | 0             |
| <b>Total</b>                          | <b>5 428</b> | <b>15 610</b> |

**Note 6 Other shares and bonds**

| Group Company                | Share  | Acq. costs   | Book value   | Market value |
|------------------------------|--------|--------------|--------------|--------------|
| Midnor Bestik                | 0,5 %  | 10           | 10           | 10           |
| Åfjord Sparebank             |        | 1 974        | 1 502        | 1 502        |
| EMGS ASA                     |        | 135          | 4            | 4            |
| Nio Inc                      |        | 10           | 0            | 0            |
| Åfjord Utvikling AS          | 3,0 %  | 6            | 6            | 6            |
| Trondheim Maritime Senter AS | 12,5 % | 161          | 161          | 0            |
| Taklift AS                   | 10,2 % | 250          | 250          | 250          |
| <b>Total</b>                 |        | <b>3 596</b> | <b>3 455</b> | <b>3 294</b> |

**Note 7 Accounts receivable**

The group's accounts receivable are recorded at nominal value, reduced by the provision for bad debts by NOK 120 648 363,-.

**Note 8 Long-term receivables****Group**

|  | 2016   | 2015   |
|--|--------|--------|
| Receivables against associated companies | 1 485  | 2 309  |
| Other long-term receivables              | 28 996 | 22 028 |

**Note 9 Inventory**

The bunker inventory was scanned on December 31, 2016. Inventory is valued at the lowest of purchase cost and bunker market price on the balance sheet date.

**Note 10 Shareholder information**

| <b>Shareholders</b> | <b>Shares</b> | <b>Class</b> | <b>Equity share</b> | <b>Voting share</b> |
|---------------------|---------------|--------------|---------------------|---------------------|
| Ole T. Bjørnevik    | 728           | A            | 72,8 %              | 100 %               |
| Boa 1 AS            | 68            | B            | 6,8 %               | 0 %                 |
| Boa 2 AS            | 68            | B            | 6,8 %               | 0 %                 |
| Boa 3 AS            | 68            | B            | 6,8 %               | 0 %                 |
| Boa 4 AS            | 68            | B            | 6,8 %               | 0 %                 |
| <b>Total</b>        | <b>1 000</b>  |              | <b>100 %</b>        | <b>100 %</b>        |

The parent company's share capital is NOK 1.250.000, distributed among 1 000 shares of par value NOK 1 250.

**Note 11 Shareholder's equity**

| <b>Parent company</b>         | <b>Share capital</b> | <b>Share premium</b> | <b>Other equity</b> | <b>Total equity</b> |
|-------------------------------|----------------------|----------------------|---------------------|---------------------|
| Book equity on Jan. 1         | 1 200                | 4 080                | 272                 | 5 552               |
| Dividend                      | -                    | -                    | -3 679              | -3 679              |
| Paid in capital               | 50                   | -                    | -                   | 50                  |
| Year result                   | -                    | -                    | 3 991               | 3 991               |
| <b>Book equity on Dec. 31</b> | <b>1 250</b>         | <b>4 080</b>         | <b>584</b>          | <b>5 914</b>        |

|                               | <b>Share capital</b> | <b>Other premium</b> | <b>equity</b>  | <b>Total equity</b> |
|-------------------------------|----------------------|----------------------|----------------|---------------------|
| Book equity on Jan. 1         | 1 200                | 4 080                | 1 210 773      | 1 216 053           |
| Year result                   | 0                    | 0                    | -990 723       | -990 723            |
| Conversion differences        | 0                    | 0                    | -950           | -950                |
| Dividend                      | 0                    | 0                    | -3 679         | -3 679              |
| Paid in capital               | 50                   | 0                    | 0              | 50                  |
| Other changes                 | 0                    | 0                    | -12 560        | -12 560             |
| Corr. due to change of princ. | 0                    | 0                    | 5 321          | 5 321               |
| <b>Book equity on Dec. 31</b> | <b>1 250</b>         | <b>4 080</b>         | <b>208 182</b> | <b>213 512</b>      |



**Note 12 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**

|   | <b>2016</b>  | <b>2015</b>  |
|---|--------------|--------------|
| 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          |
| <b>Net costs after employer's contribution</b>  | <b>3 750</b> | <b>2 951</b> |

**Pension obligation**

|  | <b>2016</b>  | <b>2015</b>  |
|--|--------------|--------------|
| 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        |
| <b>Net pension funds</b>                 | <b>4 193</b> | <b>4 885</b> |

**Financial assumptions**

|  | <b>2016</b> | <b>2015</b> |
|--|-------------|-------------|
| 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 %         |
| Voluntary resignation after the age of 40  | 0,0 %       | 0 %         |

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

**Note 13 Long-term debts**

Instalment profile:

|             | 2017    | 2018      | 2019      | 2020    | 2021   | →       |
|-------------|---------|-----------|-----------|---------|--------|---------|
| Instalments | 315 096 | 1 101 334 | 1 061 952 | 417 727 | 75 064 | 446 119 |

**Note 15 Intercompany balances**

Parent company

| Long-term liabilities | 2016           | 2015           |
|-----------------------|----------------|----------------|
| Boa Offshore AS       | 148 732        | 139 721        |
| <b>Total</b>          | <b>148 732</b> | <b>139 721</b> |

| Long-term receivables | 2016          | 2015          |
|-----------------------|---------------|---------------|
| Boa Investment AS     | 24 921        | 25 000        |
| Boa Eiendom AS        | 3 929         | 0             |
| <b>Total</b>          | <b>28 850</b> | <b>25 000</b> |

**Note 16 Taxes****Parent company**

| <b>Tax expenses current year:</b> | <b>2016</b>  | <b>2015</b>  |
|-----------------------------------|--------------|--------------|
| Changes in deferred taxes         | 2 010        | 1 116        |
| Payable taxes                     | -            | 0            |
| <b>Tax expenses in P&amp;L</b>    | <b>2 010</b> | <b>1 116</b> |

| <b>Changes in deferred taxes:</b> | <b>2016</b> | <b>2015</b> |
|-----------------------------------|-------------|-------------|
| Tax losses carried forward        | -51 000     | -57 002     |
| Net tax asset (liability)         | -51 000     | -57 002     |
| Net deferred tax at 24% (25%)     | -12 240     | -14 250     |

**Group**

| <b>Tax expenses current year:</b> | <b>2016</b>    | <b>2015</b>    |
|-----------------------------------|----------------|----------------|
| Changes in deferred taxes         | 27             | -42 549        |
| Payable taxes                     | 1 807          | 793            |
| Tonnage tax                       | 178            | 157            |
| Corrections prior year            | -173           | -593           |
| Write-down deferred tax asset     | 191 685        |                |
| <b>Tax expenses in P&amp;L</b>    | <b>193 525</b> | <b>-21 389</b> |

| <b>Taxes payable in balance sheet:</b> | <b>2016</b> | <b>2015</b> |
|--|-------------|-------------|
| Calculated tonnage tax                 | 178         | 157         |
| Taxes payable                          | 598         | 793         |
| <b>Taxes payable in balance sheet</b>  | <b>776</b>  | <b>950</b>  |

**Calculation of tax base for the year**

| <b>ordinary taxation:</b>     | <b>2016</b>     | <b>2015</b>     |
|-------------------------------|-----------------|-----------------|
| Result before taxes           | -680 402        | -456 660        |
| Permanent differences         | 45 239          | 271 345         |
| Changes in timing differences | 295 296         | -34 637         |
| <b>Tax base for the year</b>  | <b>-339 867</b> | <b>-219 952</b> |

**Calculation of tax base for the year**

| <b>shipping taxation:</b>    | <b>2016</b>   | <b>2015</b>    |
|------------------------------|---------------|----------------|
| Profit and loss account      | 2 350         | 2 937          |
| Financial result             | -18 031       | -54 034        |
| Loss carried forward used    | 6 700         | 0              |
| <b>Tax base for the year</b> | <b>-8 981</b> | <b>-51 097</b> |

| <b>Deferred tax change:</b>              | <b>2016</b>     | <b>2015</b>       |
|--|-----------------|-------------------|
| Fixed assets                             | -242 169        | -53 986           |
| Inventories                              | -1 564          | -2 951            |
| Receivables                              | -48 394         | -48 053           |
| Profit and loss account                  | 76 645          | 95 356            |
| Short-term liabilities                   | 10 512          | 8 333             |
| Tax losses carried forward               | -1 608 190      | -1 162 144        |
| Share in KS company                      | 16 852          | -16 254           |
| Total                                    | -1 796 308      | -1 179 700        |
| Deferred tax benefit not recorded        | 1 509 773       | 137 778           |
| <b>Base for calculating deferred tax</b> | <b>-286 535</b> | <b>-1 041 922</b> |

|                                      |                |                 |
|--------------------------------------|----------------|-----------------|
| <b>Net deferred tax at 24% (25%)</b> | <b>-68 768</b> | <b>-260 481</b> |
|--------------------------------------|----------------|-----------------|

**Note 17 Pledges and guarantees, etc.****Group**

| <b>Book debt secured by pledge:</b> | <b>2016</b>      | <b>2015</b>      |
|-------------------------------------|------------------|------------------|
| Debts to credit institutions        | 2 853 141        | 3 171 220        |
| Accrued interest                    | 32 614           | 28 526           |
| <b>Total</b>                        | <b>2 885 755</b> | <b>3 199 745</b> |

| <b>Book value of pledged assets</b> | <b>2016</b>      | <b>2015</b>      |
|-------------------------------------|------------------|------------------|
| Bank deposits                       | 271 683          | 420 103          |
| Accounts receivable                 | 45 118           | 39 822           |
| Ships                               | 2 907 195        | 3 506 242        |
| Shares/bonds                        | 509 989          | 1 032 990        |
| Group receivables                   | 692 000          | 647 819          |
| Inventories                         | 26 523           | 35 645           |
| <b>Total</b>                        | <b>4 452 508</b> | <b>5 682 621</b> |

|                       |           |           |
|-----------------------|-----------|-----------|
| Guarantee liabilities | 1 242 990 | 1 069 403 |
|-----------------------|-----------|-----------|

Taubåtkompaniet AS has provided jointly and severally security (as guarantor) to the subsidiaries, limited to NOK 900 619 2

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

**Note 18 Bank deposits**

| <b>Restricted deposits</b> | <b>2016</b>   | <b>2015</b>   |
|----------------------------|---------------|---------------|
| Employees' tax deduction   | 61 162        | 8 622         |
| Other restricted deposits  | 0             | 53 221        |
| <b>Total</b>               | <b>61 162</b> | <b>61 843</b> |

**Note 19 Intercompany transactions**

The controlling owner of the company is Ole T Bjørnevik.

Management remunerations are mentioned in note 3, and the outstanding accounts with group companies are mentioned in note 15. Mortgages and guarantees are mentioned in note 17.

**Parent company**

| <b>Operating transactions:</b>                    | <b>2016</b>   | <b>2015</b>   |
|---|---------------|---------------|
| Services  |               |               |
| - Subsidiaries                                    | 13 400        | 0             |
| <b>Total income from operating transactions</b>   | <b>13 400</b> | <b>0</b>      |
| Services  |               |               |
| - Subsidiaries                                    | 1 703         | 18            |
| <b>Total expenses from operating transactions</b> | <b>1 703</b>  | <b>18</b>     |
| <b>Finance transactions:</b>                      |               |               |
| Interest income                                   |               |               |
| - Subsidiaries                                    | 112           | 441           |
| Income from guarantee commission                  |               |               |
| - Subsidiaries                                    |               | -             |
| Dividend  |               |               |
| - Subsidiaries                                    | -             | 15 000        |
| <b>Total income from finance transactions</b>     | <b>15 441</b> | <b>15 294</b> |
| Interest expense                                  |               |               |
| - Subsidiaries                                    | 6 881         | 6 888         |
| <b>Total expenses from finance transactions</b>   | <b>6 881</b>  | <b>6 888</b>  |

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 Taubåtkompaniet AS

## INDEPENDENT AUDITOR'S REPORT

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Taubåtkompaniet AS showing a profit of NOK 3 991 000 in the financial statements of the parent company and loss of NOK 990 723 000 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 Taubåtkompaniet 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 allocation of the profit 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, 31 May 2017  
Deloitte AS



Jon Bjørnaas  
State Authorised Public Accountant

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