



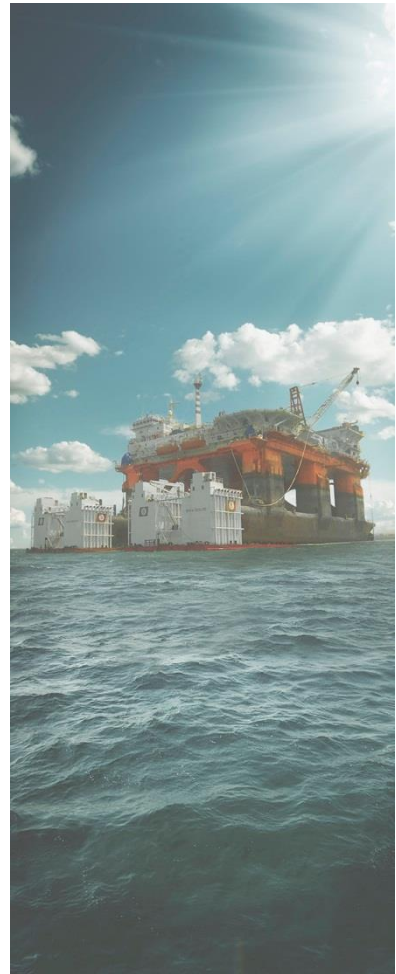
BOA

Annual Report

Boa SBL AS

2016

Org.nr. 990 899 576



BOA SBL AS

BOARD'S ANNUAL REPORT FOR 2016

Nature and location of activities:

The company owns and charters out two special built vessels for EM Technology "Boa Thalassa" and "Boa Galatea". The main office of the company is located in Trondheim. Management of the vessel is performed by Boa Offshore AS.

Work environment:

The company does not have any employees. Seafaring personnel and management services are hired from Boa Offshore AS. Boa Offshore AS has been responsible for the management and administration of the company. The Board is of the opinion that the work environment on board the vessels are good. Absence due to sick leave on board the vessels has been low and there was no serious accidents on board in 2016.

Equal opportunity:

The work force is dominated by men, but there are several positions filled by women. It has proven difficult to find women with the required qualifications and experience to apply for work in a maritime-related job on this type of vessel.

Health, safety, the environment and quality:

The goal of the company's health, safety, environment and quality policy is embedded in the quality control system of Boa Offshore AS. There were no serious personal injuries among hired personnel in 2016.

External environment:

The operation of a vessel includes a certain risk for spillage of marine diesel oil products. However, no abnormal spillage has been recorded from the vessels in 2016 that follow laid down procedures when bunkering of diesel and other potential contaminating liquids.

The board is not aware of any non-compliance with government requirements regarding the pollution of the environment.

Continued operation:

To ensure continued operation in the company, a proposal for restructuring was initiated in November 2016 as a part of a larger restructuring for the Boa Group. This also includes Boa SBL AS. The proposal is presented to and discussed with the company's financial creditors and the process is ongoing. In understanding with the creditors, no interest or amortisation has been paid since the process was initiated. The company continue to operate normally in all material respects and continue to honor all its external suppliers and trade creditors. As of 31.12.16 Boa SBL AS is in breach with financial covenants.

Based on the necessary restructuring there is uncertainty about continued operations. However, the Board expects that a solution will be in place, and the presentation of the accounts are based on this. All assets and liabilities are assessed on the basis that the continued operating condition is present.

The board's assessment is that the conditions for continued operation has been complied with, and the accounts have been presented under this assumption.

Review of annual accounts:

Operating profit for the company in 2016 was MNOK -46.7 (MNOK 57.6). In 2016, ship value impairment losses of 28.1 mNOK were made. The Board is of the opinion that in today's market value adjustments are associated with uncertainty.

Net financial expense was MNOK -21.4 (MNOK -17.1).

Annual net profit was MNOK -46.7 (MNOK 39.7).

Total year-end assets were MNOK 613.0 (MNOK 685.2), and the percentage of shareholder's equity on December 31, 2016 was 33.5 % (36.8%).

Financial risk:*Market risk:*

The company is susceptible to changes in currency exchange rates, since a considerable percentage of the company's earnings are in USD. The market risk is reduced somewhat since the company's operating purchases partially also takes place in USD. The company continuously considers entering into currency futures contracts or other agreements to reduce currency risk.

Credit risk:

The company is 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 company's credit risk.

Liquidity risk:

The company's liquidity position of 31.12.2016 is mNOK 47,0. The company is financed by debt and equity. The company has a bond of mNOK 400 listed at Oslo Stock Exchange Nordic ABM with maturity date in April 2018, and outstanding bond amount per 31.12.2016 is mNOK 330. If the company fails to repay or refinance its loan facility, additional equity financing may be required. If the current market conditions persists over time there is no assurance that the company will not experience cash flow shortfall. The company honors all its supplier debt, but will in long term be dependent on a solution with the creditors.

Appropriation of profits:

The annual result for Boa SBL AS were MNOK 46.7. The Board proposes the following disposal:

Transfer from other equity: MNOK 46.7

Events after the balance sheet date:

No events took place after the end of the financial year that would affect the evaluation of the company's profit and loss account or balance sheet.

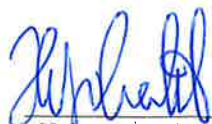
Future development:

The short to medium term outlook for the seismic sector remains challenging and soft due to the fall in oil prices from mid-2014. Exploration seems to be harder hit than the Development part of the E&P value chain when oil companies scale back their E&P investment budgets. The long-term outlook for the offshore seismic sector is still considered to be prospective as global demand for oil and gas continue to grow, and offshore seismic related services will play an important role in finding new reserves and maintain producing reserves.

Towards the end of 2016 a certain up-tick in activity was seen among the traditional seismic players as a result of the recovery in oil prices since the beginning of 2016. In the short term the magnitude of this recovery in seismic related services (including EM seismic) is most likely not sufficient to re-activate the Boa Galatea.

Boa Thalassa and Boa Galatea have been working for EMGS since they were delivered from the yard in 2008 and 2009, respectively. Thalassa is on a firm contract with EMGS until 1st April 2017. In January 2017 EMGS signed a new two year firm contract with commencement 1st October 2017, or earlier in EMGS's option. In addition the new contract includes three 6 months options. The Boa Galatea ended its firm contract with EMGS in January 2016 and remains in lay-up. EMGS has seen a significant deterioration in sales over the last two-three years along with the industry. New potential contracts with EMGS or other seismic companies depend on the magnitude of the oil and gas industry recovery. In addition to the EM seismic segment with EMGS, the SBL vessels can be converted into alternative segments such as accommodation support, Subsea IMR and Survey, lightweight construction and offshore wind-farm support. Most of these segments have deteriorated in line with the industry, others offer some opportunities. However, so far the total economics of converting into alternative segments have not been satisfactory.

Trondheim, 23.05.2017



Helge Kvalvik
Chairman of the Board



Ole T. Bjørnevik
Member of the Board

Income Statement

Boa SBL AS

Operating income and operating expenses	Notes	2016	2015
Operating income	2	<u>51 772 938</u>	<u>165 229 393</u>
Operating income		<u>51 772 938</u>	<u>165 229 393</u>
Operating expenses ships	11	9 610 550	17 870 078
Payroll expenses	11	21 389 429	48 896 473
Depreciation	4	27 540 288	27 247 132
Write down on tangible assets	4	28 100 000	0
Other operating expenses	3, 11	<u>11 850 211</u>	<u>13 579 674</u>
Operating expenses		<u>98 490 478</u>	<u>107 593 357</u>
Operating profit		<u>-46 717 539</u>	<u>57 636 036</u>
Financial income and expenses			
Interest income from group entities	11	7 146 152	6 850 718
Other interest income		35 996	45 353
Other financial income		7 923 015	13 916 175
Interest expense to group entities	11	3 220 037	3 071 776
Other interest expenses		22 717 159	24 945 149
Other financial expenses		<u>10 575 119</u>	<u>9 910 169</u>
Net financial income and expenses		<u>-21 407 152</u>	<u>-17 114 847</u>
Operating result before tax		<u>-68 124 691</u>	<u>40 521 189</u>
Tax on ordinary result	9	-21 382 216	852 436
Operating result after tax		<u>-46 742 474</u>	<u>39 668 753</u>
Annual net profit		<u>-46 742 474</u>	<u>39 668 753</u>
Brought forward			
To other equity	6	-46 742 474	39 668 753
Total brought forward		<u>-46 742 474</u>	<u>39 668 753</u>

Balance sheet

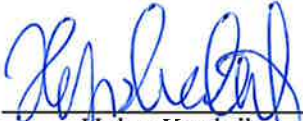
Boa SBL AS

Assets	Notes	2016	2015
Fixed assets			
Intangible fixed assets			
Deferred tax asset	9	32 539 167	11 330 398
Total intangible assets		<u>32 539 167</u>	<u>11 330 398</u>
Tangible fixed assets			
Ships	4, 10	400 614 226	453 423 421
Total tangible fixed assets		<u>400 614 226</u>	<u>453 423 421</u>
Financial fixed assets			
Loans to group companies	8	115 283 438	108 137 286
Total financial fixed assets		<u>115 283 438</u>	<u>108 137 286</u>
Total fixed assets		<u>548 436 832</u>	<u>572 891 105</u>
Current assets			
Inventories		187 864	0
Debtors			
Accounts receivables	10	13 660 226	15 802 861
Loans to group companies	8	924 700	983 346
Other receiveables		2 827 837	3 874 096
Total debtors		<u>17 412 763</u>	<u>20 660 303</u>
Cash and bank deposits	10	46 999 367	91 685 939
Total current assets		<u>64 599 994</u>	<u>112 346 242</u>
Total assets		<u>613 036 825</u>	<u>685 237 347</u>

Balance sheet
Boa SBL AS

Equity	Notes	2016	2015
Restricted equity			
Share capital	5, 6	200 100 000	200 100 000
Share premium reserve	6	14 000	14 000
Total restricted equity		<u>200 114 000</u>	<u>200 114 000</u>
Retained earnings			
Other equity	6	5 284 948	52 027 422
Total retained earnings		<u>5 284 948</u>	<u>52 027 422</u>
 Total equity		 <u>205 398 948</u>	 <u>252 141 422</u>
Liabilities			
Other long term liabilities			
Bonds	7, 10	330 000 000	350 000 000
Liabilities to group companies	8	69 146 716	65 926 679
Total of other long term liabilities		<u>399 146 716</u>	<u>415 926 679</u>
Current liabilities			
Trade creditors		2 356 612	6 660 204
Liabilities to group companies	8	24 396	4 055 735
Other short term liabilities		6 110 154	6 453 308
Total short term liabilities		<u>8 491 162</u>	<u>17 169 246</u>
 Total liabilities		 <u>407 637 878</u>	 <u>433 095 925</u>
 Total equity and liabilities		 <u>613 036 825</u>	 <u>685 237 347</u>

Trondheim, 23.05.2017



Helge Kvalvik
chairman of the board



Ole I. Bjørnevik
member of the board

Cash flow statement

Boa SBL AS

Figures in 1 000 NOK	2016	2015
Cash flow from operating activities		
Profit before income taxes	-68 125	40 521
Depreciation and write-down	55 640	27 247
Changes in trade receivables and creditors	-2 161	8 146
Changes in receivables from group entities	-7 899	1 201
Changes in other short-term receivables and liabilities	689	6 883
Net cash flow from operating activities	-21 855	83 998
Cash flow from investing activities		
Purchase of tangible fixed assets	-2 831	-4 054
Net cash flow from investing activities	-2 831	-4 054
Cash flow from financing activities		
Repayment of long term liabilities	-20 000	-20 000
Net cash flow from financing activities	-20 000	-20 000
Net changes in cash and cash equivalents	-44 686	59 944
Cash and cash equivalents at 01.01	91 686	31 742
Cash and cash equivalents at 31.12	47 000	91 686

Notes to 2016 annual accounts

Note 1 Accounting principles

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

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.

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.

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.

Cost

As a general rule, costs are booked in the same period as the corresponding income. When there is no clear correlation between costs and income, the allocation of costs is made as a "best effort" appraisal.

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 company entered the Norwegian shipowning tax regime as of 01.01.2008.

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.

Notes to 2016 annual accounts

Continued operations

To ensure continued operation in the company, a proposal for restructuring was initiated in November 2016 as a part of a larger restructuring for the Boa Group. This also includes Boa SBL AS. The proposal is presented to and discussed with the company's financial creditors and the process is ongoing. In understanding with the creditors, no interest or amortisation has been paid since the process was initiated. The company continue to operate normally in all material respects and continues to honor all its external suppliers and trade creditor. AS of 31.12.16 Boa SBL AS is in breach of financial covenants.

Based on the necessary restructuring, there is uncertainty about continued operations. However, the Board expects that a solution will be in place, and the presentation of the accounts are based on this. All assets and liabilities are assessed on the basis that the continued operating condition is present.

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

Note 2 Operating income

Divisions	2016	2015
Offshore activity	51 773	165 229
Sum	51 773	165 229

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

The company does not have any personnel. Administrative services are hired from Boa Offshore AS. The Board and the general manager do not receive a salary or other compensation.

Auditor

The fee paid in 2016 to Deloitte AS for audit was NOK 40 500.

Notes to 2016 annual accounts

Note 4 Fixed assets

	Vessels	Periodic maintenance	Total
Acquisition cost on 01.01	642 956	24 373	667 329
Additions	2 831	0	2 831
Acquisition cost on 31.12	645 787	24 373	670 160
Accumulated depreciation on 01.01	204 495	9 411	213 906
Depreciation this year	21 645	5 896	27 541
Write-down this year	28 100		28 100
Accumulated depreciation on 31.12	254 239	15 306	269 546
Book value 31.12	391 548	9 067	400 614
Economic lifespan	27	2,5 - 5	
Depreciation plan	Linear	Linear	

In 2016 vessels have been written off with 28.000.000,-. 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 Share capital and shareholder information

	Shares	Equity share	Voting share
Boa Offshore AS	1 000	100 %	100 %
Total number of shares	1 000	100 %	100 %

The company share capital is NOK 200 100 000, 1 000 shares with a nominal value of NOK 200 100.

The company has only one class of shares.

The company is a part of the group Boa Offshore AS. Boa Offshore AS is a part of the group Taubåtkompaniet AS. Both of the groups financial statements can be distributed from the office in Trondheim.

Notes to 2016 annual accounts

Note 6 Equity

	Share capital	Share premium	Other equity	SUM
Equity 01.01	200 100	14	52 027	252 141
Profit of the year			-46 742	-46 742
Equity 31.12	200 100	14	5 284	205 399

Note 7 Long term debt

	2017	2018
Instalments	20 000	310 000

Note 8 Outstanding accounts with companies within the same group

Liabilities	Long term		Short term	
	2016	2015	2016	2015
Boa Offshore AS	69 147	65 927	-141	4 021
NFDS Offshore 2 AS	0	0	206	0
Boa Marine Management LLC	0	0	71	0
Boa Marine Services SA	0	0	-111	35
Sum	69 147	65 927	24	4 056

Receivables	Long term		Short term	
	2016	2015	2016	2015
Boa Offshore AS	115 283	108 137	0	925
Boa OCV AS	0	0	48	49
NFDS Offshore 1 AS	0	0	876	9
Sum	115 283	108 137	925	983

Notes to 2016 annual accounts

Note 9 Tax

This years tax:	2016	2015
Changes in deferred tax	21 209	852
Corr. prior year	173	
This years tax expense	21 382	852
Tax payable in balance:	2016	2015
This years tax on profit	0	0
Net tax payable	0	0
This years tax basis:	2016	2015
Result before tax	-68 125	0
Temporary differences	-11 256	0
Financial result	0	-200
This years tax basis	-79 381	-200
Temporary differences:	2016	2015
Profit and loss account	124 702	45 322
Assets	10 878	0
Net temporary differences	135 580	45 322
Net deferred tax 24 % / 25 %	32 539	11 330

Note 10 Secured debt

Debt secured by mortgage etc.	2016	2015
Debt to credit institutions	330 000	350 000
Sum	330 000	350 000
Book value of assets mortgaged for debt:	2016	2015
Bank deposits	46 999	91 686
Accounts receivable	13 660	15 803
Vessels	400 614	453 423
Sum	461 274	560 912

The company is in breach of its financial covenant of Asset cover ratio of minimum 125%.

Notes to 2016 annual accounts

Note 11 Intercompany transactions

The outstanding accounts with group companies are mentioned in note 8.

Operating transactions:	2016	2015
Services		
- Sister company	694	
Total income from operating transactions	694	
Services		
- Mother company	21 870	42 921
- Sister company	209	2 316
Total expenses from operating transactions	22 079	45 237
Finance transactions:	2016	2015
Interest income		
- Mother company	7 146	6 851
Total income from finance transactions	7 146	6 851
Interest expense		
- Mother company	3 220	3 072
Total expenses from finance transactions	3 220	3 072

Service to group companies are priced at the same conditions as for external parts.

Services from group companies are general management and engineering services.

Financial transactions is priced at the same conditions as for external parts.

To the General Meeting of Boa SBL AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Boa SBL AS showing a loss of NOK 46 742 474. The financial statements comprise the balance sheet as at 31 December 2016, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the 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.

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. Boa SBL AS is a subsidiary of Boa Offshore AS and will be affected by the proposed restructuring. There is uncertainty related to the Company'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 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 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 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 for the Financial Statements

The Board of Directors (management) is 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 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 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.

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 Bjørnås
State Authorised Public Accountant

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