



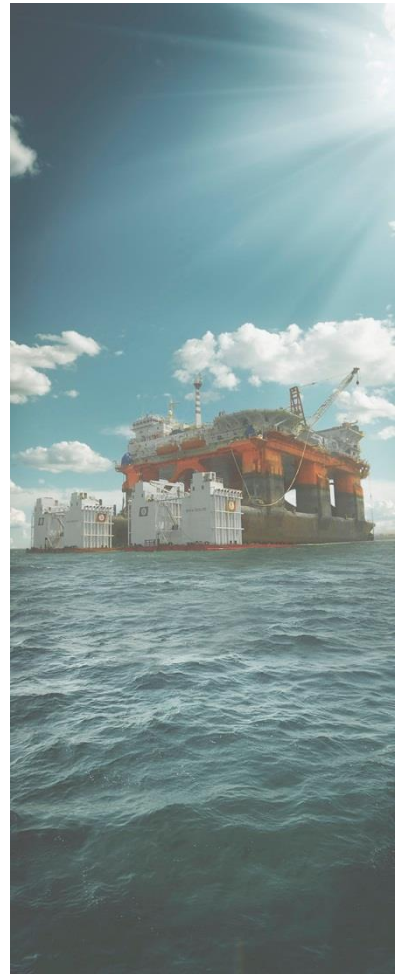
BOA

Annual Report

Boa OCV AS

2016

Org.nr. 984 158 939



BOA OCV AS

BOARD'S ANNUAL REPORT FOR 2016

Nature and location of activities:

The company owns and subsequently charters out the offshore construction vessels "Boa Deep C" and "Boa Sub C". The main office of the company is located in Trondheim. Management of these vessels is undertaken 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 an offshore construction vessel includes a certain risk for the spill of marine diesel oil products. However, no abnormal spillage has been recorded from the vessels which follows laid down procedures when bunkering of diesel and other potential contaminating liquids.

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 OCV 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 OCV 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:

The operating profit for the company in 2016 was MNOK -88,4 (MNOK 177,2).

The financial result was MNOK -44,9 (MNOK -48,8).

The year-end profit was MNOK -133,0 (MNOK 131,2).

Total year-end assets were MNOK 1.384,0 (MNOK 1.474,2), and the percentage of shareholder's equity on December 31, 2016 was 13,9 % (22,1 %).

Financial risk:

Market risk:

The company is susceptible to fluctuations in currency exchange rates. A considerable percentage of the company's earnings are in USD. However this market risk is to a certain degree reduced by the company also having certain operating purchases denominated in USD. The company continuously monitors the currency markets and reduces currency exposure when appropriate by entering into forward agreements or other financial contracts 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 45,0. The company is financed by debt and equity. The company has a bond of mNOK 1200 listed at Oslo Stock Exchange Nordic ABM with maturity date in October 2019, and outstanding bond amount per 31.12.2016 is mNOK 1000. 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 medium term be dependent on a solution with the creditors.

Appropriation of profits:

The annual results for Boa OCV AS were MNOK -133,0. The Board proposes the following disposal:

Transfer from other equity: MNOK 133,0

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 subsea services segment remains challenging due to the drop in oil prices from mid-2014. A number of offshore projects have since then been postponed or scrapped as oil companies focus to a greater extent on cash flow due to the lower oil prices. On the other hand, costs 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 notably 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 USD 30/bbl at the beginning of 2016 to above USD 50/bbl for the first half of 2017, tendering activity has only increased modestly. Moreover, competition remains hard as more subsea vessels in the market roll off from long-term legacy contracts. Dayrates for the few contracts awarded are therefore subdued.

The long-term market outlook for the subsea segment remains prospective. Deepwater oil and gas reserves come at a marginal cost lower than a number of other sources of oil and gas, and a significant part of discovered oil and gas reserves over the last decade has been made in offshore deepwater. Thus we believe that deepwater and subsea will remain important for oil companies also in the future.

Boa Sub C has been fixed on a medium term contract in the North Sea and Boa Deep C has been fixed on medium term contract in West Africa. Both Vessels therefore have firm commitments until autumn 2017. Unless the company is able to secure new contracts after completing the current contracts, stacking of the vessels will be considered again.

Trondheim, 23.05.2017


Helge Kvalvik
Chairman of the Board


Ole T. Bjørnevik
Member of the Board

Income Statement

Boa OCV AS

Operating income and operating expenses	Notes	2016	2015
Operating income	2	<u>214 804 660</u>	<u>427 459 406</u>
Operating income		<u>214 804 660</u>	<u>427 459 406</u>
Operating expenses ship	11	131 058 289	59 131 382
Payroll expenses	11	70 213 529	72 031 837
Depreciation	4	58 395 148	60 671 891
Write down on tangible and intangible assets	4	1 498 422	0
Other operating expenses	3	42 005 331	58 413 064
Operating expenses		<u>303 170 720</u>	<u>250 248 174</u>
Operating profit		<u>-88 366 060</u>	<u>177 211 232</u>
Financial income and expenses			
Interest income from group entities	11	37 035 634	34 568 652
Other interest income		211 694	677 956
Other financial income		7 709 060	36 522 783
Interest expense to group entities	11	663 469	0
Other interest expenses		76 229 864	93 949 606
Other financial expenses		<u>13 008 907</u>	<u>26 572 556</u>
Net financial income and expenses		<u>-44 945 852</u>	<u>-48 752 771</u>
Operating result before tax		<u>-133 311 912</u>	<u>128 458 461</u>
Tax on ordinary result	9	-337 026	-2 756 350
Operating result after tax		<u>-132 974 886</u>	<u>131 214 811</u>
Annual net profit		<u>-132 974 886</u>	<u>131 214 811</u>
Brought forward			
To other equity	6	0	131 214 811
From other equity	6	<u>132 974 886</u>	<u>0</u>
Net brought forward		<u>-132 974 886</u>	<u>131 214 811</u>

Balance sheet

Boa OCV AS

Assets	Notes	2016	2015
Fixed assets			
Intangible fixed assets			
Deferred tax asset	9	<u>14 264 180</u>	<u>12 637 931</u>
Total intangible assets		<u>14 264 180</u>	<u>12 637 931</u>
Tangible fixed assets			
Ships	4, 10, 11	<u>687 131 754</u>	<u>734 652 600</u>
Total tangible fixed assets		<u>687 131 754</u>	<u>734 652 600</u>
Financial fixed assets			
Loans to group companies	8, 10	<u>576 717 006</u>	<u>539 681 372</u>
Total financial fixed assets		<u>576 717 006</u>	<u>539 681 372</u>
Total fixed assets		<u>1 278 112 939</u>	<u>1 286 971 902</u>
Current assets			
Inventories		7 431 404	8 258 915
Debtors			
Accounts receivables	10	6 033 221	19 003 995
Loans to group companies	8	41 026 648	3 428 217
Other receivables		<u>6 419 561</u>	<u>9 000 397</u>
Total debtors		<u>53 479 430</u>	<u>31 432 608</u>
Cash and bank deposits	10	44 953 459	147 488 728
Total current assets		<u>105 864 294</u>	<u>187 180 251</u>
Total assets		<u>1 383 977 233</u>	<u>1 474 152 153</u>


Balance sheet

Boa OCV AS

Equity	Notes	2016	2015
Restricted equity			
Share capital	5, 6	100 000	100 000
Share premium	6	80 108 000	80 108 000
Other restricted equity	6	14 444 514	14 444 514
Total restricted equity		<u>94 652 514</u>	<u>94 652 514</u>
Retained earnings			
Other equity	6	97 663 688	230 638 574
Total retained earnings		<u>97 663 688</u>	<u>230 638 574</u>
Total equity		<u>192 316 201</u>	<u>325 291 087</u>
Liabilities			
Other long term liabilities			
Bonds	7, 10	1 000 000 000	1 100 000 000
Group liabilities	8	55 363 469	0
Total of other long term liabilities		<u>1 055 363 469</u>	<u>1 100 000 000</u>
Current liabilities			
Trade creditors		38 578 714	14 586 686
Liabilities to group companies	8	69 460 475	8 174 112
Tax payable	9	633 519	838 985
Other short term liabilities	10	27 624 855	25 261 284
Total short term liabilities		<u>136 297 563</u>	<u>48 861 066</u>
Total liabilities		<u>1 191 661 032</u>	<u>1 148 861 066</u>
Total equity and liabilities		<u>1 383 977 233</u>	<u>1 474 152 153</u>

Trondheim, 23.05.2017


Helge Kvalvik
chairman of the board


Ole T. Bjørnevik
member of the board

Cash flow report

Boa OCV AS

Figures in 1 000 NOK	2016	2015
Cash flow from operating activities		
Profit before income taxes	-133 312	128 458
Paid in tax	-1 495	-1 037
Depreciation	59 894	60 672
Changes in trade receivables and creditors	36 993	-19 459
Changes in receivables from group entities	42 016	-14 966
Changes in other short-term receivables and liabilities	5 741	-26 941
Net cash flow from operating activities	9 836	126 727
Cash flow from investing activities		
Purchase of financial fixed assets	-12 373	-13 460
Net cash flow from investing activities	-12 373	-13 460
Cash flow from financing activities		
Repayment of long term liabilities	-100 000	-100 000
Group contribution	-	-50 000
Net cash flow from financing activities	-100 000	-150 000
Net changes in cash and cash equivalents	-102 537	-36 733
Cash and cash equivalents start at period	147 489	184 222
Cash and cash equivalents end of period	44 953	147 489

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.

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

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 01.01.2007.

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

Deferred tax and deferred tax assets are presented net in 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 OCV 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 continues to operate normally in all material respects and continues to honor all its external suppliers and trade creditors. As of 31.12.16 Boa OCV 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

Geographical area	2016	2015
North-America	48 697	146 911
South-America	80 937	
Africa	43 045	
Europe	42 126	280 548
Total	214 805	427 459

All the income is from offshore activity.

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 accounting services was NOK 66 500.

Notes to 2016 annual accounts

Note 4 Fixed assets

	Vessel	Periodic mainte-nance	Total
Acquisition cost on 01.01	1 204 791	115 866	1 320 657
Additions	6 043	7 940	13 983
Disposals	1 610		1 610
Acquisition cost on 31.12	1 209 224	123 806	1 333 030
Accumulated depreciation and write-down on 01.01	532 182	53 822	586 005
Depreciation this year	37 351	21 044	58 395
Write-down this year	2 138	-640	1 498
Accum. depreciation 31.12.	571 672	74 226	645 898
Book value	637 552	49 580	687 132
Economic lifespan	27 years	2,5-10 years	
Depreciation plan	Linear	Linear	

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. No significant write-downs have been made during 2016.

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 100 000, 1 000 shares with a nominal value of NOK 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 restricted equity	Other equity	Total
Equity 01.01.	100	80 108	14 445	230 639	325 292
Profit of the year				-132 975	-132 975
Equity 31.12.	100	80 108	14 445	97 664	192 316

Note 7 Long term debt

	2017	2018	2019
Instalments	100 000	100 000	800 000

Note 8 Outstanding accounts with companies within the same group

	Short term receivables		Long term receivables	
	2016	2015	2016	2015
Boa Offshore AS	26 282		576 717	539 681
Boa Offshore LLC		2 389		
NFDS Offshore 1 AS		596		
NFDS Offshore 2 AS		6		
Boa Barges		12		
Boa Marine LLC	14 716			
Boa Tugs AS	28			
Boa Marine Services Inc		38 425		
Accrual on bad debts		-38 000		
Sum	41 027	3 428	576 717	539 681

	Short term liabilities		Long term liabilities	
	2016	2015	2016	2015
Boa Offshore AS	60 577	8 070		
Boa SBL AS	48	49		
Boa Shipping AS			12 187	
Boa PSV AS			43 177	
Boa Tugs AS	10			
NFDS Offshore 2 AS	20			
Boa Offshore LLC	33			
Boa Marine LLC	7 160			
Boa Marine Management LLC	1 871			
Boa Marine Services Inc		-23		
Boa Marine Services SA	-258	77		
Sum	69 460	8 174	55 363	0

Notes to 2016 annual accounts

Note 9 Tax

This years tax:	2016	2015
Changes in deferred tax	-1 626	-3 595
Tax payable	587	793
Foreign tax	656	
Tonnage tax	46	46
This years tax expense	-337	-2 756
Tax payable in balance:	2016	2015
This year's tax on profit	634	839
Net tax payable	634	839
This years tax basis:	2016	2015
Profit and loss account	2 350	2 937
Financial result	-6 533	-14 124
Loss carried forward used		
This years tax basis	-4 183	-11 187
Temporary differences:	2016	2015
Profit and loss account	9 398	11 748
Loss carried forward	-68 833	-62 300
Net temporary differences	-59 435	-50 552
Net deferred tax 24 % / 25 %	-14 264	-12 638

Note 10 Secured debt/other long-term debt

Debt secured by mortgage etc.	2016	2015
Debt to credit institutions	1 000 000	1 100 000
Accrued interest	15 938	20 188
Sum	1 015 938	1 120 188
Book value of assets mortgaged for debt:	2016	2015
Bank deposits	44 921	147 179
Accounts receivables	59 033	19 004
Vessels	687 132	734 653
Group receivables	576 717	539 681
Sum	1 367 803	1 440 517

The minimum liquidity covenant of 50 mNOK is in breach as of 31.12.16.

Notes to 2016 annual accounts

Note 11 Transactions with related parties

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

Transactions with related parties:

Operating transactions:	2016	2015
Services		
- Mother company	74 078	72 503
- Other group companies	1 803	
Total expenses from operating transactions	75 881	72 503
Services		
- Mother company	6 221	
- Other group companies	46 576	146 911
Total income from operating transactions	52 796	146 911
Finance transactions:		2015
Interest expense		
- Other group companies	663	
Total expense from finance transactions	663	
Interest income		
- Mother company	37 036	34 569
Total income from finance transactions	37 036	34 569

To the General Meeting of Boa OCV AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Boa OCV AS showing a loss of NOK 132 974 886. 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 OCV 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.