



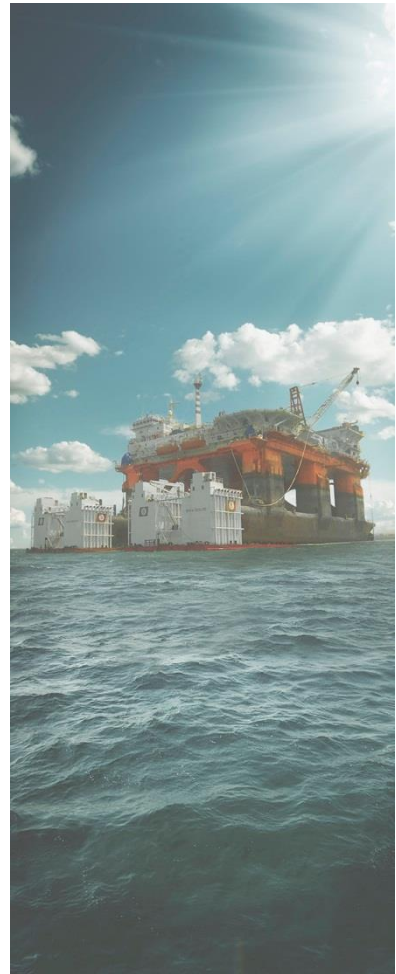
BOA

Quarterly Report

Boa OCV AS

3Q - 2016

Org.nr. 984 158 939



BOA OCV AS

CEO'S REPORT – 3Q 2016

General information:

The unaudited interim report is prepared in accordance with NGAAP.

Nature and location of activities:

The company owns and subsequently charters out the offshore construction vessels "Boa Deep C" and "Boa Sub C". Management of these vessels is undertaken by Boa Offshore AS.

Review of third quarter 2016 accounts:

Operating income in the period was mNOK 33,6 (mNOK 109,1 in the same period in 2015).

Operating expenses were mNOK 51,1 (mNOK 53,3).

EBITDA for the period was mNOK -2,3 (mNOK 70,3).

Operating Profit/EBIT was mNOK -17,4 (mNOK 55,7).

Net financial items were mNOK -8,8 (mNOK -3,9).

Profit before tax was mNOK -26,2 (mNOK 51,8).

Cash flow in the period:

Net cash flow from operating activities was mNOK -23,0 (mNOK 41,5 in the same period 2015).

Net cash flow from investing activities was mNOK 0,0 (mNOK -1,7).

Net cash flow from financing activities was mNOK - 25,0 (mNOK -25,0).

Net change in cash was mNOK -48,0 (mNOK 14,8).

Balance sheet 30.09.2016:

Total assets per 30.09.2016 were mNOK 1 383 (mNOK 1 525 per 30.09.2015). Interest bearing debt was mNOK 1 025 (mNOK 1 125), and the equity mNOK 242 (mNOK 344). The equity ratio decreased to 17,5 % from last quarter 18,8 % (22,6 % per 30.09.2015).

Cash and Cash equivalents per 30.09.2016 were mNOK 50,4 (mNOK 154,3 per 30.09.2015).

Financial risk:

Interest risk

The company is exposed to interest rate fluctuations on long-term debt. At present no fixed interest rate or other interest rate hedge exists.

Currency risk

The company is exposed to currency risk as revenues and costs are denominated in various currencies. Most of the company's earnings are in USD. However this currency risk is to a certain degree reduced by the company also having certain operating costs 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.

Liquidity risk

The company's liquidity position of 30.09.2016 is mNOK 50,4. 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 30.09.2016 is mNOK 1025.

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. Certain provisions for loss on receivables have been made in the reported figures.

Events after the balance sheet date – financial restructuring:

The financial situation of the company has become significantly worse than anticipated only a few months ago, mainly attributable to the OCV market having weakened much more than anticipated and earlier redelivery of Boa Deep C than expected. The management has initiated a proposal for a restructuring of the company's balance sheet as part of a larger restructuring for the Boa Group, which will be presented to and discussed with the company's largest financial creditors going forward. The company has received funding from group companies and despite of this the liquidity covenant is expected to be breached by the end of 4Q16 or early 1Q17.

While such discussions will be ongoing with the creditors, the company will continue to operate normally in all material respects, upholding the highest level of service to all its customers and continue to honor all its external suppliers and trade creditors. However, during the restructuring process no interest and amortization will be paid to financial and intercompany creditors.

Future development:

The short to medium term outlook for the subsea segment remains very uncertain and challenging due to the drop in oil prices from mid-2014. A number of offshore projects have been postponed and scrapped as oil companies focus to a greater extent on cash flow due to the lower oil prices. Ongoing and sanctioned projects will ensure a certain activity level in the subsea sector in the short to medium term. The same goes for IMR and subsea well-related services, which is less cyclical than the installation segment. Furthermore, 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 lower oil prices than those before the drop in mid-2014. However, timing and magnitude of such a recovery remains uncertain. Despite oil prices recovering from around USD 30/bbl at the beginning of 2016 towards USD 50/bbl at present, tendering activity has not picked up. Moreover, competition is increasing as a number of subsea vessels in the market roll off from long-term legacy contracts. This especially applies for the mid-end segment where the Boa Deep C is operating. Dayrates are therefore also continuously under pressure.

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.

During the second half of 2016 Boa Sub C performed a medium term contract in the US GoM. The vessel will most likely end the contract in December, with no new firm commitments afterwards. The Boa Deep C ended its medium term contract in South America in early July, and has since only performed a few minor contracts in the US GoM. The vessel has one short-term job committed in the North Sea in 1Q17, with no new firm commitments afterwards. Unless the company is able to secure any new contracts in the near term, stacking of vessels is highly likely.

Statement from the CEO

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

Trondheim, 29 November 2016



Helge Kvalvik
CEO

Income Statement
Boa OCV AS

| | 3Q 2016 | YTD 2016 | 3Q 2015 | YTD 2015 |
|--|----------------|----------------|----------------|----------------|
| <i>(figures in NOK 1 000)</i> | | | | |
| Operating income and operating expenses | | | | |
| Operating income | 33 632 | 190 940 | 109 078 | 322 680 |
| Operating income | 33 632 | 190 940 | 109 078 | 322 680 |
| Operating expenses vessels | 16 697 | 101 425 | 8 675 | 28 034 |
| Payroll expenses | 14 519 | 59 406 | 24 279 | 49 643 |
| Depreciation and write down | 15 098 | 43 657 | 14 529 | 45 486 |
| Other operating expenses | 4 748 | 34 002 | 5 858 | 9 010 |
| Total operating expenses | 51 061 | 238 490 | 53 342 | 132 172 |
| Operating result | -17 429 | -47 550 | 55 736 | 190 507 |
| Financial income and expenses | | | | |
| Interest income from group companies | 9 310 | 27 726 | 8 713 | 25 855 |
| Other interest income | 51 | 146 | 104 | 676 |
| Other financial income | 975 | 5 670 | 11 086 | 27 139 |
| Other interest expenses | 17 780 | 59 139 | 23 372 | 70 913 |
| Other financial expenses | 1 361 | 10 590 | 422 | 23 187 |
| Financial result | -8 805 | -36 187 | -3 890 | -40 428 |
| Result before tax | -26 235 | -83 737 | 51 846 | 150 080 |
| Tax on ordinary result | | | | |
| Result after tax | -26 235 | -83 737 | 51 846 | 150 080 |

Balance sheet
Boa OCV AS

| | 30.09.2016 | 30.09.2015 | 31.12.2015 |
|--------------------------------------|-------------------|-------------------|-------------------|
| <i>(figures in NOK 1 000)</i> | | | |
| Fixed assets | | | |
| Intangible fixed assets | | | |
| Deferred tax asset | 12 638 | 9 043 | 12 638 |
| Total intangible fixed assets | 12 638 | 9 043 | 12 638 |
| Tangible fixed assets | | | |
| Vessels | 697 326 | 746 432 | 734 653 |
| Total tangible fixed assets | 697 326 | 746 432 | 734 653 |
| Financial fixed assets | | | |
| Loans to group companies | 539 681 | 505 113 | 539 681 |
| Total financial fixed assets | 539 681 | 505 113 | 539 681 |
| Total fixed assets | 1 249 645 | 1 260 588 | 1 286 972 |
| Current assets | | | |
| Inventories | 3 914 | | 8 259 |
| Receivables | | | |
| Trade receivables | 16 305 | 59 844 | 19 004 |
| Receivables from group companies | 28 114 | 24 408 | 3 428 |
| Other receivables | 34 442 | 25 855 | 9 000 |
| Total receivables | 78 861 | 110 107 | 31 432 |
| Cash and bank deposits | 50 360 | 154 307 | 147 489 |
| Total current assets | 133 135 | 264 414 | 187 180 |
| Total assets | 1 382 780 | 1 525 002 | 1 474 152 |

Balance sheet
Boa OCV AS

| | 30.09.2016 | 30.09.2015 | 31.12.2015 |
|-------------------------------------|-------------------|-------------------|-------------------|
| <i>(figures in NOK 1 000)</i> | | | |
| Equity and liabilities | | | |
| Restricted equity | | | |
| Share capital | 100 | 100 | 100 |
| Share premium | 80 108 | 80 108 | 80 108 |
| Other restricted equity | 14 445 | 14 445 | 14 445 |
| Total restricted equity | 94 653 | 94 653 | 94 653 |
| Retained earnings | | | |
| Other equity | 146 902 | 249 503 | 230 639 |
| Total retained earnings | 146 902 | 249 503 | 230 639 |
| Total equity | 241 554 | 344 156 | 325 292 |
| Liabilities | | | |
| Other long term liabilities | | | |
| Bonds | 1 025 000 | 1 125 000 | 1 100 000 |
| Liabilities to group companies | 12 000 | | |
| Total long term liabilities | 1 037 000 | 1 125 000 | 1 100 000 |
| Short time liabilities | | | |
| Trade creditors | 40 595 | 33 646 | 14 587 |
| Liabilities to group companies | 42 219 | | 8 174 |
| Tax payable | -198 | -248 | 839 |
| Other short term liabilities | 21 611 | 22 447 | 25 261 |
| Total short term liabilities | 104 226 | 55 845 | 48 861 |
| Total liabilities | 1 141 226 | 1 180 845 | 1 148 861 |
| Total liabilities and equity | 1 382 780 | 1 525 002 | 1 474 152 |

Cash flow report

| Figures in 1 000 NOK | 3Q 2016 | YTD 2016 | 3Q 2015 | YTD 2015 |
|---|----------------|----------------|----------------|-----------------|
| Cash flow from operating activities | | | | |
| Profit before income taxes | -26 235 | -83 737 | 51 846 | 150 080 |
| Paid in tax | 0 | -1 037 | 0 | -1 285 |
| Depreciation/write-down | 15 098 | 58 657 | 14 529 | 45 485 |
| Changes in trade receivables and creditors | 14 894 | 13 707 | 627 | -26 383 |
| Changes in receivables from group entities | -3 792 | 21 359 | -8 713 | -25 855 |
| Changes in other short-term receivables and liabilities | -22 979 | -23 138 | -16 794 | -36 903 |
| Net cash flow from operating activities | -23 014 | -14 189 | 41 496 | 105 139 |
| Cash flow from investing activities | | | | |
| Purchase of fixed assets | 0 | -7 940 | -1 700 | -10 053 |
| Net cash flow from investing activities | 0 | -7 940 | -1 700 | -10 053 |
| Cash flow from financing activities | | | | |
| Repayment of long term liabilities | -25 000 | -75 000 | -25 000 | -75 000 |
| Group contribution | | 0 | 0 | -50 000 |
| Net cash flow from financing activities | -25 000 | -75 000 | -25 000 | -125 000 |
| Net changes in cash and cash equivalents | -48 014 | -97 129 | 14 796 | -29 915 |
| Cash and cash equivalents start at period | 98 374 | 147 489 | 139 511 | 184 222 |
| Cash and cash equivalents end of period | 50 360 | 50 360 | 154 307 | 154 307 |

Notes to 3Q 2016 report

Note 1 Accounting principles / general information

The quarterly report is unaudited and prepared in compliance with NGAAP using the same principles as the last financial year.

Miscellaneous

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

Events after the balance date

There have been no significant events taking place after the balance date.

Note 2 Fixed assets

| | Vessels | Periodic maintenance | Total |
|-------------------------------------|------------------|----------------------|------------------|
| Acquisition cost 01.01.16 | 1 287 314 | 143 311 | 1 430 625 |
| Additions | 0 | 7 940 | 7 940 |
| Disposals | -1 610 | 0 | -1 610 |
| Acquisition cost 30.09.16 | 1 285 704 | 151 251 | 1 436 955 |
| Accumulated depr. 01.01.16 | 614 705 | 81 267 | 695 972 |
| Depreciation this period | 27 971 | 15 798 | 43 769 |
| Write-down this period | 528 | -640 | -112 |
| Accum. depreciation 30.09.16 | 643 204 | 96 425 | 739 629 |
| Book value 30.09.16 | 642 500 | 54 827 | 697 326 |
| Economic life | 27 | 2,5 - 10 | |
| Depreciation schedule | Linear | Linear | |

Note 3 Shareholder's equity

| | Share capital | Share premium | Other restricted equity | Other equity | Total |
|------------------------|---------------|---------------|-------------------------|----------------|----------------|
| Equity 01.01.16 | 100 | 80 108 | 14 445 | 230 639 | 325 291 |
| Profit for the period | 0 | 0 | 0 | -83 737 | -83 737 |
| Equity 30.09.16 | 100 | 80 108 | 14 445 | 146 902 | 241 554 |

Notes to 3Q 2016 report

Note 4 **Income statement - summary**

| | 3Q 2016 | YTD 2016 | 3Q 2015 | YTD 2015 |
|-------------------------|----------------|-----------------|----------------|-----------------|
| Operating income | 33 632 | 190 940 | 109 078 | 322 680 |
| Operating expences | 35 963 | 194 833 | 38 813 | 86 686 |
| EBITDA | -2 331 | -3 893 | 70 265 | 235 994 |
| EBITDA % | -7 % | -2 % | 64 % | 73 % |
| Depreciation | 15 098 | 43 657 | 14 529 | 45 486 |
| EBIT | -17 429 | -47 550 | 55 736 | 190 508 |
| Net finance | -8 805 | -36 187 | -3 890 | -40 428 |
| Pre tax profit | -26 235 | -83 737 | 51 846 | 150 080 |
| Tax | - | - | - | - |
| Net profit | -26 235 | -83 737 | 51 846 | 150 080 |