



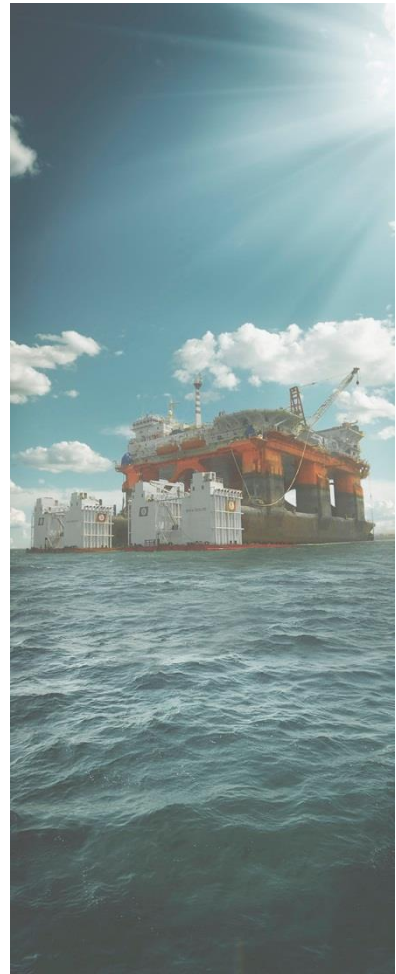
BOA

Quarterly Report

Boa OCV AS

4Q - 2016

Org.nr. 984 158 939



BOA OCV AS

CEO'S REPORT – 4Q 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 fourth quarter 2016 accounts:

Operating income in the period was mNOK 23,9 (mNOK 104,8 in the same period in 2015).

Operating expenses were mNOK 64,7 (mNOK 118,1).

EBITDA for the period was mNOK -24,6 (mNOK 1,9).

Operating Profit/EBIT was mNOK -40,8 (mNOK -13,3).

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

Profit before tax was mNOK -49,6 (mNOK -21,6).

Cash flow in the period:

Net cash flow from operating activities was mNOK 25,6 (mNOK 21,6 in the same period 2015).

Net cash flow from investing activities was mNOK -6,0 (mNOK -3,4).

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

Net change in cash was mNOK -5,4 (mNOK -6,8).

Balance sheet 31.12.2016:

Total assets per 31.12.2016 were mNOK 1 384 (mNOK 1 474 per 31.12.2015). Interest bearing debt was mNOK 1 000 (mNOK 1 100), and the equity mNOK 192 (mNOK 325). The equity ratio decreased to 13,9 % from last quarter 17,5 % (22,1 % per 31.12.2015).

Cash and Cash equivalents per 31.12.2016 were mNOK 45,0 (mNOK 147,5 per 31.12.2015).

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 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.

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.

Events in the period – ongoing financial restructuring:

At the end of November 2016 a proposal for a restructuring of the company's balance sheet was initiated as part of a larger restructuring for the Boa Group. This is presented to and discussed with the company's financial creditors and these discussions are progressing. The minimum liquidity covenant is in breach by the end of fourth quarter 2016.

While these discussions are ongoing with the creditors, the company 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. Since the process was initiated, no interest or amortization has been paid and will not be paid to financial or intercompany creditors during the restructuring process.

Future development:

The short to medium term outlook for the subsea services segment remains very challenging due to the drop in oil prices from mid-2014. A number of offshore projects have been postponed and scrapped over the last two years 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 notably lower oil prices than those experienced 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 to around USD 55/bbl at present, tendering activity has not picked up meaningfully. 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.

The Boa Sub C is currently idle after performing a short term project in The North Sea, and has currently no firm commitment. The Boa Deep C is working on a medium term contract in West Africa, with no new firm commitments afterwards. There are a few contract opportunities for the Boa OCV vessels, however timing of reward and start-up remains uncertain and competition is significant. 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 fourth 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, liquidity situation, liabilities and the principles for valuation of its assets may be affected by i.a. the ongoing restructuring process.

Trondheim, 28 February 2017



Helge Kvalvik
CEO

Income Statement
Boa OCV AS

	4Q 2016	FY 2016	4Q 2015	FY 2015
<i>(figures in NOK 1 000)</i>				
Operating income and operating expenses				
Operating income	23 865	214 805	104 780	427 459
Operating expenses vessels	29 634	131 058	31 097	59 131
Payroll expenses	10 807	70 214	22 389	72 032
Depreciation and write down	16 237	59 894	15 186	60 672
Other operating expenses	8 003	42 005	49 403	58 413
Total operating expenses	64 681	303 171	118 076	250 248
Operating result	-40 816	-88 366	-13 296	177 211
Financial income and expenses				
Interest income from group companies	9 310	37 036	8 713	34 568
Other interest income	66	212	1	678
Other financial income	2 039	7 709	9 384	36 523
Interest expense to group companies	663	663		
Other interest expenses	17 553	76 692	23 083	93 996
Other financial expenses	1 956	12 547	3 340	26 527
Financial result	-8 759	-44 946	-8 325	-48 754
Result before tax	-49 575	-133 312	-21 621	128 457
Tax on ordinary result	-337	-337	-2 756	-2 756
Result after tax	-49 238	-132 975	-18 865	131 214

Balance sheet
Boa OCV AS

	31.12.2016	31.12.2015
<i>(figures in NOK 1 000)</i>		
Fixed assets		
Intangible fixed assets		
Deferred tax asset	14 264	12 638
Total intangible fixed assets	<u>14 264</u>	<u>12 638</u>
Tangible fixed assets		
Vessels	687 132	734 653
Total tangible fixed assets	<u>687 132</u>	<u>734 653</u>
Financial fixed assets		
Loans to group companies	576 717	539 681
Total financial fixed assets	<u>576 717</u>	<u>539 681</u>
Total fixed assets	<u>1 278 113</u>	<u>1 286 972</u>
Current assets		
Inventories	7 431	8 259
Receivables		
Trade receivables	6 033	19 004
Receivables from group companies	41 027	3 428
Other receivables	6 420	9 000
Total receivables	<u>53 479</u>	<u>31 432</u>
Cash and bank deposits	44 953	147 489
Total current assets	<u>105 864</u>	<u>187 180</u>
Total assets	<u>1 383 977</u>	<u>1 474 152</u>

Balance sheet
Boa OCV AS

	31.12.2016	31.12.2015
<i>(figures in NOK 1 000)</i>		
Equity and liabilities		
Restricted equity		
Share capital	100	100
Share premium	80 108	80 108
Other restricted equity	14 445	14 445
Total restricted equity	<u>94 653</u>	<u>94 653</u>
Retained earnings		
Other equity	97 664	230 639
Total retained earnings	<u>97 664</u>	<u>230 639</u>
Total equity	<u>192 316</u>	<u>325 292</u>
Liabilities		
Other long term liabilities		
Bonds	1 000 000	1 100 000
Liabilities to group companies	55 363	0
Total long term liabilities	<u>1 055 363</u>	<u>1 100 000</u>
Short time liabilities		
Trade creditors	38 579	14 587
Liabilities to group companies	69 460	8 174
Tax payable	634	839
Other short term liabilities	27 625	25 261
Total short term liabilities	<u>136 298</u>	<u>48 861</u>
Total liabilities	<u>1 191 661</u>	<u>1 148 861</u>
Total liabilities and equity	<u>1 383 977</u>	<u>1 474 152</u>

Cash flow report

Figures in 1 000 NOK	4Q 2016	FY 2016	4Q 2015	FY 2015
Cash flow from operating activities				
Profit before income taxes	-49 575	-133 312	-21 621	128 459
Paid in tax	-457	-1 495	249	-1 036
Depreciation/write-down	16 237	74 894	15 186	60 671
Changes in trade receivables and creditors	8 256	21 963	21 781	-4 602
Changes in receivables from group entities	20 655	42 014	-3 967	-29 822
Changes in other short-term receivables and liabilities	30 519	7 381	9 961	-26 942
Net cash flow from operating activities	25 637	11 447	21 589	126 728
Cash flow from investing activities				
Purchase of fixed assets	-6 043	-13 983	-3 407	-13 460
Net cash flow from investing activities	-6 043	-13 983	-3 407	-13 460
Cash flow from financing activities				
Repayment of long term liabilities	-25 000	-100 000	-25 000	-100 000
Net cash flow from financing activities	-25 000	-100 000	-25 000	-150 000
Net changes in cash and cash equivalents	-5 406	-102 536	-6 818	-36 733
Cash and cash equivalents start at period	50 360	147 489	154 307	184 222
Cash and cash equivalents end of period	44 953	44 953	147 489	147 489

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.

Note 2 Fixed assets

	Vessels	Periodic maintenance	Total
Acquisition cost 01.01.16	1 287 314	143 311	1 430 625
Additions	6 043	7 940	13 983
Disposals	-1 610	0	-1 610
Acquisition cost 31.12.16	1 291 746	151 251	1 442 998
Accumulated depr. 01.01.16	614 705	81 267	695 972
Depreciation this period	37 351	21 044	58 395
Write-down this period	2 138	-640	1 498
Accum. depreciation 31.12.16	654 194	101 671	755 865
Book value 31.12.16	637 552	49 580	687 132
Economic life	27	2,5 - 10	
Depreciation schedule	Linear	Linear	

Note 3 Shareholder's equity

	Share capital	Share premium	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	-132 975	-132 975
Equity 31.12.16	100	80 108	14 445	97 664	192 316

Notes to 4Q 2016 report

Note 4 **Income statement - summary**

	4Q 2016	FY 2016	4Q 2015	FY 2015
Operating income	23 865	214 805	104 780	427 459
Operating expences	48 444	243 277	102 890	189 576
EBITDA	-24 579	-28 472	1 890	237 883
EBITDA %	-103 %	-13 %	2 %	56 %
Depreciation and write-down	16 237	59 894	15 186	60 672
EBIT	-40 816	-88 366	-13 296	177 211
Net finance	-8 759	-44 946	-8 325	-48 754
Pre tax profit	-49 576	-133 312	-21 621	128 457
Tax	-337	-337	-2 756	-2 756
Net profit	-49 238	-132 975	-18 865	131 213