



BOA

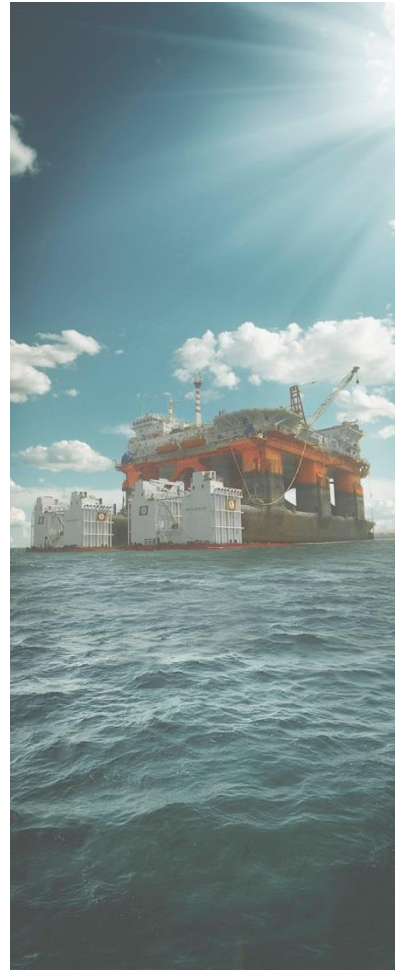
Quarterly Report

Consolidated

Boa Offshore AS

2Q - 2016

Org.nr. 926 265 156



CONSOLIDATED BOA OFFSHORE AS

CEO'S REPORT – 2Q 2016

General information:

The unaudited interim report is prepared in accordance with NGAAP.

Nature and location of activities:

Boa Offshore AS is the parent and the management company of the Boa Offshore Group ("Group"). The company also invests in shipping and offshore related companies. 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 operated internationally, and the offshore department manages offshore support vessels within construction and oil exploration, operating worldwide. The management is located in Trondheim.

Review of second quarter 2016 accounts:

Operating income in the period was mNOK 226,3 (mNOK 429,5 in the same period 2015).

Operating expenses were mNOK 483,4 (mNOK 370,8).

EBITDA for the period was mNOK 15,5 (mNOK 100,2).

Operating Profit/EBIT was mNOK -257,1 (mNOK 58,7).

Net financial items were mNOK -57,9 (mNOK -62,1).

Profit before tax was mNOK -315,0 (mNOK -3,4).

Cash flow in the period:

Net cash flow from operating activities was mNOK -69,7 (mNOK -85,3).

Net cash flow from investing activities was mNOK -69,3 (mNOK -136,3).

Net cash flow from financing activities was mNOK -125,5 (mNOK 156,5).

Net change in cash was mNOK -264,4 (mNOK -65,1).

Balance sheet 30.06.2016:

Total assets per 30.06.2016 were mNOK 4 622 (mNOK 5 865 per 30.06.2015). Interest bearing debt was mNOK 3 415 (mNOK 3 873), and the equity mNOK 976 (mNOK 1 596). The equity ratio is 21,1 %, an decrease from 25,6 % last quarter (27,2 % per 30.06.2015).

Cash and Cash equivalents per 30.06.2016 were mNOK 514 (mNOK 613 per 30.06.2015).

The value adjusted equity ratio for Boa Offshore per 30.06.2016 was 36,9 % and the NIBD/EBITDA ratio was 16,7 (EBITDA last 12 months/4 quarters).

Events in the period:

Boa Offshore AS has bought back mNOK 68 in the subordinated bond at a purchase price of 100 – 101 % of par value. Furthermore, the Group has during the second quarter increased its ownership in NFDS Offshore 1 AS to approximately 99 %.

Financial risk:*Interest risk*

The Group companies are exposed to interest rate fluctuations on long-term debt. By 30.06.2016 the total of the group's interest bearing debt was mNOK 3 415 where of mNOK 569 is secured by interest rate swap agreements or fixed rates.

Currency risk

The Group companies are exposed to currency risk as revenues and costs are denominated in various currencies. Substantial parts of the earnings in the Group are in USD. However this currency risk is to a certain degree reduced by the companies also having certain operating costs denominated in USD. The Group companies continuously monitor 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 30.06.2016 is mNOK 96 and the Groups liquidity position as per 30.06.2016 is mNOK 514. The company is financed by debt and equity. The parent company has a bond of mNOK 500 and a subordinated bond of mNOK 60 outstanding, both listed at Oslo Stock Exchange Nordic ABN. In addition a non-listed bond of mNOK 50 is outstanding. The listed bonds have maturity dates in December 2018 and the mNOK 50 in May 2020. The total of outstanding bonds for the company was 30.06.2016 mNOK 610. The total of outstanding bonds for the group as of 30.06.2016 was mNOK 2 000. The group has in addition loan to financial institutions of mNOK 1385 with various maturities between 2019 and 2027. If the company fails to repay or refinance its loan facility additional equity financing may be required. If the current market conditions persists there is no assurance that the company, or the group, will not experience cash flow shortfall or to remain in compliance with minimum cash requirements.

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

Events after the balance sheet date:

During third quarter the Group has increased its ownership in NFDS Offshore 2 AS to approximately 93 %.

There have been no other events after the end of the financial period that would have material impact on the evaluation of the Group's profit and loss account or balance sheet as of 30.06.2016.

Future development:

The outlook for Boa Offshore is 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 record-high backlog, of which a significant part is non-oil and gas. After increased activity in 2015, the Tug business has during 2016 experienced significantly softer market conditions.

The short to medium term outlook for the offshore vessel segment (OCV, SBL and AHTS) remains uncertain and increasingly challenging due to the drop in oil prices from mid-2014. A number of offshore exploration and development projects have been postponed or scrapped as oil companies focus to a greater extent on cash flow due to lower oil prices. 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 USD30/bbl at the beginning of 2016 towards USD50/bbl at present, tendering activity has not picked up.

The North Sea AHTS market is expected to remain challenging in coming years as the rig count and activity level in the North Sea has declined. On a positive note, the supply side (number of active and marketed AHTS vessels) has adjusted as vessel owners have put vessels into lay-up. Dayrates are still low and not at sustainable levels, although some up-ticks were experienced during the summer. Boa Bison currently operates in the spot market, and the Boa Jarl on a 6+6 month term contract in the North Sea.

With persistent challenging markets the company will consider laying up vessels in the Offshore and Tug segment.

Statement from the CEO:

I hereby declare that to the best of my knowledge the interim accounts for the second 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.

Trondheim, 29 August 2016

A handwritten signature in blue ink, appearing to read 'Helge Kvalvik', with a stylized, circular flourish at the end.

Helge Kvalvik
CEO

Consolidated Income Statement

Boa Offshore AS

Figures in 1 000 NOK

	Note	Q2 2016	YTD 2016	Q2 2015	YTD 2015
Operating income	2	226 310	462 791	429 495	800 823
Operating cost ships		61 344	154 284	222 937	494 449
Payroll expenses		76 884	143 210	77 456	157 906
Depreciation	3	47 545	95 152	41 514	83 240
Write down on tangible assets	3	225 000	224 360	0	0
Other operating expenses		72 614	86 671	28 925	42 229
Operating expenses		483 386	703 676	370 832	777 825
Operating profit		-257 076	-240 885	58 663	22 998
Financial income and expenses					
Interest income from group companies		1 568	3 673	2 033	3 966
Other interest income		1 955	116 125	454	1 391
Other financial income		10 412	24 895	21 243	74 194
Interest expense to group companies		501	1 033	147	291
Other interest expenses		54 342	111 561	53 875	107 173
Other financial expenses		17 017	70 192	31 772	75 932
Net financial income and expenses		-57 925	-38 093	-62 065	-103 843
Operating result before tax		-315 001	-278 978	-3 402	-80 845
Tax on ordinary result		252	632	10	17
Operating result		-315 253	-279 610	-3 412	-80 862

Consolidated Balance Sheet

Boa Offshore AS

Figures in 1 000 NOK

Assets	Note	30.06.2016	30.06.2015	31.12.2015
Fixed assets				
Intangible fixed assets				
Deferred tax asset		248 332	203 376	248 332
Total intangible assets		248 332	203 376	248 332
Tangible fixed assets				
Buildings and land	3	5 847	5 847	5 847
Ships	3	3 147 613	3 377 248	3 152 167
Equipment and other movables	3	6 402	8 446	5 746
Newbuilding contracts	3	0	370 317	304 677
Total tangible fixed assets		3 159 862	3 761 857	3 468 437
Financial fixed assets				
Loans to group companies		153 582	177 973	161 362
Newbuilding contracts		0	146 300	0
Investments in shares		3 294	3 294	3 294
Other receivables		23 605	16 150	17 917
Total financial fixed assets		180 481	343 717	182 573
Total fixed assets		3 588 675	4 308 950	3 899 342
Current assets				
Inventories		8 421	12 187	12 880
Debtors				
Accounts receivables		256 207	322 592	206 920
Loan to group companies		9 901	146	5 606
Other receivables		244 683	607 414	802 958
Total debtors		510 791	930 152	1 015 484
Investments				
Other financial instruments		350	334	350
Total investments		350	334	350
Cash and bank deposits		513 879	613 229	482 401
Total current assets		1 033 441	1 555 901	1 511 115
Total assets		4 622 116	5 864 851	5 410 456

Consolidated Balance Sheet

Boa Offshore AS

Figures in 1 000 NOK

Equity and liabilities	Note	30.06.2016	30.06.2015	31.12.2015
Restricted equity				
Share capital	4	2 500	2 500	2 500
Share premium	4	74 447	74 447	74 447
Other restricted equity	4	3 106	3 106	3 106
Total restricted equity		80 053	80 053	80 053
Retained earnings				
Other equity	4	895 558	1 516 215	1 187 981
Total retained earnings		895 558	1 516 215	1 187 981
Total equity		975 610	1 596 267	1 268 034
Liabilities				
Other long-term liabilities				
Bonds	5	2 000 060	2 060 000	2 127 840
Liabilities to financial institutions	5	1 385 124	1 812 524	1 588 667
Liabilities to group companies		30 000	21 533	30 984
Total of other long term liabilities		3 415 184	3 894 057	3 747 491
Current liabilities				
Trade creditors		128 023	196 356	154 932
Liabilities to group companies		3 127	0	0
Tax payable		0	10	950
Public duties payable		3 200	8 604	11 995
Other short term liabilities		96 971	169 555	227 056
Total short term liabilities		231 322	374 526	394 932
Total liabilities		3 646 505	4 268 583	4 142 423
Total equity and liabilities		4 622 116	5 864 851	5 410 456

Consolidated Cash Flow Statement

Boa Offshore AS

Figures in 1 000 NOK

		2Q 2016	YTD 2016	2Q 2015	YTD 2015
Cash flow from operating activities					
Profit before income taxes		-315 001	-278 978	-3 402	-80 845
Income tax paid		-54	-4 963	-6 111	-12 223
Depreciation and write-down		272 545	320 152	41 514	83 240
Gain on sale of financial items		0	0	0	-728
Write-down of financial fixed assets		0	-640	0	0
Currency gain/-loss		0	0	-9 965	8 035
Changes in inventories		-1 997	4 459	-6 449	-6 760
Changes in trade receivables		-74 052	-49 287	-74 964	68 799
Changes in other receivables		31 468	607 549	19 182	29 129
Changes in trade creditors		84 249	-26 909	-12 153	-65 218
Changes in receivables from group companies		-1 223	5 629	-3 156	-10 342
Changes in other short-term liabilities		-57 900	-94 313	-29 812	-19 408
Changes in other accruals		-7 718	-5 054	0	0
Net cash flow from operating activities	A	-69 684	477 645	-85 317	-6 322
Cash flow from investing activities					
Purchase of tangible fixed assets		-22 369	-63 882	-133 395	-273 780
Purchase of financial fixed assets		-46 900	-63 000	-3 024	-3 024
Changes in other investments		0	0	110	220
Net cash flow from investing activities	B	-69 269	-126 882	-136 309	-276 584
Cash flow from financing activities					
Raised long term liabilities		0	0	138 187	353 658
Paid in long term liabilities		-125 473	-319 285	-30 654	-140 730
Group contribution		0	0	0	0
Paid in share capital		0	0	49 000	49 000
Net cash flow from financing activities	C	-125 473	-319 285	156 533	261 928
Net changes in cash and cash equivalents	A+B+C	-264 426	31 478	-65 093	-20 977
Cash and cash equivalent start at period		778 305	482 401	678 321	634 206
Cash and cash equivalents at end of period		513 879	513 879	613 229	613 229

Income Statement

Boa Offshore AS

Figures in 1 000 NOK

	Note	Q2 2016	YTD 2016	Q2 2015	YTD 2015
Operating Income	2	75 772	144 258	70 691	139 820
Operating cost ships		1 366	2 730	805	1 884
Payroll expenses		55 702	112 218	56 794	117 104
Depreciation	3	473	934	248	497
Other operating expenses		14 945	25 241	9 333	19 010
Operating expenses		72 486	141 122	67 180	138 494
Operating profit		3 286	3 135	3 511	1 326
Financial income and expenses					
Interest income from group companies		22 880	47 508	20 581	40 534
Other interest income		1 843	2 609	128	405
Other financial income		1 189	11 802	9 135	22 046
Depreciation of other financial current assets		0	0	0	0
Interest expense to group companies		13 243	25 419	10 951	21 810
Other interest expenses		15 021	31 372	13 544	27 333
Other financial expenses		1 084	10 532	2 269	6 866
Net financial income and expenses		-3 436	-5 404	3 080	6 975
Operating result before tax		-150	-2 269	6 591	8 301
Tax on ordinary result		0	380	0	0
Operating result		-150	-2 648	6 591	8 301

Balance Sheet

Boa Offshore AS

Figures in 1 000 NOK

Assets	Note	30.06.2016	30.06.2015	31.12.2015
Fixed assets				
Intangible fixed assets				
Deferred tax asset		199 838	204 422	199 838
Total intangible fixed assets		199 838	204 422	199 838
Tangible fixed assets				
Buildings and land	3	5 847	5 847	5 847
Vessels	3	4 502	4 913	4 597
Equipment and other movables	3	4 275	1 654	4 583
Total tangible fixed assets		14 623	12 413	15 027
Financial fixed assets				
Investments in subsidiaries		434 860	396 660	403 360
Loans to group companies		1 640 865	1 770 145	1 908 009
Investments in shares		3 044	3 044	3 044
Other receivables		19 814	11 441	14 148
Total financial fixed assets		2 098 583	2 181 291	2 328 561
Total fixed assets		2 313 044	2 398 127	2 543 426
Current assets				
Inventories		87	113	0
Receivables				
Trade receivables		4 785	16 736	2 813
Loans to group companies		149 097	80 992	94 122
Other receivables		14 243	10 470	48 276
Total receivables		168 125	108 198	145 211
Cash and bank deposits		96 384	104 129	98 827
Total current assets		264 597	212 441	244 038
Total assets		2 577 641	2 610 567	2 787 464

Balance Sheet

Boa Offshore AS

Figures in 1 000 NOK

Equity and liabilities	Note	30.06.2016	30.06.2015	31.12.2015
Restricted equity				
Share capital	4	2 500	2 500	2 500
Share premium	4	74 447	74 447	74 447
Other restricted equity	4	3 106	3 106	3 106
Total restricted equity		80 053	80 053	80 053
Retained earnings				
Other equity	4	1 000 793	1 092 570	1 003 442
Total retained earnings		1 000 793	1 092 570	1 003 442
Total equity		1 080 846	1 172 622	1 083 494
Liabilities				
Other long term liabilities				
Bonds	5	610 060	550 000	677 840
Liabilities to financial institutions	5	0	163 566	149 753
Liabilities to subsidiaries		830 555	670 645	731 576
Total other long term liabilities		1 440 615	1 384 211	1 559 169
Current liabilities				
Trade creditors		7 807	6 792	7 978
Liabilities to group companies		26 269	29 647	4 951
Tax payable		-29	0	0
Public duties payable		3 467	8 291	11 036
Other short term liabilities		18 667	9 005	120 836
Total short term liabilities		56 181	53 734	144 801
Total liabilities		1 496 796	1 437 945	1 703 970
Total liabilities and equity		2 577 641	2 610 567	2 787 464

Cash Flow Statement

Boa Offshore AS

Figures in 1 000 NOK

		2Q 2016	YTD 2016	2Q 2015	YTD 2015
Cash flow from operating activities					
Profit before income taxes		-150	-2 269	6 591	8 301
Depreciation and write-down		473	934	248	497
Gain on sale of financial items		0	0	0	-728
Currency gain/-loss		0	0	-2 625	-220
Changes in inventories		23	-87	7	76
Changes in trade receivables		-4 942	-1 973	-1 539	-2 208
Changes in other receivables		19 213	28 367	-640	1 780
Changes in trade creditors		-1 765	-172	1 933	2 450
Changes in receivables from group companies		-8 066	332 467	54 822	-62 176
Changes in other short-term liabilities		-27 152	-84 481	-10 687	-3 832
Net cash flow from operating activities	A	-22 365	272 788	48 110	-56 060
Cash flow from investing activities					
Purchase of tangible fixed assets		-232	-232	-571	-598
Purchase of financial fixed assets		-46 900	-63 000	-100 369	-100 369
Net cash flow from investing activities	B	-47 132	-63 232	-100 940	-100 967
Cash flow from financing activities					
Raised long term liabilities		0	0	35 072	133 785
Paid in long term liabilities		-68 180	-214 662	0	-59 472
Group contribution		0	2 665	0	0
Net cash flow from financing activities	C	-68 180	-211 997	35 072	74 313
Net changes in cash and cash equivalents	A+B+C	-137 677	-2 442	-17 758	-82 714
Cash and cash equivalent start at period		234 062	98 827	121 887	186 843
Cash and cash equivalents at end of period		96 384	96 384	104 129	104 129

Note 1 Accounting principles / general information

The quarterly report is unaudited and is prepared in compliance with NGAAP using the same principles as in 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 Segments**Consolidated - YTD 2Q 2016**

	OCV vessels*	Seismic vessels*	Barges*	Other / elimination	Total
Operating income	157 307	24 446	51 867	229 171	462 791
EBITDA	-1 562	4 815	32 431	42 942	78 627
EBIT	-30 121	-8 924	20 208	-222 048	-240 885

* OCV vessels: Boa Deep C and Boa Sub C. Seismic vessels: Boa Thalassa and Boa Galatea. Barges in Boa Barges AS.

Note 3 Fixed assets - consolidated

	Vessels	Periodic mainte- nance	New- building contracts	Equipment	Buildings and land	Sum
Acquisition cost 01.01.	4 180 973	282 044	441 385	6 412	5 847	4 916 662
Additions	24 214	8 806	28 735	2 126	0	63 882
Transfer	418 034	0	-470 120	0	0	-52 086
Acquisition cost 30.06.	4 623 222	290 850	0	8 539	5 847	4 928 458
Accumulated depr. 01.01.	1 183 387	127 461	136 708	1 530	0	1 449 084
Transfer	136 708	0	-136 708	0	0	0
Write-down this period	225 000	-640	0	0	0	224 360
Depreciation this period	69 097	25 448	0	606	0	95 152
Accum. depr. 31.03.	1 614 191	152 269	0	2 136	0	1 768 596
Book value 30.06.	3 009 030	138 582	0	6 402	5 847	3 159 862

Economic life	27-30 years	2,5-10 years	5 years
Depreciation schedule	Linear	Linear	Linear

Lease amount on fixed assets, not included in the balance sheet, year to date:

22 763

Note 4 Shareholder's equity**Parent company**

	Share capital	Share premium	Other restricted equity	Other equity	Total
Equity 01.01.	2 500	74 447	3 106	1 003 442	1 083 495
Profit of the year	0	0	0	-2 648	-2 648
Equity 30.06	2 500	74 447	3 106	1 000 793	1 080 846

Consolidated

	Share capital	Share premium	Other restricted equity	Other equity	Total
Equity 01.01.	2 500	74 447	3 106	1 187 981	1 268 034
Profit of the year	0	0	0	-279 610	-279 610
Paid in equity	0	0	0	0	0
Other changes	0	0	0	-12 814	-12 814
Equity 30.06.	2 500	74 447	3 106	895 558	975 611

Minority share of operating result YTD	-18 099
Minority share of total equity	6 963

Note 5 Long term liabilities**Parent company**

Instalments of debt falling due more than 5 years from the balance date:

	2016	2017	2018	2019	2020	→
Instalments	0	0	590 060	0	50 000	0

Consolidated

Instalments of debt falling due more than 5 years from the balance date:

	2016	2017	2018	2019	2020	→
Instalments	65 047	243 060	1 123 204	1 053 822	430 597	499 454

Note 6 Consolidated income statement - summary

	2Q 2016	YTD 2016	2Q 2015	YTD 2015
Operating income	226 310	462 791	429 495	800 823
Operating expences	210 841	384 165	329 318	694 585
EBITDA	15 469	78 627	100 177	106 238
EBITDA %	7 %	17 %	23 %	13 %
Depreciation and write-down	272 545	319 512	41 514	83 240
EBIT	-257 076	-240 885	58 663	22 998
Net finance	-57 925	-38 093	-62 065	-103 843
Pre tax profit	-315 001	-278 978	-3 402	-80 845
Tax	252	632	10	17
Net profit	-315 253	-279 610	-3 412	-80 862

Note 7 Interest bearing debt / equity

Key figures	30.06.16	30.06.15	31.12.15
Interest bearing debt	3 415 184	3 872 524	3 746 507
Cash and cash equivalents	513 879	613 229	482 401
Net Interest Bearing Debt (NIBD)	2 901 304	3 259 295	3 264 105
NIBD / EBITDA *	16,68	8,92	16,20
* Last four quarters			
Booked equity ratio	21,1 %	27,2 %	23,4 %
Value adjusted equity ratio	36,9 %	41,0 %	37,4 %