

Annual Report

Boa OCV AS

2015

Org.nr. 984 158 939



BOA OCV AS

BOARD'S ANNUAL REPORT FOR 2015

Nature and location of activities:

The company owns and charters out 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 2015.

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 2014.

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:

The board confirms 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 2015 was MNOK 177,2 (MNOK 171,3).

The financial result was MNOK -48,8 (MNOK -77,8).

The year-end profit was MNOK 131,2 (MNOK 103,5).

Total year-end assets were MNOK 1.474,2 (MNOK 1.521,7), and the percentage of shareholder's equity on December 31, 2015 was 22,1 % (12,8 %).

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.

The interest rate exposure on the company's long-term debt is partly hedged by two fixed interest rate swaps.

Credit risk:

The potential risk that contracting parties will not have the financial means to meet their obligations is considered to be low. No agreements have been entered into or other financial means established to minimize the company's credit risk.

Liquidity risk:

The company's liquidity risk is considered to be acceptable.

Appropriation of profits:

The annual results for Boa OCV AS were MNOK 131,2. The Board proposes the following disposal:

Transfer to other equity: MNOK 131,2

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 segment remains uncertain and challenging due to the drop in oil prices from mid-2014. A number of offshore projects have been postponed as oil companies focus to a greater extent on cash flow due to lower oil prices. Ongoing and sanctioned projects will ensure a certain activity level in the subsea sector in the short to medium term. Furthermore, IMR and subsea well-related services are still considered to be a growing part of the subsea market over time, 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.

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 one of the most important growth opportunities for oil companies also in the coming decade.

Boa Sub C is currently lined up for a number of short-term assignments in West Africa commencing 1Q16, while Boa Deep C is currently being chartered to a project in South America led by to international Oil Majors. Despite the current soft market, there are still some opportunities for short and medium-term contracts.

Trondheim, 07.04.2016



Helge Kvalvik
Chairman of the Board



Ole T. Bjørnevik
Member of the Board



Rune A. Juliussen
Member of the Board

Income Statement

Boa OCV AS

| Operating income and operating expenses | Notes | 2015 | 2014 |
|------------------------------------------------|--------------|---------------------------|---------------------------|
| Operating income | 2 | <u>427 459 406</u> | <u>363 434 775</u> |
| Operating income | | <u>427 459 406</u> | <u>363 434 775</u> |
| Operating expenses ship | 11 | 59 131 382 | 39 152 902 |
| Payroll expenses | 11 | 72 031 837 | 55 761 532 |
| Depreciation | 4 | 60 671 891 | 84 339 047 |
| Other operating expenses | 3 | <u>58 413 064</u> | <u>12 864 865</u> |
| Operating expenses | | <u>250 248 174</u> | <u>192 118 346</u> |
| Operating profit | | <u>177 211 232</u> | <u>171 316 428</u> |
| Financial income and expenses | | | |
| Interest income from group entities | 11 | 34 568 652 | 53 360 563 |
| Other interest income | | 677 956 | 4 515 761 |
| Other financial income | | 36 522 783 | 31 805 936 |
| Other interest expenses | | 93 949 606 | 124 038 049 |
| Other financial expenses | | <u>26 572 556</u> | <u>43 437 614</u> |
| Net financial income and expenses | | <u>-48 752 771</u> | <u>-77 793 402</u> |
| Operating result before tax | | <u>128 458 461</u> | <u>93 523 026</u> |
| Tax on ordinary result | 9 | -2 756 350 | -9 933 456 |
| Operating result after tax | | <u>131 214 811</u> | <u>103 456 482</u> |
| Annual net profit | | <u>131 214 811</u> | <u>103 456 482</u> |
| Brought forward | | | |
| Dividend | | 0 | 50 000 000 |
| To other equity | 6 | <u>131 214 811</u> | <u>53 456 482</u> |
| Net brought forward | | <u>131 214 811</u> | <u>103 456 482</u> |

Balance sheet

Boa OCV AS

| Assets | Notes | 2015 | 2014 |
|--------------------------------|-----------|----------------------|----------------------|
| Fixed assets | | | |
| Intangible fixed assets | | | |
| Deferred tax asset | 9 | 12 637 931 | 9 042 596 |
| Total intangible assets | | <u>12 637 931</u> | <u>9 042 596</u> |
| Tangible fixed assets | | | |
| Ships | 4, 10, 11 | 734 652 600 | 781 863 924 |
| Total tangible fixed assets | | <u>734 652 600</u> | <u>781 863 924</u> |
| Financial fixed assets | | | |
| Loans to group companies | 8, 10 | 539 681 372 | 505 112 720 |
| Total financial fixed assets | | <u>539 681 372</u> | <u>505 112 720</u> |
| Total fixed assets | | <u>1 286 971 902</u> | <u>1 296 019 240</u> |
| Current assets | | | |
| Inventories | | 8 258 915 | 0 |
| Debtors | | | |
| Accounts receivables | 10 | 19 003 995 | 8 372 411 |
| Loans to group companies | 8 | 3 428 217 | 21 286 005 |
| Other receivables | | 9 000 397 | 11 848 656 |
| Total debtors | | <u>31 432 608</u> | <u>41 507 072</u> |
| Cash and bank deposits | 10 | 147 488 728 | 184 221 867 |
| Total current assets | | <u>187 180 251</u> | <u>225 728 940</u> |
| Total assets | | <u>1 474 152 153</u> | <u>1 521 748 179</u> |

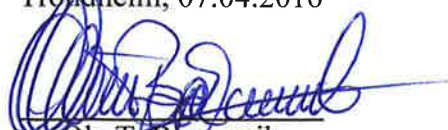
Balance sheet


Boa OCV AS

| Equity | Notes | 2015 | 2014 |
|--------------------------------------|-------|----------------------|----------------------|
| 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 | 230 638 574 | 99 423 763 |
| Total retained earnings | | <u>230 638 574</u> | <u>99 423 763</u> |
| Total equity | | <u>325 291 087</u> | <u>194 076 277</u> |
| Liabilities | | | |
| Other long term liabilities | | | |
| Bonds | 7, 10 | 1 100 000 000 | 1 200 000 000 |
| Total of other long term liabilities | | <u>1 100 000 000</u> | <u>1 200 000 000</u> |
| Current liabilities | | | |
| Trade creditors | | 14 586 686 | 23 414 072 |
| Liabilities to group companies | 8 | 8 174 112 | 6 429 261 |
| Dividends | 8 | 0 | 50 000 000 |
| Tax payable | 9 | 838 985 | 1 037 233 |
| Other short term liabilities | 10 | 25 261 284 | 46 791 337 |
| Total short term liabilities | | <u>48 861 066</u> | <u>127 671 903</u> |
| Total liabilities | | <u>1 148 861 066</u> | <u>1 327 671 903</u> |
| Total equity and liabilities | | <u>1 474 152 153</u> | <u>1 521 748 180</u> |

Trondheim, 07.04.2016


Helge Kvalvik
chairman of the board


Ole T. Børnevik
member of the board


Rune Juliussen
member of the board

Notes to 2015 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.

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

Notes to 2015 annual accounts

Note 2 Operating income

| Geographical area | 2015 | 2014 |
|-------------------|----------------|----------------|
| USA | 146 911 | 127 489 |
| Norway | 280 548 | 235 946 |
| Total | 427 459 | 363 435 |

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 2015 to Deloitte AS for accounting services was NOK 90 584.

Note 4 Fixed assets

| | Vessel | Periodic mainte- nance | Total |
|-----------------------------------|------------------|------------------------------|------------------|
| Acquisition cost on 01.01 | 1 242 896 | 139 224 | 1 382 120 |
| Additions | 9 887 | 4 087 | 13 974 |
| Disposals | -514 | | -514 |
| Acquisition cost on 31.12 | 1 252 269 | 143 311 | 1 395 581 |
| Accumulated depreciation on 01.01 | 542 483 | 57 773 | 600 256 |
| Depreciation this year | 37 178 | 23 494 | 60 672 |
| Accum. depreciation 31.12. | 579 661 | 81 267 | 660 928 |
| Book value | 672 609 | 62 044 | 734 653 |

| | | |
|-------------------|----------|--------------|
| Economic lifespan | 27 years | 2,5-10 years |
| Depreciation plan | Linear | Linear |

The economic lifetime for the vessels has been extended from 20 to 27 and 30 years in 2015.

Notes to 2015 annual accounts

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.

Note 6 Equity

| | Share capital | Share premium | Other restricted equity | Other equity | Total |
|----------------------|---------------|---------------|-------------------------|----------------|----------------|
| Equity 01.01. | 100 | 80 108 | 14 445 | 99 424 | 194 077 |
| Profit of the year | | | | 131 215 | 131 215 |
| Equity 31.12. | 100 | 80 108 | 14 445 | 230 639 | 325 291 |

Note 7 Long term debt

| | 2016 | 2017 | 2018 | 2019 |
|-------------|---------|---------|---------|---------|
| Instalments | 100 000 | 100 000 | 100 000 | 800 000 |

Note 8 Outstanding accounts with companies within the same group

| | Short term receivables | | Long term receivables | |
|-------------------------|------------------------|---------------|-----------------------|----------------|
| | 2015 | 2014 | 2015 | 2014 |
| Boa Offshore AS | | 6 170 | 539 681 | 505 113 |
| Boa Offshore LLC | 2 389 | 11 952 | | |
| NFDS Offshore 1 AS | 596 | | | |
| NFDS Offshore 2 AS | 6 | | | |
| Boa Barges | 12 | | | |
| Boa Marine Services Inc | 38 425 | 3 164 | | |
| Accrual for bad debt | -38 000 | | | |
| Sum | 3 428 | 21 286 | 539 681 | 505 113 |

| | Short term liabilities | |
|-------------------------|------------------------|---------------|
| | 2015 | 2014 |
| Boa Offshore AS | 8 070 | 53 953 |
| Boa SBL AS | 49 | |
| Boa Shipping AS | | 2 479 |
| Boa Marine Services Inc | -23 | |
| Boa Marine Services SA | 77 | -3 |
| Sum | 8 174 | 56 429 |

Notes to 2015 annual accounts

Note 9 Tax

| This years tax: | 2015 | 2014 |
|--------------------------------|----------------|----------------|
| Changes in deferred tax | -3 595 | -10 971 |
| Tax payable | 793 | 991 |
| Tonnage tax | 46 | 46 |
| This years tax expense | -2 868 | -9 933 |
| Tax payable in balance: | 2015 | 2014 |
| This year's tax on profit | 839 | 1 037 |
| Net tax payable | 839 | 1 037 |
| This years tax basis: | 2015 | 2014 |
| Profit and loss account | 2 937 | 3 671 |
| Financial result | -14 124 | -36 961 |
| Loss carried forward used | | |
| This years tax basis | -11 187 | -33 290 |
| Temporary differences: | 2015 | 2014 |
| Profit and loss account | 11 748 | 14 685 |
| Loss carried forward | -62 300 | -48 176 |
| Net temporary differences | -50 552 | -33 491 |
| Net deferred tax 25 % / 27 % | -12 638 | -9 043 |

Note 10 Secured debt/other long-term debt

| Debt secured by mortgage etc. | 2015 | 2014 |
|-------------------------------------------------|-------------|-------------|
| Debt to credit institutions | 1 100 000 | 1 200 000 |
| Accrued interest | 20 188 | 21 547 |
| Sum | 1 120 188 | 1 221 547 |
| Book value of assets mortgaged for debt: | 2015 | 2014 |
| Bank deposits | 147 179 | 184 003 |
| Accounts receivables | 19 004 | 29 658 |
| Vessels | 734 653 | 781 864 |
| Group receivables | 539 681 | 505 113 |
| Sum | 1 440 517 | 1 500 638 |

Notes to 2015 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: | 2015 | 2014 |
|---------------------------------------------------|----------------|----------------|
| Services | | |
| - Mother company | 72 503 | 45 270 |
| Total expenses from operating transactions | 72 503 | 45 270 |
| Services | | |
| - Sister company | 146 911 | 127 489 |
| Total income from operating transactions | 146 911 | 127 489 |
| Finance transactions: | 2015 | 2014 |
| Interest income | | |
| - Mother company | 34 569 | 53 361 |
| Total income from finance transactions | 34 569 | 53 361 |

Cash flow report

| Figures in 1 000 NOK | 2015 | 2014 |
|---------------------------------------------------------|-----------------|----------------|
| Cash flow from operating activities | | |
| Profit before income taxes | 128 458 | 93 523 |
| Paid in tax | -1 037 | -1 331 |
| Depreciation | 60 672 | 84 339 |
| Changes in trade receivables and creditors | -19 459 | 32 160 |
| Changes in receivables from group entities | -14 966 | -67 411 |
| Changes in other short-term receivables and liabilities | -26 941 | 13 800 |
| Net cash flow from operating activities | 126 727 | 155 080 |
| Cash flow from investing activities | | |
| Purchase of financial fixed assets | -13 460 | -86 709 |
| Net cash flow from investing activities | -13 460 | -86 709 |
| Cash flow from financing activities | | |
| Repayment of long term liabilities | -100 000 | -1 012 500 |
| Group contribution | -50 000 | -277 245 |
| Raised long term liabilities | - | 1 200 000 |
| Net cash flow from financing activities | -150 000 | -89 745 |
| Net changes in cash and cash equivalents | -36 733 | -21 374 |
| Cash and cash equivalents start at period | 184 222 | 205 596 |
| Cash and cash equivalents end of period | 147 489 | 184 222 |

Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Boa OCV AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Boa OCV AS, showing a profit of NOK 131.214.811. The financial statement comprises of the balance sheet as at 31.12.2015, and the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Boa OCV AS as at 31.12.2015, and of 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.

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 allocation of the profit 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, 15. april 2016
Deloitte AS

Jon Bjørnaas
State Authorised Public Accountant (Norway)

Translation has been made for information purposes only