

# **JACK** **TEL**

## INTERIM REPORT

Q3 2015



## Highlights Third Quarter 2015

- Jacktel won a 6 months charter contract for the use of Haven at the Dan F field offshore Denmark. The contract commenced early October 2015, and secures the unit positive cash flow through the winter months.
- Accommodation unit Haven completed its 4 year contract with Conoco Phillips at the Ekofisk/Eldfisk fields at the end of July 2015, and was demobilized to Kristiansand where she was prepared for the next contract.

## Operations

HAVEN was demobilized from Eldfisk on 28 July and moved to Kristiansand where she was prepared for the new contract in Denmark for Maersk Oil and Gas. During the inshore period, a significant part of the five year class work (SPS) was conducted to ensure that Haven can operate offshore, uninterrupted, for another 5 years.

The SPS was performed without any major findings. Work performed included amongst other NDT of welds in legs, control of various tanks and control of E&I equipment. Remaining class work is limited and it is expected that total SPS cost will be well below 5 million EURO, including the work performed in Kristiansand. Final due date for the 5 year class work is July 2016.

Following the yard stay, the rig was mobilized to the Danish shelf, where she commenced its charter contract on October 5, 2015.

## Financial

(Figures in brackets refer to the corresponding period of 2014)

The Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB) and IFRIC as approved by the European Union.

Operating income for the third quarter decreased to 9.6 MEUR (20.6 MEUR) as a result of the completion of the Ekofisk contract late July. Operating expenses increased to 9.2 MEUR (5.9 MEUR), partly as a result of costs associated with the demobilization of the unit from Eldfisk, as well as the yard stay in Kristiansand during August and September. This resulted in an EBITDA of 364 kEUR (14.8 MEUR) and an operating loss of 3.2 MEUR (profit of 10.1 MEUR).

Net financial expenses for third quarter equaled 4.6 MEUR (11.1 MEUR), of which 1.6 MEUR relates to interest payable on the bond loan and 3.4 MEUR relates to interest accrued on shareholder loans.

This resulted in a net loss for the third quarter of 7.8 MEUR (loss of 1.0 MEUR).

### *Finance*

The company has currently one outstanding bond amounting to 95 MEUR. The bond loan carries a coupon of 7% and is secured by a 1<sup>st</sup> lien mortgage on Haven. The bond loan has a term of 5 years and expires on 8 July 2019.

### *Valuation*

The value of Haven is largely dependent upon the development of the offshore service market in general, and the ASV market in particular. The Board considers the value to remain stable through the 3 quarter.

### *Cash flow and liquidity*

The positive cash flow from operations during the third quarter stems from charter hire and demobilization fee and no unexpected cost related to the operation of Haven. Operational cash flow (excluding the non-recurrent items) was satisfactory and in line with projections.

The Board of Directors considers the company's liquidity position to be adequate and confirms that the assumption of going concern forms the basis for the quarterly accounts. The company has long term financing in place and with the new contract the company has secured a positive cash flow from operations until end of March 2016.

*Risk*

The company is exposed to general business market risk, including credit risk on its one customer and revenue risk after the current charter hire contract expires in March 2016. The credit risk of the current customer is considered marginal. Further commitments for Haven, following the expiry of the current contract in March 2016, is being pursued. In spite of a challenging market, the company remains optimistic that a good utilization of Haven can be achieved. Future changes in prices and utilization of the unit may impact the valuation of the asset.

## **Future Prospects**

Future prospects for the company depend on developments in the offshore market for support services to the oil and gas industry.

Even though the market is expected to remain difficult for a period, tendering activity has increased over the last months. In the longer term demand should increase further, driven mainly by an increasing and aging install base in the North Sea. Oil companies have postponed several maintenance activities. In general the maintenance need has not disappeared and we expect that maintenance and upgrade projects will be reactivated in the medium to longer term, resulting in increased demand for bed capacity. The company believe Haven has comparative advantages for year round operation in harsh environment and remain confident that the unit should achieve a high utilization also in a more difficult market.

## **Statement from the Board of Directors and CEO**

We confirm that, to the best of our knowledge, the un-audited financial statements for the third quarter of 2015, which have been prepared in accordance with IAS 34 Interim Financial Statements, give a true and fair review of the company's assets, liabilities, financial position and profit and loss of the company.

**Oslo, 20 October 2015**



**Bjørn Henriksen**  
(Chairman)



**Thomas Eik Gabestad**



**Kjetil Bollestad**  
CEO  
Jacktel AS

**Condensed Income Statement**

<b>In EUR 1,000'</b>	<b>Non-audited Q3-2015</b>	<b>Non-audited Q3-2014</b>	<b>Audited 2014</b>	<b>Non-audited 9M-2015</b>	<b>Non-audited 9M-2014</b>
Operating income	9 592	20 654	78 025	52 382	56 007
Operating expenses	-9 229	-5 889	-25 097	-21 923	-19 209
<b>EBITDA</b>	<b>364</b>	<b>14 765</b>	<b>52 927</b>	<b>30 459</b>	<b>36 798</b>
Depreciation	-3 568	-4 648	-18 681	-11 414	-13 944
Impairment	-	-	-80 000	-69 000	-
<b>OPERATING PROFIT- EBIT</b>	<b>-3 204</b>	<b>10 117</b>	<b>-45 753</b>	<b>-49 954</b>	<b>22 854</b>
Interest income	0	15	423	1	33
Interest expenses	-5 047	-9 553	-37 780	-17 775	-28 295
Other financial expenses	478	-1 559	-1 315	9	-1 948
<b>NET FINANCIAL ITEMS</b>	<b>-4 569</b>	<b>-11 098</b>	<b>-38 673</b>	<b>-17 765</b>	<b>-30 210</b>
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>-7 773</b>	<b>-981</b>	<b>-84 426</b>	<b>-67 720</b>	<b>-7 356</b>
Income tax expense (benefit)	-	-	-	-	-
<b>NET PROFIT (LOSS)</b>	<b>- 7 773</b>	<b>-981</b>	<b>-84 426</b>	<b>-67 720</b>	<b>-7 356</b>

**Statement of Comprehensive Income**

<b>In EUR 1,000'</b>	<b>Non-audited Q3-2015</b>	<b>Non-audited Q3-2014</b>	<b>Audited 2014</b>	<b>Non-audited 9M-2015</b>	<b>Non-audited 9M-2014</b>
Net profit this period	-7 773	-981	-84 426	-67 720	-7 356
Other comprehensive income	-	372	-	-	372
<b>COMPREHENSIVE INCOME</b>	<b>-7 773</b>	<b>- 608</b>	<b>-84 426</b>	<b>-67 720</b>	<b>- 6 984</b>

**Earnings per share:**

- Basic	-0,16	-0,02	-1,69	-1,35	-0,15
- Diluted	-0,16	-0,02	-1,69	-1,35	-0,15

## Statement of Financial Position

In EUR 1,000'	Non-audited 30.09.2015	Non-audited 30.09.2014	Audited 31.12.2014	Audited 31.12.2013
<b>ASSETS</b>				
<b>Non-current assets:</b>				
Property, plant and equipment	270 739	431 116	347 286	443 894
<b>Total non-current assets</b>	<b>270 739</b>	<b>431 116</b>	<b>347 286</b>	<b>443 894</b>
<b>Current assets:</b>				
Accounts receivable	0	13 158	6 676	10 067
Other current assets	2 119	3 180	2 226	1 358
Cash and cash equivalents	60 298	17 889	36 351	29 670
<b>Total current assets</b>	<b>62 417</b>	<b>34 227</b>	<b>45 252</b>	<b>41 096</b>
<b>TOTAL ASSETS</b>	<b>333 156</b>	<b>465 344</b>	<b>392 538</b>	<b>484 990</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity:</b>				
Issued capital	17 977	12 191	12 191	12 191
Share premium	167 794	117 335	39 893	124 319
Uncovered loss	-67 720	-	-	-
<b>Total equity</b>	<b>118 052</b>	<b>129 526</b>	<b>52 084</b>	<b>136 510</b>
<b>Non-current liabilities:</b>				
Shareholder loans	115 730	228 232	236 020	230 116
Other interest-bearing debt	93 505	93 116	93 214	67 500
Prepayments customers	-	-	-	5 415
Other non-current liabilities	-	-	-	1 872
<b>Total long-term liabilities</b>	<b>209 235</b>	<b>321 348</b>	<b>329 234</b>	<b>304 904</b>
<b>Current liabilities:</b>				
Accounts payable	314	1 106	619	183
Prepayments customers	0	7 807	5 358	9 418
Other interest-bearing debt	0	0	-	25 339
Other current liabilities	5 556	5 557	5 243	8 636
<b>Total current liabilities</b>	<b>5 937</b>	<b>14 470</b>	<b>11 221</b>	<b>43 576</b>
<b>Total liabilities</b>	<b>215 104</b>	<b>335 818</b>	<b>340 454</b>	<b>348 480</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>333 156</b>	<b>465 344</b>	<b>392 538</b>	<b>484 990</b>

**Statement of changes in Equity**

<i>(In EUR 1.000)</i>	Share Capital	Share premium	Uncovered loss	Total equity
<b>Equity as at January 1, 2014</b>	<b>12 191</b>	<b>124 319</b>	-	<b>136 510</b>
Share issues				0
Net income (loss)		-84 426		-84 426
Fair value adjustment hedging reserve		-		0
<b>Equity as at December 2014</b>	<b>12 191</b>	<b>39 893</b>		<b>52 084</b>
Share issues	5 787	127 901		133 688
Net income (loss)		-	-67 720	-67 720
<b>Equity as at September 2015</b>	<b>17 977</b>	<b>167 794</b>	<b>-67 720</b>	<b>118 052</b>

**Cash Flow Statement**

<b>In EUR 1,000'</b>	Q3-2015	Q3-2014	2014	9M-2015	9M-2014
Net profit/(loss)	-7 773	-981	-84 426	-67 720	-7 356
Depreciation and impairment	3 568	4 740	98 681	80 414	14 035
Other adjustments non-cash items	-	-372	-372	-	-372
Net interest	4 569	11 098	34 011	17 766	30 210
Changes in working capital	13 129	-11 108	-4 616	2 587	-15 010
<b>Net cash from operating activities</b>	<b>13 493</b>	<b>3 376</b>	<b>43 278</b>	<b>33 047</b>	<b>21 507</b>
<b>Cash flow from investing activities</b>					
Proceeds from sale of equipment	-	50	59	-	50
Aquisition of fixed assets	-3 826	-100	-2 223	-4 112	-1 308
Interest received	-	15	51	-	33
<b>Net cash from investing activities</b>	<b>-3 826</b>	<b>-35</b>	<b>-2 114</b>	<b>-4 112</b>	<b>-1 225</b>
<b>Cash flow from financing activities</b>					
Repayment of debt	-	-103 700	-124 500	-	-124 500
Proceeds from debt	-	95 000	95 000	-	95 000
Interest paid	-1 663	-288	-4 983	-4 988	-2 563
<b>Net cash from financing activities</b>	<b>-1 663</b>	<b>-8 988</b>	<b>-34 483</b>	<b>-4 988</b>	<b>-32 063</b>
<b>Net change in cash and cash equivalents</b>	<b>8 004</b>	<b>-5 647</b>	<b>6 681</b>	<b>23 947</b>	<b>-11 781</b>
<b>Cash and cash equivalents, opening balance</b>	<b>52 294</b>	<b>23 536</b>	<b>29 670</b>	<b>36 351</b>	<b>29 670</b>
<b>Cash and cash equivalents, closing balance</b>	<b>60 298</b>	<b>17 889</b>	<b>36 351</b>	<b>60 298</b>	<b>17 889</b>

## Notes to the interim report

### 1. General information

Jacktel AS is a 100% subsidiary of Master Marine AS, parent company in the Master Marine Group, located at Rosenkrantzgate 18 in Oslo, Norway. The Company, which was established in 2009, specializes in offshore accommodation and is the owner of the HAVEN jack up accommodation unit.

### 2. Basis of presentation

The financial statements of Jacktel have been prepared in accordance with International Financial Reporting Standards (IFRS), including IAS 34 Interim Financial Reporting, and interpretations adopted by the International Accounting Standards Board (IASB) and IFRIC as approved by the European Union ("EU"), as well as the additional relevant requirements under the Norwegian Accounting Act. The financial statements are prepared on a going concern basis and should be read in conjunction with the Company's financial statements as at 31 December 2014.

### 3. Significant accounting policies

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements and accompanying notes for the financial year ended 31<sup>st</sup> December 2014.

### 4. Related party transactions

Jacktel AS has a management agreement with its parent company, Master Marine AS, of which 2.1 MEUR has been paid per 3 quarter 2015.

### 5. Debt overview

**30.09.2015**

<i>(1.000 EUR)</i>		<b>Nominal amount</b>	<b>Interest rate</b>	<b>Book value (incl accrued interests)</b>
<b>Description</b>	<b>Lender</b>			
99,8 MEUR Term loan facility	Master Marine AS	99 830	12 %	115 730
95 MEUR Bond loan	Nordic Trustee ASA	95 000	7 %	93 505
<b>Total interest bearing debt</b>				<b>209 235</b>

Book value of the Bond loan is netted with costs to be accrued over the loan's lifetime.

### 6. Non-current assets

<i>(1.000 EUR)</i>	<b>Non-audited Q3 2015</b>	<b>Non-audited YTD 2015</b>	<b>Audited 2014</b>
<b>IB</b>	270 481	347 286	443 894
Additions	3 826	4 112	2 223
Disposals	0	-245	-150
Depreciation	-3 568	-11 414	-18 681
Impairment	0	-69 000	-80 000
<b>UB</b>	<b>270 739</b>	<b>270 739</b>	<b>347 286</b>

The Company's only non-current asset is the accommodation rig Haven.