

JACK **TEL**

INTERIM REPORT

Q2 2016



Highlights Second Quarter 2016

- Charter contract with Maersk Oil and Gas extended until end of July
- Continued the track record of 100% uptime to clients since commencement of operation in 2011.

Operations

During the second quarter, the rig continued to deliver strong operational results, with zero LTI's and 100% uptime. Haven continued its operation at the Dan F field for Maersk Oil and Gas throughout the quarter.

The contract with Maersk Oil and Gas ended on 31 July, and Haven was demobilised to the Nymo yard in Eydehavn. Haven will continue to be available for new charter contracts at short notice.

The project related to the preparation of Haven for operation at Johan Sverdrup is progressing according to plan and offers from a selection of yards have been received. The plan is to negotiate and select a fabrication /installation yard during Q3 2016. The rig is expected to be moved to the selected yard late Q3 2017.

Following a period of preservation activities, the company aim to reduce the daily OPEX to around USD 10.000 per day. The full effect of the cost cutting will materialize during the 4th quarter.

Financial

(Figures in brackets refer to the corresponding period of 2015)

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. From 1 January 2016, the company changed the functional and reporting currency from EUR to USD (United States Dollars). All figures in this report are in USD and comparable figures from 2015 are translated from EUR to USD.

Operating income for the second quarter was 6.2 MUSD (23.7 MUSD), where all was related to the contract with Maersk Oil & Gas. Operating expenses were 4.2 MUSD (7.3 MUSD), of which 3.3 MUSD relates to vessel OPEX and 0.9 MUSD relates to various engineering services and management fee to Jacktel's parent company, Master Marine AS. This resulted in an EBITDA of 2.3 MUSD (16.5 MUSD) and an operating loss of 1.4 MUSD (loss of 64.1 MUSD due to impairment of 76.3 MUSD in 2015).

Net financial expenses for second quarter equaled 1.4 MUSD (5.4 MUSD), of which 1.9 MUSD relate to interest payable on the bond loan and 4.2 MUSD relate to interest accrued on shareholder loans. The remaining 4.7 MUSD refer to unrealized foreign exchange gain on debt denominated in Euros.

Net loss for the second quarter equaled 2.8 MUSD (loss of 69.6 MUSD).

Finance

The company has currently one outstanding bond loan amounting to 95 MEUR. The bond loan carries a coupon of 7% and is secured by a 1st lien mortgage on Haven. The bond loan has a term of 5 years and expires on 8 July 2019. The company also has a shareholder loan as further specified in note 5.

Valuation

The value of Haven is connected to the development in the offshore industry. As disclosed in the press release dated November 4th 2015, Haven has an 18 month contract with Statoil, at Johan Sverdrup, with a contract value of around 178 MUSD. This contract shows the units attractiveness in a competitive market. When the contract with Maersk Oil and Gas expired late July, the unit was demobilised to Nymo yard in Eydehavn waiting for new opportunities. Haven will be preserved and operated with a reduced crew compared to normal operation until a new market opportunity emerge.

The company has performed impairment analysis and obtained external broker valuations which support the current book value. Based on this, the Board considers the book value of Haven to be fair as of the date of this report.

Cash flow and liquidity

The cash flow from operating activities during the second quarter is mainly a result of net contribution from charter hire and changes in working capital.

Cash flow from investing activities refer to the Johan Sverdrup project and an upgrade of the lifeboat and launching system.

Cash flow from financing relates to interest payment on the external bond loan.

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 second quarter financial statements.

Risk

The company is exposed to general business market risk, credit risk, currency risk and revenue risk after the current contract. The short to mid-term revenue risk is especially relevant until charter hire from the Johan Sverdrup contract will generate revenue. In general, customers can cancel contracts by paying a cancellation fee.

The credit risk of the current customer is considered marginal. Long term commitment for Haven is secured from June 2018 for 18 months through the charter contract with Statoil for the Johan Sverdrup project. The company continues to focus on securing new charter contracts up until the commencement of the yard stay late Q3 2017. Future changes in prices and utilization of the unit may impact the valuation of the asset.

Future Prospects

The market continues to remain challenging with few contract opportunities within the company's core market. The company expect this situation to continue in the short to mid-term. In the longer term, demand is expected to increase, driven by an increasing and aging install-base in the North Sea. Maintenance projects are postponed and it is expected that this will result in a higher maintenance activity once the oil price stabilizes at a sustainable level. An increased maintenance activity will have a positive impact on demand for bed capacity. The company believes that Haven has comparative advantages for year around operation in harsh environment and remain confident that the unit will achieve a high utilization also in a challenging market.

Statement from the Board of Directors and CEO

We confirm that, to the best of our knowledge, the unaudited financial statements for the second quarter of 2016, 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, 26 August 2016



Bjørn Henriksen
(Chairman)



Thomas Eik Gabestad
(Director)



Helge Ystheim
Managing Director
Jacktel AS

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 2015.

The functional currency of the company has been changed to USD as of 1 January 2016 mainly due to current charter contracts being denominated in USD and that it is expected that future contracts and investments will be in USD.

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 31st December 2015.

As a consequence of the change in functional currency, the company also changed its presentation currency for the accounts from EUR to USD with effect from 1 January 2016. At this date, all assets, liabilities and equity balances have been translated to the new functional currency with opening foreign exchange rates at 1 January 2016. The comparatives have been restated in the following matter:

- Share capital, share premium and other reserves are translated at the historic rates prevailing at the dates of the transactions.
- Retained earnings/uncovered loss have been translated at the rate of the transactions, however using average foreign exchange rates as a practical approach
- Currency translation adjustments have been posted towards other comprehensive income (foreign currency translation reserve).

4. Related party transactions

Jacktel AS has a management agreement with its parent company, Master Marine AS, of which 1.4 MUSD has been paid per second quarter 2016.

5. Debt overview

30.06.2016			
<i>(1,000 USD)</i>			
Description	Lender	Interest rate	Book value USD (incl accrued interests)
99,8 MEUR Term loan facility	Master Marine AS	12 %	140 397
95 MEUR Bond loan*	Nordic Trustee ASA	7 %	104 138
Total interest bearing debt			244 535

*) 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 USD)</i>	Non-audited Q1 2016	Non-audited Q2 2016	Non-audited YTD 2016	Restated Non-audited 2015
IB	293 235	290 260	293 235	422 193
Additions	706	1 593	2 299	5 600
Disposals	0	0	0	0
Depreciation	-3 681	-3 721	-7 402	-16 391
Impairment	0	0	0	-76 252
Currency translation	0	0	0	-41 915
UB	290 260	288 132	288 132	293 235

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

Condensed Income Statement

In USD 1,000'	Non-audited Q2-2016	Restated Non-audited Q2-2015	Restated Non-audited 2015	Non-audited 6M-2016	Restated Non-audited 6M-2015
Operating income	6 157	23 748	66 877	13 597	47 734
Operating expenses	-4 168	-7 288	-30 997	-8 135	-14 157
EBITDA	2 349	16 460	35 879	5 462	33 578
Depreciation	-3 721	-4 335	-16 391	-7 402	-8 753
Impairment	0	-76 252	-76 252	0	-76 252
OPERATING PROFIT- EBIT	-1 372	-64 128	-56 763	-1 940	-51 427
Interest income	7	0	9	11	1
Interest expenses	-5 998	-5 468	-25 479	-11 791	-14 229
Other financial expenses	4 607	37	-105	-3 577	-528
NET FINANCIAL ITEMS	-1 384	-5 431	-25 574	-15 357	-14 757
PROFIT/(LOSS) BEFORE TAX	-2 756	-69 559	-82 338	-17 297	-66 184
Income tax expense (benefit)	0	0	0	0	0
NET PROFIT (LOSS)	-2 756	-69 559	-82 338	-17 297	-66 184

Statement of Comprehensive Income

In USD 1,000'	Non-audited Q2-2016	Restated Non-audited Q2-2015	Restated Non-audited 2015	Non-audited 6M-2016	Restated Non-audited 6M-2015
Net profit this period	-2 756	-69 559	-82 338	-17 297	-66 184
Other comprehensive income	0	0	0	0	0
COMPREHENSIVE INCOME	-2 756	- 69 559	-82 338	-17 297	- 66 184

Earnings per share:

- Basic	-0,06	-1 39	-1,65	-0,35	-1,32
- Diluted	-0,06	-1,39	-1,65	-0,35	-1,32

Statement of Financial Position

In USD 1,000'	Non-audited 30.06.2016	Restated Non-audited 30.06.2015	Restated Non-audited 31.12.2015	Restated Non-audited) 31.12.2014
ASSETS				
Non-current assets:				
Property, plant and equipment	288 133	302 642	293 235	422 193
Total non-current assets	288 133	302 642	293 325	422 193
Current assets:				
Accounts receivable	4 390	14 461	4 833	8 116
Other current assets	884	423	5 835	2 706
Cash and cash equivalents	58 947	58 512	53 841	44 192
Total current assets	64 221	73 396	64 509	55 013
TOTAL ASSETS	352 354	376 038	357 745	477 206
EQUITY AND LIABILITIES				
Equity:				
Issued capital	19 630	23 018	23 018	16 463
Share premium	101 787	197 446	115 108	52 559
Uncovered loss	-17 297	- 66 183	0	0
Currency translation reserve	0	-13 495	-16 709	-5 704
Total equity	104 121	140 786	121 417	63 318
Non-current liabilities:				
Shareholder loans	140 397	125 719	130 566	286 928
Other interest-bearing debt	104 138	104 507	113 747	113 319
Total long-term liabilities	244 535	230 226	232 374	400 247
Current liabilities:				
Accounts payable	634	450	1 036	753
Prepayments customers	0	785	0	6 514
Other current liabilities	3 063	3 791	2 917	6 374
Total current liabilities	3 698	5 026	3 953	13 641
Total liabilities	248 233	235 252	236 327	413 888
TOTAL EQUITY AND LIABILITIES	352 354	376 038	357 745	477 206

Statement of Changes in Equity

<i>(In USD 1,000)</i>	Share Capital	Share premium	Uncovered loss	OCI reserve*	Total equity
Equity as at January 1, 2015	16 463	52 559		-5 704	63 318
Share issues	6 555	144 886	0	0	151 441
Net income (loss)	0	-82 338	0	0	-82 338
Currency translation differences	0	0	0	-11 005	11 992
Equity as at December 2015	23 018	115 108	0	-16 709	121 417
Opening balance adjustment*	-3 389	-13 320	0	16 709	
Net income (loss)	0	0	-17 297	0	-17 297
Equity as at June 2016	19 630	101 787	-17 297	0	104 121

*Ingoing balance Other comprehensive income reserve is entirely related to translating comparatives in functional currency EUR to USD presentation currency. Opening balance adjustment at 1.1.2016 is related to the change of functional currency from EUR to USD from January 1, 2016.

Cash flow Statement

In USD 1,000'	Non-audited Q2-2016	Restated Non-audited Q2-2015	Restated Non-audited 2015	Non- audited 6M-2016	Restated Non-audited 6M-2015
Net profit/(loss)	-2 756	-69 558	-82 338	-17 297	-66 183
Depreciation and Impairment	3 721	80 587	92 481	7 402	85 005
Net interest	1 384	5 430	23 562	15 361	-3 415
Changes in working capital	-2 287	-2 969	-6 509	5 417	-17 260
Net cash from operating activities	62	13 490	27 196	10 883	7 474
Aquisition of fixed assets	-1 593	-234	-5 559	-2 299	-5 559
Interest received	0	0	9	0	18
Net cash from investing activities	-1 593	-234	-5 550	-2 299	-318
Cash flow from financing activities					
Interest paid	-1 663	-1 838	-7 342	-3 478	-3 710
Net cash from financing activities	-1 663	-1 838	-7 342	-3 478	-3 710
Net change in cash and cash equivalents	-3 194	11 419	14 304	5 106	17 736
Cash and cash equivalents, opening balance	62 141	45 146	40 133	53 841	40 133
Effects of currency translation on cash and cash equivalents	0	1 947	-596	0	643
Cash and cash equivalents, closing balance	58 947	58 512	53 841	58 947	58 512