

INTERIM REPORT

Q4/2017



Fourth Quarter 2017

Operations

The maintenance and upgrade projects are progressing according to plan and within budget. The new leg sections and suction caissons arrived Bergen late January 2018, and are currently being installed. The project is on track to be completed 2Q, 2018, well ahead of being mobilized to Johan Sverdrup.

In addition to the upgrade, the main focus is operational preparedness, which includes recruitment of crew, training etc. Current manning onboard Haven is 14 and will gradually increase to 25.

OPEX during Q4 was around USD 13.000 per day.

Financial

The Interim Financial Statements are prepared in accordance with IAS 34.

Master Marine Group

Quarterly figures, Q4 2017

(Figures in brackets refer to the corresponding period of 2016)

Due to lay up, the company did not generate any operating income in Q4, 2017 (0 MUSD). Operating expenses equaled 1.9 MUSD (2.4 MUSD), of which 1.2 MUSD relates to vessel OPEX whereof 0,8 MUSD is cost related to the move of Haven from Eydehavn to CCB outside of Bergen, and 0.7 MUSD is related to management cost. This resulted in an EBITDA of -1.9 MUSD (-2.4 MUSD) and an operating loss of 5.7 MUSD (loss of 6.3 MUSD).

Interest expense for the third quarter equaled 11.8 MUSD (6.1 MUSD), of which 3.0 MUSD relate to interest paid on the bond loan in Jacktel and 3.4 MUSD are accrued and will be payable together with the principal 81 MUSD, in 2019. Accrued interest on shareholder loans equaled 5.4 MUSD.

Other financial expenses amounted to -9.2 MUSD (14.5 MUSD) which is unrealized foreign exchange loss on Euro bond loan and deposits in NOK.

Net loss for the fourth quarter equaled 26.5 MUSD (loss of 26.9 MUSD).

YTD Figures 2017

(Figures in brackets refer to the corresponding period of 2016)

Haven has been laid up for the entire the period. As a result, no operating income has been earned during 2017 (15.6 MUSD). Operating expenses totaled 8.7 MUSD (14.5 MUSD), of which 6.0 MUSD relate to vessel OPEX and 2.7 MUSD relate to various engineering services and management cost. This resulted in an EBITDA of -8.7 MUSD (1.1 MUSD) and an operating loss of 24.0 MUSD (loss of 14.0 MUSD).

Interest expense equaled 37.4 MUSD (24.3 MUSD), of which 7.7 MUSD relate to interest payable on the bond loan 10.0 MUSD and accrued interest on shareholder loans equaled 19.7 MUSD.

Other financial expenses relate to unrealized foreign exchange loss on Euro bond loan and deposits in NOK. The loss amounts to 38.3 MUSD (loss of 8.6. MUSD)

Net loss for 2017, totaled 99.2 MUSD (loss of 29.6 MUSD).

Finance

Master Marine Group has a total of 439.7 MUSD in long term liabilities, consisting of two bond loans and shareholder loan (see note 5 for further details).

Other current liabilities of 10.8 MUSD consist of 4.3 MUSD in accrued interest on the shareholder loan, 4.0 MUSD which is accrued interest on the bond loans together with other current liabilities of 2.5 MUSD.

Cash flow and liquidity Q4 2017

Master Marine will continue to have a negative cash flow until the commencement of the Johan Sverdrup contract late Q2, 2018. Following the re-financing late Q2, 2017 the company is however fully financed up until the commencement of the Johan Sverdrup contract.

Shareholder's equity for the Group as at 31 December 2017 is negative by 7.2 MUSD. Based on the Johan Sverdrup contract and the future outlooks in the longer term, it is expected that the Group will obtain a positive net profit for 2019 and the following years. In addition, Master Marine is partly financed by a shareholder loan that is subordinated other loans.

Master Marine AS

Quarterly figures, Q4 2017

(Figures in brackets refer to the corresponding period of 2016)

Operating income in Q4 were 0.7 MUSD (0.9 MUSD), and operating expenses totaled 0.6 MUSD (0.8 MUSD). This resulted in an EBITDA of 0.0 MUSD (0.1 MUSD) and an operating profit of 0.0 MUSD (profit of 0.1 MUSD). Income is related to management fee payable by Jacktel.

Net financial items are negative with 62.2 MUSD, which is largely related to impairment of shares in subsidiaries with 60.0 MUSD. In addition, interest income from the Jacktel shareholder loan equaled 6.9 MUSD (4.2 MUSD). Interest expenses totaled 8.8 MUSD (4.3 MUSD) whereof 5.4 MUSD relates to interest accrued on shareholder loans and 3.4 MUSD relate to accrued interest on the bond loan.

Net loss for the fourth quarter equaled 62.1 MUSD (loss of 29.4 MUSD).

YTD Figures 2017

(Figures in brackets refer to the corresponding period of 2016)

Operating income in 2017 of 2.5 MUSD (3.0 MUSD). Operating expenses were 2.7 MUSD (2.8 MUSD). This resulted in an EBITDA of -0.2 MUSD (0.1 MUSD) and an operating loss of 0.2 MUSD (profit of 0.1 MUSD).

Net financial items for the year amounted to -67.1 MUSD (-29.7 MUSD). The main element in the net financial result is the impairment of shares in subsidiaries and accrued interest cost related to shareholder loan and bond loan.

Net loss for 2017 equaled 67.3 MUSD (loss of 29.6 MUSD).

Finance

Master Marine has a total of 267.7 MUSD in long term liabilities. This includes a shareholder loan and a bond loan (see note 6 for more details). The shareholder loan expires on 30 September 2019, while the bond loan expires on 30 July 2019.

Other current liabilities of 6.7 MUSD is mainly consisting of 4.3 MUSD in accrued interest on the shareholder loan, 1.2 MUSD accrued interest on bond loan and other current liabilities of 1.2 MUSD.

Jacktel has, during Q4, drawn 37.7 MUSD on the 81 MUSD credit facility issued by the company. The interest rate is 16% and the expiry date is 30th of September 2019.

Risk

The company is exposed to general market risk, credit risk, currency risk and revenue risk. Credit risk related to the Statoil contract is considered low. Currency risk is considered acceptable as the cost of the main upgrade project is in the same currency as the charter rate, USD. The main currency risk is related to the bond loan, as well as shareholder loans which are denominated in EUR, while the value of the main asset is largely measured in USD's.

Long term commitment, for Haven is secured from June 2018 for 18 months through the charter contract with Statoil for the Johan Sverdrup project. Future changes in day rates and utilization of the unit may impact the valuation of the vessel.

Future Prospects

The market remains quiet with few specific contract opportunities. Competitors have secured acceptable utilization for their modern North Sea units for the next few months, while older units remain idle and are laid up. As of today there are few long term contract opportunities in the market.

In the longer term increased demand should be expected on the back of the strengthening oil price. Most oil companies are currently generating strong cash flows, and most fields are financially attractive at oil prices around USD 60 – 70 per barrel. As most budgets were approved when the oil price hovered around USD 50 / barrel, few contract opportunities are expected for 2018. Assuming the oil price remains at current level, activity levels is expected to increase in the longer term.

Oslo, 8 February 2018

Bjørn Henriksen
Chairman of the Board

Robert Furuhjelm
Director

Thomas Mejdell
Director

Henrik Bakken
Director

Stein Diesen
Director

Helge Ystheim
Managing Director

Condensed Income Statement

Master Marine Group

In USD 1,000'	Note	Un-audited Q4-2017	Un-audited Q4-2016	Audited 2016	Un-audited 12M- 2017
Operating income				15 640	
Operating expenses		-1 894	-2 376	-14 522	-8 728
EBITDA		-1 894	-2 376	1 118	-8 728
Depreciation	6	-3 807	-3 973	-15 122	-15 227
OPERATING PROFIT- EBIT		-5 701	-6 349	-14 005	-23 955
Interest income		240	11	32	492
Interest expenses		-11 823	-6 095	-24 281	-37 424
Other financial income					
Other financial expenses		-9 216	-14 460	8 637	-38 328
NET FINANCIAL ITEMS		-20 799	-20 544	-15 611	-75 260
PROFIT/(LOSS) BEFORE TAX		-26 500	-26 893	-29 616	-99 216
NET PROFIT (LOSS)		-26 500	-26 893	-29 616	-99 216

Condensed Statement of Financial Position Master Marine Group

In USD 000'	Note	Un-audited 31.12.2017	Audited 31.12.2016	Audited 31.12.2015
ASSETS				
Non-current assets:				
Property, plant and equipment	6	297 994	284 283	293 243
Intangible assets		5	6	24
Prepaid construction cost		52 731	17 134	
Total non-current assets		350 730	301 423	293 267
Current assets:				
Accounts receivable		580	30	5 599
Other current assets		704	1 228	4 971
Cash and cash equivalents		97 297	35 173	56 692
Total current assets		98 581	36 431	67 262
TOTAL ASSETS		449 311	337 854	360 529
EQUITY AND LIABILITIES				
Equity:				
Issued capital		123 246	123 246	144 068
Share premium				22 941
Retained losses		-31 245	-31 245	
Uncovered losses		-99 216		
Currency translation reserve				-45 391
Total equity		-7 215	92 001	121 617
Non-current liabilities:				
Shareholder loans	5	181 530	140 576	130 432
Other interest-bearing debt	5	258 164	98 257	102 212
Prepayments customers		3 595	632	
Total long-term liabilities		443 289	239 465	232 644
Current liabilities:				
Accounts payable		2 444	955	427
Other current liabilities		10 793	5 433	5 841
Total current liabilities		13 237	6 388	6 268
Total liabilities		456 526	245 853	238 912
TOTAL EQUITY AND LIABILITIES		449 311	337 854	360 529

Condensed Statement of Changes in Equity

Master Marine Group

<i>(In USD 1,000)</i>	Share Capital	Share premium	Retained losses	Retained earnings pref. shares	Total equity
Equity as at January 1, 2016	123 246		-34 104	32 475	121 617
Net income (loss)			-62 607	32 995	-29 616
Currency translation differences			3 577	-3 581	0
Equity as at December 31, 2016 (Audited)	123 246		-93 134	61 889	92 001
Net income (loss)			-139 757	40 541	-99 216
Currency translation differences			-4 922	4 922	0
Equity as at December 31, 2017 (Un-audited)	123 246		-237 813	107 352	-7 215

Condensed Cash Flow Statement

Master Marine Group

<i>In USD 1,000'</i>	Un-audited Q4- 2017	Un-audited Q4- 2016	Audited 2016	Un-audited 12M- 2017
Net profit/(loss)	-26 500	-26 893	-29 616	-99 216
Depreciation	3 807	3 973	15 121	15 227
Unrealized foreign exchange differences related to cash and financing activities	9 018	14 460	-10 030	36 731
Net interest	11 583	6 084	24 308	36 932
Changes in working capital	-2 906	1 058	9 433	4 972
Net cash from operating activities	-4 999	-1 318	9 216	-5 354
Cash flow from investing activities				
Prepayment Upgrade of Haven- Lamprell	-35 597	-17 134	-17 134	-35 597
Prepayment from customer	764	489	632	2 963
Aquisition of fixed assets	-7 735	-1 689	-6 136	-28 938
Interest received	240	11	27	492
Net cash from investing activities	-42 327	-18 323	-23 301	-61 080
Cash flow from financing activities				
Repayment of debt	-	-	-	-
Proceeds from debt	9 224	-	-	160 396
Interest paid	-11 823	-6 095	-7 218	-37 424
Net cash from financing activities	-2 599	-6 095	-7 218	122 973
Net change in cash and cash equivalents	-49 925	-25 736	-20 616	56 539
Net foreign exchange differences	-530	410	-903	5 585
Cash and cash equivalents, opening balance	147 752	60 499	56 692	35 173
Cash and cash equivalents, closing balance	97 297	35 173	35 173	97 297

Notes to the interim report

1. General information

Master Marine AS is located at Rosenkrantzgate 18 in Oslo, Norway. The company, which was established in 1997 is a 100% owner of Jacktel. Jacktel was established in 2009, specializes in offshore accommodation and is the owner of the Haven jack up accommodation unit.

2. Basis of presentation

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 2016.

The European Securities and Markets Authority (ESMA) issued guidelines on Alternative Performance measures (APM’s) that came into force 3 July 2016. Master Marine has defined and explained the purpose of the following APM’s:

- *EBITDA* means earnings before financial items and tax, excluding impairment losses, depreciation and amortization
- *EBIT* means earnings before financial items and tax

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 2016. No new standards with impact on the financial statement have been implemented with effect for 2017.

4. Related party transactions

Master Marine is managing Jacktel AS through a management agreement of which 2.5 MUSD (3.0 MUSD) has been accrued in 2017.

5. Debt overview

Master Marine Group

31.12.2017

(1.000 USD)		Nominal amount EURO	Nominal amount USD	Interest rate	Book value (incl accrued interests) USD
Description	Lender/Trustee				
140 MEUR Shareholder loan	Nordic Capital	87 000	104 340	12 %	181 530
146 MEUR Bond loan	Nordic Trustee ASA	146 000	175 099	7 %	171 947
81 MUSD Bond loan	Nordic Trustee ASA	N/A	81 000	16 %	86 217
Total interest bearing debt - USD					439 694

Master Marine AS

31.12.2017

<i>(1.000 USD)</i>		Nominal amount	Nominal amount	Interest rate	Book value (incl accrued interests) USD
Description	Lender/Trustee	EURO	USD		
140 MEUR Shareholder loan	Nordic Capital	87 000	104 340	12 %	181 530
81 MUSD Bond loan	Nordic Trustee ASA	NA	81 000	16 %	86 217
Total interest bearing debt - USD					267 747

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

For further information regarding financing, see Financial, under section Finance.

6. Non-current assets

<i>(1.000 USD)</i>	Un-audited YTD 2017	Audited 2016
01.01.2017	284 283	293 243
Additions	28 937	6 136
Disposals	0	0
Depreciation	-15 227	-15 097
Impairment	0	0
31.12.2017	297 994	284 283

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

In total the Group has pre-paid 52.7 MUSD to Lamprel, of which 35.6 MUSD has been paid in 2017. The pre-payments relate to the new suction caissons and legs.

Haven is currently in lay-up for modifications and upgrading related to future charter contract with Statoil.

Non-current assets in Master Marine AS relates to intangible assets (ERP and document control system).

7. Shares in subsidiaries

Shares in subsidiaries are written down to estimated fair market value. The market value is calculated based on the net present value of estimated future cash flows in the subsidiary.

8. Long term receivables Master Marine AS

31.12.2017

<i>(1.000 USD)</i>		Nominal amount	Nominal amount	Interest rate	Book value (incl accrued interests) USD
Description	Lender	EURO	USD		
99,8 MEUR Term loan facility	Master Marine AS	99 830	119 726	12 %	181 097
65,6 MUSD Term loan facility	Master Marine AS		65 600	16 %	67 143
Total long term receivable					248 240

Long term receivables relate to loan to Jacktel.

9. Other financial expenses Master Marine AS

Other financial expenses include impairment of shares in subsidiaries. The impairment loss amounts to 60.0 MUSD.

**Condensed Income Statement
Master Marine AS**

In USD 1,000'	Note	Un-audited Q4-2017	Un-audited Q4-2016	Audited 2016	Un-audited 12M- 2017
Operating income		666	887	2 971	2 538
Operating expenses		-639	-837	-2 839	-2 727
EBITDA		27	51	132	-189
Depreciation		-0	-1	-27	-2
OPERATING PROFIT- EBIT		27	50	105	-191
Interest income		6 881	4 180	16 534	21 118
Interest expenses		-8 812	-4 309	-16 948	-27 432
Other financial income					
Other financial expenses	9	-60 232	-29 337	-29 308	-60 787
NET FINANCIAL ITEMS		-62 164	-29 467	-29 722	-67 100
PROFIT/(LOSS) BEFORE TAX		-62 137	-29 417	-29 616	-67 292
NET PROFIT (LOSS)		-62 137	-29 417	-29 616	-67 292

Condensed Statement of Financial Position Master Marine AS

In USD 000'	Note	Un-audited 31.12.2017	Audited 31.12.2016	Audited 31.12.2015
ASSETS				
Non-current assets:				
Property, plant and equipment		11	13	32
Shares in subsidiaries	7	32 000	91 981	121 417
Long term receivables	8	248 240	140 240	130 163
Total non-current assets		280 250	232 233	251 612
Current assets:				
Accounts receivable		258	338	765
Other current assets		871	704	750
Cash and cash equivalents		17 882	3 025	2 851
Total current assets		19 011	4 067	4 366
TOTAL ASSETS		299 261	236 300	255 978
EQUITY AND LIABILITIES				
Equity:				
Issued capital		123 246	123 246	144 068
Share premium		-31 245	-31 245	24 085
Retained losses		-67 292		
Currency translation reserve				-46 536
Total equity		24 710	92 001	121 617
Non-current liabilities:				
Shareholder loans	5	181 530	140 576	130 433
Other interest-bearing debt	5	86 217		
Total long-term liabilities		267 748	140 576	130 433
Current liabilities:				
Accounts payable		96	158	156
Other interest-bearing debt				
Other current liabilities		6 708	3 565	3 773
Total current liabilities		6 804	3 723	3 929
Total liabilities		274 552	144 299	134 362
TOTAL EQUITY AND LIABILITIES		299 262	236 300	255 978

Condensed Statement of Changes in Equity Master Marine AS

<i>(In USD 1.000)</i>	Share Capital	Share premium	Retained losses	Retained earnings pref. shares	OCI reserve*)	Total equity
Equity as at January 1, 2016	123 246		-34 104	32 475		121 617
Net income (loss)			-88 848	17 043		-71 805
Currency translation differences				-4 017		-4 017
Equity as at December 31, 2016	123 246	-31 246				92 000
Net income (loss)			-67 291			-67 291
Equity as at December 31, 2017	123 246	-31 246	-67 291			24 710

Condensed Cash Flow Statement Master Marine AS

In USD 1,000'	Q4-2017	Q4-2016	2016	12M-2017
Net profit/(loss)	-62 137	-29 417	-29 616	-67 292
Depreciation		1	27	2
Unrealized foreign exchange differences related to cash and financi	25	-99	-354	265
Impairment of shares in subsidiaries	59 980	29 436	29 436	
Net interest	1 931	129	414	4 941
Changes in working capital	1 917	97	267	2 957
Net cash from operating activities	1 716	147	174	-59 126
Cash flow from investing activities				
Increased(-)/decreased long term receivables	-37 331			-86 386
Prepayment Upgrade of Haven- Lamprell				
Prepayment from customer				
Aquisition of fixed assets		-3	-7	
Interest received	6 881	4 180	6	21 118
Net cash from investing activities	-30 450	4 177	-1	-65 268
Cash flow from financing activities				
Proceeds from issue of shares and convertible bond				
Repayment of debt				
Proceeds from debt	8 848			106 508
Interest paid	-8 812	-4 309		-27 432
Net realized agio				
Net cash from financing activities	36	-4 309		79 076
Net increase/(decrease) in cash and cash equivalents	-28 698	15	173	-45 318
Net foreign exchange differences	14			195
Cash and cash equivalents, opening balance	46 566	3 010	2 851	3 025
Cash and cash equivalents, closing balance	17 882	3 025	3 025	-42 099