

MASTER MARINE

INTERIM REPORT

Q2 2018



Second Quarter 2018

Operations

Master Marine AS is 100% owner of Jacktel AS, the owner of Haven self-elevating accommodation unit. The main office is in Rosenkrantzgate 18, in Oslo, Norway.

The Group's business is ownership and operation of Haven.

Haven commenced operation at the Johan Sverdrup field at 7th June 2018, approximately one month ahead of original schedule. The installation of Haven adjacent to the Drilling Platform was successfully executed according to plan. The start-up has been uneventful with 100% uptime for the client and no serious incidents.

The utilization of the vessel has been high since the commencement of the operation, with close to full utilization of available beds.

Daily operating cost is around USD 50,000 during normal operations.

The rig was accepted by Equinor late May 2018. As a result, Haven has generated an income of 4.8 USD for the period prior to actual commencement of the contract. Overall, the project cost is expected to be well below budget.

Financial

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

Master Marine Group

Quarterly figures, Q2 2018

(Figures in brackets refer to the corresponding period of 2017)

The operating income for Q2 amounts to 14.3 MUSD (0.0 MUSD). The majority of the income relates to charter hire for the period 7th to 30th June and compensation from Equinor for the period up to 7th June.

Operating expenses equaled 3.3 MUSD (2.2 MUSD), of which 1.8 MUSD relate to vessel OPEX and 0.6 MUSD relate to costs to be reimbursed by Equinor. A corresponding income is included in operating income for 2Q. This resulted in an EBITDA of 11.0 MUSD (-2.2 MUSD) and an operating profit of 3.2 MUSD (loss of 6.0 MUSD). Upgrade and modification costs have been depreciated from the date Haven commenced the operation.

Interest expense for the second quarter equaled 12.4 MUSD (8.0 MUSD), of which 6.7 MUSD relate to interest payable on the bond loan and 5.7 MUSD relate to interest accrued on the shareholder loan. Unrealized foreign exchange gain on debt denominated in Euros amounts to 21.5 MUSD while amortized costs related to the bond loans amounts to 0.9 MUSD.

Net profit for the second quarter amounts to 11.5 MUSD (loss of 28.4 MUSD).

YTD Figures 2018

(Figures in brackets refer to the corresponding period of 2017)

The operating income year to date is equal to the operating income for the second quarter, 14.3 MUSD (0.0 MUSD). Operating expenses were 4.0 MUSD (4.1 MUSD), of which 1.8 MUSD relate to vessel OPEX and 0.6 MUSD to costs to be reimbursed by Equinor. This resulted in an EBITDA year to date of 10.2 MUSD (-4.1 MUSD) and an operating loss of 1.4 MUSD (loss of 11.8 MUSD).

Interest expenses for the first half year equaled 24.8 MUSD (14.1 MUSD), of which 13.4 MUSD relate to interest payable on the bond loan and 11.4 MUSD relate to interest accrued on shareholder loans. Unrealized foreign exchange gain on debt denominated in Euros amounts to 10 MUSD and amortized costs related to the bond loans to 1.7 MUSD.

Net loss for the first half of 2018 equaled 17.7 MUSD (loss of 46.0 MUSD).

Finance

Long term interest bearing debt amounts to 449 MUSD. This includes a shareholder loan from Nordic Capital and two bond loans (see note 6 for details).

The bond loans expire in July 2019 while the shareholder loan expires in September 2019.

Other current liabilities of 12.3 MUSD includes 4.4 MUSD as accrued interest on the shareholder loan and 4.0 MUSD as accrued interest on the bond loans.

As a result of the successful commencement of the Johan Sverdrup contract, the operational risk in Jacktel / Master Marine has been substantially reduced. Based on this Master Marine and Jacktel will evaluate to refinance the Group towards the end of 2018.

Cash flow and liquidity Q2 2018

As a result of the commencement of the Johan Sverdrup contract, the Group has a positive cash flow from operating activities both for the second quarter and for the first six months of 2018.

The majority of the cash flow from investing activities relates to the Johan Sverdrup project.

Cash flow from financing activities is the net of interest paid, proceeds from borrowings and prepayments from customers.

Master Marine AS

Quarterly figures, Q2 2018

(Figures in brackets refer to the corresponding period of 2017)

Operating income in Q2 were 0.5 MUSD (0.5 MUSD). Operating expenses were 0.8 MUSD (0.7 MUSD). This resulted in an EBITDA of -0.3 MUSD (-0.1 MUSD) and an operating loss of 0.3 MUSD (loss of 0.1 MUSD). Operating income relates to management costs invoiced to Jacktel with a markup of 5%.

Net financial items are positive with 1.0 MUSD. Interest income on shareholder loan to Jacktel amounts to 8.4 MUSD while interest expenses on shareholder loan and bond loan amounted to 5.7 MUSD and 3.6 MUSD respectively. Other financial expenses consist of unrealized exchange gain and amortized borrowing costs. The net amount is 1.8 MUSD

Net profit for the second quarter was 0.6 MUSD (loss of 1.4 MUSD).

YTD Figures 2018

(Figures in brackets refer to the corresponding period of 2017)

Operating income in 2018 of 1.1 MUSD (1.2 MUSD). Operating expenses were 1.4 MUSD (1.3 MUSD). This resulted in an EBITDA of -0.3 MUSD (-0.1 MUSD) and an operating loss of 0.3 MUSD (loss of 0.1 MUSD).

Net financial items for the first half equaled – 0.6 MUSD (-1.4 MUSD). The main element in the net financial result is accrued interest cost related to the shareholder loan and the bond loan.

Net loss for the first half of 2018 amounts to 0.9 MUSD (loss of 1.5 MUSD).

Cash flow and liquidity Q2 2018

The cash flow from operation is more or less neutral due to the management agreement with Jacktel.

Finance

Master Marine has a total long-term debt of 281 MUSD. This includes a shareholder loan from Nordic Capital and a bond loan (reference is made to note 5 for details). The shareholder loan expires on 30 September 2019, while the bond loan expires on 30 July 2019.

Other current liabilities of 5.8 MUSD include 4.4 MUSD as accrued interest on the shareholder loan and 1.3 MUSD as accrued interest on the bond loan.

Risk

The company and the Group are exposed to general business market risk, credit risk, currency risk and revenue risk. Credit risk related to the Equinor contract is considered low. The currency risk exposure is mainly due to the fact that the charter income is denominated in USD, the operating costs mainly in NOK and the current bond loan as well as the shareholder loan in EUR. The currency risk is monitored on a continuous basis and use of derivatives to reduce the risk is considered regularly.

Long term commitment for Haven is secured for 18 months from June 2018 through the contract with Equinor for the Johan Sverdrup project. Operational issues, as well as future changes in day rates and utilization of the unit may impact the valuation of the asset.

Future Prospects

The market continues to remain soft. There are however some early signs of recovery and the tendering activity is increasing. The Board of Directors is therefore positive in respect of the demand for Haven's services in the longer term.

Haven has secured utilization until the end of 2019 and Equinor has options for continued use of the rig after for another 30 months after the firm 18 months period. The rig will therefore not be available for other opportunities until 2020 at the earliest.

Responsibility statement

We confirm to the best of our knowledge that the consolidated financial statements for the period 1 January to 30 June 2018 have been prepared in accordance with IFRS as approved by the European Union ("EU") and give a fair view of Master Marine's assets, liabilities, financial position and results for the period viewed in their entirety, and that the Board of Directors' report includes a fair review of any significant events that arose during the period and their effect on the financial report, any significant related parties' transactions and a description of the significant risks and uncertainties for the group.

Oslo, 28th August 2018

Bjørn Henriksen
Chairman of the Board
sign

Nils Olof Robert Campbell Furuhjelm
Director
sign

Thomas Mejdell
Director
Sign

Henrik Bakken
Director
sign

Stein Diesen
Director
sign

Helge Ystheim
Managing Director
sign

Condensed Income Statement

Master Marine Group

In USD 1,000'	Note	Un-audited Q2-2018	Un-audited Q2-2017	Audited 2017	Un-audited 6M- 2018	Un-audited 6M- 2017
Operating income		14,272	-	-	14,272	-
Operating expenses		-3,286	-2,156	-8,728	-4,068	-4,147
EBITDA		10,985	-2,156	-8,728	10,203	-4,147
Depreciation	6	-7,818	-3,829	-15,227	-11,624	-7,614
OPERATING PROFIT/(LOSS) - EBIT		3,168	-5,985	-23,955	-1,421	-11,761
Interest income		49	81	492	174	84
Interest expenses		-12,413	-8,000	-37,424	-24,779	-14,111
Other financial items		20,684	-14,503	-98,309	8,372	-20,242
NET FINANCIAL ITEMS		8,319	-22,422	-135,241	-16,233	-34,269
PROFIT/(LOSS) BEFORE TAX		11,487	-28,407	-159,196	-17,655	-46,030
NET PROFIT (LOSS)		11,487	-28,407	-159,196	-17,655	-46,030

Statement of Comprehensive Income

In USD 000'	Un-audited Q2-2018	Un-audited Q2-2017	Audited 2017	Un-audited 6M- 2018	Un-audited 6M- 2017
Net profit this period	11,487	-28,407	-159,196	-17,655	-46,030
Other comprehensive	-	-	-	-	-
COMPREHENSIVE INCOME	11,487	-28,407	-159,196	-17,655	-46,030

Condensed Statement of Financial Position
Master Marine Group

In USD 000'	Note	Un-audited 30.06.2018	Un-audited 30.06.2017	Audited 31.12.2017
ASSETS				
Non-current assets:				
Property, plant and equipment	6	310,114	285,517	297,994
Intangible assets		4	5	5
Prepaid construction cost		83,863	17,134	52,731
Total non-current assets		393,981	302,656	350,730
Current assets:				
Accounts receivable		14,307	820	580
Other current assets		1,174	1,698	2,406
Cash and cash equivalents		40,093	157,999	97,297
Total current assets		55,574	160,517	100,283
TOTAL ASSETS		449,555	463,173	451,013
EQUITY AND LIABILITIES				
Equity:				
Issued capital		123,246	123,246	123,246
Share premium		-	-	-
Retained losses		-148,116	-77,275	-130,461
Total equity		-24,870	45,971	-7,215
Non-current liabilities:				
Shareholder loans	5	187,175	162,807	181,530
Other interest-bearing debt	5	261,937	241,812	258,164
Prepayments customers		5,922	1,230	3,595
Total long-term liabilities		455,034	405,849	443,289
Current liabilities:				
Accounts payable		7,055	3,085	2,444
Other current liabilities		12,335	8,268	12,494
Total current liabilities		19,390	11,353	14,938
Total liabilities		474,424	417,202	458,227
TOTAL EQUITY AND LIABILITIES		449,555	463,173	451,013

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	OCI reserve*)	Total equity
Equity as at December 31, 2016	123,246	0	-93,134	61,889	0	92,001
Net profit (loss)	0	0	-65,421	0	0	-65,421
Other comprehensive income	0	0	0	0	0	0
Dividend preference shares	0	0	0	0	0	0
Currency translation differences	0	0	-5,303	5,303	0	0
Equity as at June 30, 2017	123,246	0	-163,858	67,192		26,580
Net profit (loss)	0	0	-33,795	0	0	-33,795
Other comprehensive income	0	0	0	0	0	0
Dividend preference shares	0	0	-40,542	40,542	0	0
Currency translation differences	0	0	-4,660	4,660	0	0
Equity as at December 31, 2017	123,246	0	-406,713	179,586	0	-7,215
Net profit (loss)	0	0	-17,655	0	0	-17,655
Other comprehensive income	0	0	0	0	0	0
Dividend preference shares	0	0	-22,336	22,336	0	0
Currency translation differences	0	0	7,796	-7,796	0	0
Equity as at June 30, 2018	123,246	0	-438,908	194,126	0	-24,870

Cash Flow Statement

Master Marine Group

<i>In USD 1,000'</i>	Un-audited Q2- 2018	Un-audited Q2- 2017	Audited 2017	Un-audited 6M- 2018	Un-audited 6M- 2017
Net profit (loss) before taxes	11,487	-28,407	-99,216	-17,655	-46,030
Depreciation	7,818	3,829	15,227	11,624	7,614
Financial income	-20,733	22,876	-492	-8,546	-
Financial expenses	12,413	-	82,073	24,779	35,401
Changes in working capital	-7,843	4,221	3,125	-7,645	4,516
Net cash from operating activities	3,142	2,519	717	2,557	1,501
Cash flow from investing activities					
Aquisition of fixed assets	-15,851	-6,248	-28,937	-23,742	-8,847
Prepaid construction costs	-31,132	-	-35,597	-31,132	-
Interest received	49	81	492	174	84
Net cash from investing activities	-46,934	-6,167	-64,042	-54,700	-8,763
Cash flow from financing activities					
Interest paid	-12,413	-2,202	-37,424	-24,779	-3,970
Net proceeds from borrowings	8,227	133,500	158,208	17,790	133,500
Customer prepayments	924	118	4,666	1,928	558
Net cash from financing activities	-4,186	131,416	125,450	-5,061	130,088
Net change in cash and cash equivalents	-47,978	127,768	62,125	-57,204	122,826
Cash and cash equivalents, opening balance	88,071	30,231	35,173	97,297	35,173
Cash and cash equivalents, closing balance	40,093	157,999	97,298	40,093	157,999

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

The financial statements for Q2 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union (“EU”), including IAS 34 Interim Financial Reporting. 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 2017. Reference is also made to section “Going Concern” in the Board of Directors Report.

The European Securities and Markets Authority (ESMA) issued guidelines on Alternative Performance measures (APM’s) that came into force 3 July 2016. The Group 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
- *CASH OR LIQUIDITY RESERVE*. When used means cash and bank deposits and provide information about the cash balance at the balance sheet date and the Company’s ability to meet it current liabilities.

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 2017. No new standards with impact on the financial statement have been implemented with effect for first half of 2018. IFRS 15 was adopted from January 1, 2018 without any significant impact.

4. Related party transactions

Master Marine is managing Jacktel AS through a management agreement of which 1.2 MUSD (1.3 MUSD) has been paid per first half 2017.

5. Debt overview

Master Marine Group

30.06.2018

<i>(1.000 USD)</i>		Nominal amount	Nominal amount	Interest rate	Book value (incl accrued interests)
Description	Lender/Trustee	EURO	USD		USD
140 MEUR Shareholder loan	Nordic Capital	87,000	101,424	12%	187,175
146 MEUR Bond loan	Nordic Trustee AS	146,000	170,206	7%	168,131
81 MUSD Bond loan	Nordic Trustee AS	N/A	81,000	16%	93,806
Total interest bearing debt - USD					449,112

Master Marine AS

30.06.2018

<i>(1.000 USD)</i>					Book value (incl accrued interests) USD
Description	Lender/Trustee	Nominal amount EURO	Nominal amount USD	Interest rate	
140 MEUR Shareholder loan	Nordic Capital	87,000	101,424	12%	187,175
81 MUSD Bond loan	Nordic Trustee AS.	NA	81,000	16%	93,806
Total interest bearing debt - USD					280,981

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 30.06.18	Un-audited 31.03.18	Audited 31.12.17
Opening balance	302,079	297,994	284,284
Additions	15,851	7,891	28,937
Disposals		0	0
Depreciation	-7,817	-3,806	-15,227
Impairment		0	0
12/31/2017	310,114	302,079	297,994

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

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**30.06.18**

<i>(1.000 USD)</i>					Book value (incl accrued interests) USD
Description	Lender/Trustee	Nominal amount EURO	Nominal amount USD	Interest rate	
99.8 MEUR Term loan facility	Master Marine AS	99,830	116,381	12%	188,296
65,6 MUSD Term loan facility	Master Marine AS	NA	65,600	16%	75,592
Total long-term receivables - USD					263,888

9. Cash flow statement

Interest expenses on the shareholder loans are added to the principal loan amount and considered as paid by increased borrowings.

Condensed Income Statement Master Marine AS

In USD 1,000'	Note	Un-audited Q2-2018	Un-audited Q2-2017	Audited 2017	Un-audited 6M- 2018	Un-audited 6M- 2017
Operating income		475	539	2,538	1,051	1,176
Operating expenses		-773	-654	-2,727	-1,360	-1,277
EBITDA		-298	-115	-189	-308	-101
Depreciation		-0	-1	-2	-1	-1
OPERATING LOSS - EBIT		-298	-116	-191	-309	-103
Interest income		8,468	4,671	21,118	16,842	8,977
Interest expenses		-9,375	-5,798	-27,432	-18,588	-10,140
Other financial items	9	1,836	-197	-60,787	1,178	-236
NET FINANCIAL ITEMS		929	-1,324	-67,100	-569	-1,399
PROFIT/(LOSS) BEFORE TAX		631	-1,440	-67,292	-878	-1,502
NET PROFIT (LOSS)		631	-1,440	-67,292	-878	-1,502

Statement of Comprehensive Income

In USD 000'	Un-audited Q2-2018	Un-audited Q2-2017	Audited 2017	Un-audited 6M- 2018	Un-audited 6M- 2017
Net profit this period	631	-1,440	-67,292	-878	-1,502
Other comprehensive income			-	-	-
COMPREHENSIVE INCOME	631	-1,440	-67,292	-878	-1,502

Condensed Statement of Financial Position Master Marine AS

In USD 000'	Note	Un-audited 30.06.2018	Un-audited 30.06.2017	Audited 31.12.2017
ASSETS				
Non-current assets:				
Property, plant and equipment		10	11	11
Shares in subsidiaries	7	32,000	91,981	32,000
Long term receivables	8	263,888	162,445	248,240
Total non-current assets		295,898	254,437	280,250
Current assets:				
Accounts receivable		-	335	258
Other current assets		1,028	859	871
Cash and cash equivalents		13,845	82,383	17,882
Total current assets		14,873	83,577	19,011
TOTAL ASSETS		310,770	338,014	299,261
EQUITY AND LIABILITIES				
Equity:				
Issued capital		123,246	123,246	123,247
Share premium		-	-	-
Retained losses		-99,415	-32,747	-98,537
Total equity		23,831	90,499	24,710
Non-current liabilities:				
Shareholder loans	5	187,175	162,808	181,530
Other interest-bearing debt	5	93,806	79,168	86,217
Total long-term liabilities		280,981	241,976	267,748
Current liabilities:				
Accounts payable		175	162	96
Other interest-bearing debt		-	-	-
Other current liabilities		5,783	5,377	6,708
Total current liabilities		5,958	5,539	6,804
Total liabilities		286,939	247,515	274,552
TOTAL EQUITY AND LIABILITIES		310,770	338,014	299,261

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 December 31, 2016	123,246	0	-93,134	61,889	0	92,001
Net profit (loss)	0	0	-1,501	0	0	-1,501
Other comprehensive income	0	0	0	0	0	0
Dividend preference shares	0	0	-19,392	19,392	0	0
Currency translation differences	0	0	-5,303	5,303	0	0
Equity as at June 30, 2017	123,246	0	-119,330	86,584	0	90,500
Net profit (loss)	0	0	-65,791	0	0	-65,791
Other comprehensive income	0	0	0	0	0	0
Dividend preference shares	0	0	-21,150	21,150	0	0
Currency translation differences	0	0	-4,660	4,660	0	0
Equity as at December 31, 2017	123,246	0	-210,930	112,393	0	24,710
Net profit (loss)	0	0	-878	0	0	-878
Other comprehensive income	0	0	0	0	0	0
Dividend preference shares	0	0	-22,336	22,336	0	0
Currency translation differences	0	0	7,796	-7,796	0	0
Equity as at June 30, 2018	123,246	0	-226,348	126,933	0	23,832

Cash Flow Statement Master Marine AS

<i>In USD 1,000'</i>	Un-audited Q2- 2018	Un-audited Q2- 2017	Audited 2017	Un-audited 6M- 2018	Un-audited 6M- 2017
Net profit (loss) before taxes	631	-1,440	-67,292	-878	-1,502
Depreciation	-	1	2	1	1
Financial income	-10,304	120	-21,118	-18,020	162
Financial expenses	9,375	-232	88,410	18,588	-210
Changes in working capital	108	1,860	2,956	-746	1,739
Net cash from operating activities	-190	309	2,958	-1,055	190
Cash flow from investing activities					
Interest received	8,468	-	21,118	16,842	-
Increased long term receivables	-364	-	-86,385	-15,648	-
Net cash from investing activities	8,104	-	-65,267	1,194	-
Cash flow from financing activities					
Interest paid	-9,375	-	-27,432	-18,588	-
Net proceeds from borrowings	-461	79,168	104,598	14,411	79,168
Net cash from financing activities	-9,836	79,168	77,166	-4,177	79,168
Net change in cash and cash equivalents	-1,922	79,477	14,857	-4,038	79,358
Cash and cash equivalents, opening balance	15,766	2,905	3,025	17,882	3,025
Cash and cash equivalents, closing balance	13,844	82,382	17,882	13,844	82,383