



INTERIM REPORT

Q3 2018

Third 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. After installation Haven has delivered 100% gangway connection.

The rig was accepted by Equinor late May 2018. Overall, the project cost related to the upgrade of Haven was below budget.

The utilization of the vessel has been high throughout the quarter, with close to full utilization of available beds.

Daily operating cost equaled 45 KUSD during 3Q, the cost level is expected to increase to around 50 KUSD going forward.

Financial

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

Master Marine Group

Quarterly figures, Q3 2018

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

The operating income for Q3 amounts to 38.0 MUSD (0.0 MUSD). The majority of the income relates to charter hire in the third quarter.

Operating expenses equaled 8.7 MUSD (2.7 MUSD), of which 4.15 MUSD relate to vessel OPEX and 3.5 MUSD relate to costs to be reimbursed by Equinor. A corresponding income is included in operating income for 3Q. Additional 1.15 MUSD relates to technical management fee and SG&A costs. This resulted in an EBITDA of 29.3 MUSD (-2.7 MUSD) and an operating profit of 13.5 MUSD (loss of 6.5 MUSD).

Interest expense for the third quarter equaled 12.6 MUSD (11.5 MUSD), of which 6.9 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 1.0 MUSD. Unrealized loss on a forward contract entered into to hedge currency fluctuations (EUR/USD) in relation to the 146 MEUR bond loan equals 2.4 MUSD in the quarter. Amortized costs related to the bond loans amounts to 0.9 MUSD.

Net loss for the third quarter amounts to 1.3 MUSD (26.7 MUSD).

YTD Figures 2018

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

The operating income year to date amounts to 52.3 MUSD (0.0 MUSD). Operating expenses were 12.7 MUSD (6.8 MUSD), of which 5.9 MUSD relate to vessel OPEX and 4.1 MUSD to costs that are to be reimbursed by Equinor. Additional 2.7 MUSD relate to technical management fee and SG&A costs. This resulted in an EBITDA year to date of 39.6 MUSD (-6.8 MUSD) and an operating profit of 12.1 MUSD (loss of 18.3 MUSD). Upgrade and modification costs have been depreciated from the date Haven commenced the operation.

Interest expenses for the first three quarters amounts to 37.4 MUSD (25.6 MUSD), of which 20.3 MUSD relate to interest payable on the bond loan and 17.1 MUSD relate to interest accrued on shareholder loans. Unrealized foreign exchange gain on debt denominated in Euros amounts to 11 MUSD. Unrealized loss on a forward contract

equals 2.4 MUSD per 3Q. The forward contract was established late August to hedge EUR/USD currency fluctuations in respect of the 146 MEUR loan. Amortized costs related to the bond loans amounts to 2.5 MUSD.

Net loss for the first nine months of 2018 equaled 18.9 MUSD (72.7 MUSD).

Finance

Long term interest bearing debt amounts to 192.3 MUSD. This relates to a shareholder loan (see note 5 for details). In order to reduce the currency risk, the company has, late August, entered into a forward contract to hedge EUR/USD currency fluctuations in relation to the 146 MEUR bond loan.

Other current liabilities of 282.8 MUSD includes 4.5 MUSD as accrued interest on the shareholder loan and 4.0 MUSD as accrued interest on the bond loans, as well as 2.4 MUSD relating to the forward contract established in August. In 3Q the bond loans, amounting to 266.0 MUSD were reclassified from long-term liabilities to short-term liabilities.

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

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 have commenced a refinancing of the 3rd party bond loans. The refinancing is expected to be concluded by December 2018.

Cash flow and liquidity Q3 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 third quarter and for the first nine 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.

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 demand for accommodation services has improved over the last few months. All modern North Sea assets, which are not cold stacked, have secured work for the first 6 months of 2019. Day rates have increased reflecting a tighter supply demand balance. Further, it is also evident that assets which provide reliable gangway connection are favored and we have seen day rates for Jack Ups in accommodation mode in the 250 KUSD region.

Haven has secured utilization until the end of 2019 and Equinor has options for continued use of the rig 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.

Master Marine AS

Quarterly figures, Q3 2018

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

Operating income in Q3 was 0.7 MUSD (0.7 MUSD). Operating expenses were 0.6 MUSD (0.8 MUSD). This resulted in an EBITDA of 0.1 MUSD (-0.1 MUSD) and an operating profit of 0.1 MUSD (loss of 0.1 MUSD). Operating income relates to management costs invoiced to Jacktel with a markup of 5%.

Net financial items amount to a loss of 2.5 MUSD. Interest income on shareholder loan to Jacktel amounts to 8.8 MUSD while interest expenses on shareholder loan and bond loan amounted to 5.8 MUSD and 3.8 MUSD respectively. Other financial expenses consist of unrealized exchange gain and amortized borrowing costs. The net amount is 1.7 MUSD.

Net loss for the third quarter was 2.4 MUSD (3.7 MUSD).

YTD Figures 2018

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

Operating income in 2018 equals 1.8 MUSD (1.9 MUSD). Operating expenses were 2.0 MUSD (2.1 MUSD). This resulted in an EBITDA of -0.2 MUSD (-0.2 MUSD) and an operating loss of 0.2 MUSD (loss of 0.2 MUSD).

Net financial items for the three first quarters equaled – 3.1 MUSD (-5.0 MUSD). The main element in the net financial result is accrued interest cost related to the shareholder loan and the bond loan, as well as the interest income on the long-term loan to Jacktel.

Net loss for the three first quarters of 2018 amounts to 3.3 MUSD (5.2 MUSD).

Cash flow and liquidity Q3 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 192.3 MUSD. This includes a shareholder loan (reference is made to note 5 for details). The shareholder loan expires on 30 September 2019.

Other current liabilities of 104.0 MUSD include 4.6 MUSD as accrued interest on the shareholder loan and 1.3 MUSD as accrued interest on the bond loan, as well as 97.8 MUSD relating to a bond loan. In 3Q the bond loan was reclassified from a long-term liability to short-term liability (reference is made to note 5 for details).

As of 30 September 2018, the consolidated equity for the Group is negative by 26.1 MUSD. The cash flow from the Johan Sverdrup contract makes the Group able to meet its obligations including paying interest on the long-term debt.

Responsibility statement

We confirm to the best of our knowledge that the consolidated financial statements for the period 1 January to 30 September 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, 30th October 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 Q3-2018	Un-audited Q3-2017	Audited 2017	Un-audited 9M- 2018	Un-audited 9M- 2017
Operating income		37 984	-	-	52 255	-
Operating expenses		-8 661	-2 687	-8 728	-12 694	-6 834
EBITDA		29 322	-2 687	-8 728	39 561	-6 834
Depreciation	6	-15 840	-3 807	-15 227	-27 465	-11 420
OPERATING PROFIT/(LOSS) - EBIT		13 482	-6 494	-23 955	12 097	-18 254
Interest income		140	168	492	314	252
Interest expenses		-12 635	-11 490	-37 424	-37 414	-25 601
Other financial items		-2 254	-8 870	-98 309	6 118	-29 112
NET FINANCIAL ITEMS		-14 749	-20 192	-135 241	-30 983	-54 461
PROFIT/(LOSS) BEFORE TAX		-1 267	-26 686	-159 196	-18 886	-72 716
NET PROFIT (LOSS)		-1 267	-26 686	-159 196	-18 886	-72 716

Statement of Comprehensive Income

In USD 000'			Audited 2017	Un-audited 9M- 2018	Un-audited 9M- 2017
Net profit this period		-1 267	-26 686	-159 196	-18 886
Other comprehensive				-	-
COMPREHENSIVE INCOME		-1 267	-26 686	-159 196	-18 886

Condensed Statement of Financial Position Master Marine Group

In USD 000'	Note	Un-audited 30.09.2018	Un-audited 30.09.2017	Audited 31.12.2017
ASSETS				
Non-current assets:				
Property, plant and equipment	6	386 740	294 064	297 994
Intangible assets		4	6	5
Prepaid construction cost			17 134	52 731
Total non-current assets		386 744	311 204	350 730
Current assets:				
Accounts receivable		13 293	313	580
Other current assets		13 164	2 379	2 406
Cash and cash equivalents		41 805	147 752	97 297
Total current assets		68 261	150 444	100 283
TOTAL ASSETS		455 005	461 648	451 013
EQUITY AND LIABILITIES				
Equity:				
Issued capital		123 246	123 246	123 246
Share premium		-	-	-
Retained losses		-149 347	-103 961	-130 461
Total equity		-26 101	19 285	-7 215
Non-current liabilities:				
Shareholder loans	5	192 270	173 041	181 530
Other interest-bearing debt	5	-	250 982	258 164
Prepayments customers		6 079	2 831	3 595
Total long-term liabilities		198 349	426 854	443 289
Current liabilities:				
Accounts payable		3 409	4 622	2 444
Other interest-bearing debt	5	266 027	-	-
Other current liabilities		13 321	10 887	12 494
Total current liabilities		282 757	15 509	14 938
Total liabilities		481 106	442 363	458 227
TOTAL EQUITY AND LIABILITIES		455 005	461 648	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	-72 716	0	0	-72 716
Other comprehensive income	0	0	0	0	0	0
Dividend preference shares	0	0	-29 778	29 778	0	0
Currency translation differences	0	0	-4 922	4 922	0	0
Equity as at September 30, 2017	123 246	0	-200 550	96 589		19 285
Net profit (loss)	0	0	-26 500	0	0	-26 500
Other comprehensive income	0	0	0	0	0	0
Dividend preference shares	0	0	-10 764	10 764	0	0
Currency translation differences	0	0	-5 041	5 041	0	0
Equity as at December 31, 2017	123 246	0	-242 855	112 394	0	-7 215
Net profit (loss)	0	0	-18 886	0	0	-18 886
Other comprehensive income	0	0	0	0	0	0
Dividend preference shares	0	0	-34 300	34 300	0	0
Currency translation differences	0	0	1 190	-1 190	0	0
Equity as at September 30, 2018	123 246	0	-294 851	145 504	0	-26 101

Cash Flow Statement

Master Marine Group

<i>In USD 1,000'</i>	Un-audited Q3- 2018	Un-audited Q3- 2017	Audited 2017	Un-audited 9M- 2018	Un-audited 9M- 2017
Net profit (loss) before taxes	-1 267	-26 686	-99 216	-18 886	-72 716
Depreciation	15 840	3 807	15 227	27 465	11 420
Recognized deferred revenue	-1 266	-	-	-1 688	-
Financial income	-140	-168	-492	-6 432	-252
Financial expenses	14 889	23 046	82 073	37 414	58 532
Changes in working capital	-17 172	3 484	3 125	-23 279	8 001
Net cash from operating activities	10 884	3 483	717	14 594	4 985
Cash flow from investing activities					
Acquisition of fixed assets	-8 563	-12 354	-28 937	-63 439	-21 201
Prepaid construction costs	-	-	-35 597	-	-
Interest received	140	168	492	314	252
Net cash from investing activities	-8 423	-12 186	-64 042	-63 125	-20 949
Cash flow from financing activities					
Interest paid	-12 635	-11 490	-37 424	-37 414	-15 461
Net proceeds from borrowings	10 895	8 345	158 208	27 112	141 846
Customer prepayments	991	1 601	4 666	3 341	2 159
Net cash from financing activities	-749	-1 544	125 450	-6 961	128 544
Net change in cash and cash equivalents	1 712	-10 247	62 125	-55 492	112 580
Cash and cash equivalents, opening balance	40 093	157 999	35 173	97 297	35 173
Cash and cash equivalents, closing balance	41 805	147 753	97 298	41 805	147 753

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 Q3 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. 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 1.8 MUSD (1.9 MUSD) has been paid per YTD 2018.

5. Debt overview

Master Marine Group

30.09.2018

<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	100 711	12 %	192 270
Long-term interest bearing debt - USD					192 270

30.09.2018

<i>(1.000 USD)</i>		Nominal amount	Nominal amount	Interest rate	Book value (incl accrued interests) USD
Description	Lender/Trustee	EURO	USD		
146 MEUR Bond loan	Nordic Trustee AS	146 000	169 761	7 %	168 211
81 MUSD Bond loan	Nordic Trustee AS	N/A	81 000	16 %	97 816
Short-term interest bearing debt - USD					266 027

Master Marine AS

30.09.2018

<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	100 711	12 %	192 270
Long-term interest bearing debt - USD					192 270

30.09.2018

<i>(1.000 USD)</i>		Nominal amount	Nominal amount	Interest rate	Book value (incl accrued interests) USD
Description	Lender/Trustee	EURO	USD		
81 MUSD Bond loan	Nordic Trustee AS	NA	81 000	16 %	97 816
Short-term interest bearing debt - USD					97 816

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

Due to the fact that the maturity date for the bond loans is in July 2019, they have been reclassified from a long-term liability to a short-term liability. For details regarding the refinancing process, see Financial, under section Finance.

6. Non-current assets

<i>(1.000 USD)</i>	Un-audited 30.09.18	Un-audited 30.06.18	Un-audited 31.03.18	Audited 31.12.17
Opening balance	310 114	302 079	297 994	284 284
Additions	92 470	15 851	7 891	28 937
Disposals			0	0
Depreciation	-15 840	-7 817	-3 806	-15 227
Impairment			0	0
Closing balance	386 744	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).

Prepaid construction cost under Non-current assets was reclassified to Property, plant and equipment in 3Q 2018.

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

30.09.2018

<i>(1.000 USD)</i>		Nominal amount EURO	Nominal amount USD	Interest rate	Book value (incl accrued interests) USD
Description	Lender/Trustee				
99.8 MEUR Term loan facility	Master Marine AS	99 830	115 563	12 %	191 857
65,6 MUSD Term loan facility	Master Marine AS	NA	65 600	16 %	87 284
Total long-term receivables - USD					279 141

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 Q3-2018	Un-audited Q3-2017	Audited 2017	Un-audited 9M- 2018	Un-audited 9M- 2017
Operating income		742	695	2 538	1 793	1 871
Operating expenses		-627	-810	-2 727	-1 987	-2 087
EBITDA		115	-114	-189	-194	-216
Depreciation		-0	-0	-2	-1	-2
OPERATING PROFIT/(LOSS) - EBIT		114	-115	-191	-195	-218
Interest income		8 880	5 259	21 118	25 721	14 237
Interest expenses		-9 649	-8 479	-27 432	-28 237	-18 619
Other financial items	9	-1 732	-318	-60 787	-554	-554
NET FINANCIAL ITEMS		-2 501	-3 538	-67 100	-3 070	-4 936
PROFIT/(LOSS) BEFORE TAX		-2 387	-3 653	-67 292	-3 265	-5 154
NET PROFIT (LOSS)		-2 387	-3 653	-67 292	-3 265	-5 154

Statement of Comprehensive Income

In USD 000'		Un-audited Q3-2018	Un-audited Q3-2017	Audited 2017	Un-audited 9M- 2018	Un-audited 9M- 2017
Net profit this period		-2 387	-3 653	-67 292	-3 265	-5 154
Other comprehensive income		-	-	-	-	-
COMPREHENSIVE INCOME		-2 387	-3 653	-67 292	-3 265	-5 154

Condensed Statement of Financial Position Master Marine AS

In USD 000'	Note	Un-audited 30.09.2018	Un-audited 30.09.2017	Audited 31.12.2017
ASSETS				
Non-current assets:				
Property, plant and equipment		9	11	11
Shares in subsidiaries	7	32 000	91 981	32 000
Long term receivables	8	279 141	172 669	248 240
Total non-current assets		311 150	264 661	280 250
Current assets:				
Accounts receivable		284	1 070	258
Other current assets		1 077	35 912	871
Cash and cash equivalents		5 203	46 566	17 882
Total current assets		6 564	83 548	19 011
TOTAL ASSETS		317 715	348 208	299 261
EQUITY AND LIABILITIES				
Equity:				
Issued capital		123 246	123 246	123 247
Share premium		-	-31 245	-
Retained losses		-101 802	-5 154	-98 537
Total equity		21 445	86 847	24 710
Non-current liabilities:				
Shareholder loans	5	192 270	173 041	181 530
Other interest-bearing debt	5	-	82 628	86 217
Total long-term liabilities		192 270	255 669	267 748
Current liabilities:				
Accounts payable		165	325	96
Other interest-bearing debt	5	97 816	-	-
Other current liabilities		6 019	5 367	6 708
Total current liabilities		104 000	5 692	6 804
Total liabilities		296 270	261 361	274 552
TOTAL EQUITY AND LIABILITIES		317 715	348 208	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 income (loss)	0	0	-5 154	0	0	-5 154
Other comprehensive income	0	0	0	0	0	0
Dividend preference shares	0	0	0	0	0	0
Currency translation differences	0	0	0	0	0	0
Equity as at September 30, 2017	123 246	0	-98 288	61 889	0	86 847
Net profit (loss)	0	0	-62 138	0	0	-62 138
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	-9 963	9 963	0	0
Equity as at December 31, 2017	123 246	0	-210 931	112 394	0	24 710
Net profit (loss)	0	0	-3 265	0	0	-3 265
Other comprehensive income	0	0	0	0	0	0
Dividend preference shares	0	0	-34 300	34 300	0	0
Currency translation differences	0	0	1 190	-1 190	0	0
Equity as at September 30, 2018	123 246	0	-247 306	145 504	0	21 445

Cash Flow Statement Master Marine AS

	Un-audited Q3- 2018	Un-audited Q3- 2017	Audited 2017	Un-audited 9M- 2018	Un-audited 9M- 2017
In USD 1,000'					
Net profit (loss) before taxes	-2 387	-3 653	-67 292	-3 265	-5 154
Depreciation	-	-	2	1	2
Financial income	-8 880	-5 259	-21 118	-25 721	-14 237
Financial expenses	11 381	8 797	88 410	28 791	19 173
Changes in working capital	-1 640	-35 755	2 956	-835	-31 192
Net cash from operating activities	-1 526	-35 870	2 958	-1 029	-31 408
Cash flow from investing activities					
Increased long-term receivables	-17 314	-5 108	-86 385	-32 962	-35 208
Interest received	8 880	5 259	21 118	25 751	14 237
Net cash from investing activities	-8 434	151	-65 267	-7 211	-20 971
Cash flow from financing activities					
Net proceeds from borrowings	10 967	8 382	104 598	23 798	114 539
Interest paid	-9 649	-8 479	-27 432	-28 237	-18 619
Net cash from financing activities	1 318	-97	77 166	-4 439	95 920
Net change in cash and cash equivalents	-8 642	-35 816	14 857	-12 679	43 541
Cash and cash equivalents, opening balance	13 845	82 382	3 025	17 882	3 025
Cash and cash equivalents, closing balance	5 203	46 566	17 882	5 203	46 566