

# MASTER MARINE

## INTERIM REPORT

Q3 2017



## **Third Quarter 2017**

### **Operations**

The project related to the preparation of Haven for operation at Johan Sverdrup is progressing according to plan and budget. The work is planned to be completed spring 2018, well ahead of the mobilization to the field in June 2018. As a part of the project, Haven was relocated from Nymo yard in Eydehavn to CCB outside Bergen at the end of September. The remaining scope of work in relation to the upgrade will be executed at or in close proximity to this yard.

The company continues the operational and compliance related repairs and maintenance. Expected expenditures are in line with previous guiding. The work is related to the following:

- Rig system modification for Statoil
- Internal rig system modifications
- Painting and steel reinforcement
- Change out of Lifeboats & Davits

Due to high activity at CCB, the manning has increased to 14 persons on-board the vessel. The size of the marine crew will gradually increase to 22 in 2Q-2018, which is according to contractual requirements.

Some project expenditures will, over the next quarters be expensed rather than capitalized. Overall this does however not represent any changes to the overall cost/ cash flow of the upgrades.

Net of project related costs, which has been expensed rather than capitalized, OPEX during Q3 was around USD 15.000 per day.

### **Financial**

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

#### **Master Marine Group**

##### ***Quarterly figures, Q3 2017***

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

Due to lay up, the company did not generate any operating income in Q3, 2017 (2.0 MUSD). Operating expenses equaled 2.7 MUSD (4.1 MUSD), of which 1.8 MUSD relates to vessel OPEX and the majority of the remaining 0.9 MUSD relates to various engineering services and management cost. This resulted in an EBITDA of -2.7 MUSD (-2.0 MUSD) and an operating loss of 6.5 MUSD (loss of 5.8 MUSD).

Interest expense for the third quarter equaled 11.5 MUSD (6.2 MUSD), of which 3.0 MUSD relate to interest paid on the bond loan in Jacktel and 3.3 MUSD are accrued and will be payable together with the principal 81 MUSD, in 2019. Accrued interest on shareholder loans equaled 5.2 MUSD.

Unrealized foreign exchange loss amounted to 8.9 MUSD (2.8 MUSD).

Net loss for the third quarter equaled 26.7 MUSD (loss of 14.8 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 6.8 MUSD (12.2 MUSD), of which 4.5 MUSD relates to vessel OPEX and 2.3 MUSD relates to various engineering services and management cost. This resulted in an EBITDA of -6.8MUSD (3.5 MUSD) and an operating loss of 18.3 MUSD (loss of 7.7 MUSD).

Interest expense equaled 25.6 MUSD (18.2 MUSD), of which 7.0 MUSD relate to interest payable on the bond loan 4.4 MUSD are accrued interest in relation to the 81 MUSD bond loan. Accrued interest on shareholder loans equaled 14.3 MUSD.

Unrealized foreign exchange loss amounted to 29.1 MUSD (-6.3 MUSD).

Net loss for the first nine months of 2017, totaled 72.7 MUSD (loss of 32.2 MUSD).

### ***Finance***

Master Marine Group has a total of 424.0 MUSD in long term liabilities, consisting of two bond loans and shareholder loans (see note 5 for further details).

Other current liabilities of 10.9 MUSD consist of 5.2 MUSD in accrued interest on the shareholder loan, 2.7 MUSD which is accrued interest on the bond loans together with other current liabilities of 3.0 MUSD.

### ***Cash flow and liquidity Q3 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.

## **Master Marine AS**

### ***Quarterly figures, Q3 2017***

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

Operating income in Q3 were 0.7 MUSD (1.1 MUSD). Operating expenses totaled 0.8 MUSD (1.1 MUSD). This resulted in an EBITDA of -0.1 MUSD (0.1 MUSD) and an operating profit of -0.1 MUSD (profit of 0.1 MUSD). Income is related to management fee payable by Jacktel.

Financial items are largely referring to accrued interest on shareholder loans and the new bond loan. Interest income from the Jacktel shareholder loan equaled 5.3 MUSD (4.7 MUSD). Interest expenses totaled 8.5 MUSD (5.9 MUSD) whereof 5.2 MUSD relates to interest accrued on shareholder loans and 3.3 MUSD relate to accrued interest on the bond loan.

Net loss for the third quarter equaled 3.7 MUSD (loss of 0.1 MUSD).

### ***YTD Figures 2017***

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

Operating income in 2017 of 1.9 MUSD (2.1 MUSD). Operating expenses were 2.1 MUSD (2.0 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 -4.9 MUSD (-0.3 MUSD). The main element in the net financial result is accrued interest cost related to shareholder loan and bond loan.

Net loss for the three first quarters of 2017 equaled 5.2 MUSD (loss of 0.2 MUSD).

## ***Finance***

Master Marine have a total of 255.7 MUSD in long term liabilities. This includes a shareholder 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 5.4 MUSD is mainly consisting of 4.1 MUSD in accrued interest on the shareholder loan and 1.1 MUSD which is accrued interest on bond loan.

Jacktel has, during Q3, drawn 35.0 MUSD on the 81 MUSD credit facility issued by the company. The interest rate is 16% and the expiry date is 30<sup>th</sup> 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 current 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 asset.

## **Future Prospects**

The market continues to remain soft, with few substantial demands for additional bed capacity identified in the short to medium term.

We have however, over the past few months, seen increased tendering activity within the drilling market, especially in the North Sea. This is seen as an early sign of a general recovery of the activity level within the oil & gas industry. Furthermore, it is expected that the long lasting reduction in maintenance of existing oil & gas structures, will result in a significant backlog of maintenance activities offshore. In the longer term, this is

expected to have a positive impact on the maintenance and modification market as well as the need for additional bed capacity offshore.

## **Responsibility statement**

We confirm to the best of our knowledge that the consolidated financial statements for the period 1 January to 30 September 2017 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, 23 October 2017**

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**Bjørn Henriksen**  
**Chairman of the Board**

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**Robert Furuhjelm**  
**Director**

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**Thomas Mejdell**  
**Director**

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**Henrik Bakken**  
**Director**

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**Stein Diesen**  
**Director**

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**Helge Ystheim**  
**Managing Director**

## Condensed Income Statement

### Master Marine Group

In USD 1,000'	Note	Un-audited Q3-2017	Un-audited Q3-2016	Audited 2016	Un-audited 9M- 2017	Un-audited 9M- 2016
Operating income		-	2 043	15 640	-	15 640
Operating expenses		-2 687	-4 069	-14 522	-6 834	-12 146
<b>EBITDA</b>		<b>-2 687</b>	<b>-2 026</b>	<b>1 118</b>	<b>-6 834</b>	<b>3 494</b>
Depreciation	6	-3 807	-3 722	-15 122	-11 420	-11 150
<b>OPERATING PROFIT- EBIT</b>		<b>-6 494</b>	<b>-5 749</b>	<b>-14 005</b>	<b>-18 254</b>	<b>-7 656</b>
Interest income		168	11	32	252	22
Interest expenses		-11 490	-6 230	-24 281	-25 601	-18 185
Other financial income						
Other financial expenses		-8 870	-2 811	8 637	-29 112	-6 341
<b>NET FINANCIAL ITEMS</b>		<b>-20 192</b>	<b>-9 030</b>	<b>-15 611</b>	<b>-54 461</b>	<b>-24 504</b>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>-26 686</b>	<b>-14 779</b>	<b>-29 616</b>	<b>-72 716</b>	<b>-32 160</b>
<b>NET PROFIT (LOSS)</b>		<b>-26 686</b>	<b>-14 779</b>	<b>-29 616</b>	<b>-72 716</b>	<b>-32 160</b>

## Condensed Statement of Financial Position Master Marine Group

In USD 000'	Note	Un-audited 30.09.2017	Un-audited 30.09.2016	Audited 31.12.2016	Audited 31.12.2015
<b>ASSETS</b>					
<b>Non-current assets:</b>					
Property, plant and equipment	6	294 064	286 566	284 283	293 243
Intangible assets		6	7	6	24
Prepaid construction cost		17 134	-	17 134	
<b>Total non-current assets</b>		<b>311 204</b>	<b>286 573</b>	<b>301 423</b>	<b>293 267</b>
<b>Current assets:</b>					
Accounts receivable		313	140	30	5 599
Other current assets		2 379	1 101	1 228	4 971
Cash and cash equivalents		147 752	60 499	35 173	56 692
<b>Total current assets</b>		<b>150 444</b>	<b>61 740</b>	<b>36 431</b>	<b>67 262</b>
<b>TOTAL ASSETS</b>		<b>461 648</b>	<b>348 313</b>	<b>337 854</b>	<b>360 529</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity:</b>					
Issued capital		123 246	123 246	123 246	144 068
Share premium					22 941
Retained losses		-31 245	-1 629	-31 245	
Uncovered losses		-72 716	-32 160		
Currency translation reserve					-45 391
<b>Total equity</b>		<b>19 285</b>	<b>89 457</b>	<b>92 001</b>	<b>121 617</b>
<b>Non-current liabilities:</b>					
Shareholder loans	5	173 041	146 474	140 576	130 432
Other interest-bearing debt	5	250 982	105 364	98 257	102 212
Prepayments customers		2 831	143	632	-
<b>Total long-term liabilities</b>		<b>426 854</b>	<b>251 981</b>	<b>239 465</b>	<b>232 644</b>
<b>Current liabilities:</b>					
Accounts payable		4 622	914	955	427
Other current liabilities		10 887	5 961	5 433	5 841
<b>Total current liabilities</b>		<b>15 509</b>	<b>6 875</b>	<b>6 388</b>	<b>6 268</b>
<b>Total liabilities</b>		<b>442 363</b>	<b>258 856</b>	<b>245 853</b>	<b>238 912</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>461 648</b>	<b>348 313</b>	<b>337 854</b>	<b>360 529</b>

## 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
<b>Equity as at January 1, 2016</b>	123 246	0	-34 104	32 475	121 617
Net income (loss)			-71 600	39 440	-32 160
Currency translation differences			-29 329	29 329	0
<b>Equity as at September 2016 (Un-audited)</b>	123 246	0	-135 033	101 243	89 457
Net income (loss)			8 989	-6 445	2 544
Currency translation differences			32 910	-32 910	0
<b>Equity as at December 31, 2016 (Audited)</b>	123 246	0	-93 134	61 889	92 001
Net income (loss)			-102 494	29 778	-72 716
Currency translation differences			-4 922	4 922	0
<b>Equity as at September 2017 (Un-audited)</b>	123 246	0	-200 550	96 589	19 285

## Cash Flow Statement

### Master Marine Group

<i>In USD 1,000'</i>	Un-audited Q3-2017	Un-audited Q3-2016	Audited 2016	Un-audited 9M-2017	Un-audited 9M-2016
Net profit/(loss)	-26 686	-1 313	-29 616	-72 716	-18 694
Depreciation	3 807	-	15 121	11 420	7 427
Unrealized foreign exchange differences related to cash and financing activities	8 452	-	-10 030	28 214	3 277
Net interest	11 322	0	24 308	23 951	11 954
Changes in working capital	3 484	-	9 433	8 001	5 196
<b>Net cash from operating activities</b>	<b>379</b>	<b>-1 312</b>	<b>9 216</b>	<b>-1 130</b>	<b>9 160</b>
<b>Cash flow from investing activities</b>					
Prepayment Upgrade of Haven- Lamprell	-		-17 134		
Prepayment from customer	1 601		632	2 159	
Aquisition of fixed assets	-12 354	-	-6 136	-21 201	-2 306
Interest received	168	-	27	252	8
<b>Net cash from investing activities</b>	<b>-10 585</b>	<b>-</b>	<b>-23 301</b>	<b>-18 790</b>	<b>-2 298</b>
<b>Cash flow from financing activities</b>					
Repayment of debt	-	-	-	-	-
Proceeds from debt	8 345	-	-	141 846	-
Interest paid	-11 490	-	-7 218	-15 461	-3 691
<b>Net cash from financing activities</b>	<b>-3 145</b>	<b>-</b>	<b>-7 218</b>	<b>126 385</b>	<b>-3 691</b>
<b>Net change in cash and cash equivalents</b>	<b>-13 351</b>	<b>-1 312</b>	<b>-20 616</b>	<b>106 464</b>	<b>3 171</b>
<b>Net foreign exchange differences</b>	<b>3 104</b>	<b>-</b>	<b>-903</b>	<b>6 115</b>	<b>1 092</b>
<b>Cash and cash equivalents, opening balance</b>	<b>157 999</b>	<b>62 267</b>	<b>56 692</b>	<b>35 173</b>	<b>56 692</b>
<b>Cash and cash equivalents, closing balance</b>	<b>147 752</b>	<b>60 954</b>	<b>35 173</b>	<b>147 752</b>	<b>60 954</b>

## 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.

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

### 4. Related party transactions

Master Marine is managing Jacktel AS through a management agreement of which 1.9 MUSD (2.1 MUSD) has been accrued per 30<sup>th</sup> September 2017.

### 5. Debt overview

#### Master Marine Group

30.09.2017

<i>(1.000 USD)</i> Description	Lender	Nominal amount EURO	Nominal amount USD	Interest rate	Book value (incl accrued interests) USD
140 MEUR Shareholder loan	Nordic Capital	87 000	102 473	12 %	173 041
146 MEUR Bond loan	Nordic Trustee ASA	146 000	171 967	7 %	168 354
81 MUSD Bond loan	Nordic Trustee ASA	N/A	81 000	16 %	82 628
<b>Total interest bearing debt - USD</b>					<b>424 023</b>

#### Master Marine AS

30.09.2017

<i>(1.000 USD)</i> Description	Lender	Nominal amount EURO	Nominal amount USD	Interest rate	Book value (incl accrued interests) USD
140 MEUR Shareholder loan	Nordic Capital	87 000	102 473	12 %	173 041
81 MUSD Bond loan	Nordic Trustee ASA		81 000	16 %	82 628
<b>Total interest bearing debt - USD</b>					<b>255 669</b>

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>	<b>Un-audited Q1 2017</b>	<b>Un-audited Q2 2017</b>	<b>Un-audited Q3 2017</b>	<b>Un-audited YTD 2017</b>	<b>Audited 2016</b>
<b>IB</b>	284 283	283 098	285 517	284 283	293 243
Additions	2 599	6 248	12 354	21 201	6 136
Disposals	0	0		0	0
Depreciation	-3 785	-3 829	-3 807	-11 420	-15 097
Impairment	0	0		0	0
<b>UB</b>	<b>283 098</b>	<b>285 517</b>	<b>294 064</b>	<b>294 064</b>	<b>284 283</b>

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

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).

## Condensed Income Statement Master Marine AS

In USD 1,000'	Note	Un-audited Q3-2017	Un-audited Q3-2016	Audited 2016	Un-audited 9M- 2017	Un-audited 9M- 2016
Operating income		695	1 124	2 971	1 871	2 084
Operating expenses		-810	-1 075	-2 839	-2 087	-2 003
<b>EBITDA</b>		<b>-114</b>	<b>50</b>	<b>132</b>	<b>-216</b>	<b>82</b>
Depreciation	6	-0	-1	-27	-2	-26
<b>OPERATING PROFIT- EBIT</b>		<b>-115</b>	<b>48</b>	<b>105</b>	<b>-218</b>	<b>56</b>
Interest income		5 259	5 677	16 534	14 237	12 354
Interest expenses		-8 479	-5 848	-16 948	-18 619	-12 639
Other financial income						
Other financial expenses		-318	19	-29 308	-554	30
<b>NET FINANCIAL ITEMS</b>		<b>-3 538</b>	<b>-151</b>	<b>-29 722</b>	<b>-4 936</b>	<b>-255</b>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>-3 653</b>	<b>-103</b>	<b>-29 616</b>	<b>-5 154</b>	<b>-199</b>
<b>NET PROFIT (LOSS)</b>		<b>-3 653</b>	<b>-103</b>	<b>-29 616</b>	<b>-5 154</b>	<b>-199</b>

## Condensed Statement of Financial Position Master Marine AS

In USD 1000'	Note	Un-audited 30.09.2017	Un-audited 30.09.2016	Audited 31.12.2016	Audited 31.12.2015
<b>ASSETS</b>					
<b>Non-current assets:</b>					
Property, plant and equipment	6	11	286 560	13	32
Shares in subsidiaries		91 981	-	91 981	121 417
Long term receivables		172 669		140 240	130 163
<b>Total non-current assets</b>		<b>264 661</b>	<b>286 560</b>	<b>232 233</b>	<b>251 612</b>
<b>Current assets:</b>					
Accounts receivable		1 070	140	338	765
Other current assets		35 912	930	704	750
Cash and cash equivalents		46 566	57 465	3 025	2 851
<b>Total current assets</b>		<b>83 547</b>	<b>58 535</b>	<b>4 067</b>	<b>4 366</b>
<b>TOTAL ASSETS</b>		<b>348 208</b>	<b>345 095</b>	<b>236 300</b>	<b>255 978</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity:</b>					
Issued capital		123 246	19 630	123 246	144 068
Share premium		-31 245	101 787	-31 245	24 085
Retained losses		-5 154	-31 961		0
Currency translation reserve					-46 536
<b>Total equity</b>		<b>86 847</b>	<b>89 457</b>	<b>92 001</b>	<b>121 617</b>
<b>Non-current liabilities:</b>					
Shareholder loans	5	173 041	146 159	140 576	130 433
Other interest-bearing debt	5	82 628	105 364	-	-
<b>Total long-term liabilities</b>		<b>255 669</b>	<b>251 666</b>	<b>140 576</b>	<b>130 433</b>
<b>Current liabilities:</b>					
Accounts payable		325	1 036	158	156
Other interest-bearing debt		0	-	-	-
Other current liabilities		5 367	2 936	3 565	3 773
<b>Total current liabilities</b>		<b>5 692</b>	<b>3 972</b>	<b>3 723</b>	<b>3 929</b>
<b>Total liabilities</b>		<b>261 362</b>	<b>255 638</b>	<b>144 299</b>	<b>134 362</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>348 208</b>	<b>345 095</b>	<b>236 300</b>	<b>255 978</b>

## Condensed Statement of Changes in Equity Master Marine AS

### 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
<b>Equity as at January 1, 2016</b>	123 246	0	-34 104	32 475	0	121 617
Net income (loss)			-199			-199
Currency translation differences						0
<b>Equity as at September 2016</b>	123 246	0	-34 303	32 475	0	121 418
Net income (loss)			-29 815	17 043		-12 773
Currency translation differences				-4 017		-4 017
<b>Equity as at December 31, 2016</b>	123 246	-31 246	0	0	0	92 000
Net income (loss)			-5 154			-5 154
Currency translation differences						0
<b>Equity as at September 2017</b>	123 246	-31 246	-5 154	0	0	86 846

## Cash Flow Statement Master Marine AS

<i>In USD 1,000'</i>	Q3-2017	Q3-2016	2016	9M-2017	9M-2016
Net profit/(loss)	-3 653	-14 664	-29 616	-5 154	-14 749
Depreciation	0	3 721	27	2	3 740
Unrealized foreign exchange differences related to cash and financi	78	2 620	-97	240	2 581
Net interest	3 220	6 098	29 593	3 010	6 070
Changes in working capital	-35 582	4 479	267	-33 959	4 999
<b>Net cash from operating activities</b>	<b>-35 936</b>	<b>2 255</b>	<b>174</b>	<b>-35 862</b>	<b>2 642</b>
<b>Cash flow from investing activities</b>					
Increased long term receivables	-5 108			-5 108	
Prepayment from customer	-	143			143
Aquisition of fixed assets	-	-2 148	-7	-	-2 148
Interest received	5 259	10	6	5 259	10
<b>Net cash from investing activities</b>	<b>151</b>	<b>-1 996</b>	<b>-1</b>	<b>151</b>	<b>-1 996</b>
<b>Cash flow from financing activities</b>					
Proceeds from debt	8 382		-	8 382	-
Interest paid	-8 479	-1 740	-	-8 479	-1 740
<b>Net cash from financing activities</b>	<b>-97</b>	<b>-1 740</b>	<b>-</b>	<b>-97</b>	<b>-1 740</b>
<b>Net change in cash and cash equivalents</b>	<b>-35 882</b>	<b>-2 048</b>	<b>173</b>	<b>43 360</b>	<b>-1 661</b>
<b>Net foreign exchange differences</b>	<b>66</b>	<b>566</b>		<b>181</b>	<b>1 577</b>
<b>Cash and cash equivalents, opening balance</b>	<b>82 382</b>	<b>58 947</b>	<b>2 851</b>	<b>3 025</b>	<b>53 841</b>
<b>Cash and cash equivalents, closing balance</b>	<b>46 566</b>	<b>57 465</b>	<b>3 025</b>	<b>46 566</b>	<b>53 757</b>