

# **JACK** **TEL**

## INTERIM REPORT

Q3 2014



## Highlights Third Quarter 2014

- Accommodation unit “HAVEN” operated successfully with 100% uptime throughout the quarter.
- Successful senior debt refinancing through bond issue which was completed in early July.

## Operations

HAVEN continues to perform with full uptime and charter hire earnings throughout the quarter, logging 38 consecutive months with 100% uninterrupted availability to ConocoPhillips and a strong HSEQ track record including zero Lost Time Incidents since commencement of operation.

Operation during the quarter, following the successful relocation from Ekofisk to Eldfisk in early June this year, was satisfactory with near full bed capacity utilization. Helicopter services to and from Haven are in full operation after the relocation. Haven has also during the quarter prepared for providing electrical power to the new Eldfisk 2/7-S platform to support the hook up and commissioning phase as well as workshop facilities to the project.

During the quarter, management continued their efforts to identify new contract opportunities. Management spent considerable time in developing its marketing strategy and also initiated work to increase its marketing capacity. This work is ongoing and allows management to gain additional insight into market developments and identify further contract opportunities. Management continue to develop its relationship with prospective clients and specific discussions are ongoing with operators on at least two prospective contract opportunities.

## Financial development and results

(Figures in brackets refer to the corresponding period of 2013)

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.

### *Finance*

Management successfully completed the 95 MEUR bond issue (the first tranche of a 5 year 190 MEUR bond loan) to refinance all of the company's outstanding bank debt in early July. Further tranches are conditional upon a minimum contract backlog. The bond loan carries a coupon of 7% and is secured by a 1<sup>st</sup> lien mortgage on Haven. The refinancing enables the company to accumulate substantial cash reserves over the remaining period of the ConocoPhillips contract expiring in late July next year.

### *Financial results for the third quarter 2014*

The operating income for the third quarter was 20.7 MEUR (17.5 MEUR) and the operating expenses were 5.9 MEUR (5.6 MEUR). This resulted in an EBITDA of 14.8 MEUR (11.9 MEUR) and an operating profit of 10.1 MEUR (7.3 MEUR). The operating income and expenses in third quarter reflects full operational activity as well as various reimbursable from ConocoPhillips.

Net financial items for third quarter were a loss of 11.1 MEUR (10.1 MEUR). This includes 1.6 MEUR in interest and cost related to repayment of bank debt.

This resulted in a net loss for the third quarter of 0.98 MEUR (2.8 MEUR).

### *Cash flow and liquidity*

The positive cash flow from operations during the third quarter stems from 100% availability and no unexpected cost related to the operation of Haven. Operational cash flow (excluding the non-recurrent items) was satisfactory and in line with projections.

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 quarterly accounts. The company has long term financing in place and generates a positive cash flow from operations under the current contract with ConocoPhillips.

*Risk*

Management are aware that the value of the rig is sensitive to several factors and confirm that a further evaluation of asset values will be done in relation to the annual report.

The company is exposed to general business market risk, including credit risk on its one client and revenue risk after the current charter hire contract expires in July 2015. Management considers the credit risk to be marginal and focuses on identifying a new charter hire contract to secure revenues in the future.

## **Future Prospects**

Future prospects for the company depend on developments in the offshore market for support services to the oil and gas industry, primarily in the North Sea basin.

Recent developments indicate a weaker market for the oil service industry in the near future. Several oil companies have signaled reduced E&P spending and announced cost cutting programs and the number of tenders and contract awards for offshore accommodation has been substantially reduced compared to the level of activity in earlier years. At the same time, several new builds designed for North Sea harsh environment operation are coming to the market over the next one or two years. However, the market has absorbed most Norway compliant new builds at attractive day rates in this segment of the high end market.

Management and the Board of Directors believe the short term market outlook will be challenging. However, despite a lower tendering activity and several new builds, the longer term outlook remains positive, driven by a few large green field developments as well as several maintenance and upgrade projects under way or at an advanced stage in the planning phase. Management and the Board of Directors believe Haven has comparative advantages for year round operation in harsh North Sea conditions and remain confident about future awards.

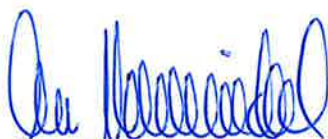
## **Statement from the Board of Directors and CEO**

We confirm that, to the best of our knowledge, the un-audited financial statements for the third quarter of 2014, 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, 31 October 2014**



**Bjørn Henriksen**  
(Chairman)



**Christian Mowinkel**



**Thomas Eik Gabestad**



**Kjetil Bollestad**  
CEO  
Jacktel AS

**Condensed Income Statement**

<b>In EUR 1,000'</b>	<b>Non-audited Q3-2014</b>	<b>Non-audited Q3-2013</b>	<b>Audited 2013</b>	<b>Non-audited 9M- 2014</b>	<b>Non-audited 9M- 2013</b>
Operating income	20 654	17 510	70 361	56 007	52 858
Operating expenses	-5 889	-5 585	-22 860	-19 209	-17 460
<b>EBITDA</b>	<b>14 765</b>	<b>11 925</b>	<b>47 502</b>	<b>36 798</b>	<b>35 397</b>
Depreciation	-4 648	-4 615	-18 343	-13 944	-13 687
<b>OPERATING PROFIT- EBIT</b>	<b>10 117</b>	<b>7 309</b>	<b>29 159</b>	<b>22 854</b>	<b>21 710</b>
Interest income	15	11	70	33	30
Interest expenses	-9 553	-10 077	-40 341	-28 295	-30 267
Other financial expenses	-1 559	-76	-240	-1 948	-170
<b>NET FINANCIAL ITEMS</b>	<b>-11 098</b>	<b>-10 142</b>	<b>-40 511</b>	<b>-30 210</b>	<b>-30 408</b>
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>-981</b>	<b>-2 832</b>	<b>-11 352</b>	<b>-7 356</b>	<b>-8 698</b>
Income tax expense (benefit)	-	-	-	-	-
<b>NET PROFIT (LOSS)</b>	<b>-981</b>	<b>-2 832</b>	<b>-11 352</b>	<b>-7 356</b>	<b>-8 698</b>

**Statement of Comprehensive Income**

<b>In EUR 1,000'</b>	<b>Non-audited Q3-2014</b>	<b>Non-audited Q3-2013</b>	<b>Audited 2013</b>	<b>YTD- 2014</b>	<b>YTD- 2013</b>
Net profit this period	-981	-2 832	-11 352	-7 356	-8 698
Other comprehensive income	372		602	372	-
<b>COMPREHENSIVE INCOME</b>	<b>-608</b>	<b>-2 832</b>	<b>-10 750</b>	<b>-6 984</b>	<b>-8 698</b>

**Earnings per share:**

- Basic	-0,02	-0,06	-0,23	-0,15	-0,12
- Diluted	-0,02	-0,06	-0,23	-0,15	-0,12

**Statement of Financial Position**

In EUR 1,000'	Non-audited 30.09.2014	Non-audited 30.09.2013	Audited 31.12.2013
<b>ASSETS</b>			
<b>Non-current assets:</b>			
Property, plant and equipment	431 116	448 383	443 894
<b>Total non-current assets</b>	<b>431 116</b>	<b>448 383</b>	<b>443 894</b>
<b>Current assets:</b>			
Accounts receivable	13 158	10 040	10 067
Other current assets	3 180	2 526	1 358
Cash and cash equivalents	17 889	26 449	29 670
<b>Total current assets</b>	<b>34 227</b>	<b>39 015</b>	<b>41 096</b>
<b>TOTAL ASSETS</b>	<b>465 344</b>	<b>487 398</b>	<b>484 990</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity:</b>			
Issued capital	12 191	6 262	12 191
Share premium	117 335	90 123	124 319
<b>Total equity</b>	<b>129 526</b>	<b>96 386</b>	<b>136 510</b>
<b>Non-current liabilities:</b>			
Shareholder loans	228 232	263 557	230 116
Other interest-bearing debt	95 000	77 000	67 500
Prepayments customers	0	7 807	5 415
Other non-current liabilities	-1 884	975	1 872
<b>Total long-term liabilities</b>	<b>321 348</b>	<b>349 339</b>	<b>304 904</b>
<b>Current liabilities:</b>			
Accounts payable	1 106	477	183
Prepayments customers	7 807	9 463	9 418
Other interest-bearing debt	0	21 245	25 339
Other current liabilities	5 557	10 488	8 636
<b>Total current liabilities</b>	<b>14 470</b>	<b>41 673</b>	<b>43 576</b>
<b>Total liabilities</b>	<b>335 818</b>	<b>391 012</b>	<b>348 480</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>465 344</b>	<b>487 398</b>	<b>484 990</b>

**Statement of changes in Equity**

In EUR 000'	Q3-2014	Q3-2013	2013	9M-2014	9M-2013
<b>Equity at the beginning of the period</b>	<b>130 134</b>	<b>99 218</b>	<b>105 083</b>	<b>136 510</b>	<b>105 083</b>
Comprehensive income for the period	-608	-2 832	-10 750	-6 984	-8 698
Issue of shares			42 176		
<b>Equity at the end of the period</b>	<b>129 526</b>	<b>96 386</b>	<b>136 510</b>	<b>129 526</b>	<b>96 386</b>

**Cash Flow Statement**

	Q3-2014	Q3-2013	2013	9M-2014	9M-2013
<b>In EUR 1,000'</b>					
Net profit/(loss)	-981	-2 832	-11 352	-7 356	-8 698
Depreciation	4 740	4 615	18 343	14 035	13 687
Other adjustments non-cash items	-372	-	-602	-372	-
Net interest	11 098	10 142	40 511	30 210	30 408
Changes in working capital	-11 108	-3 810	-10 397	-15 010	-9 625
<b>Net cash from operating activities</b>	<b>3 376</b>	<b>8 115</b>	<b>36 503</b>	<b>21 507</b>	<b>25 772</b>
<b>Cash flow from investing activities</b>					
Proceeds from sale of equipment	50	-	4 875	50	4 852
Aquisition of fixed assets	-100	-527	-2 957	-1 308	-2 768
Interest received	15	11	70	33	30
<b>Net cash from investing activities</b>	<b>-35</b>	<b>-516</b>	<b>1 988</b>	<b>-1 225</b>	<b>2 114</b>
<b>Cash flow from financing activities</b>					
Repayment of debt	-103 700	-5 500	-30 000	-124 500	-24 500
Proceeds from debt	95 000	-	-	95 000	-
Interest paid	-288	-1 412	-5 750	-2 563	-3 951
Net realized agio	-	-	-84	-	-
<b>Net cash from financing activities</b>	<b>-8 988</b>	<b>-6 912</b>	<b>-35 834</b>	<b>-32 063</b>	<b>-28 451</b>
<b>Net change in cash and cash equivalents</b>	<b>-5 647</b>	<b>688</b>	<b>2 657</b>	<b>-11 781</b>	<b>-564</b>
<b>Cash and cash equivalents, opening balance</b>	<b>23 536</b>	<b>25 761</b>	<b>27 013</b>	<b>29 670</b>	<b>27 013</b>
<b>Cash and cash equivalents, closing balance</b>	<b>17 889</b>	<b>26 449</b>	<b>29 670</b>	<b>17 889</b>	<b>26 449</b>

**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 2013.

### 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 2013.

### 4. Related party transactions

Jacktel AS renegotiated its loans with the parent company, Master Marine AS, on 18<sup>th</sup> June. The former seven loans, as detailed in the Annual Report for 2013, were consolidated into two loans in the amount of 99.829.776 EUR and 151.600.644 EUR. Both loans have interest accruing on a three months basis and are unsecured.

### 5. Debt overview

**30.09.2014**

<i>(1.000 EUR)</i> Description	Lender	Nominal amount	Interest rate	Book value (incl capitalized interests)
99,8 MEUR Term loan facility	Master Marine AS	99 830	12 %	102 825
151 MEUR Term loan facility	Master Marine AS	151 601	15 %	125 407
95 MEUR Bond loan	Nordic Trustee ASA	95 000	7 %	95 000
<b>Total interest bearing debt</b>				<b>323 232</b>

During Q2 and Q3 the Company restructured its debt, see the Annual Report for 2013 for comparison. The Company's bank loan was replaced by a bond loan in July and the parent company loans were renegotiated, extending final maturity date to 30<sup>th</sup> September 2019. In July the Company closed a bond issue replacing the bank loan in order to secure liquidity and operational flexibility.

### 6. Non-current assets

<i>(1.000 EUR)</i>	Non-audited Q3 2014	Non-audited YTD 2014	Audited 2013
<b>IB</b>	435 836	443 894	464 155
Additions	71	1 308	2 957
Disposals	-142	-142	-4 875
Depreciation	-4 648	-13 944	-18 343
<b>UB</b>	<b>431 116</b>	<b>431 116</b>	<b>443 894</b>

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