

JACK **TEL**

INTERIM REPORT

Q3 2016



Highlights Third Quarter 2016

- Continued the track record of 100% uptime to clients since commencement of operation in 2011.
- Haven demobilised to Eydehavn following expiry of the contract with Maersk Oil & Gas. Rig ready for operation at short notice.

Operations

The contract with Maersk Oil and Gas expired on 31 July 2016, and Haven was demobilised to the Nymo yard in Eydehavn. Haven will continue to be available for new charter contracts at short notice.

The project related to the preparation of Haven for operation at Johan Sverdrup from June 2018 is progressing according to plan. The contract for the fabrication and integration of the new legs and suction caissons was awarded to Lamprell Energy Limited late September 2016. The contract is a lump sum / turnkey contract, which has been awarded following an extensive period of engineering.

In addition, the company is currently reviewing all critical systems on board the vessel in order to plan for, and ensure an effortless commencement of the accommodation services at Johan Sverdrup. As Haven will be fully occupied during the firm period at Johan Sverdrup, certain maintenance activities, which normally would have been executed during the 18 month firm period, will be brought forward to the period prior to commencement of the contract in June 2018. A detailed plan for the execution of these activities are currently being prepared. Following a period of preservation activities, the company aims to reduce the standard daily OPEX to around USD 10.000 per day as from December 2016.

Financial

(Figures in brackets refer to the corresponding period of 2015)

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. From 1 January 2016, the company changed the functional and reporting currency from EUR to USD (United States Dollars). All figures in this report are in USD and comparable figures from 2015 are translated from EUR to USD.

Operating income for the third quarter was 2.0 MUSD (10.6 MUSD), where all was related to the contract with Maersk Oil & Gas. Operating expenses were 4.1 MUSD (10.3 MUSD), of which 3.2 MUSD relates to vessel OPEX and 0.9 MUSD relates to various engineering services and management fee to Jacktel's parent company, Master Marine AS. This resulted in an EBITDA of -2.1 MUSD (0.4 MUSD) and an operating loss of 5.8 MUSD (loss of 3.6 MUSD).

Net financial expenses for third quarter equaled 8.9 MUSD (5.1 MUSD), of which 1.9 MUSD relate to interest payable on the bond loan and 4.3 MUSD relate to interest accrued on shareholder loans. The remaining 2.7 MUSD refer to unrealized foreign exchange loss on debt denominated in Euros.

Net loss for the third quarter equaled 14.7 MUSD (loss of 8.6 MUSD).

Finance

The company has currently one outstanding bond loan amounting to 95 MEUR. The bond loan carries a coupon of 7% and is secured by a 1st lien mortgage on Haven. The bond loan has a term of 5 years and expires on 8 July 2019. The company also has a shareholder loan as further specified in note 5.

Following the award of the turnkey contract for the upgrade of Haven, the company has commenced work to secure the necessary financing of the upgrade.

Valuation

The value of Haven is linked to the development in the offshore industry. As disclosed in the press release dated November 4th 2015 and September 26th 2016, Haven has an 18 month contract with Statoil, at Johan Sverdrup, with a contract value of around 195 MUSD, and 400 MUSD including option period. This contract shows the units attractiveness in a competitive market. When the contract with Maersk Oil and Gas expired late July 2016, the unit was demobilised to Nymo yard in Eydehavn. Haven has been preserved and is being operated with a reduced crew until new market opportunities emerge.

The company has performed impairment analysis and recently obtained external broker valuations which support the current book value. Based on this, the Board considers the book value of Haven to be fair as of the date of this report.

Cash flow and liquidity

The cash flow from operating activities during the third quarter is mainly a result of net contribution from charter hire, expenses related to the preservation and lay up of Haven, as well as changes in working capital.

Cash flow from investing activities refer to the Johan Sverdrup project, an upgrade of the lifeboat and launching system and the ongoing installation of an auto greasing system.

Cash flow from financing relates to interest payment on the external bond loan.

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 second quarter financial statements.

Risk

The company is exposed to general business market risk, credit risk, currency risk and revenue risk. Credit risk related to the Statoil contract is considered low. Risk related to currency is considered low due to main upgrade project is in the same currency as the charter rate, USD. The short to mid-term revenue risk is especially relevant until charter hire from the Johan Sverdrup contract will generate revenue. In general, customers can cancel contracts by paying a cancellation fee.

Long term commitment for Haven is secured from June 2018 for 18 months through the charter contract with Statoil for the Johan Sverdrup project. The company continues to focus on securing new charter contracts up until the commencement of the yard stay late Q3 2017. Future changes in prices and utilization of the unit may impact the valuation of the asset.

Future Prospects


The market continues to remain challenging with few contract opportunities within the company's core market. The company expects this situation to continue in the short to mid-term. As a result, the company has also increased its focus on the adjacent markets such as the wind market. The short term main objective is to reduce the cash burn up until the commencement of the Johan Sverdrup contract.

In the longer term, demand is expected to increase, driven by an increasing and aging install-base in the North Sea. Maintenance projects have now been postponed for more than 2 years, and it is expected that the maintenance activity will increase once the oil price stabilizes at a sustainable level. An increased maintenance activity will have a positive impact on demand for bed capacity. The company believes that Haven has comparative advantages for year around operation in harsh environment and remains confident that the unit will achieve high utilization also in a challenging market.

Oslo, 26 October 2016



Bjørn Henriksen
(Chairman)



Helge Ysthøim
Managing Director
Jacktel AS

Condensed Income Statement

In USD 1,000'	Un-audited Q3-2016	Restated Un-audited Q3-2015	Restated Un-audited 2015	Un-audited 9M-2016	Restated Un-audited 9M-2015
Operating income	2 043	10 664	66 877	15 640	58 398
Operating expenses	-4 093	-10 259	-30 997	-12 228	-24 416
EBITDA	-2 050	404	35 879	3 412	33 982
Depreciation	-3 721	-3 966	-16 391	-11 124	-12 719
Impairment	0	0	-76 252	0	-76 252
OPERATING PROFIT- EBIT	-5 772	-3 562	-56 763	-7 712	-54 989
Interest income	10	0	9	20	1
Interest expenses	-6 109	-5 610	-25 479	-17 899	-19 840
Other financial expenses	-2 794	532	-105	-6 370	4
NET FINANCIAL ITEMS	-8 893	-5 079	-25 574	-24 249	-19 836
PROFIT/(LOSS) BEFORE TAX	-14 664	-8 641	-82 338	-31 961	-74 824
Income tax expense (benefit)	0	0	0	0	0
NET PROFIT (LOSS)	-14 664	-8 641	-82 338	-31 961	-74 824

**Statement of Comprehensive
Income**

In USD 1,000'	Un-audited Q3-2016	Restated Un-audited Q3-2015	Restated Un-audited 2015	Un-audited 9M-2016	Restated Un-audited 9M-2015
Net profit this period	-14 664	-8 641	-82 338	-31 961	-74 824
Other comprehensive income	0	-58	-11 005	0	-7 847
COMPREHENSIVE INCOME	-14 664	-8 659	-93 343	-31 961	-82 671

Earnings per share:

- Basic	-0,29	-0,17	-1,65	-0,64	-1,50
- Diluted	-0,29	-0,17	-1,65	-0,64	-1,50

Condensed Statement of Financial Position

In USD 1,000'	Un-audited 30.09.2016	Restated Un-audited 30.09.2015	Restated Un-audited 31.12.2015	Restated Un-audited 31.12.2014
ASSETS				
Non-current assets:				
Property, plant and equipment	286 560	302 930	293 235	422 193
Total non-current assets	286 560	302 930	293 325	422 193
Current assets:				
Accounts receivable	140	-14	4 833	8 116
Other current assets	930	-874	5 835	2 706
Cash and cash equivalents	57 465	67 467	53 841	44 192
Total current assets	58 535	66 579	64 509	55 013
TOTAL ASSETS	345 095	369 509	357 745	477 206
EQUITY AND LIABILITIES				
Equity:				
Issued capital	19 630	23 018	23 018	16 463
Share premium	101 787	197 446	115 108	52 559
Uncovered loss	-31 961	-74 825	0	0
Currency translation reserve	0	-13 551	-16 709	-5 704
Total equity	89 457	132 088	121 417	63 318
Non-current liabilities:				
Shareholder loans	146 159	129 490	130 566	286 928
Other interest-bearing debt	105 364	104 623	113 747	113 319
Total long-term liabilities	251 523	234 113	232 374	400 247
Current liabilities:				
Accounts payable	1 036	351	1 036	753
Prepayments customers	143	0	0	6 514
Other current liabilities	2 936	2 957	2 917	6 374
Total current liabilities	4 115	3 308	3 953	13 641
Total liabilities	255 638	237 421	236 327	413 888
TOTAL EQUITY AND LIABILITIES	345 095	369 509	357 745	477 206

Condensed Statement of Changes in Equity

<i>(In USD 1,000)</i>	Share Capital	Share premium	Uncovered loss	OCI reserve*	Total equity
Equity as at January 1, 2015	16 463	52 559	0	-5 704	63 319
Share issues	6 555	144 886			151 441
Net income (loss)		-74 824			-74 824
Currency translation differences				-7 847	-7 847
Equity as at September 2015	23 018	122 620	0	-13 550	132 088
Net income (loss) Q4 2015		-7 513			-7 513
Currency translation differences				-3 159	-3 159
Equity as at December 2015	23 018	115 107	0	-16 709	121 417
Opening balance adjustment *	-3 388	-13 320		16 709	0
Net income (loss)			-31 961		-31 961
Equity as at September 2016	19 630	101 787	-31 961	0	89 457

*Ingoing balance Other comprehensive income reserve is entirely related to translating comparatives in functional currency EUR to USD presentation currency. Opening balance adjustment at 1.1.2016 is related to the change of functional currency from EUR to USD from January 1, 2016.

Condensed Cash flow Statement

In USD 1,000'	Un-audited Q3-2016	Restated Un-audited Q3-2015	Restated Un-audited 2015	Un-audited 9M-2016	Restated Un-audited 9M-2015
Net profit/(loss)	-14 664	-9 550	-82 338	-31 961	-75 733
Depreciation and Impairment	3 721	2 742	92 481	11 124	87 747
Net interest	8 893	5 932	23 562	24 253	9 326
Changes in working capital	4 419	14 508	-6 509	10 040	-2 752
Net cash from operating activities	2 369	13 632	27 196	13 456	21 105
Aquisition of fixed assets	-2 148	- 1 116	-5 559	- 4 448	-1 434
Interest received	10	11	9	20	11
Net cash from investing activities	-2 139	-1 105	-5 550	-4 427	-1 423
Cash flow from financing activities					
Prepayment from customer	143	0	0	143	0
Interest paid	-1 855	-1 837	-7 342	-5 546	-5 547
Net cash from financing activities	-1 712	-1 837	-7 342	-5 504	-5 547
Net change in cash and cash equivalents	-1 482	10 515	14 304	3 624	28 251
Cash and cash equivalents, opening balance	58 947	58 512	40 133	53 841	40 133
Effects of currency translation on cash and cash equivalents		-2 676	-596		-2 033
Cash and cash equivalents, closing balance	57 465	66 351	53 841	57 465	66 351

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 2015.

The functional currency of the company has been changed to USD as of 1 January 2016 mainly due to current charter contracts being denominated in USD and that it is expected that future contracts and investments will be in USD.

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 2015.

As a consequence of the change in functional currency, the company also changed its presentation currency for the accounts from EUR to USD with effect from 1 January 2016. At this date, all assets, liabilities and equity balances have been translated to the new functional currency with opening foreign exchange rates at 1 January 2016. The comparatives have been restated in the following matter:

- Share capital, share premium and other reserves are translated at the historic rates prevailing at the dates of the transactions.
- Retained earnings/uncovered loss have been translated at the rate of the transactions, however using average foreign exchange rates as a practical approach
- Currency translation adjustments have been posted towards other comprehensive income (foreign currency translation reserve).

4. Related party transactions

Jacktel AS has a management agreement with its parent company, Master Marine AS, of which 1.9 MUSD has been paid per third quarter 2016.

5. Debt overview

30.09.2016

<i>(1.000 USD)</i> Description	Lender	Interest rate	Book value USD (incl accrued interests)
99,8 MEUR Term loan facility	Master Marine AS	12 %	146 159
95 MEUR Bond loan*	Nordic Trustee ASA	7 %	105 364
Total interest bearing debt			251 523

*) Book value of the Bond loan is netted with costs to be accrued over the loan's lifetime.

6. Non-current assets

<i>(1.000 USD)</i>	Non-audited Q1 2016	Non-audited Q2 2016	Non-audited Q3 2016	Non-audited YTD 2016	2015
IB	293 235	290 261	288 133	293 235	422 193
Additions	706	1 593	2 148	4 448	5 600
Disposals	0	0	0	0	0
Depreciation	-3 681	-3 721	-3 721	-11 124	-16 391
Impairment	0	0	0	0	-76 252
Currency translation					-41 915
UB	290 261	288 133	286 560	286 560	293 235

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