



# INTERIM REPORT

Q3 2022

## Third Quarter 2022

### Highlights

In September Jacktel and TotalEnergies EP Denmark agreed to extend the firm period of the time charter contract until June 30, 2024, which included an improved fixed day rate from January 1, 2023. Revised contract value for the period 1 January 2023 through June 2024 is approximately 53 MUSD. In addition, an option to extend the time charter contract beyond the firm period was granted by Jacktel. The option is however contingent upon Haven being available and Jacktel is free to market the vessel for work in the period after the expiry of the firm contract.

### Operations

Haven has delivered 100% gangway connection to the Tyra redevelopment project through the quarter. The utilisation of available beds onboard Haven has for a large part of the quarter been higher than the 150 pax threshold in the contract. As a result, Jacktel has generated approx. 0.4 MUSD additional income during the quarter.

### Financial

The Interim Financial Statements are prepared in accordance with IAS 34

#### *Quarterly figures, Q3 2022*

(Figures in brackets refer to the corresponding period of 2021)

Operating income for Q3 amounted to 6.7 MUSD (4.8 MUSD) of which 1.3 MUSD (2.5 MUSD) related to services reimbursed by the client.

Operating expenses equalled 4.3 MUSD (6.0 MUSD), of which 2.6 MUSD (2.3 MUSD) related to vessel OPEX, 1.5 MUSD (2.9 MUSD) related to reimbursable and project cost and 0.4 MUSD (0.8 MUSD) to SG&A. This resulted in an EBITDA of 2.4 MUSD (-1.2 MUSD) and an operating loss of 0.4 MUSD (4.0 MUSD).

Net financial cost for the third quarter equalled 2.0 MUSD (4.4 MUSD) of which 2.0 MUSD (4.2 MUSD) related to interest expenses.

Net loss for the third quarter amounted to 2.5 MUSD (8.4 MUSD).

#### *YTD figures 2022*

(Figures in brackets refer to the corresponding period of 2021)

Operating income amounted to 16.9 MUSD (5.9 MUSD). Operating expenses equalled 11.1 MUSD (11.7 MUSD), of which 7.6 MUSD (5.2 MUSD) related to vessel OPEX, 2.0 MUSD (4.1 MUSD) to reimbursable and project cost and 1.4 MUSD (2.4 MUSD) to SG&A. This resulted in an EBITDA of 5.8 MUSD (-5.8 MUSD) and an operating loss of 2.7 MUSD (14.5 MUSD).

Accumulated interest expenses per Q3 equalled 7.4 MUSD (12.1 MUSD). Net loss per September of 2022 equalled 11.5 MUSD (27.3 MUSD)

#### *Cash flow and liquidity Q3 2022*

The Company generated 4.3 MUSD in operational cash flow during the third quarter. Following -751 KUSD from investing activities and -1,459 KUSD from financing activities, net cash flow in the third quarter totalled 2.1 MUSD.

Total cash at the end of the quarter equalled 5.5 MUSD.

### *Finance*

The Company issued a super senior secured bond loan of 10 MUSD in April 2021 to finance the required upgrade of Haven in preparation for the Tyra contract. The super senior bond loan holds a fixed interest of 10 % p.a payable quarterly. The super senior bond loan is repayable in 5 quarterly instalments of 1 MUSD from September 2022 and remaining 5 MUSD at maturity date 4th December 2023. The super senior bond loan terms includes a cash sweep mechanism where any unrestricted cash in Jacktel in excess of 4 MUSD, on the date falling 10 business days prior to each interest payment date, will be payable as additional instalments. In September the first instalment of 1 MUSD was paid together with an 0.2 MUSD cash sweep instalment. Due to the revised terms in the time charter agreement, the Company expects to repay the super senior loan with additional cash sweep instalments prior to the maturity date in December 2023.

In February 2022 the bond trustee exercised a call option in respect of all the shares in Jacktel and completed a debt conversion where an amount of 102.3 MUSD of the Senior Bonds was converted into 100% of the outstanding equity of Jacktel. Interest on the Senior Bonds will be capitalized on each interest payment date until the Super Senior Bonds have been repaid in full, following which, cash interest payments shall resume. The senior bond loan matures in December 2023.

### *Going concern*

Following the debt-to-equity conversion in Q1 2022 the balance sheet of Jacktel was substantially improved and the equity ratio is approximately 49% at the end of third quarter.

Jacktel and TotalEnergies amended the compensation model as from 1 January 2023, through 30 June 2024, increasing the charter hire substantially compared to the original contract. Consequentially, the operational cash flow from the TotalEnergies contract is expected to be sufficient to repay the super senior bond loan of 10 MUSD due to excess cash instalments prior to the maturity in December 2023. The holders of the remaining senior bond loan have accepted that interest will only be Paid In Kind until the super senior bond has been repaid.

The Company believes that the debt-to-equity conversion which resulted in a substantial strengthening of the Balance Sheet, the contract entered into with TotalEnergies and the issuing of the super senior bond loan provides a basis for the going concern assumption.

### *Risk*

The Company is exposed to general business market risk, credit risk, currency risk and revenue risk. The currency risk exposure is mainly due to the fact that operating expenses are mainly incurred in NOK and DKK. The currency risk is monitored on a continuous basis and use of derivatives to reduce the risk is considered regularly. Per end of the third quarter the Company does not have any derivatives. Operational issues, as well as future changes in day rates and utilization of the unit may impact the valuation of the asset further.

## **Future Prospects**

The company has seen increased tendering activity during the quarter. We are currently participating in tenders both within the Oil & Gas market and the offshore wind industry. Start up for the projects range from expiry of current firm contract in 2024 to 2026. We see it as a strong indication of a tightening market that clients are working to secure their accommodation needs 2-4 years in advance of project start up.

Historically the accommodation market has been highly geared towards the traditional Oil & Gas market. Over the last few months, we have also seen increased interest from the wind industry. The company expects the wind market to become increasingly important as new developments move further offshore and into harsher environment. It is therefore likely that the wind industry will demand “high quality” accommodation vessels which can withstand winter storms and provide 100% gangway connection year around.

Oil companies and governments’ focus on reducing the industry’s carbon footprint is expected to have a positive impact on the use of Jack Ups standing firmly on the seabed. As Jack Ups do not use propulsion for station keeping and can run on electrical power from shore, the fuel consumption and carbon footprint is significantly lower than what is the case for assets using engine powered station keeping systems. Based on this, Jack ups should have a competitive advantage in particular on the Norwegian Continental Shelf (NCS) where substantial parts of the shelf have been “electrified”.

Sandnes, 9th November 2022

---

Harald Thorstein  
Chairman

---

Alf Ragnar Løvdal  
Board member

## Condensed Income Statement

As of September 30th, 2022

In USD 1,000'	Note	Un-audited Q3-2022	Un-audited Q3-2021	Audited 2021	Un-audited 9M- 2022	Un-audited 9M- 2021
Operating income		6,729	4,778	12,354	16,929	5,893
Operating expenses		-4,294	-5,939	-19,286	-11,094	-11,720
<b>EBITDA</b>		<b>2,434</b>	<b>-1,162</b>	<b>-6,932</b>	<b>5,834</b>	<b>-5,826</b>
Depreciation	5	-2,848	-2,841	-11,669	-8,511	-8,688
<b>OPERATING PROFIT/(LOSS) - EBIT</b>		<b>-414</b>	<b>-4,003</b>	<b>-18,600</b>	<b>-2,677</b>	<b>-14,514</b>
Interest income		19	-	208	19	-
Interest expenses		-1,976	-4,223	-16,329	-7,411	-12,089
Other financial items		-91	-194	-811	-1,452	-652
<b>NET FINANCIAL ITEMS</b>		<b>-2,048</b>	<b>-4,417</b>	<b>-16,932</b>	<b>-8,844</b>	<b>-12,741</b>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>-2,462</b>	<b>-8,420</b>	<b>-35,532</b>	<b>-11,521</b>	<b>-27,255</b>
<b>NET PROFIT (LOSS)</b>		<b>-2,462</b>	<b>-8,420</b>	<b>-35,532</b>	<b>-11,521</b>	<b>-27,255</b>

## Statement of Comprehensive Income

In USD 1,000'	Un-audited Q3-2022	Un-audited Q3-2021	Audited 2021	Un-audited 9M- 2022	Un-audited 9M- 2021
Net profit this period	-2,462	-8,420	-35,532	-11,521	-27,255
<b>COMPREHENSIVE INCOME</b>	<b>-2,462</b>	<b>-8,420</b>	<b>-35,532</b>	<b>-11,521</b>	<b>-27,255</b>

## Statement of Financial Position

In USD 1,000'	Note	Un-audited 30.09.2022	Un-audited 30.09.2021	Audited 31.12.2021
<b>ASSETS</b>				
<b>Non-current assets:</b>				
Property, plant and equipment	5	155,760	162,642	163,132
<b>Total non-current assets</b>		<b>155,760</b>	<b>162,642</b>	<b>163,132</b>
<b>Current assets:</b>				
Accounts receivable		2,627	2,469	2,828
Other current assets		1,076	1,261	1,114
Cash and cash equivalents		5,543	6,599	3,065
<b>Total current assets</b>		<b>9,246</b>	<b>10,329</b>	<b>7,007</b>
<b>TOTAL ASSETS</b>		<b>165,006</b>	<b>172,971</b>	<b>170,138</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity:</b>				
Issued capital		30,984	19,740	19,740
Share premium		273,883	182,793	182,793
Retained losses		-224,435	-204,637	-212,918
<b>Total equity</b>		<b>80,432</b>	<b>-2,104</b>	<b>-10,385</b>
<b>Non-current liabilities:</b>				
Other interest-bearing debt	4	74,887	171,224	173,940
<b>Total long-term liabilities</b>		<b>74,887</b>	<b>171,224</b>	<b>173,940</b>
<b>Current liabilities:</b>				
Accounts payable		1,761	2,964	583
Short-term interest-bearing debt	4	4,598	72	1,366
Other current liabilities		3,328	815	4,634
<b>Total current liabilities</b>		<b>9,687</b>	<b>3,851</b>	<b>6,583</b>
<b>Total liabilities</b>		<b>84,574</b>	<b>175,075</b>	<b>180,523</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>165,006</b>	<b>172,971</b>	<b>170,138</b>

## Condensed Statement of Changes in Equity

	Share Capital	Share premium	Retained losses	Total equity
<i>(In USD 1,000)</i>				
<b>Equity as at December 31st, 2020 (Audited)</b>	<b>19,740</b>	<b>182,793</b>	<b>-177,384</b>	<b>25,149</b>
Net income (loss) Q1-Q2 2021	-	-	-18,837	-18,837
<b>Equity as at June 30th 2021 (Un-audited)</b>	<b>19,740</b>	<b>182,793</b>	<b>-196,221</b>	<b>6,312</b>
Net income (loss) Q3-Q4 2021	-	-	-16,694	-16,694
<b>Equity as at December 31st 2021 (Audited)</b>	<b>19,740</b>	<b>182,793</b>	<b>-212,914</b>	<b>-10,382</b>
Debt conversion	11,244	91,090	-	102,334
Net income (loss) YTD 2022	-	-	-11,521	-11,521
<b>Equity as at September 30th, 2022 (Un-audited)</b>	<b>30,984</b>	<b>273,883</b>	<b>-224,435</b>	<b>80,432</b>

## Cash Flow Statement

	Un-audited Q3-2022	Un-audited Q3-2021	Audited 2021	Un-audited 9M- 2022	Un-audited 9M- 2021
<b>In USD 1,000'</b>					
Net profit(loss) before tax	-2.462	-8.420	-35.532	-11.521	-27.255
Depreciation and impairment	2.848	2.841	11.669	8.511	8.688
Financial income	-19	-	-208	19	-
Financial expenses	2.067	4.417	17.140	8.863	12.740
Changes in working capital	1.843	-4.359	3.364	-171	866
<b>Net cash from operating activities</b>	<b>4.277</b>	<b>-5.521</b>	<b>-3.567</b>	<b>5.701</b>	<b>-4.961</b>
<b>Cash flow from investing activities</b>					
Interest received	19	-	-	19	-
Acquisition of fixed assets	-770	-3.699	-12.204	-1.141	-8.017
<b>Net cash from investing activities</b>	<b>-751</b>	<b>-3.699</b>	<b>-12.204</b>	<b>-1.122</b>	<b>-8.017</b>
<b>Cash flow from financing activities</b>					
Instalment super senior loan	-1.209	-	-	-1.209	-
Interest paid	-250	-250	-	-892	-392
Financial expenses	-	-	-1.134	-	-
Net proceeds from bond issue	-	-	10.000	-	10.000
<b>Net cash from financing activities</b>	<b>-1.459</b>	<b>-250</b>	<b>8.866</b>	<b>-2.101</b>	<b>9.608</b>
<b>Net change in cash and cash equivalents</b>	<b>2.067</b>	<b>-9.470</b>	<b>-6.905</b>	<b>2.478</b>	<b>-3.370</b>
<b>Cash and cash equivalents, opening balance</b>	<b>3.476</b>	<b>16.069</b>	<b>9.970</b>	<b>3.065</b>	<b>9.970</b>
<b>Cash and cash equivalents, closing balance</b>	<b>5.543</b>	<b>6.599</b>	<b>3.065</b>	<b>5.543</b>	<b>6.600</b>

## Notes to the interim report

### 1. General information

Jacktel AS is a company listed on NOTC. The Company is located at Vestre Svanholmen 6, 4313 Sandnes, 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 interim financial statements for Q3 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union ("EU"), including IAS 34 Interim Financial Reporting.

#### *Going concern*

Following the debt-to-equity conversion in Q1 2022 the balance sheet of Jacktel was substantially improved and the equity ratio is approximately 49% at the end of third quarter.

Jacktel and TotalEnergies amended the compensation model as from January 1, 2023 through June 30 2024, increasing the charter hire substantially compared to the original contract. The operational cash flow from the TotalEnergies contract is expected to be sufficient to repay the super senior bond loan of 10 MUSD prior to maturity in December 2023. The holders of the remaining senior bond loan have accepted that interest will only be Paid In Kind until the super senior bond has been repaid.

The Company believes that the debt-to-equity conversion which resulted in a substantial strengthening of the Balance Sheet, the current contract with TotalEnergies and the issuing of the super senior bond loan provides a basis for the going concern assumption.

The European Securities and Markets Authority (ESMA) issued guidelines on Alternative Performance Measures (APM's) that came into force 3 July 2016. Peers comparable to the Company vary with regards to, inter alia, capital structure and mix of leased and owned rigs. Non-IFRS financial measures can assist the stakeholders in comparing performance on a more consistent basis without regard to factors such as depreciation and amortization. Jacktel 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 its 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 Jacktel's annual financial statements and accompanying notes for the financial year ended 31<sup>st</sup> December 2021.

#### 4. Debt overview

##### 30.09.2022 Long-term interest-bearing debt

<i>(In USD 1000')</i>				
Description	Lender/Trustee	Nominal amount USD	Interest rate	Book value USD
150 MUSD Bond Loan including PIK Interest	Nordic Trustee ASA	70,614	10%	70,096
10 MUSD Super Senior Bond Loan	Nordic Trustee ASA	8,791	10%	8,791
Current portion				-4,000
<b>Long-term interest bearing debt - USD</b>		<b>79,405</b>		<b>74,887</b>

##### 30.09.2021 Long-term interest-bearing debt

<i>(In USD 1000')</i>				
Description	Lender/Trustee	Nominal amount USD	Interest rate	Book value USD
150 MUSD Bond Loan	Nordic Trustee ASA	161,534	10%	161,224
10 MUSD Super Senior Bond Loan	Nordic Trustee ASA	10,000	10%	10,072
<b>Long-term interest bearing debt - USD</b>		<b>171,534</b>		<b>171,296</b>

\*) Book value of the Bond loans is netted with transaction costs to be amortized over the loan's lifetime and also includes accrued interest that will be paid in kind.

Current portion consist of quarterly instalments of 1 MUSD which is payable under the Super Senior Bond Loan from September 2022. In addition to the quarterly instalments commencing in September 2022, any unrestricted cash in Jacktel in excess of 4 MUSD on the date falling 10 business days prior to each interest payment date, will be payable as additional instalments. On 4 September 2022, the Company paid a 0.2 MUSD excess cash instalment in addition to the scheduled 1 MUSD instalment.

#### 5. Property Plant & Equipment

<i>(In USD 1000')</i>	Un-audited 30.09.22	Un-audited 30.06.22	Un-audited 31.03.22	Audited 31.12.21
<b>Opening balance</b>	157,838	160,439	163,132	162,844
Additions	770	241	130	11,957
Depreciation	-2,848	-2,841	-2,823	-11,669
<b>Closing balance</b>	<b>155,760</b>	<b>157,838</b>	<b>160,439</b>	<b>163,132</b>

Capitalized amounts relate entirely to the Company's accommodation rig Haven.

The Company has performed impairment assessments per September and through 2022 which has concluded that no impairment is required.

## **6. Potential claims and contingencies**

The final 10% of the contract price relating to the reinstatement of the original spud cans was paid to Semco during Q3 2022 together with agreed variation orders. Semco has disputed Jacktel's interpretation of the contract and final settlement, and the parties have started an arbitration process which will potentially take place in Norway in May 2023.

The Company has received two letters related to the 2019 tax return where Jacktel claimed an exemption under the limitation of tax deduction of interests. Unless Jacktel wins forward in its discussions with the tax authorities, the payable tax exposure is limited to approximately 10 MNOK.

Based on advises from tax lawyers and the fact that no claim from the tax authorities have been received, Jacktel is of the opinion it should qualify for the exemption rule. Consequently, no provision for such a claim has been made in the Q3 accounts.