



# 3<sup>rd</sup> Quarter 2013



# Maracc - Marine Accurate Well ASA

## **Project status**

During Q3 2013, the repair work following the incident on May 31, 2013 was finalized, and extensive testing of equipment was carried out. As a result of the incident, further cost increases and time delays were incurred. As reported in the Q2 2013 report and the company's press release dated May, 31 2013, it was anticipated that the costs related to the incident would be in the range of MUSD 20. However, as it turned out, the cost provisions had to be increased significantly. The insurance policy will cover the damage itself less deductible, as well as the direct consequential damages, however, not the loss of earnings and other associated costs.

As a consequence, the Annual General Meeting of the company held July 8, 2013 and the Extraordinary General Meeting held August 14, 2013 resolved to increase the share capital through two share issues, as further described under "Financial information" below. At this stage, it was anticipated that start-up under the Lundin contract would be on or about September 1, 2013.

Towards the end of Q3 2013 Maracc reached significant milestones, i) the Island Innovator received the AoC from the Norwegian Petroleum Directorate approving the rig for operations on the Norwegian Continental Shelf, and ii) the rig finalized the yard stay and departed the Bergen Group Hanøytangen yard and commenced operations under the Lundin Norway AS drilling contract on September 25, 2013. This marked the end of the construction and testing period, and started the operational phase for the rig.

The first few days at sea was partly utilized for final testing and initial operations. In October, being the first operational month, the rig had an uptime of approximately 95%.

## **Market update**

The contract with Lundin Norway AS is for 12 wells and is expected to provide 24 – 30 months of operation. The optional period of 3 times 4 wells has not yet been exercised.

The Board of Directors is confident in a favorable market outlook for drilling units such as Island Innovator.

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## Financial information

The company finalized the construction phase and recognized its first operational income in late September 2013. The expenses related to construction of the rig are capitalized, however, as from September 25, 2013 the company also started to incur ordinary operational costs. YTD revenues total MUSD 2.5 of which MUSD 1.5 relates to charter hire and MUSD 1 relates to other operating revenues. YTD EBITDA total MUSD 0.8.

Total fixed assets per September 30, 2013 amounts to MUSD 756.0, representing an increase of MUSD 243.9 during the three first quarters of 2013 due to the increased book value of the rig. Total assets amounts to MUSD 823.5, of which bank deposits constitute MUSD 27.2.

Cash flow from operating activities YTD 2013 totals MNOK 0.8, whereas cash flow from investments totals MUSD -254.2 and relates to construction of the rig. The company's investment activities were funded by utilizing the available bank- and bond loan funding as well as the proceeds from the two equity issues completed during Q3 2013. This resulted in net cash flow of MUSD -37.4 during the first three quarters of 2013, decreasing the cash and cash equivalents from MUSD 64.7 at year-end 2012 to MUSD 27.2 at September 30, 2013.

As mentioned above, the AGM and EGM of the company decided to issue additional shares in two tranches, one share issue in the amount of MNOK 201, where the subscription was fully guaranteed by a consortium of three of the major shareholders, and a subsequent share issue of up to MNOK 250. The up to MNOK 250 share issue was not guaranteed and the final result gave a subscription in a total amount of MNOK 221.

In connection with these two share issues the Company's shares were also consolidated in the ratio 100:1. Following the consolidation and the share issues the company's share capital consists of 82 518 796 shares, each with a nominal value of NOK 10.

As a consequence of the delayed start-up under the Lundin contract, September 25 as opposed to September 1, some further cost increases, and the fact that the second share issue mentioned above was MNOK 30 / MUSD 5 lower than expected; the company still has restricted cash resources resulting in a tight liquidity situation during the initial operational phase.

## Profit & Loss Account

Amounts in USD 1 000

	YTD Q3 / 2013	YTD Q2 / 2013	2012
Revenues	2 531	0	0
Operating expenses	1 709	351	1 127
<b>EBITDA</b>	<b>822</b>	<b>-351</b>	<b>-1 127</b>
Depreciation and amortization	536	0	0
Impairment	0	0	90 000
<b>EBIT</b>	<b>286</b>	<b>-351</b>	<b>-91 127</b>
Net financial items	-381	0	0
<b>Net result before taxes</b>	<b>-95</b>	<b>-351</b>	<b>-91 127</b>
Taxes	0	0	0
<b>Net result after taxes</b>	<b>-95</b>	<b>-351</b>	<b>-91 127</b>

## Balance sheet

Amounts in USD 1 000

<b>Assets</b>	<b>30-09-13</b>	<b>30-06-13</b>	<b>31-12-12</b>
<i>Non-current assts</i>			
Total intangible assets	0	0	0
Capitalized financial costs	119 077	111 621	93 148
Rigs under construction	636 950	573 245	418 998
<b>Total Fixed Assets</b>	<b>756 027</b>	<b>684 866</b>	<b>512 146</b>
<i>Current Assets</i>			
Total debtors	40 276	7 067	8 443
Investments	0	0	0
Cash and cash equivalents	27 225	56 007	64 652
<b>Total Current Assets</b>	<b>67 501</b>	<b>63 074</b>	<b>73 095</b>
<b>Total Assets</b>	<b>823 528</b>	<b>747 940</b>	<b>585 241</b>
<b>Equity and Liabilities</b>			
<b>30-09-13</b>			
<b>30-06-13</b>			
<b>31-12-12</b>			
Paid in Equity	275 757	205 936	157 442
Equity from Conversion right	0	0	0
Uncovered Loss	0	0	0
Retained earnings	-95	-351	0
<b>Total Equity</b>	<b>275 662</b>	<b>205 585</b>	<b>157 442</b>
Bonds	136 144	135 930	0
Long term loan	357 259	350 353	0
Current Liabilities	54 463	56 072	427 799
<b>Total Liabilities</b>	<b>547 866</b>	<b>542 355</b>	<b>427 799</b>
<b>Total Equity and Liabilities</b>	<b>823 528</b>	<b>747 940</b>	<b>585 241</b>

## Cash flow statement

Amounts in USD 1 000

	YTD Q3 / 2013	YTD Q2 / 2013	2012
Cash Flow from Operating activities	822	-351	-1 127
Cash Flow from Investment activities	-254 170	-147 656	-186 820
Cash Flow from Financing activities	215 922	139 362	249 964
Net cash flow in the period	-37 427	-8 645	62 017
Cash and cash equiv. at the beginning of period	64 652	64 652	2 635
Cash and cash equiv. at the end of period	27 225	56 007	64 652



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