

# ANNUAL REPORT 2018

FLOATEL INTERNATIONAL LTD





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TEL SUPERIOR



# DIRECTORS' REPORT 2018

## GENERAL INFORMATION ABOUT THE BUSINESS

The Floatel International Group was established in 2006. Floatel operates a fleet of five modern semi-submersible accommodation and construction support vessels providing the oil and gas industry with high quality offshore accommodation, catering and ancillary services. The parent company, Floatel International Ltd registration number 38902, is domiciled on Bermuda with its registered office at Canon's Court, 22 Victoria Street, Hamilton HM 12 Bermuda.

Floatel International Ltd. has a Gothenburg subsidiary, Floatel International AB, for onshore operational support and supervision. Floatel Group have local companies and offices in areas where the vessels operate.

Floatel runs its business and operation on a set of core values which are imbued what we do;

**Compassion** – We show humanity, understanding and responsibility towards each other, the environment and the society we work in.

**Commitment** – We are committed and loyal to our company, our responsibilities, our clients and the projects in which we operate.

**Cooperation** – Teamwork is the key to success, and we cooperate within the organization as well as with our partners and clients.

The mission of the Company is "To be the preferred choice by providing flexible solutions with high quality and the best possible performance – always putting safety first". This forms the basis for how we operate and do business and our fleet is therefore designed to meet the challenging projects in deep water and hostile environments so we can provide superior living standard and support services in these locations across the world.

## THE YEAR IN BRIEF AND KEY FINANCIAL DATA

The fleet operated for BP Clair Ridge in the UK, Equinor and ENI in Norway as well as for Inpex in Australia during the year resulting in 73% utilization for the fleet during the year (68% in 2017).

At year-end, Floatel Superior, Floatel Triumph and Floatel Victory were on charter for clients in Norway, UK and Australia respectively. Floatel Reliance was laid-up at Tenerife in the Canary Islands and Floatel Endurance was in transit for yard stay in Singapore.

|                    | 2018      | 2017      | 2016      | 2015      | 2014      |
|--------------------|-----------|-----------|-----------|-----------|-----------|
| Revenue            | 303 380   | 310 801   | 289 044   | 375 422   | 246 947   |
| EBITDA             | 165 856   | 172 379   | 157 389   | 187 663   | 125 990   |
| Operating profit   | 104 481   | 88 589    | 106 010   | 124 625   | 99 773    |
| Profit before tax  | 36 823    | 36 664    | 50 261    | 72 635    | 19 742    |
| Equity             | 547 192   | 523 891   | 496 585   | 461 492   | 402 755   |
| Total assets       | 1 456 010 | 1 594 913 | 1 603 378 | 1 626 013 | 1 521 823 |
| Operational margin | 34%       | 29%       | 37%       | 33%       | 40%       |
| Margin             | 12%       | 12%       | 17%       | 19%       | 8%        |
| Equity/asset ratio | 38%       | 33%       | 31%       | 28%       | 26%       |

Definition of ratios: Operational margin; Operating profit/Revenue. Margin; Profit before tax/Revenue

## OPERATIONS

The Group's fleet consists of five accommodation and construction support vessels. There are four in operation that had average utilization including charter, yard-stay and paid standby periods of 91% (73% including laid-up Floatel Reliance) compared with an estimated average market utilization of 61%. All four vessels in operation have shown good performance with an average commercial uptime (actual received revenues divided by maximum contract revenues) above 99%.

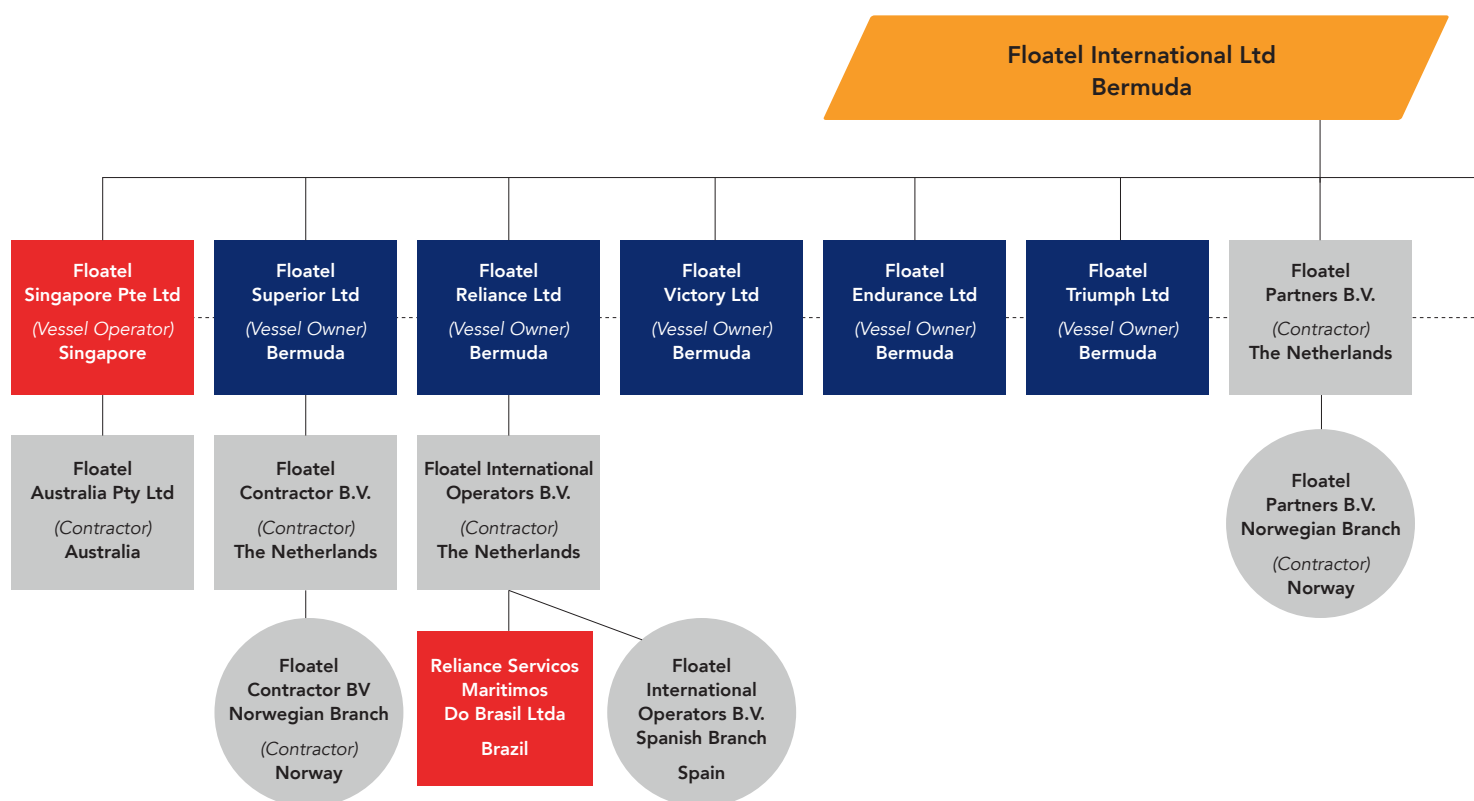
Floatel Superior was stationed in Tromsø, Norway on paid standby first part of the year and commenced operations for Equinor at the Martin Linge field end of July 2018. Firm period at year-end was until November 2019 with monthly options thereafter.

Floatel Reliance ended its five-year charter for Petrobras in Brazil on 7 March 2016. After demobilization in Brazil, the vessel commenced the transit to Tenerife in the Canary Islands where the vessel continued to be idle and await new charter assignments.

Floatel Victory finished its long-term charter for BP Clair Ridge Project in the UK at the end of May 2018. The vessels thereafter left for Norway to undergo special periodic survey and certain maintenance work. The vessel returned to the UK continental shelf mid-July when Total Culzean charter commenced. The firm period as of 31 December was until 17 May 2019 with two monthly options thereafter.

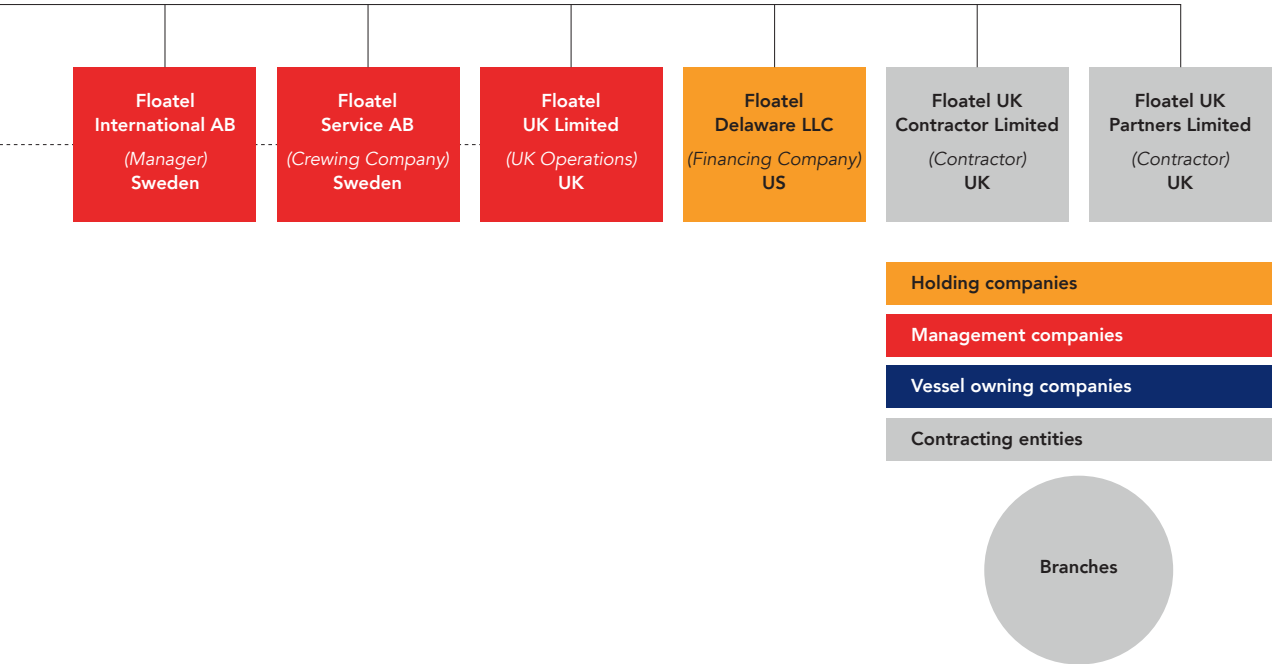
Floatel Endurance was at a yard in Rotterdam the first half of 2018 whereafter it returned to Norway and commenced its charter for ENI at the Goliat field in mid-August 2018 and the charter ended 6 November. Following completion of the charter the preparation for completing outstanding rectification works in Singapore commenced, which will be combined with the special periodic survey. The vessel is expected to be available for a new North Sea charter mid-2019.

Floatel Triumph was on charter at the Inpex Ichthys field the entire year. The last day for this contract was 3 March 2019. The vessel has thereafter transited to a suitable location in Southeast Asia awaiting its next assignment.



The group has an onshore organization supporting its marine activities with approx 70 people working in the offices in Gothenburg (Sweden), Perth (Australia), Aberdeen (UK) and in Singapore.

All subsidiaries within the Group are fully owned and the Group has no joint-ventures or similar arrangements. The Corporate Structure is set out below



## OUTLOOK

The worldwide semi-submersible accommodation fleet's utilization was 61% in 2018 (58% in 2017). In comparison, Floatel International fleet utilisation in 2018 was 73% (68% in 2017), which includes charter periods; yard-stays; mob/demobs periods; and paid standby periods.

The overall offshore market is slowly improving from the downturn driven by oil price development combined with continued pressure to reduce cost levels for the operators. A higher drilling activity and general improvement within offshore oil services we believe will pave the way for future accommodation charters. Within the offshore accommodation market, we have seen a slightly higher bidding activity especially in the maintenance and modification market resulting in some awards recently, albeit at low rates relative to historical levels.

In addition, there is potentially both increased supply into the market and potential further scrapping of older vessels. We expect on the balance, given increase in tendering activity, improved utilization from 2021 and going forward as a result of improved market demand, however current activity and prices do not support improved earnings before 2021.

The worldwide operating semi-submersible accommodation fleet presently comprises 24 vessels following recent announcements by competitors to scrap older vessels and three vessels are yet to be delivered from yard. As mentioned, it is anticipated that additional older vessels will exit the market place in the coming years.

## SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Equinor have extended the Martin Linge contract's firm period with four months until 27 March 2020 with unchanged monthly options thereafter. Total has declared options for Floatel Victory whereby the firm period ends 17 June 2019.

The USD 400 million first lien and USD 75 million second lien bonds listed with Oslo Bors on Nordic ABM in Oslo at February 4, 2019. (FLOAT02 PRO, FLOAT03 PRO)

## CORPORATE GOVERNANCE

Floatel International's corporate governance is embedded in the running of the business through FIMS, Floatel International Management System. The Company supports and operates in accordance with the UN Global Compact and the OECD Guidelines for Multinational Enterprises. The Group's corporate governance documents and FIMS are drawn up taking these international standards into account.

FIMS comprises elements developed to meet our corporate governance responsibilities by defining the rules and procedures for day to day operations. It also defines roles and responsibilities for all,

starting at the top with the Board, through to various management and employee levels, thus bringing greater transparency to how Floatel International is managed.

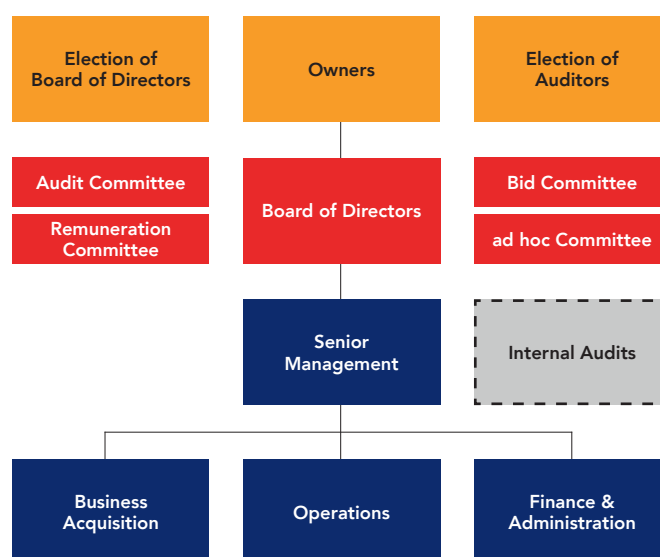


Figure 1: Floatel Corporate Governance Structure

Finally, it also ties Floatel's core values, mission and goals to the organisation by advocating exemplary corporate behaviour.

Main internal rules and regulations for corporate governance at Floatel International

- The Bye-Laws and the Shareholders Agreement
- The Code of Conduct
- Rules of Procedure for the Board of Directors,
- Terms of References for the Board Committees
- Instructions for the CEO of the administrative Manager
- Anti-Corruption and Anti-Fraud Procedure
- Approval Procedure and Matrix
- Floatel International Management System (FIMS) in general – other relevant Policies, Procedures and Guidelines

The Board of Directors are overall responsible for corporate governance as well as operational and financial internal control. The Audit Committee advises the Board of Directors on the appropriateness of significant policies and procedures relating to corporate governance as well as financial processes and disclosures and reviews the effectiveness of Floatel internal control framework. The Board of Directors has delegated through written policies and procedures to Senior Management team the day-to-day responsibility



for the conducting, implementation and evaluation of FIMS including corporate governance and internal control.

The CEO of the administrative Manager has the overall responsibility for strategic management and business direction, policies procedures and guidelines for the development of the business, the implementation of strategies and services, which promote the corporate culture. In respect of contract opportunities, the CEO shall provide to the Bid Committee with sufficient information regarding risks and opportunities related to the contract opportunity. In addition, the CEO shall report Strategic Risks and other Significant Risks connected to the business, operations and important projects to the BoD if the potential consequence is material.

The CFO of the administrative Manager is responsible for establishing, communicating and monitoring the Financial Reporting as well as internal control of the same. The HSEQ Manager is responsible for establishing, communicating and monitoring FIMS and Management System Audits apart from the Financial Reporting and Internal Control over Financial Reporting. HSEQ Manager coordinates internal audits in accordance with Management System Audit (Quality Assurance) and accordance with the Internal Control over Financial Reporting framework as well as any self-assessments and audits initiated by a shareholder.

## THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Board shall establish targets, policies of importance and strategic plans for the Company and the Group and continuously monitor both their observance and ensure that such policies and plans are updated and reviewed. The Board of Directors shall furthermore ensure that organisation of the Group is appropriate and making strategic decisions regarding the management, investment and supply of capital.

The Board of Directors shall furthermore appoint, evaluate and, if necessary, dismiss the CEO as well as ensure that there is an effective system for follow-up and control of the Company's operations and the risks to the Company that are associated with its operations including ensure that there is a satisfactory process for monitoring the Company's compliance with laws and other regulations relevant to the Company's operations, as well as the application of internal guidelines.

The Board of Directors in Floatel International Ltd consist of seven members whereof three representing each of the two principal shareholders and one representing the independent shareholders. There are no deputy members and no members appointed by employee organisations. In addition, the Board is supported by a corporate secretary and administrator.

The Board of Directors had four meetings in 2018 and passed circular resolution in connection with seven different matters. The Chairman of the Board is responsible for ensuring that the Board's work is well organised and conducted in an efficient manner. Senior Management also attended Board meetings during the year to present and report on specific questions, and a monthly operational report was circulated to the Board.

To maximise the efficiency of the Board's work and to ensure a thorough review of specific issues, the Board has established a Compensation Committee, an Audit Committee and a Bid Committee. In addition, the board may convene ad hoc committees for specific purposes and had one such committee, the Efficiency Committee during 2018. The tasks and responsibilities of the Committees are detailed in the terms of reference of each Committee, which are annually adopted as part of the Rules of Procedure of the Board.

The Compensation Committee assists the Board in Senior Management remuneration matters, receives information, and prepares the Board's decisions on matters relating to the principles of remuneration, remunerations and other terms of employment of Senior Management. The Committee's tasks also include monitoring bonuses and incentive programmes.

The Bid Committee shall on behalf of the Board decide what prices and other commercial terms not regulated by the company's contracting principles should be offered in a client bid and/or tender process and review management's price and return calculations. Furthermore, review the contracting principles and recommend changes, if any, to the board on an annual basis.

The Audit Committee assists the Board in ensuring that the financial reports are prepared in accordance with International Financial Reporting Standards (IFRS). The Audit Committee also supervises the financial reporting and gives recommendations and proposals as well as review the annual and quarterly financial statements and reports before they are submitted to the Board.

The Committee furthermore supervises the efficiency of the financial internal controls, internal audit and risk management in relation to the financial reporting and provides support to the Board in the decision-making processes regarding such matters. The Committee monitors the audit of the financial reports and reports thereon to the Board. The Audit Committee also regularly liaises with the Group's statutory auditor as part of the annual audit process and reviews the audit fees and the auditor's independence and impartiality. Finally, the committee review the arrangements for employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters, including a review of ethical and whistleblowing guidelines.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

According to the Bermuda Companies Act, the Board of Directors is responsible for the Group's internal control and risk management. The Board of Directors has delegated through written policies to the Senior Management the day-to-day responsibility for the identification, evaluation and management of risks and the implementation and maintenance of control systems.

Floatel's internal control principles are based on the recommendations of the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission, which is one of the most widely recognised internal control frameworks. The Procedures are structured to provide guidance related to roles and responsibilities for the management and maintenance of the processes required to design implement and assess internal controls. The Group's system of internal controls encompasses documents applicable to all Group operations and companies, which promote:

- The effective and efficient operations of the Group by enabling it to respond appropriately to significant risks that it faces in carrying out its business
- The consistency and reliability of financial reporting
- The safeguard of assets
- The compliance with applicable laws and regulations

The five components of this framework are control environment, risk assessment, control activities, information and communication and monitoring activities.

The control environment establishes the overall tone for the organisation and is the foundation for all other components of internal control. As such, the control environment has a pervasive influence on the way the Group's business activities are structured, objectives established and risks assessed.

To achieve the Group's Objectives, including meeting the financial return expectations of its owners, Floatel pursues activities that involve some degree of risk. Strong risk management disciplines, combined with a culture that emphasizes the need to accept risks, are crucial to the long-term success of the Group. Risks relating to financial reporting are evaluated and monitored by the Board through the Audit Committee.

The Group's control activities are performed to help ensure that the

company's Policies, Procedures and guidelines are implemented. The control activities involve two elements: Policies establishing the overall intention and direction of the organisation and Procedures to affect/implement the Policies. Financial Procedures and guidelines to obtain reliable financial reporting are established and communicated throughout the Group, resulting in management directives being carried out.

Management shall consider internally generated and externally generated data that enables them to make informed business decisions about financial reports and disclosures. Management shall ensure that relevant information is identified, captured, processed, and reported adequately. As communication is an important part of an effective control environment, management shall ensure relevant, adequate and timely information.

The internal control systems are monitored to assess the quality of the system's performance over time. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations depend primarily on the assessment of risks and the effectiveness of on-going monitoring processes. The key components of the Group's monitoring process include: (i) The processes used by the Board to review the effectiveness of the system of internal control, (ii) The Audit Committee review of annual and quarterly financial reports before recommending their publication, (iii) the HSEQ Department formal assessment of the organisation's compliance with FIMS, coordination of FIMS updates ,and assistance with self-assessment processes, (iv) review and discuss external audit plans; monitor communication from the external auditors and ensuring prompt follow-up and implementation of any recommendations, and (v) Senior Management and Board review of performance through a comprehensive system of reporting based on an annual budget, with monthly management reviews against actual results, analysis of variances, key performance indicators and quarterly forecasting.

## RISK MANAGEMENT

The Risk Management System is set up to identify, assess and mitigate risks that the Company can experience while carrying out its business. This will also include response and recovery activities. The Group Board of Directors have the overall risk management responsibility and delegate it to the CEO of the Administrative Manager to manage risk on a day to day basis together with Senior Management and the rest of the organisation.

The Company shall identify its own risks and divide them in to three main risk areas: (i) business risks, such as geographical, political, contracting risks, asset ownership and investments, (ii) project and operational risks, such as conversion and operational execution risks, including HSEQ risks and (iii) financial risks, such as credit and liquidity risks, as well as interest rate and foreign currency risks.

The risks identified shall be assessed and categorised as follows: (i) strategic risks, managed by the Senior Management unless significance in accordance with any other Procedure requires Board approval on the basis of the corporate strategy, mission and core values, (ii) tactical risks, managed by the department managers on the basis of the Company's Policies and Procedures unless significance in accordance with any other procedure requires board and/or Senior Management approval, and (iii) operational execution, managed by operations and project management on the basis of the Company's Policies and Procedures unless significance in accordance with any other procedure requires board and/or Senior Management approval

The Board together with the Senior Management shall determine the Floatel Group's overall business strategy and risk taking. The CEO of the Administrative Manager has the task to ensure compliance with this strategy.

The Group is exposed to financial risks from its operations and funding activities, such as interest rate risk, foreign currency risk, liquidity risk and credit risk. The CFO of the Administrative Manager oversees that management of these risks are in accordance with the Treasury and Finance Procedure that has been reviewed and approved by the Board. See note 3 regarding Financial Risk Management

There is a separate section in the Tendering and Contracts, including guidelines on how to evaluate the overall risk level in relation to specific contracts. The aim is to create the base line for a continuous evaluation and management of risks during the contract execution and to reduce the Floatel Group's overall risk exposure.

Each project shall be evaluated using an integrated approach to assess the combined risk profile for all types of risks expected during the different phases of the project. This shall form the baseline for the decision to tender and/or commit to a contract. The Senior Management shall carry out a first risk assessment before it decides to tender for a new project based on the project information available, the corporate business strategy and contracting principles.

The Company's onshore and offshore operations involve a wide variety of risks, such as injury to personnel, damage to equipment, accidental discharges/emissions to the natural environment and business interruption. Most of the project and operational risks are governed by the Company's internal policies and procedures. Each department, vessel, rig team and any other functions shall see to that it has developed a risk management plan for its activities.



## SUSTAINABILITY AND HEALTH, SAFETY, ENVIRONMENT AND QUALITY ASSURANCE (HSEQ)

Floatel International Group holds certification to following standards:

- ISO 9001:2015 (Quality, certificate issued by Lloyd's Register Quality Assurance)
- ISO 14001:2015 (Environment, certificate issued by Lloyd's Register Quality Assurance)
- OHSAS 18001:2007 (Occupational Health and Safety Management, certificate issued by Lloyd's Register Quality Assurance)
- International Safety Management Code (Safety, certificate issued by Bermuda Shipping and Maritime Authority)
- International Ship and Port facility Security Code (Security, certificate issued by Bermuda Shipping and Maritime Authority)
- Maritime Labour Convention 2006 (Labour rights, certificate issued by Bermuda Shipping and Maritime Authority)

In addition, Floatel International Group is registered with:

- Achilles Joint Qualification System, which is reviewed on an annual basis.
- Offshore Vessel Management Self-Assessment (OVMSA) database. Vessels are registered in the Offshore Vessel Inspection Database (OVID). Internal inspections and external audits are carried out regularly.

## HSE STATISTICS 2014-2018

Definitions:

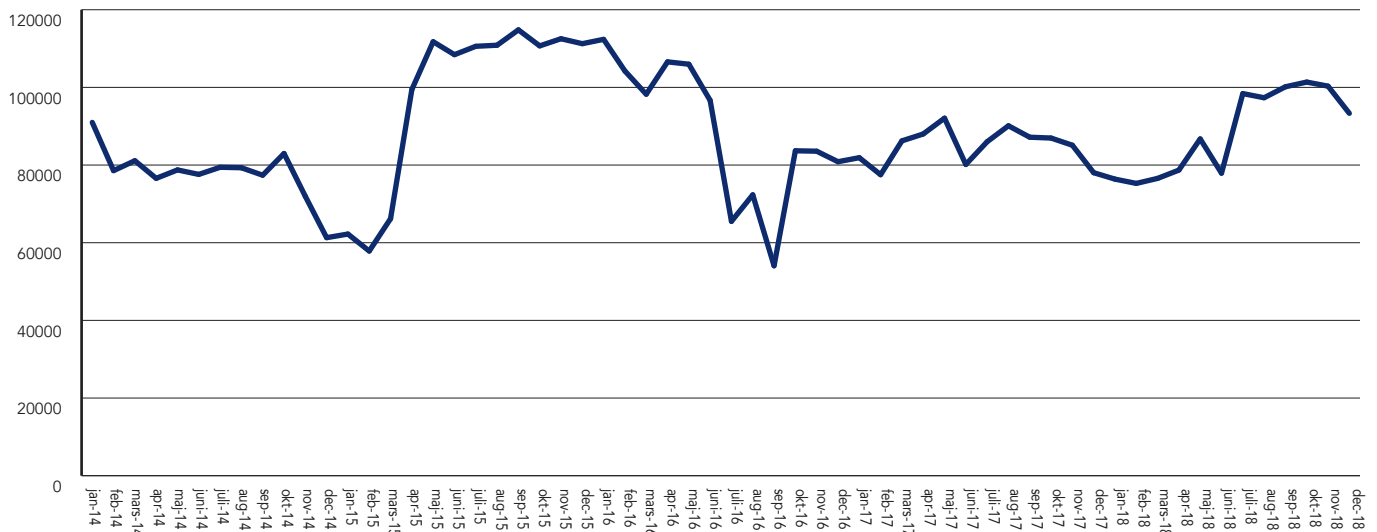
- Man Hours: Offshore man hours. Including crew, catering, subcontractors but excluding "guests" (personnel with work place on client installation).
- Total Recordable Injury Rate (TRIR):  $\frac{\text{Work Related Fatalities} + \text{Lost Time Injuries} + \text{Restricted Work Cases} + \text{Medical Treatment Cases}}{1.000.000 / \text{Working hours}}$
- Safety Observation Rate (SOR):  $\frac{\text{Number of Safety Observations}}{200.000 / \text{Working hours}}$
- Management Visit Rate (MVR):  $\frac{\text{Number of Management Visit Days}}{200.000 / \text{Working hours}}$

Floatel International's statistics is benchmarked towards IMCA (International Maritime Contractors Association) statistics. IMCA divides the member companies into different bands based on man hours per year:

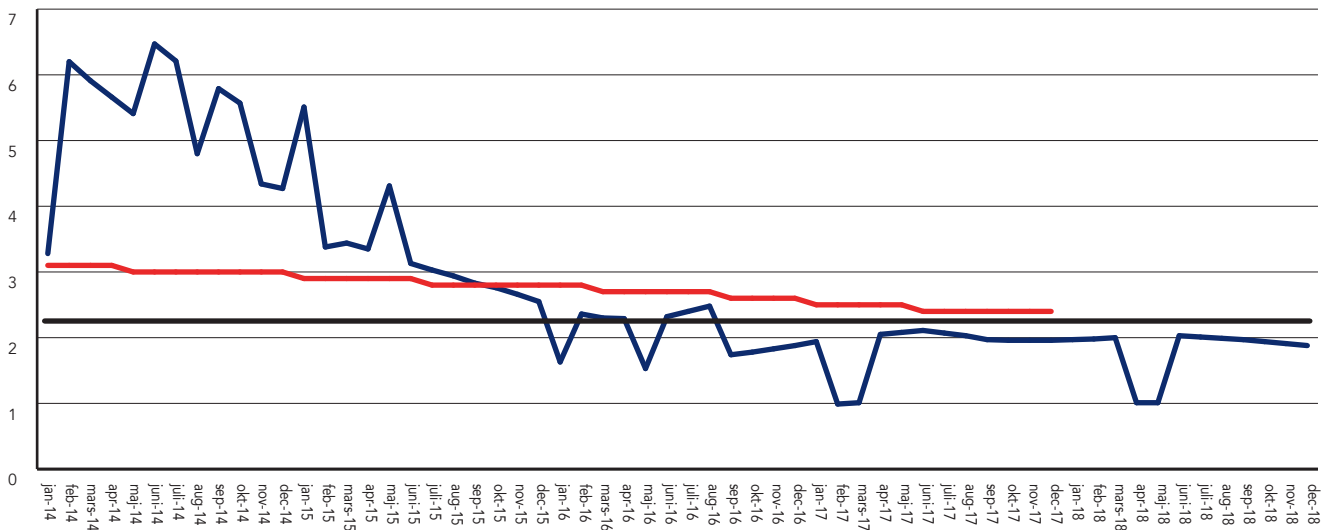
- Band A: > 10 million man hours per year
- Band B: 5–10 million man hours per year
- Band C: 1–5 million man hours per year
- Band D: < 1 million man hours per year

Floatel International has about 1.000.000 man hours per year and therefore benchmark is made towards band C.

### Man hours per month 2014–2018:



Total Recordable Injury Rate (TRIR) 2014 – 2018:



IMCA Band C (no data available for 2018 yet)

Floatel International (12 months rolling)

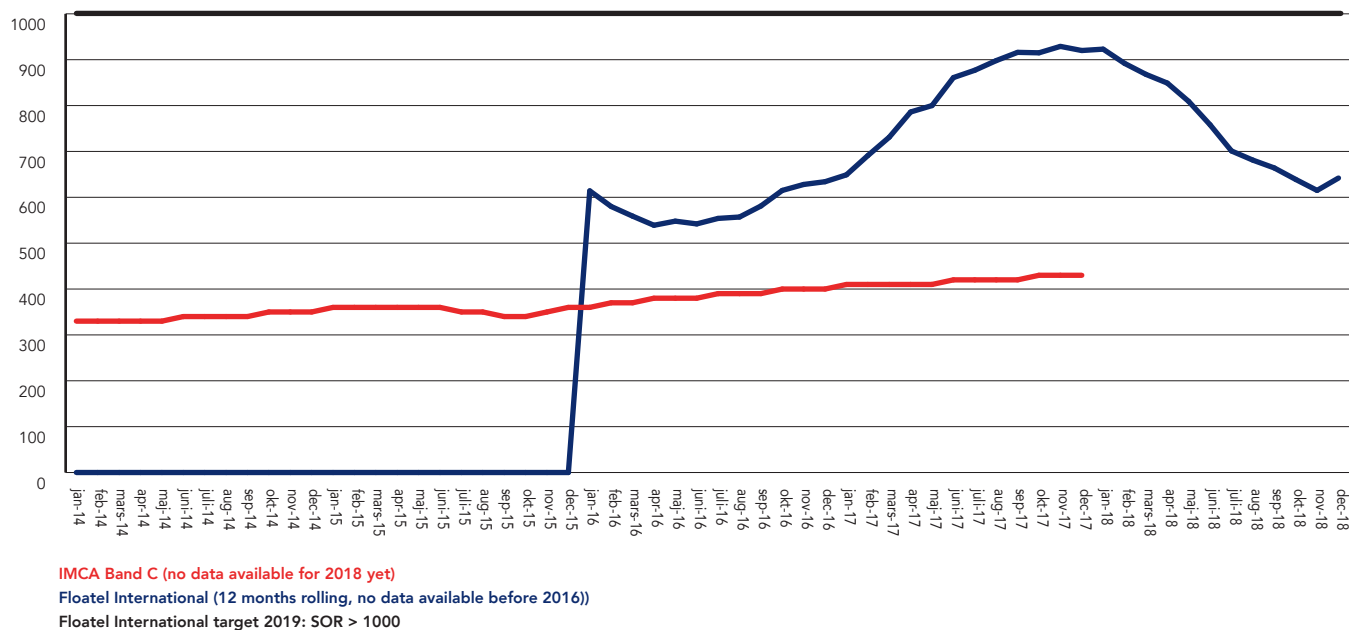
Floatel International target 2019: TRIR s 2,25

There were two recordable injuries (Work Related Fatalities, Lost Time Injuries, Restricted Work Cases or Medical Treatment Cases) during 2018 giving a Total Recordable Injury Frequency (TRIF) of 1.88. No injuries or environmental incidents during 2018 have been required to be reported to Flag State or local authorities.

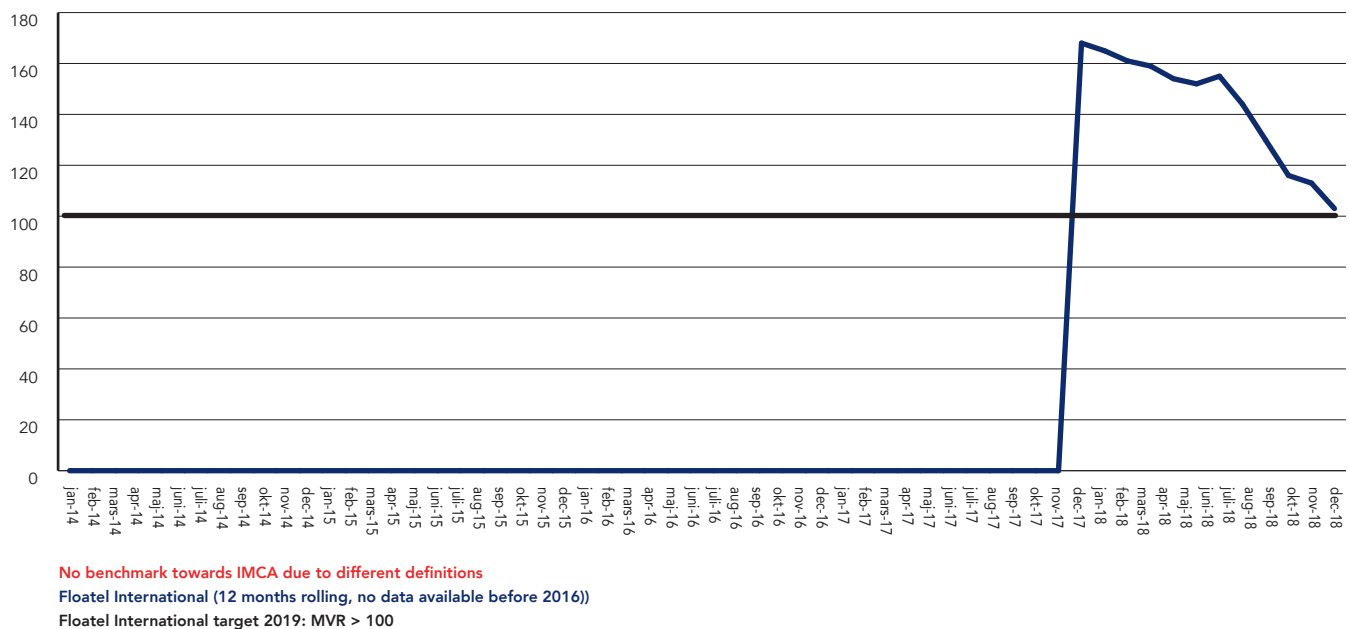
Recordable injuries included in the statistics:

- 2014 Medical Treatment Case: Cut in finger, (2)  
     Medical Treatment Case: Cut and squeeze injury on index finger  
     Medical Treatment Case: Object in eye
- 2015 Restricted Work Case: Hand injury with hammer  
     Medical Treatment Case: Possible electrocution in heli lounge  
     Medical Treatment Case: Laceration to left index finger
- 2016 Loss Time Injury: Shoulder dislocation resulting in medivac  
     Medical Treatment Case: Painful Achilles due to new shoes
- 2017 Loss Time Injury: IP stumbled and fell on deck during helicopter arrival  
     Medical Treatment Case: 3 cm scalp laceration
- 2018 Medical Treatment Case: Finger injury (2)

# Safety Observation Rate (SOR) 2014 – 2018:



# Management Visit Rate (MVR) 2014 – 2018:





## FINANCIAL REVIEW

### INCOME STATEMENT

The consolidated revenues for 2018 came to USD 303.4 million (310.8 in 2017). The mobilization fees earned under charter contracts are recognised in the income statement during periods when the accommodation and support services are provided to the clients.

The total operating expenses before depreciation were USD -137.5 million (-138.4). EBITDA for the year was USD 165.9 million (172.4). Depreciation totalled -61.4 (-83.8). Last year included an impairment charge of USD 23 million. The generated operating profit was USD 104.5 million (88.6). Corresponding EBITDA and operating margins were 54.7% (55.5%) and 34.4% (28.5%) respectively.

Net financial items were USD -67.7 million (-51.9) and were affected by higher Libor than last year and interest on both old and new facilities in October as well as include write-off prepaid borrowings costs related to the old facilities and gain on repurchase US term loan in Q2, 2018. The net income for the period was USD 26.7 (26.7).

### FINANCIAL POSITION

Total assets on 31 December 2018 were USD 1,456 million (1,595). Non-current assets totalled USD 1,289 million (1,343) whilst net working capital totalled USD 32.5 million (39.9). Trade receivables were USD 23.7 million (27.6). The Group's cash and bank reserves by the end of the period amounted to USD 76.5 million (176.9).

The book equity at the end of the period totalled USD 547.2 million (523.9). Total interest-bearing debt totalled USD 850.6 million (1,035.6). In the reported total interest-bearing debt, prepaid borrowing expenses of USD 14.2 million are included. The expenses amortize over the life of the facilities. Net interest-bearing debt as of 31 December 2018 totalled USD 774 million (858.8). This results in resulting in a debt (gross interest bearing) / equity ratio of 1.6 times (2.0) and an equity ratio (total assets) of 38% (33%).

Total contract order book for the company as of 1 January 2019 was approximately USD 185 million whereof options USD 49 million. The order book as of 1 January 2018 was approximately USD 383 million whereof options USD 114 million.

## FINANCING, LIQUIDITY AND GOING CONCERN

The Group's term credit facilities were refinanced in October with USD 400 million first lien and USD 75 million second lien Norwegian high-yield bonds as well as a new USD 150 million bank term loan. USD 100 million new revolving credit facilities replaced the existing one with the same amount. Maturities extended to 2023/2024. The bonds were listed with Oslo Bors on Nordic ABM Oslo on February 4 2019.

As of 31 December 2018, the total outstanding interest-bearing debt, exclusive prepaid borrowing cost, of the Group amounts therefore to USD 865.7 million (1,048.9) and include apart from the above facilities a USD 240.7 million shareholder loan to Keppel.

Repayment of debt include the refinancing with USD 725.2 million, scheduled amortisations with USD 20.5 million (27.4) and repurchases of Term Loan B with USD 60.2 million (42.4). For more details, see note 15.

The interest-bearing debt agreements are subject to change of control clauses as defined in the relevant agreements. The Bonds as well as the Revolving Credits and New Vessel Facilities are subject financial maintenance covenants. The Group complies with all of its financial covenants as of 31 December 2018 and on the reporting date.

The Board of directors confirms that the accounts have been prepared under the assumption that the Company is a going concern and that this assumption is realistic at the date of the accounts. This assumption is based on the results for the year, available liquidity (cash on balance sheet and undrawn amounts under the committed Revolving Credits) and the Group's long-term forecasts for the following years.

## SHARE / SHAREHOLDER INFORMATION AND DIVIDEND POLICY

Floatel International Ltd has 107 165 289 common shares and 10 000 preference shares with nominal value USD 0.02. The preference shares principal amount is USD 30 000 000 and they are entitled to 9% dividend p.a. and any unpaid dividend should be paid before any dividends to the common shares.

Floatel International Ltd have also issued 3 500 000 warrants to be used for a management incentive program whereof 2 394 100 were subscribed for 31 December 2018. The warrants have an exercise price of USD 2.60/share and expires November 2022.

The principal shareholders are Keppel Corporation through FELS offshore Pte Ltd. with 49.9% and Oaktree Capital Management through OCM Wonder PF/FF Holding PT, Ltd. with 42.6%. Several private investors hold remaining shares.

The 2018 Annual General Shareholders Meeting was held at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda on 5 June 2018 at 09:00 am. The 2019 Annual General Shareholders Meeting will be held at the same address on 5 June 2019.

Floatel International's objective is to create attractive shareholder returns by investing through the business cycle. The Company's expectation is to create shareholder returns both through share price appreciation and by distributing sustainable dividends.

The credit facilities including the shareholder loan contain dividend restrictions, which will prevent dividends in 2019. The board believes given the current outlook that preserving cash is preferred over paying dividends in the foreseeable future even if was possible.

## ANNUAL RESULT AND DISBURSEMENTS

The following profit in Floatel International Ltd is at the disposal on the Annual General Meeting (KUSD):

|                              | 2018            |
|------------------------------|-----------------|
| Retained earnings            | -23 362         |
| <b>Net loss for the year</b> | <b>-87 370</b>  |
|                              | <b>-110 732</b> |

The Board of Directors proposes that the accumulated loss is allocated to retained earnings.

Hamilton — April 2019

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Chris Ong  
Chairman

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Jonathan B. Fairbanks  
Director

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Paul Tan  
Director

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Adam Pierce  
Director

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Amy Rice  
Director

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Colin Smith  
Director

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ANG Ting Yang  
Director



# INDEPENDENT AUDITOR'S REPORT

To the general meeting of the shareholders of Floatel International Ltd, corporate identity number 38902

## Report on the audit of the consolidated financial statements and parent company financial statements

### Our opinion

We have audited the consolidated financial statements and the parent company financial statements of Floatel International Ltd for the year 2018. The consolidated financial statements and the parent company financial statements are included on pages 5–54 in this document.

In our opinion, Floatel International Ltd. consolidated financial statements and parent company financial statements present fairly, in all material respects, the consolidated financial position of the Group and the parent company financial position as at December 31, 2018, and of its consolidated financial performance and parent company financial performance and its consolidated cash flows and parent company cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the consolidated financial statements and parent company financial statements section. We are independent of the Company and the Group in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

## Responsibilities of management and those charged with governance for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements and the parent company financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements and parent company financial statements, management is responsible for assessing the Group's ability to continue as a going concern and using going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated financial statements and parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Gothenburg, 26 April, 2019  
PricewaterhouseCoopers AB

Johan Malmqvist  
Authorized Public Accountant  
Auditor in charge

# Consolidated Financial Statements of Floatel International Group 2018



## CONSOLIDATED INCOME STATEMENT

All numbers in USD thousands except per share data

| 1 JANUARI–31 DECEMBER                                      | Notes | 2018           | 2017           |
|--|-------|----------------|----------------|
| Revenue  | 5     | 303 380        | 310 807        |
| Cost of providing services                                 | 6,7   | –182 717       | –201 067       |
| <b>Gross profit</b>  |       | <b>120 663</b> | <b>109 740</b> |
| Administrative expenses                                    | 7     | –16 182        | –21 151        |
| Other gains / losses – net                                 |       | 0              | 0              |
| <b>Operating profit</b>                                    |       | <b>104 481</b> | <b>88 589</b>  |
| Finance income   | 8     | 10 293         | 6 808          |
| Finance cost   | 8     | –77 951        | –58 733        |
| <b>Finance costs – net</b>                                 |       | <b>–67 658</b> | <b>–51 925</b> |
| <b>Profit before income tax</b>                            |       | <b>36 823</b>  | <b>36 664</b>  |
| Income tax expense   | 9     | –10 158        | –10 000        |
| <b>Profit for the period</b>                               |       | <b>26 665</b>  | <b>26 664</b>  |
| Profit attributable to owners of Floatel International Ltd |       | 26 665         | 26 664         |
| Earnings per share, basic (USD)                            | 10    | 0,22           | 0,22           |
| Earnings per share, diluted (USD)                          | 10    | 0,22           | 0,22           |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

All numbers in USD thousands

| 1 JANUARI–31 DECEMBER  | Notes | 2018          | 2017          |
|--|-------|---------------|---------------|
| <b>Net profit</b>  |       | <b>26 665</b> | <b>26 664</b> |
| <b>Items that are or may be reclassified as profit or loss</b> |       |               |               |
| Foreign currency translations – foreign operations             |       | –556          | 506           |
| Income tax relating to these items                             |       | 0             | 0             |
| <b>Other comprehensive income</b>                              |       | <b>–556</b>   | <b>506</b>    |
| <b>Total comprehensive income</b>                              |       | <b>26 109</b> | <b>27 170</b> |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All numbers in USD thousands

| 1 JANUARI–31 DECEMBER                      | Notes | 2018             | 2017             |
|--|-------|------------------|------------------|
| <b>Assets</b>                              |       |                  |                  |
| <b>Non-current assets</b>                  |       |                  |                  |
| Property, plant and equipment              | 11    | 1 288 046        | 1 342 765        |
| Deferred tax assets                        | 9     | 1 193            | 0                |
| <b>Total non-current assets</b>            |       | <b>1 289 239</b> | <b>1 342 765</b> |
| <b>Current assets</b>                      |       |                  |                  |
| Inventory                                  |       | 23 582           | 18 463           |
| Trade receivables                          | 12    | 23 666           | 27 569           |
| Other current receivables                  | 13    | 43 011           | 29 258           |
| Cash and cash equivalents                  |       | 76 512           | 176 858          |
| <b>Total current assets</b>                |       | <b>166 771</b>   | <b>252 148</b>   |
| <b>Total Assets</b>                        |       | <b>1 456 010</b> | <b>1 594 913</b> |
| <b>Equity and liabilities</b>              |       |                  |                  |
| <b>Equity</b>                              |       |                  |                  |
| Share capital                              | 14    | 2 144            | 2 144            |
| Additional Paid in capital                 |       | 325 563          | 325 563          |
| Other reserves                             |       | 1 881            | 2 437            |
| Retained earnings incl. Profit of the year |       | 217 604          | 193 747          |
| <b>Total equity</b>                        |       | <b>547 192</b>   | <b>523 891</b>   |
| <b>Liabilities</b>                         |       |                  |                  |
| <b>Non-current liabilities</b>             |       |                  |                  |
| Interest-bearing debt                      | 15    | 809 559          | 1 008 274        |
| Deferred tax debt                          |       | 474              | 0                |
| <b>Total non-current liabilities</b>       |       | <b>810 033</b>   | <b>1 008 274</b> |
| <b>Current liabilities</b>                 |       |                  |                  |
| Trade payables                             |       | 11 095           | 8 914            |
| Current portion of interest-bearing debt   | 15    | 41 000           | 27 354           |
| Income tax liabilities                     |       | 3 876            | 4 954            |
| Other current liabilities                  | 17    | 42 814           | 21 526           |
| <b>Total current liabilities</b>           |       | <b>98 785</b>    | <b>62 748</b>    |
| <b>Total Equity and Liabilities</b>        |       | <b>1 456 010</b> | <b>1 594 913</b> |



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | Share capital | Additional paid in capital | Other reserves | Retained earnings incl profit of the year | Total equity   |
|--|---------------|----------------------------|----------------|---|----------------|
| <b>Equity 2017-01-01</b>                   | <b>2 144</b>  | <b>325 563</b>             | <b>1 931</b>   | <b>166 947</b>                            | <b>496 585</b> |
| <b>Total comprehensive income</b>          |               |                            |                |   |                |
| Net profit for the year                    | 0             | 0                          | 0              | 26 664                                    | 26 664         |
| Other comprehensive income                 | 0             | 0                          | 506            |   | 506            |
| <b>Total comprehensive income</b>          | <b>0</b>      | <b>0</b>                   | <b>506</b>     | <b>26 664</b>                             | <b>27 170</b>  |
| Option proceeds                            | 0             | 0                          | 0              | 136                                       | 136            |
| <b>Equity 2017-12-31</b>                   | <b>2 144</b>  | <b>325 563</b>             | <b>2 437</b>   | <b>193 747</b>                            | <b>523 891</b> |
| <b>Adjustment opening balance, IFRS 15</b> |               |                            |                | <b>-2 898</b>                             | <b>-2 898</b>  |
| <b>Equity 2018-01-01</b>                   | <b>2 144</b>  | <b>325 563</b>             | <b>2 437</b>   | <b>190 849</b>                            | <b>520 993</b> |
| <b>Total comprehensive income</b>          |               |                            |                |   |                |
| Net profit for the year                    | 0             | 0                          | 0              | 26 665                                    | 26 665         |
| Other comprehensive income                 | 0             | 0                          | -556           |   | -556           |
| <b>Total comprehensive income</b>          | <b>0</b>      | <b>0</b>                   | <b>-556</b>    | <b>26 665</b>                             | <b>26 109</b>  |
| Option proceeds                            | 0             | 0                          | 0              | 90  | 90             |
| <b>Equity 2018-12-31</b>                   | <b>2 144</b>  | <b>325 563</b>             | <b>1 881</b>   | <b>217 604</b>                            | <b>547 192</b> |

# CONSOLIDATED STATEMENT OF CASH FLOWS

All numbers in USD thousands

| 1 JANUARI–31 DECEMBER  | Notes | 2018            | 2017           |
|--|-------|-----------------|----------------|
| <b>Cash flow from operating activities</b>                               |       |                 |                |
| Operating result   |       | 104 481         | 88 589         |
| Interest received  |       | 2 221           | 1 414          |
| Interest paid  |       | –44 330         | –48 129        |
| Income tax paid  |       | –11 065         | –10 596        |
| Adjustment for depreciation and impairment                               | 11    | 61 375          | 83 790         |
| Adjustments for other non-cash related items                             |       | –6 937          | 505            |
| <b>Total cash flow from operations before changes in working capital</b> |       | <b>105 745</b>  | <b>115 573</b> |
| Changes in inventories   |       | –2 847          | 580            |
| Changes in trade receivables   |       | 3 903           | 9 746          |
| Changes in trade payables  |       | 2 181           | 97             |
| Other changes in working capital   |       | –3 673          | 12 335         |
| <b>Cash flow from operating activities</b>                               |       | <b>105 309</b>  | <b>138 331</b> |
| <b>Cash flow from investing activities</b>                               |       |                 |                |
| Payments for property, plant and equipment                               | 11    | –6 655          | –8 998         |
| <b>Net cash flow from investing activities</b>                           |       | <b>–6 655</b>   | <b>–8 998</b>  |
| <b>Cash flow from financing activities</b>                               |       |                 |                |
| Repayment of debt  | 15    | –805 881        | –39 656        |
| Proceeds from debt   | 15    | 625 000         | 0              |
| Other financial items paid   |       | –16 547         | –186           |
| Proceeds from equity   |       | 90              | 136            |
| <b>Net cash flow from financing activities</b>                           |       | <b>–197 338</b> | <b>–39 706</b> |
| <b>Cash flow for the year</b>  |       | <b>–98 684</b>  | <b>89 627</b>  |
| Cash and cash equivalents, January 1                                     |       | 176 858         | 87 231         |
| Currency effect on cash  |       | –1 662          | 0              |
| <b>Cash and cash equivalents, 31 December</b>                            |       | <b>76 512</b>   | <b>176 858</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Floatel International Ltd. ('the Company') is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together 'the Group').

The Group owns and operates a modern fleet of five semi-submersible accommodation and construction service vessels with an average age of approximately five and a half years. The fleet is designed to meet the requirements of offshore oil and gas activity in the challenging deep water and hostile environments and to provide superior living standard and support services. These Group Consolidated Financial Statements were authorised for issue by the Board of Directors on 25 April 2019.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 BASIS OF PREPARATION

(Also applicable for parent company)

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared under the historical cost convention, except for derivative instruments which have been measured at fair value. The consolidated financial statements are presented in US dollars (USD), which is the functional currency for most of the companies in the group.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

#### *(a) New accounting principles for 2018*

IASB has issued several amendments to financial standards effective as from 1 January 2018

### **IFRS 15 Revenue from contracts with customers – effective from 1 January 2018**

The new accounting standard IFRS 15 Revenue from contracts with customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018

The Group's income consist of charter revenue, with related booking fee, mobilisation income, and income from catering and other rechargeable cost. All revenue are recognized over time, based on fulfilment of the performance obligations of the contract with the customer.

The group implemented the standard as of 2018-01-01 and has had an impact of the allocation of mobilisation revenue and cost. The revenue regarding mobilisation and demobilisation are allocated over the firm contract period. Mobilisation costs incurred as part of a contract, as well as all cost in the demobilisation period of a contract are capitalised and expensed over the period when charter services are provided.

IFRS 15 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new standard are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018. Regarding the impact of opening balances, please see Statement of changes in Equity.

**IFRS 9 Financial instruments – effective from 1 January 2018**

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets.

Under IFRS 9, when a debt instrument is restructured or refinanced and the terms modified, it is necessary to assess whether the new terms are considered to have been substantially modified, and thereby conclude on the accounting treatment relating to the loan recognition.

The Group's existing credit facilities were refinanced in October 2018 and replaced with Norwegian high-yield bonds in two tranches, a new bank term, revolving credit facilities and a subordinated loan provided by Keppelgroup. In February 4, 2019, the Bonds were listed with Oslo Bors on Nordic ABM.

The Group has assessed the refinancing's IFRS 9 implications and have concluded that this is new credit facilities and an extinguishment of the old credit facilities resulting in among other things expensed financing fees for the old credit facilities and capitalization of financing fees incurred for the new facilities. The conclusion of the assessment of the impact of IFRS 9 is that the standard otherwise than stated has not had any material effects on the Group financial reporting.

*(b) New accounting principles for 2019 and later not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing the consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group. The new standards include:

**IFRS 16, Leases – effective from 1 January 2019**

IFRS 16, Leases requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged.

The standard will primarily impact the accounting of the group's

operational leases. At present, the group only has leases for office rent and items of lesser value, such as copying machines. Considering the few and the size of leases in the group where Floatel is the lessee, and the fact that the accounting for lessors will in all material respects be unchanged, the preliminary assessment is that the standard will have no material impact on the group. No early adoption done.

The entity has chosen the modified retrospective transition method. The opening balance of the lease liability and the Right-of-use assets amounts to USD 1.1 million USD for discounted value of current lease contracts. Regarding outstanding operational lease commitments as per 2018-12-31, see note 22 commitments.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

**2.2 BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Group as at 31 December 2018. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions and unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full. Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interest exists, the non-controlling interest are allocated their share of the total comprehensive income of the period, even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences recognized in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate

## 2.3 FOREIGN CURRENCY TRANSLATION

### *(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in USD, which is the Group's presentation currency. The parent company's and most of the subsidiaries functional currency is USD.

### *(b) Transactions and balances*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognized in profit or loss. However, foreign currency differences arising from derivatives qualifying for cash flow hedges, to the extent the hedge is effective, the retranslation of the following items are recognized in other comprehensive income.

### *(c) Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognized in other comprehensive income and presented as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to other comprehensive income. When a foreign operation is disposed of such that control is lost, the cumulative amount of exchange differences in the translation reserve related to that operation is reclassified to the income statement as part of the gain or loss on disposal.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## 2.4 PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are stated at historical cost less depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Incurred borrowing costs during the construction period are capitalized on the vessels, in accordance with IAS 23.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

### **Vessel:**

- Superstructure, 35 years
- Living Quarter (exterior), 25 years
- Living Quarter (interior), 10 years
- IT related equipment, 5 years
- Periodic maintenance, 5 years

### **Other equipment:**

- Other equipment, 3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.6). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other (losses)/gains – net' in the income statement.



## 2.5 INTANGIBLE ASSETS

Intangible assets are stated the same way as property, plant and equipment.

Depreciation is calculated using the straight-line method, over five years.

## 2.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The Company has carried out an impairment test of each of its vessels according to IAS 36. The test has been based on reasonable and supportable cash flow projections including extrapolation for periods beyond budgeted projections. Management have assessed the reasonableness of the assumptions by examining the causes of differences between past cash flow projections and actual cash flows. The discount rate used in the tests is the weighted average cost of capital (WACC) for the Company. The impairment test concluded that there is no requirement to recognize any impairment losses for 2018. For 2017 the impairment test resulted in an impairment loss of USD 23 million for one of the vessels. For further details regarding impairments test see note 11.

## 2.7 FINANCIAL ASSETS

Floatels financial assets are classified in two categories and are based on the Groups business model for managing the asset and the asset's contractual cash flow characteristics. The assets can be measured at amortised cost or fair value through profit or loss (FVPL).

### *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

### *Financial assets at amortized cost*

Assets held with the sole purpose of collecting contractual cash flows, and where these cash flows comprise only principal and interest, are valued at amortized cost. The carrying value of these assets are adjusted for any expected credit losses that have been recognized (refer to impairment below). Interest income from these financial assets are recognized in accordance with the effective interest method and are included in financial income. The Group's financial assets valued at amortized cost comprise the items trade receivables, other receivables, accrued income and cash and cash equivalents.

### *Impairment of financial assets recognized at amortized cost*

The Group assesses future credit losses associated with assets recognized at amortized cost. The Group recognizes a credit reserve for such expected credit losses on each reporting date. For impairment of trade receivables, see section 2.10.

### *Financial assets at fair value through profit or loss*

Assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. A gain or loss on a investment that is subsequently measured at fair value through profit or loss is recognized in profit or loss and presented net within other gains/ (losses) in the period in which it arises. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Group's right to receive payments is established. Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

Derivatives are classified into the category Fair value through profit or loss as Floatels derivatives are mainly used in economic hedges where the changes in fair value are taken directly through profit or loss.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within finance costs-net.

## 2.8 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group does not apply hedge accounting and thus all derivatives are recorded at fair value through profit and loss.

## 2.9 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined by using the weighted average method.

## 2.10 TRADE RECEIVABLES

Trade receivables are classified as current assets. Trade receivables are initially recognized at their transaction price. As the Group holds trade receivables solely in order to collect contractual cash flows (principal and interest) they are subsequently measured at amortized cost using the effective interest method, less provision for impairment. For trade receivables, the Group applies the simplified method of credit reserves, i.e., the reserve will correspond to the expected loss over the whole life of the trade receivable. In order to measure the credit losses, trade receivable are grouped based on credit risk characteristics and days past due. The Group applies forward-looking variables for expected credit losses. Expected credit losses are recognized in the consolidated statement of comprehensive income in administrative expenses.

## 2.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

## 2.12 SHARE CAPITAL

Shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## 2.13 TRADE PAYABLES

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

## 2.14 BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## 2.15 CURRENT AND DEFERRED INCOME TAX

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or other comprehensive income. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

## 2.16 EMPLOYEE BENEFIT EXPENSES

### *(a) Pension obligations*

The Group has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

### *(b) Share-based compensation*

No share-based compensation are in place. Key employees have been offered to purchase warrants at fair market value.

### *(c) Bonus plans*

The Group has bonus schemes for executives, managers and employees which normally are based on the Groups operating profit and management objectives. A liability and an expense is recognized based on expected outcome for the year. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

## 2.17 PROVISIONS

Provisions for environmental restoration, restructuring costs and legal claims are recognized when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation;
- and the amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

## 2.18 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when control is transferred to the customer, that is when the performance obligations are fulfilled. Revenues regarding service contracts are normally recognized over time and accounted for over the duration of the contract with the use of either the input or output methods. These are different methods to measure the progress towards a complete satisfaction of a performance obligation. For revenue recognition over time the Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

### *(a) Sales of services and other related income*

#### *a Charter revenue*

The Group provides offshore services to oil and gas industry in the form of time charter contracts with contract terms generally ranging from less than one year to five years. The charter income is recognized over time according to the terms of the agreement and in the period the work is performed and the performance obligations is fulfilled. Booking fee is recognized when performance obligations according to contract is fulfilled.

*b. Mobilization revenue*

Mobilization income is usually allocated over time in the firm contract period for the charter revenue since the obligation to perform mobilization activities are highly interdependent on the charter activities. Thus, the mobilization revenue are normally not a distinct performance obligation in itself. Instead, the performance obligation related to mobilization activities are recognized together with the performance obligation to provide charter services

*c. Catering and rechargeable revenue*

The Group provides services regarding catering and rechargeable revenue according to terms of the agreement and revenue is recognized over time when performance obligations are met.

*Cost to fulfill the contract*

The Group has assessed that the costs to perform mobilization activities are costs that has incurred in fulfilling a contract with the customer. These costs relates directly to a contract, generate resources used in satisfying the contract and are expected to be recovered. The costs are therefore capitalized as costs to fulfil a contract and amortized on a systematic basis over the contract period.

*(b) Interest income*

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

*(c) Dividend income*

Dividend income is recognized when the right to receive payment is established.

*(d) Insurance and warranty revenues*

Insurance and warranty revenues are recognized when they can be reliably measured and confirmed from the counterparty. Expenditures regarding insurance and warranty are capitalized to the extent it is expected to be compensated.

**2.19 LEASES**

Assets held by the Group under leases which transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Group's statement of financial position.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Future payments of operational lease see note 22 commitments.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**2.20 DIVIDEND DISTRIBUTION**

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

**2.21 EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing the net profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are calculated using the weighted average number of shares outstanding during the period adjusted for any dilutive potential ordinary shares; such as any options that are "in the money".

### 3 FINANCIAL RISK MANAGEMENT

#### 3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

##### (a) Market risk

###### (i) Foreign exchange risk

Foreign exchange risk for the Group is the risk that arises in connection with the operations and investments in foreign currencies. A majority of the Group companies have USD as their functional currency, foreign currency risks arise when the cash flows and balance sheet items are denominated in a currency other than USD. The Group shall strive towards minimising currency exposure. Essential current cash flow and balance sheet exposures that cannot be matched against cash flows and balance sheet items shall be minimised on the basis of financial instruments.

The Group's exposure to other currencies than USD is mainly associated with operating and capital expenditures, tax liabilities and cash or cash equivalents, as revenues generally are received in USD. Depending of the country of operations and the nationality of the crew, the operating expenditures are mainly denominated in USD, NOK, SEK, GBP, and AUD. Capital expenditures are mainly denominated in USD, SGD, EUR, NOK, GBP and SEK. Tax liabilities predominantly consist of NOK, EUR, SEK, GBP, AUD and BRL. Cash and cash equivalents are mainly denominated in USD.

#### CURRENCY EXPOSURE

Net currency exposure as per 2018-12-31,  
major local currency, thousands

|     | Local currency | USD    | FX     |
|-----|----------------|--------|--------|
| AUD | 5 174          | 3 648  | 0,7050 |
| BRL | 4 472          | 1 155  | 0,2582 |
| EUR | 1 991          | 2 280  | 1,1454 |
| GBP | 2 418          | 3 059  | 1,2650 |
| NOK | 33 050         | 3 774  | 0,1142 |
| SEK | -25 340        | -2 825 | 0,1115 |

Minimum 75% of the operating expenditures in other currencies than USD are typically currency-hedged using derivative instruments. Material capital expenditures including special periodic surveys are hedged independent of the time horizon.

Fair value of the forward exchange contracts are estimated using quoted market prices. The fair value estimates the gain or loss that would have been realized if the contract had been closed out at the balance sheet date.

###### (ii) Cash flow and fair value interest rate risk

The Group's revenues and cash flow from operations are, in all material respects, independent of changes in market interest rate levels. The Group sometimes raises loans at floating interest rates and utilises interest derivatives as cash flow hedges of future interest payments, which has the financial effect of converting loans from floating to fixed interest rates. Interest derivatives allow the Group to raise long-term loans at floating interest rates and convert these loans to fixed interest rates that are at a lower rate than if the borrowing had taken place directly at a fixed interest rate. In the case of interest derivatives, the Group reaches an agreement with other parties to exchange, at stipulated intervals (usually once per quarter), the difference between amounts according to contract at fixed interest rates and floating interest amounts, calculated with respect to the agreed notional amount.

As of 31 December 2018, the Group had entered into the following interest rate derivative agreements:

|                     | Instrument | Cap rate | Notional amount | Expiry date | Fair value |
|---------------------|------------|----------|-----------------|-------------|------------|
| New Vessel Facility | Cap        | 2,50%    | 91 400          | 2019-04-17  | 66         |



Fair value of the interest rate derivatives agreements are estimated using quoted market prices. The fair value estimates the gain or loss that would have been realized if the interest rate derivatives agreement had been closed out at the balance sheet date. As of 31 December 2018, the fair value of the interest rate derivatives agreements was USD 0.1 million.

The Group's risk related to interest rate risk is considered to be limited. The below table demonstrates the sensitivity to change in interest rates, with all other variables unchanged, of the Group's profit before tax (loan by December 31, 2018):

| Loan (USD 1.000) | Interest rate basis points +/- | Effect on profit before tax (USD 1.000) |
|------------------|--------------------------------|---|
| 864 795          | -150                           | -2 323                                  |
| 864 795          | -100                           | -1 548                                  |
| 864 795          | 100                            | 1 549                                   |
| 864 795          | 150                            | 2 323                                   |
| 864 795          | 200                            | 3 098                                   |

#### (b) Credit risk

Credit risk is managed on Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure towards clients, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If there is no independent rating, management assesses the credit quality of the client, taking into account its financial position, past experience and other factors. The maximum exposure to credit risk on cash and cash equivalents (ignoring collateral and credit quality) at 31 December 2018 was USD 76.5 million (176.9). At 31 December 2018 a majority of the current accounts were held by SEB.

The counterparty risk is in general limited in respect of clients, since these are typically major oil companies and national oil companies with high credit ratings and strong balance sheets. As of 31 December 2018 no impairment loss has been recognized in the income statement, see note 12.

In line with industry practice, the Group's charter contracts normally contain clauses which give the client a possibility for early cancellation or cancellation for convenience under certain conditions. However, the effect on the result in such cases will normally be wholly or partly offset by a financial settlement in Floatel's favour, providing that Floatel has not acted negligently. Following a potential notice of termination for convenience, the client will normally have to pay Floatel all or a substantial part of the remaining contract value.

With respect to credit risk arising from the other financial assets of the Group, which comprise other current receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these receivables. (See note 2.10)

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet operating and investments needs, tax and other liabilities when they fall due as well as the ability to refinance credit facilities when they mature and ability to close out market positions. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

All of the Group's five vessels are fully financed through equity and long-term debt and positive cash flow is expected from their aggregate operations. Current cash balances and secured firm contracts are sufficient for the group's liquidity needs until the New Vessel Facility matures in December 2019 (see note 15) even if no additional contracts/revenues are rewarded. Compliance with the financial maintenance covenants in the Revolving Credit and New Vessel Facilities is expected, but not guaranteed.

### 3.2 CAPITAL RISK MANAGEMENT

The Group's objectives are to ensure a sound financial position at all times. Management continuously monitors the cash position and capital structure in order to meet current funding requirements and to fund future growth opportunities. As the Company matures, its capital structure will be optimized to meet evolving conditions including liquidity, investment opportunities and financing capabilities. At year-end, the Company is in compliance with all loan covenants and is building towards an optimal liquidity situation.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### 3.3 FAIR VALUE ESTIMATION

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. The fair value of interest rate derivatives is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. As the loans bear an estimated market rate, the carrying amount is a reasonable approximation of the fair value and thus no fair value disclosure is presented.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Management has used estimates and assumptions that have affected assets, liabilities, revenues, expenses and information on potential liabilities. This applies to assessment of fixed assets and in addition to financial instruments at fair value. The actual outcome may differ from these estimates and assumptions and future events may lead to these estimates being changed. Estimates and the underlying assumptions are continuously reviewed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Such changes will be recognized in the period in which the changes occur.

The most critical accounting estimates and judgment for the Group relates to the measurements of the vessel values such as estimated useful lives and need for impairments (see also note 2 section 2.4, 2.6 and note 11).

| 5 REVENUE FROM RENDERING OF SERVICES      | 2018           | 2017           |
|---|----------------|----------------|
| <b>Revenue</b>                            |                |                |
| Charter revenues                          | 232 081        | 248 436        |
| Catering and rechargeable expenses        | 56 190         | 49 007         |
| Other                                     | 0              | 14             |
| Mobilisation/demobilisation fees          | 15 109         | 13 350         |
|   | <b>303 380</b> | <b>310 807</b> |
| <b>Revenues by geographical location:</b> |                |                |
| Europe                                    | 174 765        | 183 769        |
| Asia-Pacific                              | 128 615        | 127 038        |
|   | <b>303 380</b> | <b>310 807</b> |

Mobilization income has been adjusted according to IFRS 15, see note 2.18. The balance effect of IFRS 15 are disclosed below

|  | Closing      | Opening       |
|--|--------------|---------------|
| <b>Effect of IFRS 15 on balance 2018</b> |              |               |
| Capitalized mobilisation cost            | 5 291        | 2 997         |
| Accrued mobilization income              | 5 519        | 0             |
| Prepaid mobilization income              | -2 759       | -3 199        |
| Accrued mobilization cost                | -6 086       | -3 586        |
| Deferred tax                             | -474         | 890           |
| <b>Accumulated effect on equity</b>      | <b>1 491</b> | <b>-2 898</b> |

Cost to fulfil the contracts related to IFRS 15 amount to 5 291 as per 2018-12-31. The amortization during 2018 amount to 5 344.

The effect from IFRS 15 on the result is (all amounts in USD thousands); + 5 959 on revenues and + 5 753 on operating profit for the year 2018. No comparative information regarding 2017 has been adjusted in accordance with Floatel's transition method. The transition effect has instead adjusted the opening equity 2018-01-01.

| 6 COST OF PROVIDING SERVICES         | 2018            | 2017            |
|--------------------------------------|-----------------|-----------------|
| <b>Cost of sales</b>                 |                 |                 |
| Repair and maintenance               | -24 336         | -16 994         |
| Depreciation                         | -61 375         | -59 926         |
| Impairment                           | 0               | -23 136         |
| Crew cost                            | -34 371         | -44 788         |
| Rechargeable and catering expenses   | -54 642         | -47 872         |
| Mobilisation/demobilisation expenses | -5 518          | -5 225          |
| Other operating expenses             | -2 475          | -3 126          |
|                                      | <b>-182 717</b> | <b>-201 067</b> |

| 7 EMPLOYMENT BENEFIT EXPENSES                           | 2018           | 2017           |
|---|----------------|----------------|
| Salaries and wages                                      | -23 425        | -26 595        |
| Statutory and contractual social security contributions | -3 324         | -3 664         |
| Defined contribution plan                               | -4 133         | -5 584         |
| <b>Total employee benefits</b>                          | <b>-30 882</b> | <b>-35 843</b> |

| 2018<br>MANAGEMENT        | SALARY     | BONUS      | DEFINED CONTRIBUTION<br>PENSION PLAN | TOTAL<br>REMUNERATION |
|---------------------------|------------|------------|--------------------------------------|-----------------------|
| Peter Jacobsson (CEO)     | 298        | 131        | 93                                   | 522                   |
| Tomas Hjelmstierna (CFO)  | 216        | 154        | 70                                   | 440                   |
| Per Marzelius (COO)       | 162        | 61         | 52                                   | 275                   |
| <b>Total remuneration</b> | <b>676</b> | <b>346</b> | <b>215</b>                           | <b>1 237</b>          |

| 2017<br>MANAGEMENT        | SALARY     | BONUS      | DEFINED CONTRIBUTION<br>PENSION PLAN | TOTAL<br>REMUNERATION |
|---------------------------|------------|------------|--------------------------------------|-----------------------|
| Peter Jacobsson (CEO)     | 301        | 236        | 149                                  | 686                   |
| Tomas Hjelmstierna (CFO)  | 215        | 152        | 94                                   | 461                   |
| Per Marzelius (COO)       | 161        | 74         | 65                                   | 300                   |
| <b>Total remuneration</b> | <b>677</b> | <b>462</b> | <b>308</b>                           | <b>1 447</b>          |

In 2018 and 2017 the Board of Directors served without compensation. However, incurred expenses are reimbursed.

Members of the management have agreements on severance pay. Under these agreements, the Company guarantees a remuneration corresponding to the base salary received at the time of departure for a period of up to two years.

Key employees have purchased warrants at fair market value.

In 2015 the Company issued 3 500 000 warrants, whereof 2 340 000 was subscribed and paid for by management. Price paid was the market price calculated according to Black & Scholes model and performed by an external valuation firm. In 2016 and 2017 the company repurchased all the warrants from management at market price and then sold 1 580 000 amended warrants to management at market price. In 2018 the Company repurchased 60 000 warrants at market price from management in connection with them leaving the Company, and sold 874 100 warrants to management at market price. The warrants, whereby 2 394 100 are subscribed for at year-end, mature in 2022. Exercise price is 2.60.

| 8 FINANCIAL INCOME AND EXPENSES | 2018           | 2017           |
|---------------------------------|----------------|----------------|
| Interest                        | 2 221          | 1 414          |
| Currency gain                   | 0              | 2 694          |
| Gain from repurchase of loan    | 8 072          | 2 700          |
| <b>Total financial income</b>   | <b>10 293</b>  | <b>6 808</b>   |
| <b>Financial cost</b>           |                |                |
| Currency gain/loss              | -3 565         | 0              |
| Interest cost                   | -58 839        | -52 983        |
| Borrowing expenses              | -15 547        | -5 750         |
| <b>Total financial expenses</b> | <b>-77 951</b> | <b>-58 733</b> |

| 9 TAXES   | 2018           | 2017           |
|---|----------------|----------------|
| Result before tax   | 36 823         | 36 664         |
| Tax calculated at domestic tax rates appl to resp country | -13 405        | 1 108          |
| <b>Tax effect of:</b>                                     |                |                |
| Expenses not deductible for tax                           | -2 040         | -4 878         |
| Not balanced tax losses (previous years)                  | 6 217          | -7 020         |
| Tax related to previous years                             | -930           | 790            |
| <b>Tax cost for the year</b>                              | <b>-10 158</b> | <b>-10 000</b> |
| Effective tax rate  | -27,6%         | -27,3%         |
| <b>Tax reconciliation per country</b>                     |                |                |
| Swedish corporation tax                                   | -627           | -335           |
| Norwegian corporation tax                                 | 1 247          | 0              |
| Netherlands corporation tax                               | -182           | 0              |
| UK corporation tax  | -3 312         | -6 106         |
| Australian corporation tax                                | -6 354         | -4 349         |
| Adj. in respect of current tax previous years             | -930           | 790            |
|   | <b>-10 158</b> | <b>-10 000</b> |

At the date of this report, there is no Bermuda income, corporation or profits tax, nor is there any withholding tax, capital tax, capital transfer tax, estate duty or inheritance tax payable.

The balanced amount for income tax liabilities is 3 876 USD thousands (4 954) and mainly relates to UK and Australia.

Deferred tax assets 1 193 (0) relates to accumulated taxable losses in Norway. This loss is expected to be used in year 2019.

Deferred tax liabilities 474 (0) relates to adjustments for IFRS 15, allocation of mobilization income. This is expected to be consumed in year 2019.

| 10 EARNINGS PER SHARE   | 2018        | 2017        |
|---|-------------|-------------|
| Earnings per share are calculated by dividing the net profit by the weighted average number of common shares outstanding during the year. |             |             |
| Net income of the year  | 26 665      | 26 664      |
| Total number of common shares outstanding   | 107 165 289 | 107 165 289 |
| Weighted average number of common shares outstanding  | 107 165 289 | 107 165 289 |
| Weighted average number of shares, diluted  | 107 165 289 | 107 165 289 |
| Earnings per common share, basic (USD)  | 0,22        | 0,22        |
| Earnings per common share, diluted (USD)  | 0,22        | 0,22        |



| 11 PROPERTY, PLANT AND EQUIPMENT              | 2018             | 2017             |
|---|------------------|------------------|
| <b>Vessel incl. vessel upgrade</b>            |                  |                  |
| Opening acquisition costs, January 1          | 1 619 532        | 1 611 021        |
| Purchases during the year                     | 5 951            | 8 511            |
| Closing acquisition costs, December 31        | 1 625 483        | 1 619 532        |
| Accumulated depreciation, January 1           | -245 664         | -185 739         |
| Depreciation for the year                     | -60 610          | -59 925          |
| Closing accumulated depreciation, December 31 | -306 274         | -245 664         |
| Accumulated impairment, January 1             | -34 136          | -11 000          |
| Impairment loss for the year                  | 0                | -23 136          |
| Closing accumulated impairment, December 31   | -34 136          | -34 136          |
| <b>Net book value as per 31 December</b>      | <b>1 285 073</b> | <b>1 339 732</b> |
| <b>Other equipment</b>                        |                  |                  |
| Opening acquisition costs, January 1          | 4 157            | 3 670            |
| Purchases during the year                     | 705              | 487              |
| Closing acquisition costs, December 31        | 4 862            | 4 157            |
| Accumulated depreciation, January 1           | -1 124           | -395             |
| Depreciation for the year                     | -765             | -729             |
| Closing accumulated depreciation, December 31 | -1 889           | -1 124           |
| <b>Net book value as per 31 December</b>      | <b>2 973</b>     | <b>3 033</b>     |
| <b>Total book value as per 31 December</b>    | <b>1 288 046</b> | <b>1 342 765</b> |

A vessel impairment test carried out during the year (see 2.6). No need for further impairment was recognized. The calculation 2018 is based on the assumption of WACC 10,50%, inflation 2% and utilization rate 75%. In year 2017 the impairment test resulted in a recognition of an impairment loss of USD 23.1 million for one vessel.

The impairment amount is the difference between book value and the recoverable amount from discounted calculated future net cash flow.

Borrowing cost is capitalized as part of the asset in accordance with revised IAS 23. No borrowing cost has been capitalized in 2018 or 2017.

All Vessels are registered at Bermuda. Vessels are held as security for borrowings, see note 19.

| 12 TRADE RECEIVABLES | TOTAL  | NEITHER PAST DUE<br>NOR IMPAIRED | < 30 DAYS | 30-60 DAYS | > 60 DAYS |
|----------------------|--------|----------------------------------|-----------|------------|-----------|
| <b>2018</b>          | 23 666 | 23 666                           | 0         | 0          | 0         |
| <b>2017</b>          | 27 569 | 26 974                           | 595       | 0          | 0         |

There is no provision for expected credit losses on trade receivables as the Group calculated credit reserve is considered insignificant. There are no credit losses for the current year.

| 13 OTHER CURRENT RECEIVABLES     | 2018          | 2017          |
|----------------------------------|---------------|---------------|
| <b>Other current receivables</b> |               |               |
| Accrued income                   | 31 214        | 22 125        |
| Prepaid expenses                 | 1 475         | 3 320         |
| Capitalized mobilisation cost    | 5 291         | 0             |
| Other current receivables        | 5 031         | 3 813         |
|                                  | <b>43 011</b> | <b>29 258</b> |

Accrued income relates to Contract assets and consist of: charter revenues 21 818, Mobilization revenue 5 519 and catering and rechargeable income 3 877.

## 14 CAPITAL AND RESERVES

### Share capital

The Company's shares are preferred shares and common shares. Common shares rank equally with regard to the Company's residual assets. The holders of common shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company.

In January 2014 the Company issued 10 000 preferred shares. The main rights, privileges, restrictions and conditions to the preferred shares are as follows:

- (a) Seniority. The preferred shares shall, with respect to the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or other distribution of its assets among its shareholders for the purposes of winding-up its affairs, rank senior to and be entitled to preference over all other classes of shares of the Company;
- (b) Redemption Amount and Price. The term "Redemption Price" when used in reference to any Preferred Share each means the sum of USD 3,000 of the lawful currency of the United States of America. Redemption can only occur on request by the company;
- (c) Dividends. Subject to the provisions of the bye-laws and applicable law, the holders of the Preferred Shares shall be entitled to receive, and the Company shall pay thereon, in preference and in priority to the holders of the Company's common shares, a cumulative dividends, payable annually on the last day of December at a rate of 9% per annum accrued day by day from the funds legally available, as and when declared by the Board of Directors subject always to the applicable provisions of the Companies Act 1981 of Bermuda (as amended). Payment of dividend cannot be requested by the holder.

### Additional paid in capital/share premium

The amount payable for shares in the Company and issued by the Company itself in excess of their nominal value.

### OTHER RESERVES

#### *Translation reserve*

The translation reserves comprise all foreign currency differences arising from the translation of the financial statements of foreign operations.

| 1 JANUARI–31 DECEMBER                               | 2018        | 2017        |
|---|-------------|-------------|
| <b>Authorized</b>                                   |             |             |
| Common shares of par value USD 0.02                 | 125 000 000 | 125 000 000 |
| Preferred shares of par value USD 0.02              | 10 000      | 10 000      |
| <b>Issued and fully paid</b>                        |             |             |
| Common shares of par value USD 0.02                 | 107 165 289 | 107 165 289 |
| Preferred shares of par value USD 0.02              | 10 000      | 10 000      |
| Unissued shares available for issuance by the board | 17 834 711  | 17 834 711  |

| SHAREHOLDERS                             | # OF SHARES        | % OF SHARES    |
|--|--------------------|----------------|
| <b>FELS Offshore Ltd</b>                 | 53 501 857         | 49,92%         |
| <b>OCM Wonder PF/FF Holdings PT, Ltd</b> | 45 678 377         | 42,62%         |
| <b>Others</b>                            | 7 985 055          | 7,45%          |
| <b>Total</b>                             | <b>107 165 289</b> | <b>100,00%</b> |

| 15 INTEREST-BEARING DEBT                    | 2018           | 2017             |
|---|----------------|------------------|
| Bond First lien                             | 400 000        | 0                |
| Bond Second lien                            | 75 000         | 0                |
| Term loan B – Floatel International Ltd     | 0              | 610 625          |
| New Vessel facility                         | 0              | 438 239          |
| Bank Vessel facility                        | 150 000        | 0                |
| Keppel loan                                 | 239 795        | 0                |
| Less borrowing expenses                     | –14 236        | –13 236          |
|   | <b>850 559</b> | <b>1 035 628</b> |
| The long-term debt is repayable as follows: |                |                  |
| Within one year                             | 41 000         | 27 354           |
| Between one and two years                   | 26 000         | 188 974          |
| Between two and five years                  | 83 000         | 597 625          |
| After five years                            | 714 795        | 234 911          |
|   | <b>864 795</b> | <b>1 048 864</b> |

|  | 2019   | 2020   | 2021   | 2022   | 2023   | 2024    | 2025    | Total   |
|--|--------|--------|--------|--------|--------|---------|---------|---------|
| Interest bearing debt, amortization          | 41 000 | 26 000 | 21 000 | 21 000 | 41 000 | 475 000 | 239 795 | 864 795 |
| Interest bearing debt, interest              | 53 557 | 51 460 | 50 226 | 49 010 | 47 488 | 23 257  |         | 274 998 |
| Interest bearing debt, PIK interest          | 2 059  | 4 936  | 5 022  | 5 124  | 5 228  | 5 349   | 5 442   | 33 160  |
| Trade payables and other current liabilities | 57 785 |        |        |        |        |         |         | 57 785  |

## GROUP FINANCING

In October 2018, Floatel Group refinanced and replaced the TLB loan (Term loan B) and New Vessel Facility. The new loan portfolio consist of one bank loan, BVF-Bank Vessel Facility maturing September 2023, First and Second Lien Bond Issuances maturing in April 2024. The Revolving Credit Facility was replaced with two new Revolving Credit Facilities maturing in September 2023. The Keppel loan of USD 239.8m (subordinated debt) matures in December 2025.

## BOND FINANCING

There are two Bond Issues, 1<sup>st</sup> Lien and 2<sup>nd</sup> Lien with aggregate nominal amounts of USD 400m and USD 75m respectively. Interest paid bi-annually of USD 18m (9.0% –1<sup>st</sup> Lien) and USD 4.8m (12.75% – 2<sup>nd</sup> Lien). The bond collateral vessels are Floatel Superior, Floatel Reliance, Floatel Victory and Floatel Triumph.

## BVF

The USD 150 million BVF replaced the previous New Vessel Facility (Endurance Tranche Loan) in October 2018., This loan is being repaid in quarterly instalments of USD 5.2m and for the first 5 consecutive repayments an additional USD 5 m repayment is added on top of the quarterly instalment. Interest Libor +3.25%.

## KEPPEL LOAN

The Keppel loan of USD 239.8m is a subordinated loan. Accrued interest is capitalized on an annual basis. The rate is 2% and may subject to certain conditions either decrease or increase. Maturity date is December 31, 2025.

## RCF

The bank Revolving Credit Facilities are multicurrency facilities available for utilization and/or used for ancillary purposes such as overdrafts and collateral for performance guarantees on a rolling basis during the entire term of the loans. Any utilization shall be done pro rata between the two facilities. As at 31 Dec 2018 there were no drawdown on the facilities whilst USD 18.5 million were used as collateral for performance guarantees related to operations of the vessels Triumph and Victory leaving USD 81.5m undrawn and included in Group total available liquidity. The 0.70% commitment fee on unused commitments is paid quarterly in arrears. Interest rate on any utilization will be Libor + 2.25% subject to increase based on ratchet based on utilization. Guarantee fees are negotiated on case-by-case basis.

|  | 2018    | 2017    |
|--|---------|---------|
| Total commitment                         | 100 000 | 100 000 |
| Unutilized                               | 81 500  | 91 000  |
| Utilized ancillary as part of guarantees | 18 500  | 9 000   |

Financial covenants are tested semi-annually and applies for all facilities apart from the subordinated loan from Keppel:

- Minimum liquidity: USD 50m (increase to 5% for some facilities if Senior Borrowings are above USD 1,000 million)
- Minimum Book Equity Ratio of 25%
- Minimum Asset Cover Ratio;
  - 1.3:1 for First Lien Bonds and one of the Revolving Credit Facilities based on outstanding First Lien Bonds and fair market value of Bond Collateral Vessels
  - 1.25:1 for the BVF and the other Revolving Credit based on outstanding BVF amount plus this Revolving Credit commitment and fair market value of Floatel Endurance

The BVF and the Revolving Credits have from 31 December 2020 an additional covenant also tested semi-annually:

- Leverage ratio <6.5x (from 31 March 2022 <5.5x)

The Group is compliant with all financial covenants as at 31 December 2018.

Regarding mortgages and guarantees see note 19.

## 16 FINANCIAL INSTRUMENTS

The following information is presented in order to assist users of the financial instruments in assessing the extent of risk related to financial instruments.

| Classification of financial assets and liabilities as of<br>31 December 2018 | FAIR VALUE<br>THROUGH P&L | AT AMORTISED<br>COST | TOTAL          |
|--|---------------------------|----------------------|----------------|
| <b>Financial assets</b>  |                           |                      |                |
| Trade receivables  | 0                         | 23 666               | 23 666         |
| Other current receivables  | 0                         | 30 726               | 30 726         |
| Cash and cash equivalents  | 0                         | 76 512               | 76 512         |
| <b>Total financial assets</b>  | <b>0</b>                  | <b>130 904</b>       | <b>130 904</b> |
| <b>Financial liabilities</b>   |                           |                      |                |
| Trade payables   | 0                         | 11 095               | 11 095         |
| Current portion of interest-bearing debt                                     | 0                         | 41 000               | 41 000         |
| Other current liabilities  | 1 097                     | 0                    | 1 097          |
| Interest-bearing debt  | 0                         | 809 559              | 809 559        |
| <b>Net book value as per 31 December 2018</b>                                | <b>1 097</b>              | <b>861 654</b>       | <b>862 751</b> |

### Classification of financial assets and liabilities as of 31 December 2017

|   |              |                  |                  |
|---|--------------|------------------|------------------|
| <b>Financial assets</b>                       |              |                  |                  |
| Trade receivables                             | 0            | 27 569           | 27 569           |
| Other current receivables                     | 1 027        | 24 911           | 25 938           |
| Cash and cash equivalents                     | 0            | 176 858          | 176 858          |
| <b>Total financial assets</b>                 | <b>1 027</b> | <b>229 338</b>   | <b>230 365</b>   |
| <b>Financial liabilities</b>                  |              |                  |                  |
| Trade payables                                | 0            | 8 914            | 8 914            |
| Current portion of interest-bearing debt      | 0            | 27 354           | 27 354           |
| Other current liabilities                     | 0            | 0                | 0                |
| Interest-bearing debt                         | 0            | 1 008 274        | 1 008 274        |
| <b>Net book value as per 31 December 2017</b> | <b>0</b>     | <b>1 044 542</b> | <b>1 044 542</b> |

The FX forwards and interest rate derivatives are value based on current exchange rates and forward curves. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

**Level 1:** Quoted (unadjusted) prices in active markets for identical assets or liabilities

**Level 2:** Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

**Level 3:** Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Assets and liabilities measured at fair value at:

| 31 DECEMBER 2018                   | TOTAL        | LEVEL 1  | LEVEL 2      | LEVEL 3  |
|------------------------------------|--------------|----------|--------------|----------|
| Fair value currency forwards       | 0            | 0        | 0            | 0        |
| Fair value interest rate swap      | 0            | 0        | 0            | 0        |
| <b>Total financial assets</b>      | <b>0</b>     | <b>0</b> | <b>0</b>     | <b>0</b> |
| Fair value currency forwards       | 1 097        | 0        | 1 097        | 0        |
| Fair value prepaid CAP             | 0            | 0        | 0            | 0        |
| <b>Total financial liabilities</b> | <b>1 097</b> | <b>0</b> | <b>1 097</b> | <b>0</b> |

| 31 DECEMBER 2017                   | TOTAL        | LEVEL 1  | LEVEL 2      | LEVEL 3  |
|------------------------------------|--------------|----------|--------------|----------|
| Fair value currency forwards       | 1 027        | 0        | 1 027        | 0        |
| Fair value interest rate swap      | 0            | 0        | 0            | 0        |
| <b>Total financial assets</b>      | <b>1 027</b> | <b>0</b> | <b>1 027</b> | <b>0</b> |
| Fair value currency forwards       | 0            | 0        | 0            | 0        |
| Fair value prepaid CAP             | 0            | 0        | 0            | 0        |
| <b>Total financial liabilities</b> | <b>0</b>     | <b>0</b> | <b>0</b>     | <b>0</b> |



| <b>17 OTHER CURRENT LIABILITIES</b> | <b>2018</b>   | <b>2017</b>   |
|-------------------------------------|---------------|---------------|
| Deferred income                     | 5 274         | 2 795         |
| Accrued interest                    | 12 816        | 3 190         |
| Accrued personel cost               | 6 657         | 6 858         |
| Accrued mobilization cost           | 6 086         | 0             |
| Other current liabilities           | 11 981        | 8 683         |
|                                     | <b>42 814</b> | <b>21 526</b> |

| <b>DEFERRED INCOME</b>             | <b>2018</b>  |
|------------------------------------|--------------|
| Closing balance 2017-12-31         | 2 795        |
| Adjustment opening balance IFRS 15 | 3 199        |
| <b>Opening balance 2018-01-01</b>  | <b>5 994</b> |
| Recognized as revenue during 2018  | -5 994       |
| Prepayments recived during 2018    | 5 274        |
| <b>Closing balance 2018-12-31</b>  | <b>5 274</b> |

Deferred income relates to Contract liabilities and consist of: charter revenues 39, Mobilization revenue 2 759 and catering and rechargeable income 2 476.

All contract liabilities in the opening balance 2018 has been recognized as revenue during 2018.

## 18 RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions, in the ordinary course of business on an arm's length basis, with the related party Keppel FELS Limited which is part of the Keppel Group owning 49.9% of the Company (KUSD):

No sales or purchases with Keppel. At the end of year 2018, Floatel has a recivable regarding recharged cost related to warranty claims amounting to USD 2.8 million.

The Keppel group provided a loan of USD 240 million. Interest is capitalized annually. See note 15. Interest cost on this loan amount to 4.7 million (4.7).

## 19 MORTGAGES AND GUARANTEES

As of 31 December 2018, the Group's total interest-bearing debt secured by mortgages amounted to USD 864.8 million (1,048.9). The debt was secured by mortgages on the following five vessels:

|                  |                   |
|------------------|-------------------|
| Floatel Superior | Floatel Endurance |
| Floatel Reliance | Floatel Triumph   |
| Floatel Victory  |                   |

The book value of these vessels was USD 1,285.1 million (1,339.7). In addition USD 76.5 million (176.9) cash was pledged on behalf of the lenders.

The lenders also have securities in the internal and external contracts, insurance compensations, floating charges in all group companies where that is permitted.

As of 31 December 2018, the Group has performance guarantees for client contracts amounting to 18,5 million.

## 20 LEGAL ISSUES

The Group has currently no material legal issues pending. As a result of the group's global presence, the individual companies in the group will from time to time be subject to tax investigations and tax audits from tax authorities in countries where the group operates. There are ongoing investigations in the group, but none that have reached the stage where the risk should be reported as a contingent liability or tax provision.

## 21 EVENTS AFTER THE BALANCE SHEET DATE

Equinor have extended the Martin Linge contract's firm period with four months until 27 March 2020 with unchanged six monthly options thereafter. Total has declared options for Floatel Victory whereby the charter period ends 17 June 2019.

The USD 400 million first lien and USD 75 million second lien bonds listed with Oslo Bors on Nordic ABM in Oslo at February 4, 2019.

## 22 COMMITMENTS

The group leases office under non-cancellable operating leases expiring within 1–3 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. The office is sub-let to third parties also under non-cancellable operating leases.

| 1 JANUARI–31 DECEMBER   | 2018         | 2017         |
|---|--------------|--------------|
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:      |              |              |
| Within one year   | 499          | 499          |
| Within one to five years  | 707          | 1 206        |
|   | <b>1 206</b> | <b>1 705</b> |
| Sub-lease payments  |              |              |
| Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases | 280          | 0            |

# Financial Statements of Floatel International Ltd 2018



# INCOME STATEMENT

All numbers in USD thousands

| 1 JANUARI–31 DECEMBER   | Notes | 2018           | 2017           |
|---|-------|----------------|----------------|
| Revenues  |       | 0              | 0              |
| Cost of providing services                                      |       | 0              | 0              |
| <b>Gross profit</b>   |       | <b>0</b>       | <b>0</b>       |
| Administrative expenses   |       | –2 586         | –5 194         |
| Other gains / losses – net                                      |       | 0              | 0              |
| <b>Operationg loss/ profit</b>                                  |       | <b>–2 586</b>  | <b>–5 194</b>  |
| Result from group companies                                     | 5     | –14 000        | 25 000         |
| Finance income  | 6     | 10 241         | 6 240          |
| Finance cost  | 6     | –81 025        | –58 599        |
| <b>Finance costs – net</b>                                      |       | <b>–84 784</b> | <b>–27 359</b> |
| <b>Loss/Profit before income tax</b>                            |       | <b>–87 370</b> | <b>–32 553</b> |
| Income tax expense  |       | 0              | 0              |
| <b>Loss/Profit for the period</b>                               |       | <b>–87 370</b> | <b>–32 553</b> |
| Loss/Profit attribuatble to owners of Floatel International Ltd |       | –87 370        | –32 553        |

# STATEMENT OF COMPREHENSIVE INCOME

All numbers in USD thousands

| 1 JANUARI–31 DECEMBER                | Notes | 2018           | 2017           |
|--------------------------------------|-------|----------------|----------------|
| <b>Net profit / (loss)</b>           |       | <b>–87 370</b> | <b>–32 553</b> |
| Other comprehensive income           |       | 0              | 0              |
| Income tax related to these items    |       | 0              | 0              |
| <b>Comprehensive income / (loss)</b> |       | <b>–87 370</b> | <b>–32 553</b> |

# STATEMENT OF FINANCIAL POSITION

All numbers in USD thousands

| 1 JANUARI-31 DECEMBER                      | Notes | 2018             | 2017             |
|--|-------|------------------|------------------|
| <b>Assets</b>                              |       |                  |                  |
| <b>Non-current assets</b>                  |       |                  |                  |
| Participation in subsidiaries              | 7     | 1 318 185        | 1 332 185        |
| <b>Total non-current assets</b>            |       | <b>1 318 185</b> | <b>1 332 185</b> |
| <b>Current assets</b>                      |       |                  |                  |
| Other current receivables                  | 8     | 7                | 39               |
| Group receivables                          | 10    | 33 050           | 36 666           |
| Cash                                       | 10    | 74 580           | 174 463          |
| <b>Total current assets</b>                |       | <b>107 637</b>   | <b>211 168</b>   |
| <b>Total Assets</b>                        |       | <b>1 425 822</b> | <b>1 543 353</b> |
| <b>Equity and liabilities</b>              |       |                  |                  |
| <b>Equity</b>                              |       |                  |                  |
| Share capital                              |       | 2 144            | 2 144            |
| Additional Paid in capital                 |       | 325 563          | 325 563          |
| Retained earnings incl. Profit of the year |       | -110 732         | -23 452          |
| <b>Total equity</b>                        |       | <b>216 975</b>   | <b>304 255</b>   |
| <b>Liabilities</b>                         |       |                  |                  |
| <b>Non-current liabilities</b>             |       |                  |                  |
| Interest-bearing debt                      | 9     | 809 559          | 1 008 274        |
| Loan from group companies                  | 10    | 244 000          | 0                |
| <b>Total non-current liabilities</b>       |       | <b>1 053 559</b> | <b>1 008 274</b> |
| <b>Current liabilities</b>                 |       |                  |                  |
| Current portion of interest-bearing debt   | 9     | 41 000           | 27 354           |
| Trade payables                             | 10    | 1 248            | 397              |
| Group liabilities                          | 10    | 100 058          | 199 706          |
| Other current liabilities                  |       | 12 982           | 3 367            |
| <b>Total current liabilities</b>           |       | <b>155 288</b>   | <b>230 824</b>   |
| <b>Total Equity and Liabilities</b>        |       | <b>1 425 822</b> | <b>1 543 353</b> |

## STATEMENT OF CHANGES IN EQUITY

All numbers in USD thousands

| Attributable to shareholders of the parent companyw | Share capital | Additional paid in capital | Retained earnings incl profit of the year | Total equity   |
|---|---------------|----------------------------|---|----------------|
| <b>Equity 2016-12-31</b>                            | <b>2 144</b>  | <b>325 563</b>             | <b>8 965</b>                              | <b>336 672</b> |
| Net income / (loss) for the year                    | –             | –                          | –32 553                                   | –32 553        |
| Option proceeds                                     | –             | –                          | 136                                       | 136            |
| <b>Equity 2017-12-31</b>                            | <b>2 144</b>  | <b>325 563</b>             | <b>–23 452</b>                            | <b>304 255</b> |
| Net income / (loss) for the year                    | –             | –                          | –87 370                                   | –87 370        |
| Option proceeds                                     | –             | –                          | 90  | 90             |
| <b>Equity 2018-12-31</b>                            | <b>2 144</b>  | <b>325 563</b>             | <b>–110 732</b>                           | <b>216 975</b> |



# STATEMENT OF CASH FLOW

All numbers in USD thousands

| 1 JANUARI–31 DECEMBER  | Notes | 2018           | 2017           |
|--|-------|----------------|----------------|
| <b>Cash flow from operating activities</b>                               |       |                |                |
| Operating result   |       | –2 586         | –5 194         |
| Interest received  |       | 2 169          | 1 403          |
| Interest paid  |       | –44 955        | –48 122        |
| <b>Total cash flow from operations before changes in working capital</b> |       | <b>–45 372</b> | <b>–51 913</b> |
| Change in trade payables   |       | 0              | 0              |
| Other changes in working capital   |       | 873            | –1 046         |
| <b>Cash flow from operating activities</b>                               |       | <b>–44 499</b> | <b>–52 959</b> |
| <b>Cash flow from investing activities</b>                               |       |                |                |
| Dividend from associates   | 10    | 0              | 60 000         |
| Payment for financial assets   | 7     | 0              | 0              |
| <b>Net cash flow from investing activities</b>                           |       | <b>0</b>       | <b>60 000</b>  |
| <b>Cash flow from financing activities</b>                               |       |                |                |
| Proceeds from share issues   |       | 90             | 136            |
| Intercompany loans   |       | 244 000        | 0              |
| Repayment of debt  | 9     | –805 881       | –39 656        |
| Proceeds from debt   | 9     | 625 000        | 0              |
| Other financial items paid   |       | –16 380        | 1 293          |
| <b>Net cash flow from financing activities</b>                           |       | <b>46 829</b>  | <b>–38 227</b> |
| <b>Cash flow for the year</b>  |       | <b>2 330</b>   | <b>–31 186</b> |
| Cash and cash equivalents, January 1                                     |       | 11 423         | 42 609         |
| Currency effect on cash  |       | –2 829         | 0              |
| <b>Cash and cash equivalents, December 31</b>                            | 10    | <b>10 924</b>  | <b>11 423</b>  |

# NOTES TO THE FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Floatel International Ltd. ('the Company'), through its subsidiaries, owns and operates a modern fleet of five accommodation and construction vessels. The fleet is designed to meet the increased offshore oil and gas activity in the new challenging projects in deep water and hostile environments and to provide superior living standard and support services compared to the existing accommodation vessel fleet worldwide.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company's financial statements were authorised for issue by the Board of Directors on 25 April 2019

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

Regarding the principal accounting policies applied in the preparation of these financial statements please see note 2 in the consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

All financial instruments in the parent company are recorded at amortized cost for further information regarding financial instruments, see note 16 in the consolidated financial statements.

Shares in subsidiaries are accounted for at cost, according to IAS 27.

## 3 FINANCIAL RISK MANAGEMENT

The Company's overall financial risk management program is conducted on Group level (see note 3 in the notes to the consolidated financial statements).

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Management has used estimates and assumptions that have affected assets, liabilities, revenues, expenses and information on potential liabilities. This applies to common assessment of fixed assets and in addition to financial instruments at fair value. Future events may lead to these estimates being changed. Estimates and the underlying assumptions are continuously reviewed. Such changes will be recognized in the period in which the changes occur.

| 5 RESULT FROM GROUP COMPANIES        | 2018           | 2017          |
|--------------------------------------|----------------|---------------|
| <b>Result from group companies</b>   |                |               |
| Dividend                             | 0              | 60 000        |
| Write-down of shares in subsidiaries | -14 000        | -35 000       |
|                                      | <b>-14 000</b> | <b>25 000</b> |

| 6 FINANCIAL INCOME AND EXPENSES | 2018           | 2017           |
|---------------------------------|----------------|----------------|
| <b>Financial income</b>         |                |                |
| Interest income                 | 2 169          | 1 403          |
| Gain on repurchase of loan      | 8 072          | 2 700          |
| Currency gain/ loss             | 0              | 2 137          |
|                                 | <b>10 241</b>  | <b>6 240</b>   |
| <b>Financial cost</b>           |                |                |
| Interest expenses               | -62 816        | -52 976        |
| Currency gain/ loss             | -2 829         | 0              |
| Financial fees                  | -15 380        | -5 623         |
|                                 | <b>-81 025</b> | <b>-58 599</b> |

## 7 PARTICIPATION IN SUBSIDIARIES

| COMPANY                   | IDENTIFICATION NO | REGISTERED OFFICE | SHARE CAPITAL % |
|---------------------------|-------------------|-------------------|-----------------|
| Floatel Endurance Ltd     | 46 839            | Bermuda           | 100             |
| Floatel Reliance Ltd      | 41 165            | Bermuda           | 100             |
| Floatel Superior Ltd      | 40 891            | Bermuda           | 100             |
| Floatel Triumph Ltd       | 47 937            | Bermuda           | 100             |
| Floatel Victory Ltd       | 45 615            | Bermuda           | 100             |
| Floatel International AB  | 556711-1421       | Sweden            | 100             |
| Floatel Service AB        | 556967-8856       | Sweden            | 100             |
| Floatel Singapore Pte Ltd | 201425786E        | Singapore         | 100             |
| Floatel Delaware LLC      | 5 531 077         | USA               | 100             |
| Floatel Partners BV       | 64 525 023        | The Netherlands   | 100             |
| Floatel UK Contractor Ltd | 500 821           | Scotland          | 100             |
| Floatel UK Ltd            | 488 695           | Scotland          | 100             |
| Floatel UK Partners Ltd   | 595 359           | Scotland          | 100             |

| COMPANY                   | EQUITY % | NO OF SHARES | BOOK VALUE |
|---------------------------|----------|--------------|------------|
| Floatel Endurance Ltd     | 100      | 100          | 312 210    |
| Floatel Reliance Ltd      | 100      | 100          | 136 308    |
| Floatel Superior Ltd      | 100      | 100          | 252 000    |
| Floatel Triumph Ltd       | 100      | 100          | 307 000    |
| Floatel Victory Ltd       | 100      | 100          | 310 000    |
| Floatel International AB  | 100      | 400 000      | 298        |
| Floatel Service AB        | 100      | 100 000      | 235        |
| Floatel Singapore Pte Ltd | 100      | 100 000      | 77         |
| Floatel Delaware LLC      | 100      | None         | 0          |
| Floatel Partners BV       | 100      | 18 000       | 20         |
| Floatel UK Contractor Ltd | 100      | 1            | 0          |
| Floatel UK Ltd            | 100      | 1            | 37         |
| Floatel UK Partners Ltd   | 100      | 1            | 0          |

1 318 185

|                                      | 2018             | 2017             |
|--------------------------------------|------------------|------------------|
| Opening balance                      | 1 332 185        | 1 367 185        |
| Write-down of shares in subsidiaries | -14 000          | -35 000          |
| <b>Closing balance</b>               | <b>1 318 185</b> | <b>1 332 185</b> |

| 8 OTHER CURRENT RECEIVABLES      | 2018     | 2017      |
|----------------------------------|----------|-----------|
| <b>Other current receivables</b> |          |           |
| Other current receivables        | 7        | 0         |
| Prepaid expenses                 | 0        | 39        |
|                                  | <b>7</b> | <b>39</b> |

| 9 INTEREST-BEARING DEBT | 2018           | 2017             |
|-------------------------|----------------|------------------|
| Bond First lien         | 400 000        | 0                |
| Bond Second lien        | 75 000         | 0                |
| Term loan B             | 0              | 610 625          |
| New Vessel facility     | 0              | 438 239          |
| Bank Vessel facility    | 150 000        | 0                |
| Keppel loan             | 239 795        | 0                |
| Less borrowing expenses | -14 236        | -13 236          |
|                         | <b>850 559</b> | <b>1 035 628</b> |

Regarding fall due see note 15 in consolidated financial statements.

As of 31 December 2018, the Company's main financial liabilities had the following remaining contractual maturities (KUSD):

|                                     | 2019   | 2020   | 2021   | 2022   | 2023   | 2024    | 2025    | Total   |
|-------------------------------------|--------|--------|--------|--------|--------|---------|---------|---------|
| Interest bearing debt, amortization | 41 000 | 26 000 | 21 000 | 21 000 | 41 000 | 475 000 | 239 795 | 864 795 |
| Interest bearing debt, interest     | 53 557 | 51 460 | 50 226 | 49 010 | 47 488 | 23 257  |         | 274 998 |
| Interest bearing debt, PIK interest | 2 059  | 4 936  | 5 022  | 5 124  | 5 228  | 5 349   | 5 442   | 33 160  |

| 10 INTRA-GROUP BALANCES                              | 2018            | 2017            |
|--|-----------------|-----------------|
| <b>Transactions with related parties</b>             |                 |                 |
| Operating expenses                                   | -1 924          | -2 568          |
| Dividend from associates                             | 0               | 60 000          |
| Interest expense group                               | -3 982          | 0               |
| <b>Receivables and payables related to cash-pool</b> |                 |                 |
| Total amount in group cash-pool                      | 74 522          | 174 463         |
| Group receivables                                    | 33 050          | 36 666          |
| Group payables                                       | -96 707         | -199 706        |
| <b>Companies part of cash-pool</b>                   | <b>10 865</b>   | <b>11 423</b>   |
| <b>Cash</b>  |                 |                 |
| Companies part of cash-pool                          | 10 865          | 11 423          |
| Cash in bank   | 58              | 0               |
|  | <b>10 923</b>   | <b>11 423</b>   |
| <b>Loans and payables to group companies</b>         |                 |                 |
| Trade payables                                       | -427            | -264            |
| Loan from group companies                            | 244 000         | 0               |
| <b>Group liabilities</b>                             |                 |                 |
| Accrued interest rate                                | -3 351          | 0               |
| Payables related to cash-pool                        | -96 707         | -199 706        |
|  | <b>-100 058</b> | <b>-199 706</b> |

## 11 MORTGAGES AND GUARANTEES

As of 31 December 2018, the Company's total interest-bearing debt secured by mortgages amounted to USD 864,8 million (1,048.8). The debt was secured by mortgages on the shares in the following subsidiaries:

- Floatel Superior Ltd
- Floatel Reliance Ltd
- Floatel Victory Ltd
- Floatel Endurance Ltd
- Floatel Triumph Ltd
- Floatel International AB
- Floatel Service AB
- Floatel Singapore Pte Ltd
- Floatel Partners BV
- Floatel UK Contractor Ltd
- Floatel UK Ltd
- Floatel UK Partners Ltd

The book value of these subsidiaries was USD 1,318.2 million (1,332.2). In addition USD 76.5 million (176.9) cash was pledged on behalf of the lenders. In line with industry practice, the Company has also guaranteed the performance under the charter contracts on behalf of its subsidiaries, amounting to 18,5 (9) million.

## 12 APPROPRIATION

The following profit in Floatel International Ltd is at the disposal on the Annual General Meeting (KUSD):

|                              | 2018            |
|------------------------------|-----------------|
| Retained earnings            | -23 362         |
| <b>Net loss for the year</b> | <b>-87 370</b>  |
|                              | <b>-110 732</b> |

The Board of Directors proposes that the accumulated loss is allocated to retained earnings.





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