



## INTERIM REPORT



**Q1 2019**

**Q1 - 2019**

## **Floatel International Ltd**

**Hamilton – May 23, 2019** – Floatel International Ltd (“Floatel”) presents its consolidated financial statements for the first quarter of the financial year 2019.

**Highlights:**

- Floatel Superior is in operation for Equinor Martine Linge project.
- Floatel Reliance idle in Tenerife in the Canary Islands awaiting next assignment.
- Floatel Victory has been in operation since July 18, 2018 at the Culzean field for Total.
- Floatel Endurance is in Singapore for outstanding rectification works, which is combined with the special periodic survey. The vessel expected to be available in the North Sea early September 2019.
- Floatel Triumph ended its operation for Inpex Ichthys project March 3, 2019. She is idle in Malaysia awaiting the next assignment.
- Fleet utilization for the first quarter was 80% including yard-stays and transit (80% for the comparable period last year). Total firm contract backlog (excluding options) is circa USD 66 million as of March 31, 2019. The backlog as of 31 March 2018 was USD 254 million.
- Revenues for the quarter were USD 73.5 million (61.6 for comparable period in 2018).
- EBITDA amounted to USD 47.0 million (35.0 Q1 2018).
- The net income for the reporting period was USD 9.9 million (0.8 Q1 2018).
- Total assets by 31 March amounted to USD 1,461 million (1,456 2018).
- Cash and cash equivalents by 31 March were USD 100.7 million (76.5 2018).
- The total book equity by 31 March amounted to USD 556.8 million (547.2 2018).
- The bonds were listed with Oslo Bors on Nordic ABM on February 4 2019.



**FLOATEL**  
INTERNATIONAL

## **Summary of business activities during the first quarter of 2019**

### **Floatel Superior**

Floatel Superior commenced its charter at Equinor Martin Linge project late July 2018. The contracted firm period is twenty months with a further six monthly options thereafter.



*Floatel Superior commenced operations for Equinor Martin Linge project end-July 2018.*

### **Floatel Reliance**

Floatel Reliance is idle in Tenerife in the Canary Islands awaiting next assignment. The vessel is actively marketed for new charters.



*Floatel Reliance idle in Tenerife, Canary Islands.*

### **Floatel Victory**

Floatel Victory has been in operation since July 18, 2018 at the Culzean field for Total. The contracted firm period is eleven months with a further one-month option period.



*Floatel Victory started Total Culzean project mid-July 2018.*

### **Floatel Endurance**

Floatel Endurance is in Singapore for outstanding rectification works. Which is combined with the special periodic survey. The vessel expected to be available for a new charter in the North Sea area early September 2019.



*Floatel Endurance ended operation for ENI at Goliat field on November 6 2018.*

### **Floatel Triumph**

Floatel Triumph ended its charter for Inpex Ichthys Project March 3, 2019. She is idle in Malaysia awaiting next assignment.



*Floatel Triumph ended operation for Inpex 3 March 2019.*





## Financial development

### Revenue and operating result for the first quarter 2019 (compared to Q1 2018)

Consolidated revenues totalled USD 73.5 million (61.6). Operating expenses before depreciation totalled USD -26.4 million (-26.7). EBITDA for the quarter came to USD 47.0 million (35.0).

Depreciation totalled -15.3 (-15.3). Net financial items were USD -14.9 million (-16.0). The net income for the first quarter was USD 9.9 million (0.8).

The current backlog based on committed work was at the end of reporting period approximately USD 66 million excluding options (269).

### Financial position (compared to Q4 2018)

Total assets on March 31, 2019 were USD 1,461 million (1,456). Non-current assets totalled USD 1,274 million (1,289) whilst net working capital totalled USD 32.4 million (36.3).

The Group's cash and bank reserves on 31 March 2019 totalled USD 100.7 million (76.5). The book equity at the end of the period totalled USD 556.8 million (547.2).

Total interest-bearing debt totalled USD 841.9 million (850.6). In the reported total interest-bearing debt, prepaid borrowing expenses of USD 14.3 million are included. The expenses amortize over the life of the facilities. Net interest-bearing debt as of March 31, 2019 totalled USD 741.3 million (774.0).

The bonds were listed with Oslo Bors on Nordic ABM Oslo on February 4, 2019.

The Group complies with all of its financial covenants as of March 31, 2019 and on the reporting date.

## Market outlook

The worldwide semi-submersible accommodation fleet's utilization was 63% in Q1 2019 (51% in Q1 2018). In comparison, Floatel International fleet utilisation in Q1 2019 was 80% (80% in Q1 2018), 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.

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 plus three vessels yet to be delivered. 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**

Floatel Superior: The firm contract period for Equinor/Martin Linge project was in April extended by four months, with further six monthly options thereafter.

Floatel Victory: Total/Culzean project have been notified that the last option month will not be exercised

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Hamilton – May 23, 2019  
The Board of Directors of Floatel International Ltd

This interim report has not been subjected to a separate examination by the Company's auditors.
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## FINANCIAL STATEMENT

### Floatel International Group

#### Condensed consolidated Income Statement

Figures in USD thousands	Notes	Q1 - 2019	Q1- 2018	2018
Revenue	4	73 470	61 628	303 380
Cost of providing services	5	-38 592	-38 384	-182 717
<b>Gross profit</b>		<b>34 878</b>	<b>23 244</b>	<b>120 663</b>
Administrative expenses	5	-3 126	-3 529	-16 182
<b>Operating profit</b>		<b>31 752</b>	<b>19 715</b>	<b>104 481</b>
Finance income		816	635	10 293
Finance cost		-15 721	-16 633	-77 951
<b>Finance costs - net</b>		<b>-14 905</b>	<b>-15 998</b>	<b>-67 658</b>
<b>Profit before income taxes</b>		<b>16 847</b>	<b>3 717</b>	<b>36 823</b>
Income tax expense		-6 924	-2 889	-10 158
<b>Profit attributable to owners of Floatel International Ltd</b>		<b>9 923</b>	<b>828</b>	<b>26 665</b>
Earnings per share, basic (USD)		0,09	0,00	0,22
Earnings per share, diluted (USD)		0,09	0,00	0,22

#### Condensed consolidated Statement of Comprehensive Income

Figures in USD thousands	Q1 - 2019	Q1- 2018	2018
<b>Net profit</b>	<b>9 923</b>	<b>828</b>	<b>26 665</b>
<b>Items that are or may be reclassified as profit or loss</b>			
Foreign currency translation - foreign operations	-296	-56	-556
Income tax relating to these items	0	0	0
<b>Other comprehensive income</b>	<b>-296</b>	<b>-56</b>	<b>-556</b>
<b>Total comprehensive income</b>	<b>9 627</b>	<b>772</b>	<b>26 109</b>

## Condensed consolidated Statement of Financial Position

Figures in USD thousands	Notes	2019-03-31	2018-12-31
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1 273 985	1 288 046
Deferred tax asset		<u>104</u>	<u>1 193</u>
<b>Total non-current assets</b>		<b>1 274 089</b>	<b>1 289 239</b>
<b>Current assets</b>			
Inventory		23 832	23 582
Trade receivables		32 308	23 666
Other current receivables		30 258	43 011
Cash and cash equivalents		<u>100 663</u>	<u>76 512</u>
<b>Total current assets</b>		<b>187 061</b>	<b>166 771</b>
<b>Total assets</b>		<b><u>1 461 150</u></b>	<b><u>1 456 010</u></b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		2 144	2 144
Additional Paid in capital		325 563	325 563
Other reserves		1 695	1 881
Retained earnings incl. Profit of the year		<u>227 417</u>	<u>217 604</u>
<b>Total equity</b>		<b>556 819</b>	<b>547 192</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax debt		0	474
Leasing debt - long term		518	-
Interest-bearing debt	6	<u>800 940</u>	<u>809 559</u>
<b>Total non-current liabilities</b>		<b>801 458</b>	<b>810 033</b>
Trade payables		6 803	11 095
Current portion of interest-bearing debt	6	41 000	41 000
Income tax liabilities		7 437	3 876
Leasing debt - short term		419	-
Other current liabilities		<u>47 214</u>	<u>42 814</u>
<b>Total current liabilities</b>		<b>102 873</b>	<b>98 785</b>
<b>Total equity and liabilities</b>		<b><u>1 461 150</u></b>	<b><u>1 456 010</u></b>

**Condensed consolidated Statements of Changes in Equity**

<b>Figures in USD thousands</b>	<b>Share capital</b>	<b>Additional paid in capital</b>	<b>Other reserves</b>	<b>Retained earnings incl profit of the year</b>	<b>Total equity</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>
<b>Total comprehensive income</b>					
Net profit for the year	0	0	0	9 923	9 923
Other comprehensive income	0	0	-296	0	-296
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-296</b>	<b>9 923</b>	<b>9 627</b>
Option proceeds	0	0	0	0	0
<b>Equity 2019-03-31</b>	<b>2 144</b>	<b>325 563</b>	<b>1 585</b>	<b>227 527</b>	<b>556 819</b>



## Condensed consolidated Cash Flow Statement

Figures in USD thousands	Q1 - 2019	Q1 - 2018	2018
<b>Cash flow from operating activities</b>			
Operating result	31 752	19 715	104 481
Interest received	816	635	2 221
Interest paid	-2 120	-12 651	-44 330
Income tax paid	-2 748	-2 975	-11 065
Adjustment for depreciation and impairment	15 292	15 266	61 375
Adjustments for other non-cash related items	-305	-2 450	-6 937
<b>Total cash flow from operations before changes in working capital</b>	<b>42 687</b>	<b>17 540</b>	<b>105 745</b>
Changes in inventories	-250	84	-2 847
Changes in trade receivables	-8 642	4 217	3 903
Changes in trade payables	-4 292	-3 115	2 181
Other changes in working capital	6 491	6 731	-3 673
<b>Cash flow from operating activities</b>	<b>35 994</b>	<b>25 457</b>	<b>105 309</b>
<b>Cash flow from investing activities</b>			
Payments for property, plant and equipment	-298	-316	-6 655
<b>Net cash flow from investing activities</b>	<b>-298</b>	<b>-316</b>	<b>-6 655</b>
	35 696	25 141	98 654
<b>Cash flow from financing activities</b>			
Repayment of debt	-10 250	-6 838	-805 881
Proceeds from debt	0	-	625 000
Other financial items paid	-970	-959	-16 547
Proceeds from equity	0	-	90
<b>Net cash flow from financing activities</b>	<b>-11 220</b>	<b>-7 797</b>	<b>-197 338</b>
<b>Cash flow for the period</b>	<b>24 476</b>	<b>17 344</b>	<b>-98 684</b>
Cash and cash equivalents, beginning of period	76 512	176 858	176 858
Currency effect on cash	-325	0	-1 662
<b>Cash and cash equivalents, end of Period</b>	<b>100 663</b>	<b>194 202</b>	<b>76 512</b>

Key Financials	Q1 - 2019	Q1 - 2018	2018
EBITDA	47 044	34 976	165 856
EBITDA margin	64,0%	56,75%	54,67%
Equity ratio	38,1%	32,9%	32,9%
Net working capital	24 525	31 746	29 476
Net interest-bearing debt	741 277	836 060	774 047
Total number of ordinary shares	107 165 289	107 165 289	107 165 289
Average number of ordinary shares	107 165 289	107 165 289	107 165 289
Average number of ordinary shares (diluted)	107 165 289	107 165 289	107 165 289

## Notes to the interim report

### 1. General information

Floatel International Ltd (“the Company”) is a limited liability company, incorporated 2006 under the laws of Bermuda. Floatel International Ltd and its subsidiaries (“the Group”) provide offshore accommodation and construction support services to the global oil and gas industry. The Group currently operates five new built semi-submersible accommodation vessels. They were delivered in 2010 (2), 2013, 2015 and 2016 respectively. The Company’s registered office is situated at Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

### 2. Basis of presentation

The accompanying condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB), including IAS 34 Interim Financial Reporting and have been prepared on a going concern basis. These interim financial statements should be read in conjunction with the Company’s financial statements as at 31 December 2018. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Presented accounting figures are unaudited.

### 3. Significant accounting policies

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company’s annual consolidated financial statements and accompanying notes for the financial year ended 31 December 2018.

#### 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 has primarily had an 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.

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. No effect on equity to opening balance. The effect to EBITDA amounts to 0,1 million in Q1 2019.

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

#### 4. Revenues

Figures in USD thousands	Q1 - 2019	Q1- 2018	2018
Charter revenues	58 192	47 013	232 081
Catering and rechargeable expenses	13 059	12 465	56 190
Mobilisation/demobilisation fees	<u>2 219</u>	<u>2 150</u>	<u>15 109</u>
	73 470	61 628	303 380

The group has no significant seasonal variations.

#### 5. Property, plant and equipment

Figures in USD thousands	2019-03-31	2018-12-31
Opening balance aquisition cost	1 631 420	1 623 690
Purchases during the year	298	6 656
Currency revaluation	<u>-122</u>	
Closing acuisition cost	1 631 596	1 630 346
Opening balance depreciation	-308 164	-246 788
Depreciation for the period	-15 292	-61 376
Currency revaluation	<u>-19</u>	<u>0</u>
Closing balance depreciation	-323 475	-308 164
Opening balance impairment	-34 136	-34 136
Impairment loss for the year	<u>0</u>	<u>0</u>
Closing balance impairment	-34 136	-34 136
Net book value end of period	1 273 985	1 288 046

## 6. Interest bearing debt

Figures in USD thousands	2019-03-31	2018-12-31
1st Lien Bond	400 000	400 000
2 bd Lien Bond	75 000	75 000
Bank Vessel facility	139 750	150 000
Subordinated shareholder loan	241 500	239 795
Less prepaid financing fees	<u>-14 310</u>	<u>-14 236</u>
	841 940	850 559
The long-term debt is repayable as follows:		
Within one year	41 000	41 000
Between one and two years	26 000	26 000
Between two and five years	83 000	83 000
After five years	<u>706 250</u>	<u>714 795</u>
	856 250	864 795

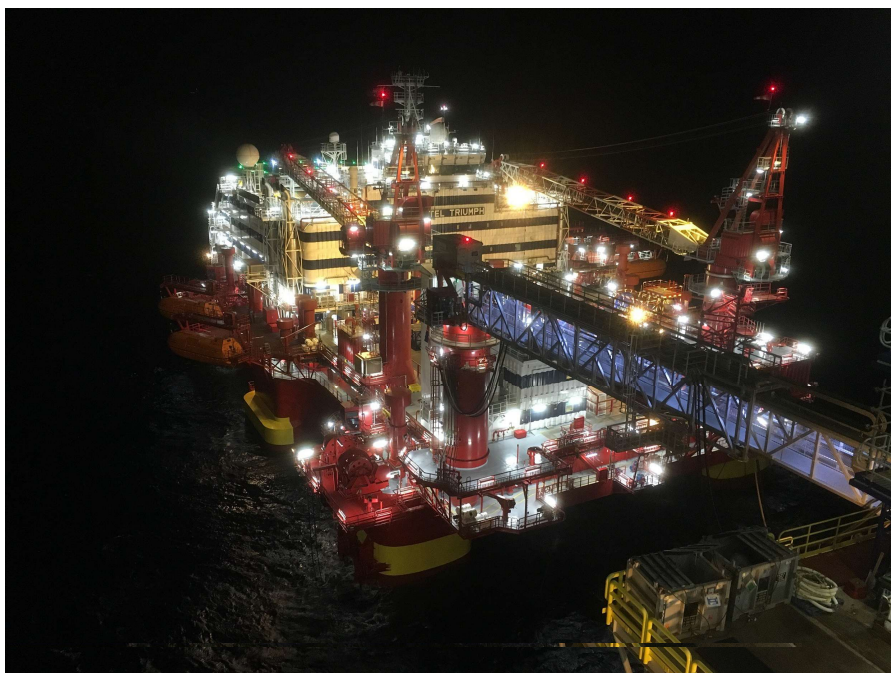
## 7. Forward-looking statements

This report contains forward-looking statements. These statements are based on various assumptions, including the Company management's examination of historical operating trends. Factors that, in the Company's view, could cause actual results to differ materially from the forward-looking statements contained in this report are the following:

- (i) The competitive nature of the offshore accommodation service industry.
- (ii) Oil and gas prices.
- (iii) Changes in economic conditions or political events.
- (iv) Government regulations.
- (v) Changes in the spending plans of our clients.
- (vi) Changes in Floatel's operating expenses including crew salaries.
- (vii) Insurance.
- (viii) Repair and maintenance.

## 8. Related party transactions

During the first quarter 2019 the Group has, in the ordinary course of business on arm's length basis, sold services for USD 0.1 million and purchased for less than USD 0.1 million from the Keppel Group. Keppel FELS Limited, which is part of the Keppel Group owning 49.9 % of the Company. The Keppel Group has provided a USD 241 million subordinated loan, which stems from the delivery of Floatel Triumph in 2016. Interest is capitalized annually. Interest cost on this loan amount to 0.8 million in Q1 2019.



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