



# INTERIM REPORT



**Q3 Report 2019**

**Q3 2019**

## **Floatel International Ltd**

**Hamilton –November 26, 2019** – Floatel International Ltd (“Floatel”) presents its consolidated financial statements for the third quarter of the financial year 2019.

### **Highlights:**

- On October 28, 2019 the Norwegian Competition Authorities announced that they issued a Statement of rejection regarding the merger between Floatel International and Prosafe, a decision that the parties appealed earlier in November. The UK process has been referred to phase 2 and more specific information is expected in Q1 2020.
- Floatel Superior is in operation for Equinor Martin Linge project. She was replaced by Floatel Endurance early November.
- Floatel Reliance idle in Tenerife in the Canary Islands awaiting next assignment.
- Floatel Victory idle in Skipavika, Norway awaiting next assignment. She provided inshore accommodation at the quayside to Equinor during September.
- Floatel Endurance has been in Singapore for outstanding rectification works, which was combined with the special periodic survey. The vessel was back in Norway mid-September. She replaced Floatel Superior at Martin Linge early November and the charter has been extended to end June 2020 with further options to end 2020.
- Floatel Triumph idle outside Johor in Malaysia awaiting the next assignment.
- Fleet utilization for the third quarter was 47% including yard-stays and transit (73% for the comparable period last year). Total firm contract backlog (excluding options) including the recent extension for Martin Linge mentioned above is approximately USD 58 million as of September 30, 2019. The backlog as of September 30, 2018 was USD 182 million.
- Revenues for the quarter were USD 24.5 million (93.4 for comparable period in 2018).
- EBITDA amounted to USD 4.3 million (54.7).
- The net income for the reporting period was USD -27.7 million (20.4).
- Total assets by September 30, 2019 amounted to USD 1,390 million (1,531).
- Cash and cash equivalents by September 30, 2019 were USD 90.6 million (130.9).
- The total book equity by September 30, 2019 amounted to USD 512.9 million (531.2).





## Summary of business activities during the third quarter of 2019

### Floatel Superior

Floatel Superior commenced its charter at Equinor Martin Linge project late July 2018 and the charter continued during the quarter.



*Floatel Superior and Floatel Endurance alongside Martin Linge during vessel swap that took place recently.*

### 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 is idle in Skipavika, Norway awaiting next assignment. She provided inshore accommodation services at the quayside for Equinor during September.



*Floatel Victory provided inshore accommodation for Equinor September 2019.*

### Floatel Endurance

Floatel Endurance has been in Singapore for outstanding rectification works, which was combined with the special periodic survey. The vessel was back in Norway mid-September 2019 where she completed the Special Periodic Survey and the rectification works.



*Floatel Endurance now in operations for Equinor at Martin Linge field.*

### Floatel Triumph

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



*Floatel Triumph ended operation for Inpex 3 March 2019 and is now idle Malaysia.*



## **Financial development**

### Revenue and operating result for the third quarter 2019

USD 24.5 million (93.4) in total consolidated revenues. USD -20.2 million (-38.7) in total Operating expenses before depreciation. EBITDA for the quarter came to USD 4.3 million (54.7).

USD -15.3 million (-15.3) in total Depreciation. Net financial items were USD -15.3 million (-15.1). The net income for the third quarter was USD -27.7 million (20.4).

The current backlog based on committed work was at the end of reporting period approximately USD 38 million excluding options (182).

### Revenue and operating result year to date 2019

USD 136.8 million (204.2) in total consolidated revenues. USD -69.5 million (-98.2) in total Operating expenses before depreciation. EBITDA came to USD 67.3 million (106.0).

USD -45.9 million (-45.8) in total Depreciation. Net financial items were USD -43.7 million (-40.8). The net income for year to date was USD -31.0 million (10.7).

### Financial position

Total assets at September 30, 2019 were USD 1,390 million (1,531). Non-current assets totalled USD 1,246 million (1,303) whilst Net working capital totalled USD -0.9 million (48.0).

The Group's cash and bank reserves at 30 September 2019 totalled USD 90.6 million (130.9). The book equity at the end of the period totalled USD 512.9 million (531.2). USD 2.3 million in expenses related to the merger with Prosafe booked directly towards equity during the quarter.

Total interest-bearing debt totalled USD 822.9 million (951.0). In the reported total interest-bearing debt, prepaid borrowing expenses of USD 12.8 million are included. The expenses amortize over the life of the facilities. Net interest-bearing debt as of September 30, 2019 totalled USD 732.3 million (820.1).

The Group complies with all of its financial covenants as of September 30, 2019 and on the reporting date.

## **Market outlook**

Utilisation for the worldwide semi-submersible accommodation fleet was 55% in Q3 2019 (65%). In comparison, Floatel International's utilisation in Q3 was 47% (73%), 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 face prolonged downturn and foresee weaker outlook than estimated before and especially in the North Sea, however we have seen some 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 coming 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 purpose built semi-submersible accommodation fleet presently comprises 24 vessels following recent announcements by competitors to scrap older vessels plus two vessels yet to be delivered. It is anticipated that additional older vessels will exit the marketplace in the coming years.

**Significant events after the end of the reporting period**

On October 28, 2019 the Norwegian Competition Authorities announced that they had issued a Statement of rejection regarding the merger between Floatel and Prosafe. The Parties appealed the decision and

will continue their efforts to get clearance in both Norway and the UK.

Floatel Endurance replaced Floatel Superior at Martin Linge early November and the charter has been extended to end June 2020 with six monthly options thereafter.

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Hamilton – November 26, 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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### Condensed consolidated Income Statement

Figures in USD thousands	Notes	Q3 - 2019	Q3- 2018	YTD 2019	YTD 2018	2018
Revenue	4	24 454	93 364	136 811	204 195	303 380
Cost of providing services	5	-32 785	-50 036	-105 977	-131 649	-182 717
<b>Gross profit</b>		<b>-8 331</b>	<b>43 328</b>	<b>30 834</b>	<b>72 546</b>	<b>120 663</b>
Administrative expenses	5	-2 598	-3 870	-9 421	-12 334	-16 182
<b>Operating profit</b>		<b>-10 929</b>	<b>39 458</b>	<b>21 413</b>	<b>60 212</b>	<b>104 481</b>
Finance income		523	646	1 919	9 955	10 293
Finance cost		-15 782	-15 792	-45 616	-50 790	-77 951
<b>Finance costs - net</b>		<b>-15 259</b>	<b>-15 146</b>	<b>-43 697</b>	<b>-40 835</b>	<b>-67 658</b>
<b>Profit before income taxes</b>		<b>-26 188</b>	<b>24 312</b>	<b>-22 284</b>	<b>19 377</b>	<b>36 823</b>
Income tax expense		-1 524	-3 892	-8 720	-8 677	-10 158
<b>Profit attributable to owners of Floatel International Ltd</b>		<b>-27 712</b>	<b>20 420</b>	<b>-31 004</b>	<b>10 700</b>	<b>26 665</b>
Earnings per share, basic (USD)		-0,26	0,18	-0,31	0,08	0,22
Earnings per share, diluted (USD)		-0,26	0,18	-0,31	0,08	0,22

### Condensed consolidated Statement of Comprehensive Income

Figures in USD thousands	Q3 - 2019	Q3- 2018	YTD 2019	YTD 2018	2018
<b>Net profit</b>	<b>-27 712</b>	<b>20 420</b>	<b>-31 004</b>	<b>10 700</b>	<b>26 665</b>
<b>Items that are or may be reclassified as profit or loss</b>					
Foreign currency translation - foreign operations	-594	-21	-1 088	-545	-556
Income tax relating to these items	0	0	0	0	0
<b>Other comprehensive income</b>	<b>-594</b>	<b>-21</b>	<b>-1 088</b>	<b>-545</b>	<b>-556</b>
<b>Total comprehensive income</b>	<b>-28 306</b>	<b>20 399</b>	<b>-32 092</b>	<b>10 155</b>	<b>26 109</b>

### Condensed consolidated Statements of Changes in Equity

Figures in USD thousands	Share capital	Additional paid in capital	Other reserves	Retained earnings incl profit of the year	Total equity
<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	-31 004	-31 004
Other comprehensive income	0	0	-1 088	0	-1 088
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-1 088</b>	<b>-31 004</b>	<b>-32 092</b>
Option proceeds				37	37
Dividend	0	0	0	-2 259	-2 259
<b>Equity 2019-09-30</b>	<b>2 144</b>	<b>325 563</b>	<b>793</b>	<b>184 378</b>	<b>512 878</b>

## Condensed consolidated Statement of Financial Position

Figures in USD thousands	Notes	2019-09-30	2018-09-30	2018-12-31
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5	1 246 352	1 303 507	1 288 046
Deferred tax asset		<u>54</u>	<u>0</u>	<u>1 193</u>
<b>Total non-current assets</b>		<b>1 246 406</b>	<b>1 303 507</b>	<b>1 289 239</b>
<b>Current assets</b>				
Inventory		23 818	21 280	23 582
Trade receivables		6 845	37 299	23 666
Tax receivables		2 767		
Other current receivables		19 938	38 164	43 011
Cash and cash equivalents		<u>90 587</u>	<u>130 940</u>	<u>76 512</u>
<b>Total current assets</b>		<b>143 955</b>	<b>227 683</b>	<b>166 771</b>
<b>Total assets</b>		<b><u>1 390 361</u></b>	<b><u>1 531 190</u></b>	<b><u>1 456 010</u></b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital		2 144	2 144	2 144
Additional Paid in capital		325 563	325 563	325 563
Other reserves		793	2 381	1 881
Retained earnings incl. Profit of the year		<u>184 378</u>	<u>201 117</u>	<u>217 604</u>
<b>Total equity</b>		<b>512 878</b>	<b>531 205</b>	<b>547 192</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Deferred tax debt		0	169	474
Other long term liabilities		282	-	-
Interest-bearing debt	6	<u>791 904</u>	<u>923 683</u>	<u>809 559</u>
<b>Total non-current liabilities</b>		<b>792 186</b>	<b>923 852</b>	<b>810 033</b>
Trade payables		4 662	5 457	11 095
Current portion of interest-bearing debt	6	31 000	27 354	41 000
Income tax liabilities		7 474	3 395	3 876
Other current liabilities		<u>42 161</u>	<u>39 927</u>	<u>42 814</u>
<b>Total current liabilities</b>		<b>85 297</b>	<b>76 133</b>	<b>98 785</b>
<b>Total equity and liabilities</b>		<b><u>1 390 361</u></b>	<b><u>1 531 190</u></b>	<b><u>1 456 010</u></b>

## Condensed consolidated Cash Flow Statement

Figures in USD thousands	Q3 - 2019	Q3 - 2018	YTD 2019	YTD 2018	2018
<b>Cash flow from operating activities</b>					
Operating result	-10 929	39 458	21 413	60 212	104 481
Interest received	523	646	1 919	1 883	2 221
Interest paid	-2 079	-12 751	-29 211	-38 244	-44 330
Income tax paid	-692	-1 242	-7 225	-9 210	-11 065
Adjustment for depreciation and impairment	15 269	15 262	45 854	45 778	61 375
Adjustments for other non-cash related items	33	-1 734	1 838	-5 217	-6 937
<b>Total cash flow from operations before changes in working capital</b>	<b>2 125</b>	<b>39 639</b>	<b>34 588</b>	<b>55 202</b>	<b>105 745</b>
Changes in inventories	296	-489	-236	-1 964	-2 847
Changes in trade receivables	-3 947	-18 594	16 821	-9 730	3 903
Changes in trade payables	-2 032	-7 906	-6 433	-3 457	2 181
Other changes in working capital	12 532	-5 734	8 225	3 937	-3 673
<b>Cash flow from operating activities</b>	<b>8 974</b>	<b>6 916</b>	<b>52 965</b>	<b>43 988</b>	<b>105 309</b>
<b>Cash flow from investing activities</b>					
Payments for property, plant and equipment	-1 530	-2 385	-3 645	-6 519	-6 655
<b>Net cash flow from investing activities</b>	<b>-1 530</b>	<b>-2 385</b>	<b>-3 645</b>	<b>-6 519</b>	<b>-6 655</b>
	7 444	4 531	49 320	37 469	98 654
<b>Cash flow from financing activities</b>					
Repayment of debt	-10 250	-9 641	-30 750	-80 640	-805 881
Proceeds from debt	0	-	0	0	625 000
Other financial items paid	-130	1 408	-1 136	-2 747	-16 547
Dividend/Proceeds from equity	-1 077	-	-2 222	0	90
<b>Net cash flow from financing activities</b>	<b>-11 457</b>	<b>-8 233</b>	<b>-34 108</b>	<b>-83 387</b>	<b>-197 338</b>
<b>Cash flow for the period</b>	<b>-4 013</b>	<b>-3 702</b>	<b>15 212</b>	<b>-45 918</b>	<b>-98 684</b>
Cash and cash equivalents, beginning of period	95 222	134 642	76 512	176 858	176 858
Currency effect on cash	-622	0	-1 137	0	-1 662
<b>Cash and cash equivalents, end of Period</b>	<b>90 587</b>	<b>130 940</b>	<b>90 587</b>	<b>130 940</b>	<b>76 512</b>

## Key Financials

	Q3 - 2019	Q3 - 2018	YTD 2019	YTD 2018	2018
EBITDA	4 340	54 720	67 267	105 990	165 856
EBITDA margin	17,7%	58,6%	49,2%	51,9%	54,7%
Equity ratio	36,9%	34,7%	36,9%	34,7%	34,7%
Net working capital	-929	47 964	-929	47 964	47 964
Net interest-bearing debt	732 317	820 097	732 317	820 097	774 047
Total number of ordinary shares	107 165 289	107 165 289	107 165 289	107 165 289	107 165 289
Average number of ordinary shares	107 165 289	107 165 289	107 165 289	107 165 289	107 165 289
Average number of ordinary shares (diluted)	107 165 289	107 165 289	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 Victoria Place, 5<sup>th</sup> Floor, 31 Victoria Street, Hamilton HM 10, 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.

The comparable period figures have been updated in accordance with IFRS 15.

#### 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 0,4 million in Q3 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	Q3 - 2019	Q3- 2018	2019 YTD	2018 YTD	2018
Charter revenues	17 823	72 931	107 774	154 878	232 081
Catering and rechargeable expenses	5 733	15 265	24 823	38 826	56 190
Mobilisation/demobilisation fees	<u>898</u>	<u>5 168</u>	<u>4 214</u>	<u>10 491</u>	<u>15 109</u>
	24 454	93 364	136 811	204 195	303 380

The group has no significant seasonal variations.

#### 5. Property, plant and equipment

Figures in USD thousands	2019-09-30	2018-09-30	2018-12-31
Opening balance acquisition cost	1 631 420	1 623 689	1 623 690
Purchases during the year	3 645	6 519	6 656
Currency revaluation	<u>-847</u>	<u>1</u>	
Closing acquisition cost	1 634 218	1 630 209	1 630 346
Opening balance depreciation	-308 164	-246 788	-246 788
Depreciation for the period	-45 854	-45 778	-61 376
Currency revaluation	288	0	<u>0</u>
Closing balance depreciation	-353 730	-292 566	-308 164
Opening balance impairment	-34 136	-34 136	-34 136
Impairment loss for the year	<u>0</u>	<u>0</u>	<u>0</u>
Closing balance impairment	-34 136	-34 136	-34 136
Net book value end of period	1 246 352	1 303 507	1 288 046

## 6. Interest bearing debt

Figures in USD thousands	2019-09-30	2018-09-30	2018-12-31
Term loan B	0	537 554	0
New vessel facility	0	422 599	0
1 <sup>st</sup> lien bond	400 000	0	400 000
2 <sup>nd</sup> lien bond	75 000	0	75 000
Bank vessel facility	119 250	0	150 000
Subordinated shareholder loan	241 500	0	239 795
Less prepaid financing fees	<u>-12 846</u>	<u>-9 116</u>	<u>-14 236</u>
	822 904	951 037	850 559
The long-term debt is repayable as follows:			
Within one year	31 000	27 354	41 000
Between one and two years	21 000	107 102	26 000
Between two and five years	542 250	590 786	83 000
After five years	<u>241 500</u>	<u>234 911</u>	<u>714 795</u>
	835 750	960 153	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 third quarter 2019 the Group has, in the ordinary course of business on arm's length basis, sold services for USD 0 million and purchased for USD 0 million from the Keppel Group. Keppel Fels part of Floatel Endurance Special Periodic Survey will be recognized during the fourth quarter 2019. Keppel Offshore Pte Limited, which is part of the Keppel Group owning 49.9 % of the Company. The Keppel Group has provided a USD 242 million subordinated loan, which stems from the delivery of Floatel Triumph in 2016.



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