



INTERIM REPORT





Q2 2019

Floatel International Ltd

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

Highlights:

- With regards to the ongoing merger process with Prosafe SE announced 3 June, Floatel and Prosafe have received support from their banks to merge, subject to (i) satisfactory documentation, (ii) approvals from the bondholders and from the competition authorities in Norway and UK and (iii) approval by an EGM in Prosafe SE.
- Floatel Superior is in operation for Equinor Martin 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. The contract ended June 16, 2019.
- Floatel Endurance has been in Singapore for outstanding rectification works, which was combined with the special periodic survey. The vessel is expected to be back in Norway mid-September.
- 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 second quarter was 57% including yard-stays and transit (60% for the comparable period last year). Total firm contract backlog (excluding options) is circa USD 56 million as of June 30, 2019. The backlog as of June 30, 2018 was USD 253 million.
- Revenues for the quarter were USD 38.9 million (49.2 for comparable period in 2018).
- EBITDA amounted to USD 15.9 million (16.3).
- The net income for the reporting period was USD -13.2 million (-10.5).
- Total assets by June 30, 2019 amounted to USD 1,420, million (1,507).
- Cash and cash equivalents by June 30, 2019 were USD 95.2 million (134.6).
- The total book equity by June30, 2019 amounted to USD 542.3 million (510.8).



Summary of business activities during the second quarter of 2019

With regards to the ongoing merger process with Prosafe SE, Floatel and Prosafe have received support from their banks to merge, subject to (i) satisfactory documentation, (ii) approvals from the bondholders and from the competition authorities in Norway and UK and (iii) approval by an EGM in Prosafe SE.

The competition process in Norway is in its second and final phase, with a conclusion expected before the end of September, whereas in the UK we are still in the first phase. Timing of the closing is therefore uncertain pending outcome of the competition process.

Floatel Superior

Floatel Superior commenced its charter at Equinor Martin Linge project late July 2018. The contracted firm period ends end-March 2020 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 2018 at the Culzean field for Total. The contract ended June 16, 2019. She is idle in Skipavika, Norway awaiting next assignment.



Floatel Victory demobilised Total Culzean project mid-June 2019.

Floatel Endurance

Floatel Endurance has been in Singapore for outstanding rectification works, which was combined with the special periodic survey. All work now completed and the vessel left Singapore end of July. The vessel will be back in Norway mid-September 2019.



Following completion of rectification work and SPS Floatel Endurance left Singapore for Norway 19 July 2019.

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 and is now idle Malaysia.



Financial development

Revenue and operating result for the second quarter 2019

USD 38.9 million (49.2) in Total consolidated revenues. USD -23.0 million (-32.9) in total Operating expenses before depreciation. EBITDA for the quarter came to USD 15.9 million (16.3).

USD -15.3 million (-15.3) in total Depreciation. Net financial items were USD -13.5 million (-9.7). The net income for the second quarter was USD -13.2 million (-10.5).

The current backlog based on committed work was at the end of reporting period approximately USD 56 million excluding options (253).

Revenue and operating result year to date 2019

USD 112.4 million (110.8) in Total consolidated revenues. USD -49.4 million (-59.6) in total Operating expenses before depreciation. EBITDA for the quarter came to USD 62.9 million (51.3).

USD -30.6 million (-30.5) in total Depreciation. Net financial items were USD -28.4 million (-25.7). The net income for year to date was USD -3.3 million (-9.7).

Financial position

Total assets at June 30, 2019 were USD 1,420 million (1,507). Non-current assets totalled USD 1,260 million (1,316) whilst Net working capital totalled USD 19.6 million (31.7).

The Group's cash and bank reserves at 30 June 2019 totalled USD 95.2 million (134.6). The book equity at the end of the period totalled USD 542.3 million (510.8). USD 1.1 million in expenses related to the merger with Prosafe booked directly towards equity in Q2, 2019.

Total interest-bearing debt totalled USD 832.4 million (956.6). In the reported total interest-bearing debt, prepaid borrowing expenses of USD 13.6 million are included. The expenses amortize over the life of the facilities. Net interest-bearing debt as of June 30, 2019 totalled USD 737.2 million (821.9).

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

Market outlook

Utilisation for the worldwide semi-submersible accommodation fleet was 62% in Q2 2019 (51%). In comparison, Floatel International's utilisation in Q2 was 57% (60%), 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

Nothing to report.



Hamilton – August 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.

Condensed consolidated Income Statement

Figures in USD thousands	Notes	Q2 - 2019	Q2- 2018	YTD 2019	YTD 2018	2018
Revenue	4	38 887	49 203	112 357	110 831	303 380
Cost of providing services	5	-34 600	-43 229	-73 192	-81 613	-182 717
Gross profit		4 287	5 974	39 165	29 218	120 663
Administrative expenses	5	-3 697	-4 935	-6 823	-8 464	-16 182
Operating profit		590	1 039	32 342	20 754	104 481
Finance income		580	8 674	1 396	9 309	10 293
Finance cost		-14 113	-18 365	-29 834	-34 998	-77 951
Finance costs - net		-13 533	-9 691	-28 438	-25 689	-67 658
Profit before income taxes		-12 943	-8 652	3 904	-4 935	36 823
Income tax expense		-272	-1 896	-7 196	-4 785	-10 158
Profit attributable to owners of Floatel International Ltd		-13 215	-10 548	-3 292	-9 720	26 665
Earnings per share, basic (USD)		-0,13	-0,10	-0,04	-0,10	0,22
Earnings per share, diluted (USD)		-0,13	-0,10	-0,04	-0,10	0,22

Condensed consolidated Statement of Comprehensive Income

Figures in USD thousands	Q2 - 2019	Q2- 2018	YTD 2019	YTD 2018	2018
Net profit	-13 215	-10 548	-3 292	-9 720	26 665
Items that are or may be reclassified as profit or loss					
Foreign currency translation - foreign operations	-198	-468	-494	-524	-556
Income tax relating to these items	0	0	0	0	0
Other comprehensive income	-198	-468	-494	-524	-556
Total comprehensive income	-13 413	-11 016	-3 786	-10 244	26 109

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
Equity 2018-01-01	2 144	325 563	2 437	190 849	520 993
Total comprehensive income					
Net profit for the year	0	0	0	26 665	26 665
Other comprehensive income	0	0	-556		-556
Total comprehensive income	0	0	-556	26 665	26 109
Option proceeds	0	0	0	90	90
Equity 2018-12-31	2 144	325 563	1 881	217 604	547 192
Total comprehensive income					
Net profit for the year	0	0	0	-3 292	-3 292
Other comprehensive income	0	0	-494	0	-494
Total comprehensive income	0	0	-494	-3 292	-3 786
Option proceeds				38	38
Dividend	0	0	0	-1 145	-1 145
Equity 2019-06-30	2 144	325 563	1 387	213 167	542 299

Condensed consolidated Statement of Financial Position

Figures in USD thousands	Notes	2019-06-30	2018-06-30	2018-12-31
Assets				
Non-current assets				
Property, plant and equipment	5	1 260 286	1 316 384	1 288 046
Deferred tax asset		<u>45</u>	<u>172</u>	<u>1 193</u>
Total non-current assets		1 260 331	1 316 556	1 289 239
Current assets				
Inventory		24 114	20 791	23 582
Trade receivables		18 635	18 705	23 666
Tax receivables		2 672		
Other current receivables		19 455	16 548	43 011
Cash and cash equivalents		<u>95 222</u>	<u>134 642</u>	<u>76 512</u>
Total current assets		160 098	190 686	166 771
Total assets		<u>1 420 429</u>	<u>1 507 242</u>	<u>1 456 010</u>
Equity and liabilities				
Equity				
Share capital		2 144	2 144	2 144
Additional Paid in capital		325 563	325 563	325 563
Other reserves		1 387	2 381	1 881
Retained earnings incl. Profit of the year		<u>213 205</u>	<u>180 740</u>	<u>217 604</u>
Total equity		542 299	510 828	547 192
Liabilities				
Non-current liabilities				
Deferred tax debt		0	0	474
Leasing debt - long term		426	-	-
Interest-bearing debt	6	<u>796 422</u>	<u>929 204</u>	<u>809 559</u>
Total non-current liabilities		796 848	929 204	810 033
Trade payables		6 694	13 363	11 095
Current portion of interest-bearing debt	6	36 000	27 354	41 000
Income tax liabilities		6 538	1 054	3 876
Leasing debt - short term		408	-	-
Other current liabilities		<u>31 642</u>	<u>25 439</u>	<u>42 814</u>
Total current liabilities		81 282	67 210	98 785
Total equity and liabilities		<u>1 420 429</u>	<u>1 507 242</u>	<u>1 456 010</u>

Condensed consolidated Cash Flow Statement

Figures in USD thousands	Q2 - 2019	Q2 - 2018	YTD 2019	YTD 2018	2018
Cash flow from operating activities					
Operating result	590	1 039	32 342	20 754	104 481
Interest received	580	602	1 396	1 237	2 221
Interest paid	-25 012	-12 842	-27 132	-25 493	-44 330
Income tax paid	-3 785	-4 993	-6 533	-7 968	-11 065
Adjustment for depreciation and impairment	15 293	15 250	30 585	30 516	61 375
Adjustments for other non-cash related items	2 110	-1 033	1 805	-3 483	-6 937
Total cash flow from operations before changes in working capital	-10 224	-1 977	32 463	15 563	105 745
Changes in inventories	-282	-1 559	-532	-1 475	-2 847
Changes in trade receivables	29 410	4 647	20 768	8 864	3 903
Changes in trade payables	-109	7 564	-4 401	4 449	2 181
Other changes in working capital	-10 798	2 940	-4 307	9 671	-3 673
Cash flow from operating activities	7 997	11 615	43 991	37 072	105 309
Cash flow from investing activities					
Payments for property, plant and equipment	-1 817	-3 818	-2 115	-4 134	-6 655
Net cash flow from investing activities	-1 817	-3 818	-2 115	-4 134	-6 655
	6 180	7 797	41 876	32 938	98 654
Cash flow from financing activities					
Repayment of debt	-10 250	-64 161	-20 500	-70 999	-805 881
Proceeds from debt	0	-	0	0	625 000
Other financial items paid	-36	-3 196	-1 006	-4 155	-16 547
Dividend/Proceeds from equity	-1 145	-	-1 145	0	90
Net cash flow from financing activities	-11 431	-67 357	-22 651	-75 154	-197 338
Cash flow for the period	-5 251	-59 560	19 225	-42 216	-98 684
Cash and cash equivalents, beginning of period	100 663	194 202	76 512	176 858	176 858
Currency effect on cash	-190	0	-515	0	-1 662
Cash and cash equivalents, end of Period	95 222	134 642	95 222	134 642	76 512

Key Financials

	Q2 - 2019	Q2 - 2018	YTD 2019	YTD 2018	2018
EBITDA	15 883	16 294	62 927	51 270	165 856
EBITDA margin	40,8%	33,1%	56,0%	46,3%	54,7%
Equity ratio	38,2%	33,9%	38,2%	33,9%	33,9%
Net working capital	19 594	31 746	19 594	16 188	16 188
Net interest-bearing debt	737 200	821 916	737 200	821 916	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, 5th 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 0.2 million in Q2 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	Q2 - 2019	Q2- 2018	2019 YTD	2018 YTD	2018
Charter revenues	31 759	34 934	89 951	81 947	232 081
Catering and rechargeable expenses	6 031	11 096	19 090	23 561	56 190
Mobilisation/demobilisation fees	<u>1 097</u>	<u>3 173</u>	<u>3 316</u>	<u>5 323</u>	<u>15 109</u>
	38 887	49 203	112 357	110 831	303 380

The group has no significant seasonal variations.

5. Property, plant and equipment

Figures in USD thousands	2019-06-30	2018-06-30	2018-12-31
Opening balance acquisition cost	1 631 420	1 623 689	1 623 690
Purchases during the year	2 114	4 135	6 656
Currency revaluation	<u>-540</u>	<u>0</u>	<u>0</u>
Closing acquisition cost	1 632 994	1 627 824	1 630 346
Opening balance depreciation	-308 164	-246 788	-246 788
Depreciation for the period	-30 585	-30 516	-61 376
Currency revaluation	177	0	<u>0</u>
Closing balance depreciation	-338 572	-277 304	-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	1 260 286	1 316 384	1 288 046

6. Interest bearing debt

Figures in USD thousands	2019-06-30	2018-06-30	2018-12-31
Term loan B	0	539 179	0
New vessel facility	0	427 813	0
1 st lien bond	400 000	0	400 000
2 nd lien bond	75 000	0	75 000
Bank vessel facility	129 500	0	150 000
Subordinated shareholder loan	241 500	0	239 795
Less prepaid financing fees	<u>-13 578</u>	<u>-10 434</u>	<u>-14 236</u>
	832 422	956 558	850 559
The long-term debt is repayable as follows:			
Within one year	36 000	27 354	41 000
Between one and two years	21 000	107 102	26 000
Between two and five years	547 500	597 625	83 000
After five years	<u>241 500</u>	<u>234 911</u>	<u>714 795</u>
	846 000	966 992	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 second 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 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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