FLOATEL INTERNATIONAL

ANNUAL REPORT 2020

FLOATEL INTERNATIONAL LTD

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DIRECTORS' REPORT 2020

GENERAL INFORMATION ABOUT THE BUSINESS

The Floatel International Group ("Floatel" or "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 Victoria Place 5th floor, 31 Victoria Street, Hamilton HM 10 Bermuda.

Floatel International Ltd. has a Gothenburg subsidiary, Floatel International AB, for onshore operational support and supervision. Floatel 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

Floatel underwent a comprehensive balance sheet restructuring during the year which was successfully completed on March 24, 2021 and it secured a fully consensual deal among all key stakeholders, including shareholders, bondholders, and bank lenders. This was done after Floatel announced on February 19, 2020 that the Company's and the Group's financial situation was unsustainable as liquidity was under pressure with a further announcement on April 14, 2020 that the Company stopped payment of scheduled amortisation, interest and commitment fees under its credit facilities and bond issuances.

COVID-19 pandemic, oil price development and other macroeconomic factors have resulted in a dramatic impact on the global macro economy and oil demand. This resulted in many oil and gas companies announcing cuts in 2020 capital expenditure. The effect on the Group was suspended charters from 2020 to 2021 and no additional charters during the year resulting in low utilization and a poor operating result.

Some of the fleet operated for Equinor at Martin Linge in Norway during the entire year and provided inshore COVID-19 accommodation for the Singapore government commencing April 2020 for six months, resulting in 32% utilization for the Floatel fleet during 2020 (38% in 2019).

At year-end, Floatel Endurance was on charter for Equinor in Norway. Floatel Reliance was laid-up in Tenerife, Canary Islands; Floatel Superior and Floatel Victory were laid-up in Skipavika, Norway and Floatel Triumph was idle outside Johor in Malaysia.

	2020	2019	2018	2017	2016
Revenue	79 673	159 112	303 380	310 807	289 044
EBITDA	10 465	68 753	165 856	172 379	157 389
Operating result[1]	–524 231	–23 206	104 481	88 589	106 010
Result before tax	–606 662	–80 763	36 823	36 664	50 261
Equity	–153 340	454 757	547 192	523 891	496 585
Total assets	760 263	1 311 618	1 456 010	1 594 913	1 603 378
Operational margin[2]	–658%	–15%	34%	29%	37%
Margin[2]	–761%	–51%	12%	12%	17%
Equity/asset ratio[2]	–20%	35%	38%	33%	31%

[1] Operating result 2020 (2019) include – 479.4 (–30.3) USD million impairment charge
[2] Operational margin; Operating result/Revenue. Margin; Result before tax/Revenue. Equity/asset ratio; Book equity/Total assets

OPERATIONS

The Group's fleet consists of five semi-submersible accommodation and construction support vessels. The fleet had an average utilization of 32% (38% in 2019), compared with an estimated average market utilization of 39% (52% in 2019). All vessels whilst in operation have shown excellent performance with an average commercial uptime (actual received revenues divided by maximum contract revenues) above 99% (99%).

Floatel Superior has been idle during the year in Skipavika, Norway. The second special periodic survey was completed in May 2020. Floatel Superior's next assignment is for Vår Energi on the Norwegian continental-shelf commencing June 2021.

Floatel Reliance has been idle on Tenerife in the Canary Islands during the year awaiting a new charter assignment.

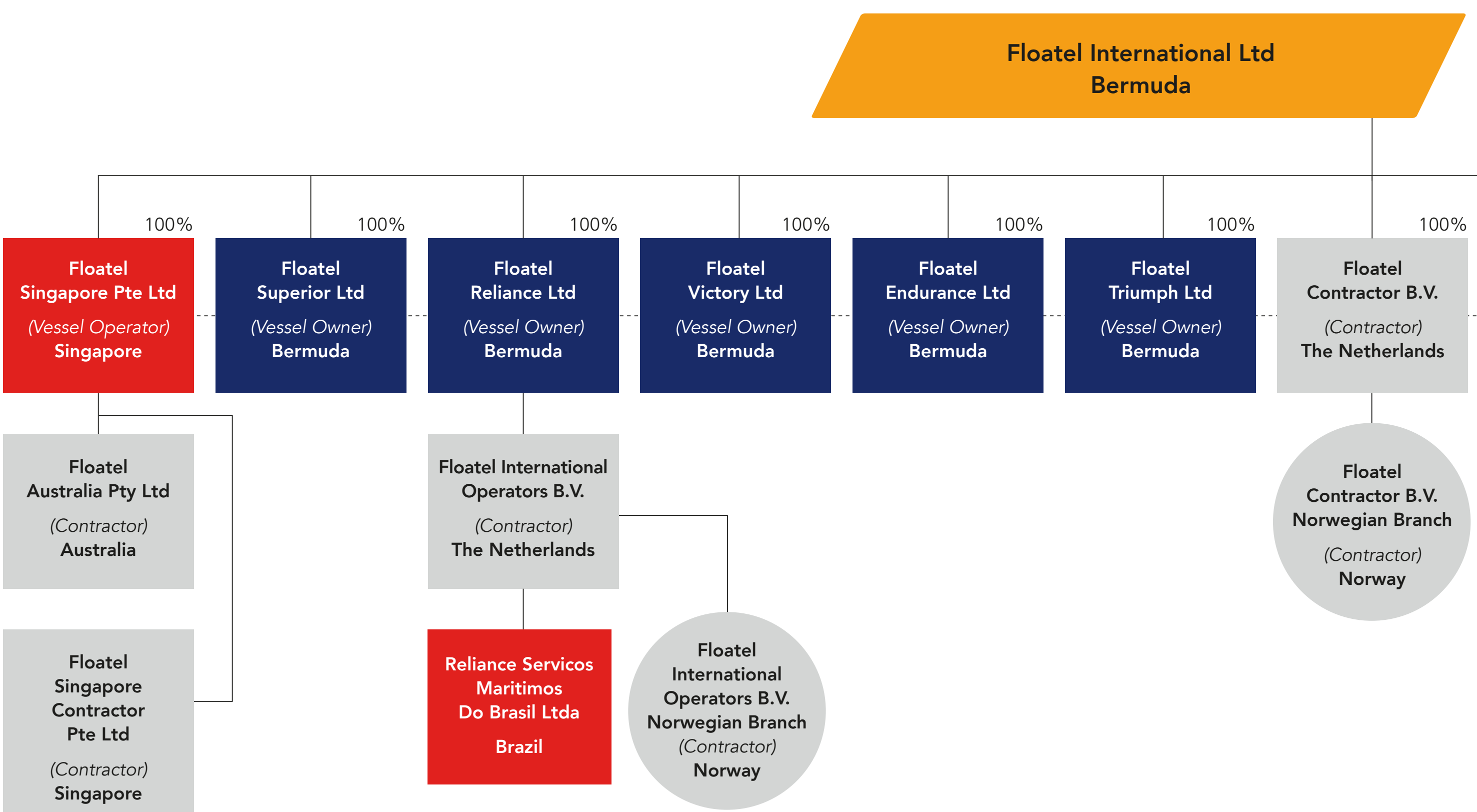
Floatel Victory has been idle during the year in Skipavika, Norway. The assignment for Ineos on the Unity platform situated on the UK continental shelf that was scheduled to start in April 2020 was suspended to March 2021 due to the COVID-19 pandemic.

Floatel Endurance replaced Floatel Superior at Equinor Martin Linge field on the Norwegian continental shelf early November 2019 and was in service during the entire year. The charter has been extended to Q2 2021 with further extension options thereafter.

Floatel Triumph was contracted by Singapore Marine Port Authority to provide accommodation support for guest workers between April and October 2020.

The Group has an onshore organization supporting its marine activities with approximately 50 people working in the offices in Bermuda, Gothenburg (Sweden), Aberdeen (UK), Perth (Australia) and Singapore.

All subsidiaries within the Group are wholly owned and the Group has no joint-ventures or similar arrangements. The corporate structure is set out below



OUTLOOK

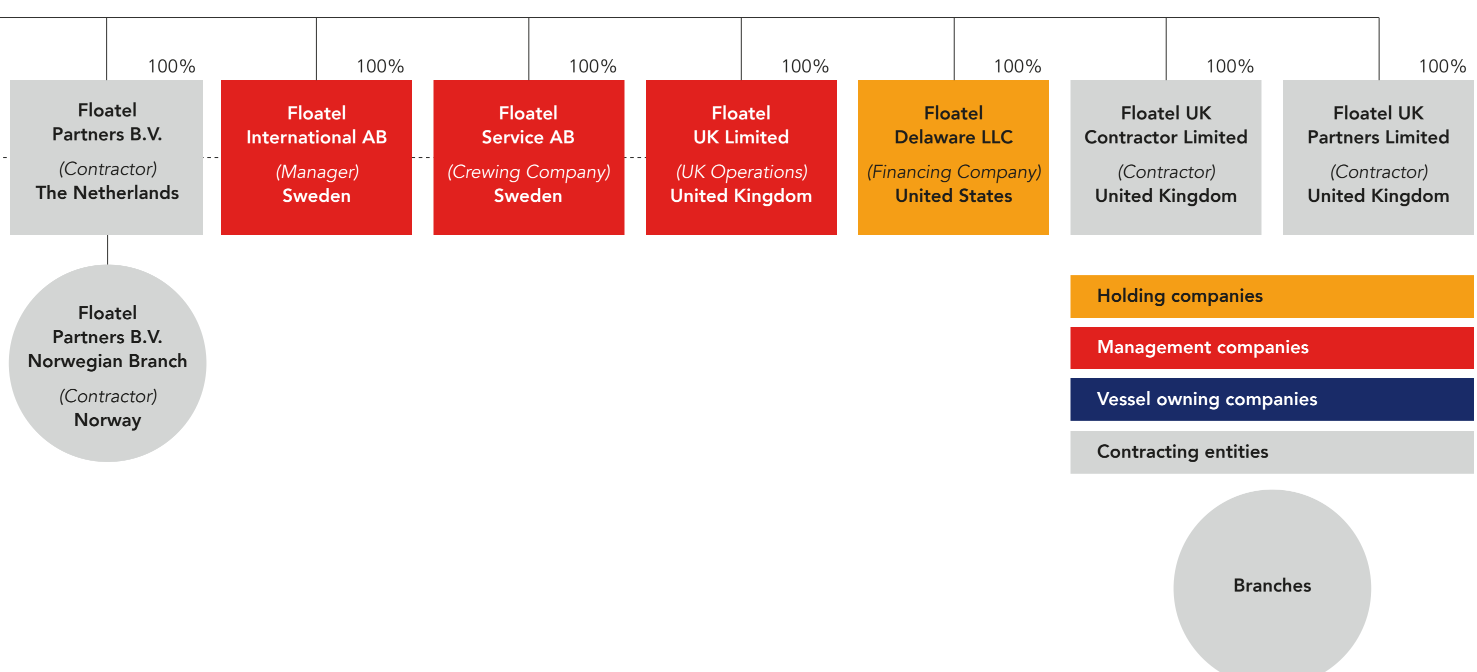
The overall offshore market was slowly improving from the downturn during 2019 driven by oil price development combined with continued pressure to reduce cost levels for the operators, however COVID-19 caused the market to stall.

The 2020 negative developments relating to the COVID-19 outbreak and falling oil price have increased the uncertainty within the accommodation market and for the oil services market in general. While the outlook has improved because of agreed oil production cuts and the development of vaccines, demand has recovered at a slower pace than initially expected due to suspension of several projects to a later date. Demand remains below those levels reached in late 2019 before the COVID-19 pandemic as the market continues to suffer from oversupply.

Although the oil price has recently recovered above USD 60 per barrel, we note that oil companies globally have adjusted their activities for the short to medium term. Additionally, the strong shift in the energy discussion towards renewable sources has created discussion about energy composition for the future.

We consequently expect the overall utilization of the global accommodation fleet to remain at modest levels in the near term, particularly for those areas with high overcapacity however we still believe the market will recover once the situation stabilises.

The worldwide operating purpose built semi-submersible accommodation fleet presently comprises 22 vessels following recent announcements by competitors to scrap older vessels plus two vessels yet to be delivered. It is expected that the present market conditions will accelerate further scrapping of older vessels, thus improving the longer-term supply/demand balance.



CORPORATE GOVERNANCE

Floatel'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 reflect these international standards.

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 staff, starting at the top with the Board and senior management, thus bringing greater transparency to how the Group is managed.

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

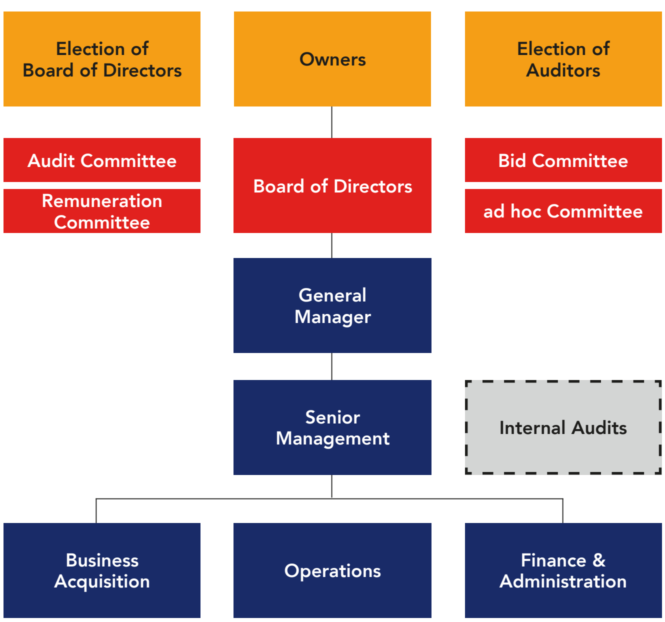


Figure 1: Floatel Corporate Governance Structure

Main internal rules and regulations for corporate governance at Floatel International

- The Byelaws 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 FIAB
- Instructions for the General 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 responsible for overall 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's internal control framework. The Board of Directors has delegated to the senior management team through written policies and procedures the day-to-day responsibility for the conducting, implementation, and evaluation of FIMS including corporate governance and internal control.

The General Manager ("GM") undertakes the daily business and affairs of the individual company, Floatel International Ltd, and as such reports to and is responsible toward the Board of Directors. A key role is to ensure that Floatel International AB ("FIAB"), the Group's ship and administrative manager including its CEO, COO and CFO performs its various executive, marine management, business acquisition (including sales) and administrative services. The GM will also oversee the business of the five Bermuda vessel owning subsidiaries and provide reports to the respective board on the operation and affairs of such companies with focus on the physical vessels and ensure that FIAB properly take care of the asset management.

The CEO of FIAB has overall responsibility for strategic management and business direction, policies, procedures, and guidelines for the development of the business, and the implementation of strategies and services which promote sound corporate culture. In respect of contract opportunities, the CEO shall provide to the Bid Committee of the Board of Directors sufficient information regarding risks and opportunities related to the contract opportunity. Without excluding the generality of the foregoing, the CEO shall highlight whether the contract terms deviate, and to what extent, from the Floatel's Contracting Principles and whether the area of operation is associated with operational risks (such as piracy or weather risks) or other risks in the jurisdiction as such (such as tax, currency, and expropriation risks).

In addition, the CEO shall report strategic risks and other significant risks connected to the business, operations, and important projects to the Board of Directors if the potential consequence is material. Strategic opportunities shall also be communicated. When suggested measures are presented to the Board of Directors, they should be accompanied by a cost-benefit analysis including payback time of the investment when relevant and/or a risk analysis showing the potential consequences of not taking action.

The CFO of FIAB is responsible for establishing, communicating, and monitoring the financial reporting and the connected internal controls.

The HSEQ Manager ("Health, Safety, Environment and Quality") 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 in 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 Group and continuously monitor their observance and ensure that such policies and plans are periodically 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 appoint, evaluate and if necessary, dismiss the General Manager and 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. The Board of Directors will also ensure there is a satisfactory process for monitoring Floatel's compliance with laws and other regulations relevant to the Group's operations, as well as the application of internal guidelines.

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

The Board of Directors shall have four regular meetings each year, however the Board of Directors had twenty-four digital meetings during 2020 due to the restructuring and imposed government COVID-19 travel restrictions. 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 matters, 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. The Board of Directors established an ad hoc Restructuring Committee on March 26, 2020, which remained in place during the entire year. 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 Restructuring Committee's core objective is to support the Company's restructuring strategy. The role of the Committee is to assist the Board with the envisaged debt restructuring of the Company and its subsidiaries. The Restructuring Committee shall have oversight of the envisaged debt restructuring and carry out all duties for the Group as appropriate in connection with the debt restructuring (unless required otherwise by regulation) subject to Board approval of the final solution. In addition, to ensure that the operations of the Group may be progressed alongside the restructuring, the Restructuring Committee shall also (unless required otherwise by regulation) carry out the duties and approvals of the Board as appropriate including but not limited to approval of investments and financial reports, consider market and operational updated, corporate governance matters as well receive litigation and tax reports.

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

The Bid Committee shall on behalf of the Board decide prices and other commercial terms not regulated by the company's contracting principles that 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 and the annual and quarterly financial statements and reports before they are submitted to the Board.

The Audit 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 Audit 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 Audit 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, internal audits, and assistance with self-assessment processes, (iv) Management review meetings, (v) review and discuss external audit plans; monitor communication from the external auditors and ensuring prompt follow-up and implementation of any recommendations, and (vi) 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 FIAB 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 deemed significant in accordance with any other procedure, requires Board approval based on the corporate strategy, mission, and core values,

(ii) tactical risks, managed by the department managers based on the Company's policies and procedures unless deemed significant in accordance with any other procedure, requires board and/or senior management approval, and

(iii) operational execution, managed by operations and project management based on the Company's policies and procedures, unless deemed significant in accordance with any other procedure requires board and/or senior management approval

The Board together with the senior management shall determine the Group's overall business strategy and risk taking. The CEO of FIAB 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 section in the Tendering and Contracts Manual which includes 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 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. 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.

Floatel'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 Group'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)
- ISO 45001:2018 (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 is registered with:

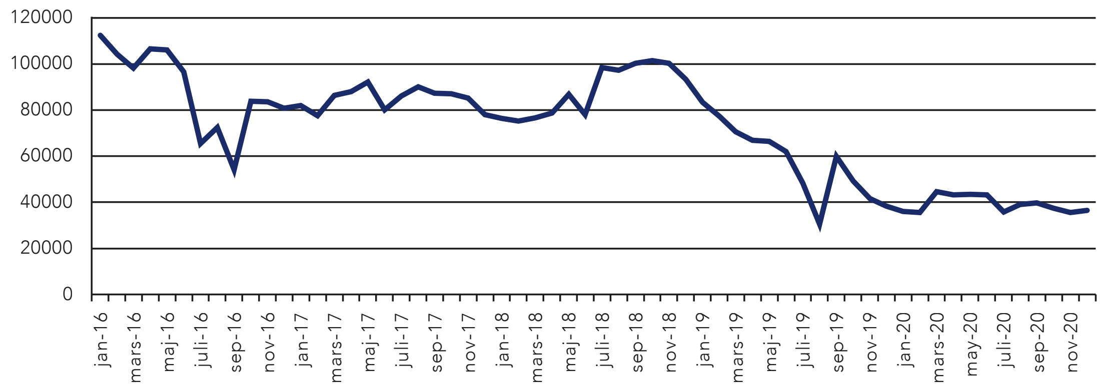
- Achilles Joint Qualification System, which is reviewed on an annual basis.
- EPIM Joint Qualification System, which is reviewed on an annual basis.
- FPAL Joint Qualification System, which is reviewed on an annual basis.
- Offshore Vessel Management Self-Assessment (OVMSA) database. Vessels are registered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

HSE Statistics 2016–2020

Definitions:

- Manhours: Offshore manhours. Including crew, catering, subcontractors but excluding "guests" (personnel with workplace on client installation).
- Total Recordable Injury Rate (TRIR): Work Related Fatalities + Lost Time Injuries + Restricted Work Cases + Medical Treatment Cases) * 1 000 000 / Working hours
- Safety Observation Rate (SOR): Number of Safety Observations * 200 000 / Working hours
- Management Visit Rate (MVR): Number of Management Visit Days * 200 000 / Working hours

Man hours per month 2016 – 2020:



Floatel'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 manhours per year
- Band B: 5 – 10 million manhours per year
- Band C: 1 – 5 million manhours per year
- Band D: < 1 million manhours per year

Over the past 5 years, Floatel's has had about 1 000 000 manhours per year and therefore benchmark is made towards band C.

There was one recordable injury reported during 2020: Loss Time Injury ("LTI") – Ankle/foot injury in the galley of Floatel Endurance, 08–Mar–2020.The Injured Person ("IP") was on the way to the storage area with an empty trolley when it got caught in a ramp leading into the freezer. Upon getting caught and probably due to the speed the trolley then bounced back and hit the IP's ankle/foot. As a reaction to the pain inflicted trolley the IP "jumped" up and then landing awkwardly with his foot resulting in a possible fracture. Actions due to the incident: Loss time incident, probably a fractured ankle/foot.

1. Attach marking tape on ramps to make the edges of the ramps more visible.
2. Raise awareness by bringing this up at the weekly Safety Meeting, Catering. Emphasize importance of using correct PPE in all work areas and have good procedures/routines for use of equipment.
3. Report to authorities. Reported to Flag (Bermuda Shipping and Maritime Authority) and Norwegian Petroleum Safety Authority.

Recordable injuries included in the statistics:

2016 Loss Time Injury: Shoulder dislocation resulting in medivac

2016 Medical Treatment Case: Painful Achilles due to new shoes

2017 Loss Time Injury: IP stumbled and fell on deck during helicopter arrival

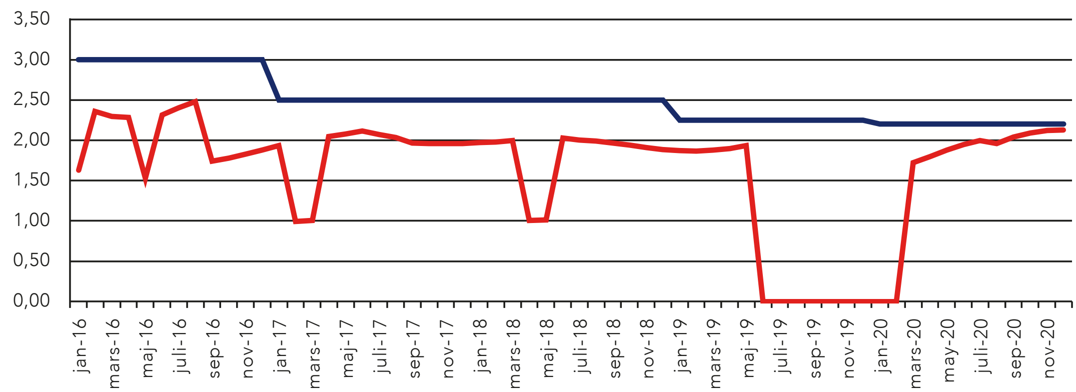
2017 Medical Treatment Case: 3 cm scalp laceration

2018 Medical Treatment Case: Finger injury

2018 Medical Treatment Case: Finger injury

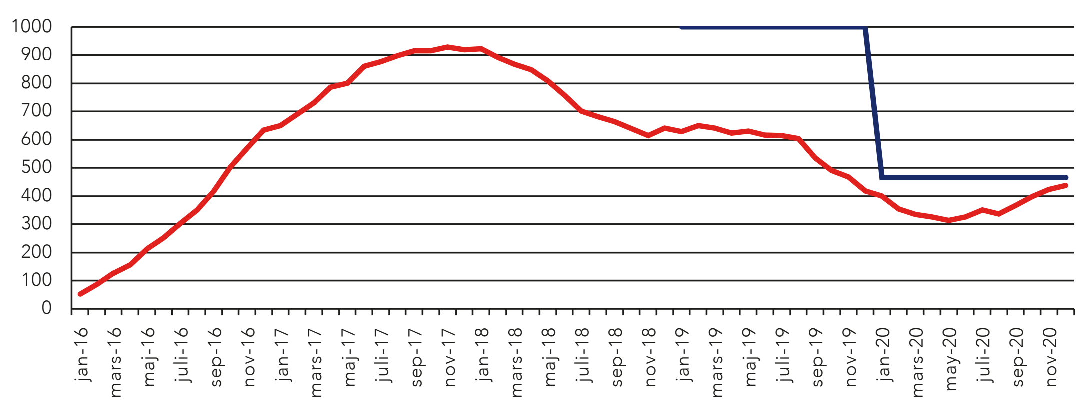
2020 LTI Ankle/foot injury in galley

Total Recordable Injury Rate (TRIR) 2016 – 2020:



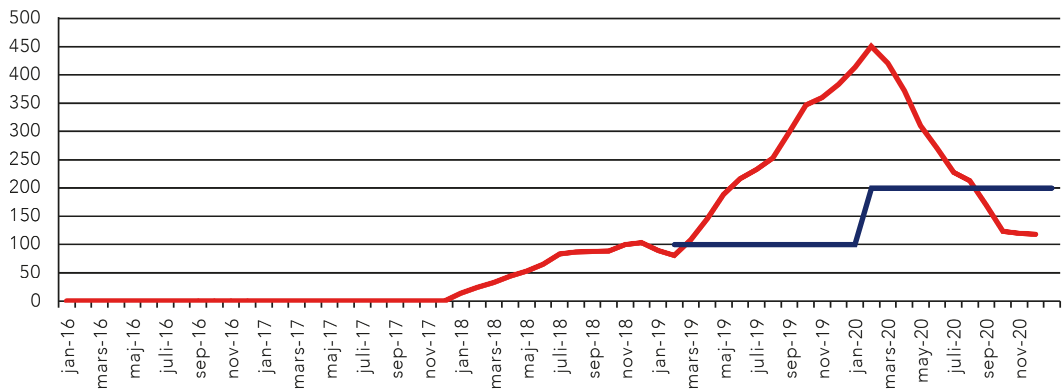
Target: 2016: 3,00 2017: 2,50 2018: 2,50 2019: 2,25 2020: 2,20
Floatel International TRIR 12 months rolling

Safety Observation Rate (SOR) 2016 – 2020:



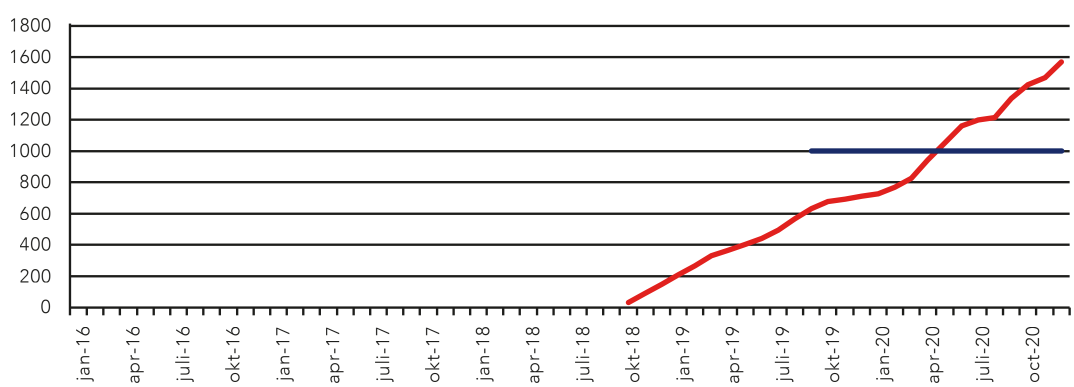
Target 2019: 1000 2020: 465
Floatel International SOR 12 months rolling

Management Visit Rate (MVR) 2016 – 2020:



Target 2019: 100 2020: 200
Floatel International MVR 12 months rolling

Toolbox Talk Rate (TBTR) 2016 – 2020:



Target 2020: 1000
Floatel International TBTR 12 months rolling (no data available before 2018)

FINANCIAL REVIEW

INCOME STATEMENT

The consolidated revenues for 2020 were USD 79.7 million (USD 159.1 million in 2019). 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 –69.2 million (USD –90.4 million). EBITDA for the year was USD 10.5 million (USD 68.8 million). Depreciation totalled USD –534.7 million (USD –92.0 million) and includes an impairment charge of USD –479.4 million (USD –30.3 million). The generated operating result was USD –524.2 million (USD –23.2 million).

Within the offshore accommodation market, we foresee weaker outlook than previously estimated. Management has therefore performed impairment assessments of its vessels in accordance with IFRS in connection with the preparation of this report as well as in connection with the Q2–2020 interim report as announced on July 30, 2020. As a result, aggregate impairment charges of USD –479.4 million were made in the accounts. Please refer to note 11 of the Consolidated Financial Statement for further information and assumptions for the assessment.

Net financial items were USD –82.4 million (USD –57.6 million), the increase is mainly due to expenses related to the ongoing restructuring. The net result for the period was USD –608.3 million (USD –88.9 million).

FINANCIAL POSITION

Total assets as of 31 December 2020 were USD 760 million (USD 1,312 million). Non-current assets totalled USD 678 million (USD 1,206 million) whilst net working capital totalled USD 1.8 million (USD 12.8 million). Trade receivables were USD 6.4 million (USD 6.8 million). The Group's cash and cash equivalents by the end of the period amounted to USD 36.7 million (USD 53.7 million).

The book equity at the end of the period totalled USD –153.3 million (USD 454.8 million). Total interest-bearing debt was USD 867.9 million (USD 813.4 million). In the reported total interest-bearing debt, prepaid borrowing expenses of USD 9.2 million are included. The expenses amortize over the life of the facilities. Net interest-bearing debt as of 31 December 2020 totalled USD 831.2 million (USD 759.7 million). This results in a debt (gross interest bearing) / equity ratio of –5.7 times (1.8) and an equity ratio (total assets) of –20% (35%).

Please refer to Financing, Liquidity and Going Concern regarding the Group's financial situation.

ORDER BOOK

The total contract order book for the company as of 31 December 2020 was approximately USD 78 million plus options of USD 51 million. The order book as of 31 December 2019 was approximately USD 89 million plus options of USD 40 million.

FINANCING, LIQUIDITY AND GOING CONCERN

The accounts are prepared on the assumption of a going concern. The Company underwent a comprehensive balance sheet restructuring during the year which was successfully completed on March 24, 2021. After ongoing constructive discussions with its key secured creditors during 2020 and 2021 it secured a fully consensual deal among all key stakeholders, including shareholders, bondholders, and bank lenders.

This was done after the Company announced on February 19, 2020 that the Company's and the Group's financial situation was unsustainable due to liquidity pressures. It was further announced on April 14, 2020 that the Company has stopped payment of amortisation, interest and commitment fees under its credit facilities and bond issuances. The announcements where repeated in the financial statements for 2019 published on April 27, 2020 and in the interim report on August 25, 2020. The Company and certain of its subsidiaries filed on December 16, 2020 petitions to be wound up. The Company did not publish interim reports for Q3-2020 and Q4-2020 as the Company was in default under its credit facilities and going concern was not certain.

The completed comprehensive balance sheet restructuring and withdrawn petitions to be wound up, which includes an enhanced liquidity position with a new USD 100 million Revolving Credit Facility and reducing its debt service means that there is no longer a material uncertainty to whether the Company will be able to service its secured financial liabilities and net working capital requirements for the coming 12 months.

The effects of COVID-19, oil price development and other macroeconomic factors resulted in a dramatic impact on the global macro economy, oil demand and consequently capital markets during 2020. This resulted in many oil and gas companies announcing cuts in 2020 capital expenditure and created near term uncertainties, which increased the uncertainty within the accommodation market and for the oil services market in general.

The situation has stabilised because of agreed oil production cuts and the development of vaccines, although demand has recovered at a slower pace than initially expected due to suspension of several projects to a later date. COVID-19 is not expected to result in material uncertainty to be able to operate as going concern.

The Group's term credit facilities where refinanced in October 2018 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 and maturities were extended to 2023/2024. The bonds were listed with Oslo Bors on Nordic ABM Oslo on February 4, 2019. (FLOAT02 PRO, FLOAT03 PRO). The revolving credit facilities were cancelled on December 16, 2020.

The Company has been in default under its secured credit facilities since April 2020 and has since then suspended all amortisation, interest, and commitment fee payments.

As of December 31, 2020, the total outstanding interest-bearing debt, excluding prepaid borrowing cost and accrued interest, of the Group amounts therefore to USD 877.1 million (825.5) and includes apart from the above facilities, due but unpaid scheduled amortization and interest well as a USD 244 million shareholder loan to Keppel FELS Limited. The outstanding interest-bearing debt is reported as short-term as they are repayable on demand since the Company was in default under its credit facilities on December 31, 2020.

For more details, see note 15.

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 2,772,784 were subscribed for 31 December 2020. The warrants have an exercise price of USD 2.60/share and expires November 2022.

The principal shareholders are Keppel Group through FELS offshore Pte Ltd. with 49.9% and Oaktree Capital Management through OCM Wonder PF/FF Holding PT, Ltd. with 42.6%. Peter Jacobsson holds 7.2% of the common shares and several private investors hold remaining shares.

No dividends have been paid during the year or in recent years nor expected to be paid in the foreseeable future given ongoing comprehensive balance sheet restructuring and expected liquidity going forward.

The 2020 Annual General Shareholders Meeting was held at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda on June 5, 2020 at 09:00 am. The 2021 Annual General Shareholders Meeting will be held at the Company's registered address Victoria Place 5th floor, 31 Victoria Street, Hamilton HM10, Bermuda on June 3, 2021.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Financial situation

The Company underwent a comprehensive balance sheet restructuring during the year 2020 which was successfully completed on March 24, 2021 and secured a fully consensual deal among all key stakeholders, including shareholders, bondholders, and bank lenders. The Group has retained its fleet of five operating vessels while substantially reducing its debt by USD 610 million.

The Group has also enhanced its liquidity position by securing a new USD 100 million Revolving Credit Facility and reducing its debt service. The Company is exiting its restructuring process well positioned to tender for new business as the market recovers, thanks to its significantly deleveraged and well-capitalized balance sheet, and with the continued support of its stakeholders and existing senior leadership.

For more details on the restructuring, the new credit facilities, and ownership, see note 22.

Operations

The Company announced on January 10, 2021 that the Group has been awarded three contracts on the Norwegian continental shelf. One will start in June 2021 for Vår Energi for a period of three months plus options thereafter with Floatel Superior being the nominated vessel.

It was announced in the same press release that the Group have been awarded two contracts with Equinor for execution in 2022. One for Breidablikk with a start date in April 2022 for a period of four to six months and the second Equinor contract for Johan Sverdrup Phase II, also starting around April 2022 for a period of five to eight months.

At the end of March 2021, the Company reported that the Floatel Endurance's contract at Equinor's Martin Linge field has been extended to 29 June 2021. The Group has granted Equinor further options thereafter.

ANNUAL RESULT AND DISBURSEMENTS

The following profit in Floatel International Ltd is at the disposal of the Annual General Meeting (USD thousands):

	2020
Retained earnings	–216 236
Net loss for the year	**–336 794**
	–553 030

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

Hamilton April 29, 2021

Marlin Khiew
Chairman

Wayne Porritt

Soon Wee Lee

Paul Aronzon

Peter Jacobsson

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 2020. The consolidated financial statements and the parent company financial statements are included on pages 20–52 in this document.

In our opinion, the 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, 2020, 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.

Other Information than the annual accounts and consolidated accounts

The Board of Directors and the CEO are responsible for the other information. The other information comprises the Directors report on pages 5–17. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of The Board of Directors and the CEO for the consolidated financial statements and the parent company financial statements

The Board of Directors and the CEO are 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 the Board of Directors and the CEO determine 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, the Board of Directors and the CEO are responsible for assessing the Group's ability to continue as a going concern and using going concern basis of accounting unless the Board of Directors and the CEO either intend 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 scepticism 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 the Board of Directors and the CEO.
- Conclude on the appropriateness of The Board of Directors' and the CEO'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, 29 April, 2021
PricewaterhouseCoopers AB

Johan Malmqvist
Authorized Public Accountant
Auditor in charge

Consolidated Financial Statements of Floatel International Group 2020

CONSOLIDATED INCOME STATEMENT

All numbers in USD thousands except per share data

1 JANUARI–31 DECEMBER	Notes	2020	2019
Revenue	5	79 673	159 112
Cost of providing services	6,7	–591 791	–168 300
Gross profit(+)/loss (–)		**–512 118**	**–9 188**
Administrative expenses	7	–12 113	–14 018
Other gains / losses – net		0	0
Operating profit(+)/loss(–)		**–524 231**	**–23 206**
Finance income	8	193	2 171
Finance cost	8	–82 624	–59 728
Finance costs – net		**–82 431**	**–57 557**
Profit(+)/loss(–) before income tax		**–606 662**	**–80 763**
Income tax expense	9	–1 626	–8 095
Profit(+)/loss(–) for the period		**–608 288**	**–88 858**
Profit(+)/loss(–) attributable to owners of Floatel International Ltd		–608 288	–88 858
Earnings per share, basic (USD)	10	–5,70	–0,85
Earnings per share, diluted (USD)	10	–5,70	–0,85

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

All numbers in USD thousands

1 JANUARI–31 DECEMBER	Notes	2020	2019
Net profit(+)/loss(–)		**–608 288**	**–88 858**
Items that are or may be reclassified as profit or loss			
Foreign currency translations – foreign operations		1 002	–637
Income tax relating to these items		0	0
Other comprehensive income		**1 002**	**–637**
Total comprehensive income		**–607 286**	**–89 495**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All numbers in USD thousands

1 JANUARI–31 DECEMBER	Notes	2020	2019
Assets			
Non-current assets			
Property, plant and equipment	11.1	673 430	1 202 963
Right-of-use assets	11.2	1 476	607
Intangible assets	11.3	2 540	2 131
Deferred tax assets	9	68	56
		677 514	**1 205 757**
Current assets			
Inventory		23 004	23 972
Trade receivables	12	6 425	6 772
Income tax receivables	9	2 024	2 335
Other current receivables	13	14 634	19 049
Cash and cash equivalents		36 662	53 733
		82 749	**105 861**
Total Assets		**760 263**	**1 311 618**
Equity and liabilities			
Equity			
Share capital	14	2 144	2 144
Additional Paid in capital		325 568	325 563
Other reserves		2 241	1 244
Retained earnings incl. Profit/Loss of the year		–483 293	125 806
Total equity		**–153 340**	**454 757**
Liabilities			
Non-current liabilities			
Interest-bearing debt	15	0	787 385
Other long term liabilities		972	188
Total non-current liabilities		**972**	**787 573**
Current liabilities			
Trade payables		5 996	9 648
Current portion of interest-bearing debt	15	867 894	26 000
Income tax liabilities	9	2 438	6 328
Other current liabilities	17	36 303	27 312
Total current liabilities		**912 631**	**69 288**
Total Equity and Liabilities		**760 263**	**1 311 618**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All numbers in USD thousands

	Attributable to shareholders of the parent company				
	Share capital	Additional paid in capital	Other reserves	Retained earnings incl profit of the year	Total equity
Equity 2019-01-01	**2 144**	**325 563**	**1 881**	**217 604**	**547 192**
Total comprehensive income					
Net loss for the year	–	–	–	–88 858	–88 858
Other comprehensive income	–	–	–637		–637
Total comprehensive income			**–637**	**–88 858**	**–89 495**
Options proceeds	–	–	–	37	37
Merger expenses	–	–	–	–2 977	–2 977
Equity 2019-12-31	**2 144**	**325 563**	**1 244**	**125 806**	**454 757**
Net loss for the year	–	–	–	–608 288	–608 288
Other comprehensive income	–	5	997		1 002
Total comprehensive income	**–**	**5**	**997**	**–608 288**	**–607 286**
Merger expenses	–	–	–	–811	–811
Equity 2020-12-31	**2 144**	**325 568**	**2 241**	**–483 293**	**–153 340**

CONSOLIDATED STATEMENT OF CASH FLOWS

All numbers in USD thousands

1 JANUARI–31 DECEMBER	Notes	2020	2019
Cash flow from operating activities			
Operating result		–524 231	–23 206
Interest received		193	2 171
Interest paid		–1 771	–53 860
Income tax paid		–5 217	–7 317
Adjustment for depreciation and impairment	11	534 696	91 959
Adjustments for other non-cash related items		–440	1 979
Total cash flow from operations before changes in working capital		**3 230**	**11 726**
Changes in inventories		968	–390
Changes in trade receivables		347	16 894
Changes in trade payables		–5 115	–1 447
Other changes in working capital		7 966	7 527
Cash flow from operating activities		**7 396**	**34 310**
Cash flow from investing activities			
Payments for property, plant and equipment	11	–4 798	–9 177
Net cash flow from investing activities		**–4 798**	**–9 177**
Cash flow from financing activities			
Repayment of debt	15	0	–41 000
Other financial items paid		–17 215	–2 039
Payments related to owners		–811	–2 940
Net cash flow from financing activities		**–18 026**	**–45 979**
Cash flow for the year		**–15 428**	**–20 846**
Cash and cash equivalents, January 1		53 733	76 512
Currency effect on cash		–1 643	–1 933
Cash and cash equivalents, 31 December		**36 662**	**53 733**

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 Victoria Place 5th floor, 31 Victoria Street, Hamilton HM 10, 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 seven and a half year. 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 April 29, 2021.

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 accounts are prepared on the assumption of a going concern. The Company underwent a comprehensive balance sheet restructuring during the year which was successfully completed on March 24, 2021. After ongoing constructive discussions with its key secured creditors during 2020 and 2021 it secured a fully consensual deal among all key stakeholders, including shareholders, bondholders, and bank lenders.

The effects of COVID-19, oil price development and other macroeconomic factors resulted in a dramatic impact on the global macro economy, oil demand and consequently capital markets during 2020. This resulted in many oil and gas companies announcing cuts in 2020 capital expenditure and created near term uncertainties, which increased the uncertainty within the accommodation market and for the oil services market in general.

The situation has stabilised because of agreed oil production cuts and the development of vaccines, although demand has recovered at a slower pace than initially expected due to suspension of several projects to a later date. COVID-19 is not expected to result in material uncertainty and as a result the company has prepared its financial statements on a going concern basis. 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 2020
Several new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020. None of these has had a significant effect on the consolidated financial statements of the Group.

(b) New accounting principles for 2021 and later not yet adopted
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 December 31,2020. 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 income statement
- Reclassifies the parent's share of components previously recognized in other comprehensive income to income statement 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 income statement. 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, with useful life for different components:

- Superstructure, 30 years (previously 35 years)
- Living Quarter (exterior), 16 years (previously 25 years)
- Living Quarter (interior), 10 years
- IT related equipment, 5 years
- Periodic maintenance, 5 years

Other equipment:

- Other equipment, 3-5 years
- Right of use assets, remaining contract time

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 tests of each of its vessels in connection with the preparation of this report as well as in connection with the Q2-2020 interim report as announced on July 30,2020 according to IAS 36. The tests have 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 tests concluded in aggregate impairment losses of USD 479.4 million (USD 30.3 million) for the vessels. For further details regarding impairments tests see note 11.

2.7 FINANCIAL ASSETS

Floatel's financial assets are classified in two categories and are based on the Group's 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 income statement (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 income statement (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 income statement.

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 income statement
Assets that do not meet the criteria for amortised cost are measured at fair value through income statement. A gain or loss on an investment that is subsequently measured at fair value through income statement is recognized in income statement and presented net within other gains/(losses) in the period in which it arises. Dividend income from financial assets at fair value through income statement 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 income statement 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 income statement as derivatives are mainly used in economic hedges where the changes in fair value are taken directly through income statement.

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 net finance costs.

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 include 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 income statement 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 based on 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 based on 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 realised 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 compensations are in place. Key employees have been in the past been offered to purchase warrants at fair market value.

(c) Bonus plans
The Group typically has bonus schemes for executives, managers and employees which normally are based on the Groups operating profit and management objectives. A liability and an expens are 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. No bonus schemes were in place for 2020 due to the Group's financial difficulties.

2.17 PROVISIONS

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

- the Group has a present legal or constructive obligation because of past events;
- 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 several 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. Mobilisation revenue

Mobilisation 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 mobilisation revenue is normally not a distinct performance obligation in itself. Instead, the performance obligation related to mobilisation 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.

(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 PHASING OF MOBILISATION ACTIVITIES

The Group has assessed that the costs to perform mobilisation activities are costs that has incurred in fulfilling a contract with the customer. These costs relate 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.

2.20 LEASES

The Group's leases mainly comprise the right-of-use regarding premises. The leases are recognised as a right-of-use asset with a corresponding lease liability when the leased asset is available for use by the Group. Short-term leases and leases for which the underlying asset is of low value are exempted.

Each lease payment should be divided between amortisation of the lease liability and a financial cost. The financial cost should be allocated over the lease term, so that each reporting period is charged with an amount corresponding to a fixed interest rate for the liability recognised under each period. The lease term is determined as the non-cancellable period of the lease.

The Group's lease liabilities are recognised at the present value of the Group's fixed lease payments (including in-substance fixed lease payments). Purchase options are included if it is reasonably certain that the Group will exercise the option to acquire the underlying asset. Penalties for terminating the lease are included if the lease term reflects that the lessee will exercise an option to cancel the lease. Lease payments are discounted with the interest rate implicit in the lease, if this rate can easily be determined. Otherwise, the Group's incremental borrowing rate is applied.

The Group's right-of-use assets are recognised at cost, and include initial present value of the lease liability, adjusted for lease payment made at or before the commencement date and any initial direct expenses. Restoration costs are included in the asset if a corresponding provision for restoration costs exists. The right-of-use asset is depreciated on a straight-line basis over the asset's useful life and the lease term, whichever is the shortest.

2.21 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.

Costs related to the intended not fulfilled merger with Prosafe SE are recognized as a cost related to the shareholders and booked directly to equity.

2.22 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 to the extent relevant 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. Most 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 based on 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 on the country of operations and the nationality of the crew, the operating expenditures are mainly denominated in GBP, NOK, SEK, and USD. AUD is a main expenses currency in years when a vessel operates in Australian waters. Capital expenditures are mainly denominated in EUR, NOK, SEK, SGD, and USD. Tax liabilities largely consist of AUD, BRL, EUR, GBP, NOK, and SEK. Cash and cash equivalents are mainly denominated in USD.

Net currency exposure as of December 31, 2020, major local currency, thousands

	Local Currency	USD	Closing rate
AUD	666	509	0,7650
BRL	4 275	820	0,1919
EUR	–203	–248	1,2258
GBP	–4	–6	1,3540
NOK	19 197	2 238	0,1166
SEK	–21 492	–2 624	0,1221
SGD	–145	–109	0,7546

The Group typically hedge at least 75% of the operating expenditures in other currencies than USD using derivative instruments. Material capital expenditures including special periodic surveys are hedged independent of the time horizon. The Group deviated from its principles during 2020 due to its financial difficulties with outstanding default under its credit facilities preventing the Group from entering into derivatives contracts.

Fair value of forward exchange contracts is 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 December 31, 2020 there are no interest rate derivatives agreements since USD 764.5 million out of USD 877.1 million carries fixed interest rates. The Group's risk related to interest rate risk is therefore considered to be limited. The below table demonstrates the sensitivity to change in interest rates, with all other variables unchanged, of the Group´s result before tax (Loan amount as of December 31, 2020):

Loan (USD 1.000)	Interest rate basis points –/+*	Effect on profit before tax (USD 1.000)
877 083	–200	–175
877 083	–150	–175
877 083	–100	–175
877 083	100	1 141
877 083	150	1 712
877 083	200	2 283

* *If Libor is negative then Libor is set equal to 0% as per the terms of relevant credit facilities.*

(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 'BBB+' are accepted. If there is no independent rating, management assesses the credit quality of the client, considering its financial position, experience, and other factors. The maximum exposure to credit risk on cash and cash equivalents (ignoring collateral and credit quality) on December 31, 2020 was USD 36.7 million (53.7). On December 31, 2020 most of the current accounts were held with SEB.

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 contracted termination payment 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.

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.

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 the 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 based on 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. Please refer to note 2.1 basis for preparation for information regarding the Group's liquidity and financial situation and prospects.

3.2 CAPITAL RISK MANAGEMENT

The Group's objectives are to always ensure a sound financial position. 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. The Company is at year-end in default under its credit facilities. Please refer to note 2.1 basis for preparation for information regarding the Group's liquidity and financial situation and prospects.

To maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No dividends have been paid during the year and is not expected to be paid in the foreseeable future. See share /shareholder information and dividend policy in the Directors' report for further details about the capital structure.

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

	2020	2019
Revenue		
Charter revenues	64 288	124 922
Catering and rechargeble expenses	13 745	28 535
Other	81	1 197
Mobilisation/demobilisation fees	1 559	4 458
	79 673	**159 112**
Revenues by geographical location:		
Europe	77 226	140 041
Asia-Pacific	2 447	19 071
	79 673	**159 112**

6 COST OF PROVIDING SERVICES

	2020	2019
Cost of sales		
Repair and maintenance	–11 198	–13 769
Depreciation of vessels	–54 024	–60 361
Impairment	–479 389	–30 300
Crew cost	–25 779	–30 242
Rechargeble and catering expenses	–13 635	–25 711
Mobilisation/demobilisation expenses	–6 419	–5 793
Other operating expenses	–1 347	–2 124
	–591 791	**–168 300**

7 EMPLOYMENT BENEFIT EXPENSES

	2020	2019
Salaries and wages	–18 349	–21 945
Statutory and contractual social security contributions	–2 948	–3 243
Defined contribution plan	–2 451	–3 983
Total employee benefits	**–23 748**	**–29 171**

2020 MANAGEMENT	SALARY	BONUS	DEFINED CONTRIBUTION PENSION PLAN	TOTAL REMUNERATION
Peter Jacobsson (CEO)	323	0	117	440
Tomas Hjelmstierna (CFO)	258	0	86	344
Per Marzelius (COO)	175	0	70	245
Total remuneration	756	0	**273**	**1 029**

2019 MANAGEMENT	SALARY	BONUS	DEFINED CONTRIBUTION PENSION PLAN	TOTAL REMUNERATION
Peter Jacobsson (CEO)	291	107	125	523
Tomas Hjelmstierna (CFO)	211	71	116	398
Per Marzelius (COO)	165	46	66	277
Total remuneration	667	224	**307**	**1 198**

Compensation to Board of Directors amount to 269 (0) USD thousands. 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 in the past purchased warrants at fair market value. In 2018 the Company sold 874,100 warrants to management at market price. Price paid was the market price calculated according to Black & Scholes model and performed by an external valuation firm. In 2019 the company repurchased 60 000 warrants at market price from managers in connection with them leaving the Company and sold 438 664 warrants to management at market price. The warrants, whereby 2,772,784 (2,772,784) are subscribed for at year-end, mature in 2022. Exercise price is 2.60.

8 FINANCIAL INCOME AND EXPENSES

	2020	2019
Financial income		
Interest	193	2 171
Total financial income	**193**	**2 171**
Financial cost		
Currency gain/loss	–1 627	–880
Interest cost	–56 666	–54 405
Borrowing expenses	–24 331	–4 443
Total financial expenses	**–82 624**	**–59 728**

9 TAXES	2020	2019
Result before tax	–606 662	–80 763
Tax calculated at domestic tax rates appl to resp country	298	–9 104
Tax effect of:		
Expenses not deductable for tax	31	–20
Not balanced tax losses	–1 682	–241
Tax related to previous years	–273	1 270
Tax cost for the year	**–1 626**	**–8 095**
Effective tax rate	n/a	n/a
Tax reconciliation per country		
Swedish corporation tax	–94	–587
Norwegian corporation tax	–936	–5 942
Netherlands corporation tax	–311	–1 241
UK corporation tax	0	–1 406
Singapore corporation tax	–12	–45
Australian corporation tax	0	–144
Adj. in respect of current tax previous years	–273	1 270
	–1 626	**–8 095**

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 2 438 USD thousands (6 328) and mainly relates to Norway and the Netherlands. The balanced amount for income tax receivable amount to 2 024 USD thousands (2 335) and mainly relates to Norway and Sweden.

10 EARNINGS PER SHARE	2020	2019
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	–608 288	–88 858
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)	–5,70	–0,85
Earnings per common share, diluted (USD)	–5,70	–0,85

11.1 PROPERTY, PLANT AND EQUIPMENT

	2020	2019
Vessel incl. vessel upgrade		
Opening acquisition costs, January 1	1 627 319	1 625 483
Purchases during the year	4 192	8 288
Disposal	–10 416	–6 452
Closing acquisition costs, December 31	1 621 095	1 627 319
Accumulated depreciation, January 1	–360 443	–306 274
Disposal	10 416	6 192
Depreciation for the year	–54 024	–60 361
Closing accumulated depreciation, December 31	–404 051	–360 443
Accumulated impairment, January 1	–64 436	–34 136
Impairment loss for the year	–479 389	–30 300
Closing accumulated impairment, December 31	–543 825	–64 436
Net book value as per 31 December	**673 219**	**1 202 440**
Other equipment		
Opening acquisition costs, January 1	1 863	2 280
Translation difference	246	–417
Disposal	–4	0
Closing acquisition costs, December 31	2 105	1 863
Accumulated depreciation, January 1	–1 340	–1 132
Translation difference	–214	148
Depreciation for the year	–340	–356
Closing accumulated depreciation, December 31	–1 894	–1 340
Net book value as per 31 December	**211**	**523**
Total book value Property, plant and equipment	**673 430**	**1 202 963**

Within the offshore accommodation market, we foresee weaker outlook than previously estimated. Management has therefore performed impairment assessments of its vessels in accordance with IFRS (see 2.6) in connection with the preparation of these consolidated financial statements. An interim impairment assessment was conducted in connection with the independent business plan review as announced on July 30,2020 and was recorded in the Q2-2020 interim report.

Each vessel is a cash generating unit. As a result, aggregate impairment charges of total USD 479.4 million (USD 30.3 million in 2019) were recorded in these consolidated financial statements with an interim impairment charge taken in the Q2-2020 interim report.

The recoverable amounts have been identified by calculating the valuation-in-use (ViU). Impairments have been made in the accounts for vessels with ViU less than their net book value. The ViU calculations are based on a long-term forecast until the end of each vessel´s useful life. The main assumptions used in the computations are charter rates, utilisation, operating expenses, and capital expenditures.

The present value of the estimated cash flows from the cash-generating units is based on the following inputs:

- Utilisation – Utilisation subject to upgrade capital expenditure and related yard stay is estimated to 65% from 2025.

- The revenues until 2024 are based on current contracts and estimated new contracts reflecting present market conditions for each vessel and has been updated to reflect estimated consequences from the Coronavirus pandemic and expected oil price development. Assumptions reflect gradual improvement and return to stabilised market conditions from year 2025 and onwards, which in the light of the independent review announced on July 30, 2020 have been adjusted downward compared with the assessment made for the 2019 financial statements
- Operating expenses reflect present market conditions and capital expenditure is based on special periodic survey, thruster overhaul and current activity plans and expected mid-life upgrade/refurbishment of each vessel as well as normal maintenance expenditure.
- 10.5% (10.5% in 2019) discount rate equal to weighted average cost of capital (WACC), and approximately 2% long-term growth rate (inflation).

Sensitivity

- A 1.0% decrease in the discount rate would lead to USD 52 million increase of the ViU and a 1.0% increase would lead to USD 55 million decrease in ViU.
- A 10% decrease in the long-term utilization from 65% to 55% would lead to a decrease of the ViU with USD 122 million whilst a change with 10% of the long-term day rates would lead to a change of the ViU with USD 145 million.

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

All Vessels are registered in Bermuda. The vessels are security for credit facilities, se note 19.

11.2 RIGHT-OF-USE ASSETS	2020	2019
Opening acquisition costs, January 1	1 035	1 076
Translation difference	143	–41
Purchases during the year	1 512	0
Disposal	–1 178	0
Closing acquisition costs, December 31	1 512	1 035
Accumulated depreciation, January 1	–428	0
Translation difference	–106	8
Disposal	934	0
Depreciation for the year	–436	–436
Closing accumulated depreciation, December 31	–36	–428
Net book value as per 31 December	**1 476**	**607**

11.3 INTANGIBLE ASSETS	2020	2019
Opening acquisition costs, January 1	3 356	2 581
Translation difference	534	–114
Purchases during the year	610	889
Closing acquisition costs, December 31	4 500	3 356
Accumulated depreciation, January 1	–1 225	–757
Translation difference	–228	38
Depreciation for the year	–507	–506
Closing accumulated depreciation, December 31	–1 960	–1 225
Net book value as per 31 December	**2 540**	**2 131**

12 TRADE RECEIVABLES	NEITHER PAST DUE NOR IMPAIRED	< 30 DAYS	30–60 DAYS	> 60 DAYS
2020	6 425	0	0	0
2019	6 772	0	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	2020	2019
Other current receivables		
Accrued income	6 630	7 117
Prepaid expenses	2 057	2 312
Capitalized mobilisation cost	389	1 599
Other current receivables	5 558	8 021
	14 634	**19 049**

Accrued income relates to Contract assets and consist of; charter revenues 4,364 (5,735), Mobilization revenue 1,127 (0) and catering and rechargeable income 1,139 (1,382).

14 CAPITAL AND RESERVES

Share capital

The Company's shares are preferred shares and common shares. Common shares rank equally regarding 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 regarding 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	2020	2019
Authorized		
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
Issued and fully paid		
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

The principal shareholders as of December 31, 2020 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%. Peter Jacobsson holds 7.2% of the common shares and several private investors hold remaining shares.

15 INTEREST-BEARING DEBT

15 INTEREST-BEARING DEBT	2020	2019
Bond First lien	436 000	400 000
Bond Second lien	84 562	75 000
Bank Vessel facility	112 564	109 000
Keppel loan	243 956	241 500
Less borrowing expenses	–9 188	–12 115
	867 894	**813 385**
The long-term debt is repayable as follows:		
Within one year	877 082	26 000
Between one and two years	0	21 000
Between two and five years	0	537 000
After five years	0	241 500
	877 082	**825 500**

The company is as of December 31, 2020 in default under its credit facilities and has stopped payment of amortization, interest, and commitments fees. The credit facilities are under the circumstances repayable on demand and therefore presented as payable within one year.

There were on December 31, 2020 ongoing negotiations with key stakeholders including the secured creditors which resulted in a comprehensive balance sheet restructuring completed and announced on March 24, 2021. For further information see note 22.

GROUP FINANCING

In October 2018, Floatel Group refinanced and replaced the TLB loan (Term loan B) and New Vessel Facility. The loan portfolio consists of one bank loan, Bank Vessel Facility, originally maturing in September 2023, First and Second Lien Bond Issuances maturing in April 2024. All three facilities are now repayable on demand.

The two Revolving Credit Facilities which in October 2018 replaced the previous Revolving Credit Facility originally matured in September 2023, were cancelled on December 16, 2020.

The Keppel loan (subordinated debt) had an original maturity date in December 2025, but the loan is now payable on demand subject to senior financing first being repaid in full.

First Lien Bond Issuance (ISIN NO 001 0833775)
USD 436 million outstanding as of December 31, 2020. Amount includes due but unpaid interest. Interest is due bi-annually with USD 18 million (9.0%). Collateral vessels are on first ranking basis Floatel Superior, Floatel Reliance, Floatel Victory and Floatel Triumph. Regarding mortgages and guarantees see note 19.

Second Lien Bond Issuance (ISIN NO 001 0833783)
USD 84.6 million as of December 31, 2020. Amount includes due but unpaid interest. Interest is due bi-annually with USD 9.6 million (12.75%). Collateral vessels are on a second ranking basis Floatel Superior, Floatel Reliance, Floatel Victory and Floatel Triumph. Regarding mortgages and guarantees see note 19.

Bank Vessel Facility (BVF)
The USD 112.6 million (USD 109 million) BVF, amount include due but unpaid interest, shall according to its terms be repaid in USD 5.25 million quarterly instalments with an additional USD 5 million due on the first five quarterly instalments (until January 2020). No amortisations have been paid during 2020. Interest rate is Libor +3.25%. Collateral vessel for the BVF is Floatel Endurance. Regarding mortgages and guarantees see note 19.

Keppel loan
The Keppel loan of USD 243.9 million (USD 241.5 million) is a subordinated shareholder loan. Accrued interest is capitalized on an annual basis. The rate is 2% and may subject to certain conditions either decrease or increase.

Revolving Credit Facilities
The bank Revolving Credit Facilities were multicurrency facilities available for general corporate purposes 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. The Revolving Credit Facilities were undrawn until they were cancelled by the Company on December 16, 2020 as part of the balance sheet restructuring.

FINANCIAL COVENANTS

The Company was in breach of its financial covenants and in default under the credit facilities as of December 31, 2020. Financial covenants are normally tested quarterly and applies to all secured credit facilities (not applicable to the Keppel Loan):

- Minimum liquidity: USD 50 million
  (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 (tested semi-annually);
  - 1.3:1 for First Lien based on outstanding First Lien bond amount and fair market value of Bond Collateral Vessels
  - 1.25:1 for the BVF on outstanding BVF amount and fair market value of Floatel Endurance

The BVF has from December 31, 2020 an additional covenant:

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

16 FINANCIAL INSTRUMENTS

The following information is presented 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 31 December 2020	FAIR VALUE THROUGH INCOME STATEMENT	AT AMORTISED COST	TOTAL
Financial assets			
Trade receivables	0	6 425	6 425
Other current receivables	0	11 061	11 061
Cash and cash equivalents	0	36 662	36 662
Total financial assets	**0**	**54 148**	**54 148**
Financial liabilities			
Trade payables	0	5 996	5 996
Current portion of interest-bearing debt	0	867 894	867 894
Other current liabilities	0	0	0
Interest-bearing debt	0	0	0
Net book value as per 31 December 2020	**0**	**873 890**	**873 890**

Classification of financial assets and liabilities as of 31 December 2019			
Financial assets			
Trade receivables	0	6 772	6 772
Other current receivables	72	15 066	15 138
Cash and cash equivalents	0	53 733	53 733
Total financial assets	**72**	**75 571**	**75 643**
Financial liabilities			
Trade payables	0	9 648	9 648
Current portion of interest-bearing debt	0	26 000	26 000
Other current liabilities	0	0	0
Interest-bearing debt	0	787 385	787 385
Net book value as per 31 December 2019	**0**	**823 033**	**823 033**

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 2020	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Fair value currency forwards	0	0	0	0
Fair value interest rate swap	0	0	0	0
Total financial assets	0	**0**	**0**	**0**
Fair value currency forwards	0	0	0	0
Fair value prepaid CAP	0	0	0	0
Total financial liabilities	**0**	**0**	**0**	**0**

31 DECEMBER 2019	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Fair value currency forwards	72	0	72	0
Fair value interest rate swap	0	0	0	0
Total financial assets	72	**0**	**72**	**0**
Fair value currency forwards	0	0	0	0
Fair value prepaid CAP	0	0	0	0
Total financial liabilities	**0**	**0**	**0**	**0**

17 OTHER CURRENT LIABILITIES

	2020	2019
Deferred income	1 500	32
Accrued interest	14 858	11 584
Debt related to leasing	508	438
Accrued personel cost	7 061	4 086
Accrued mobilization cost	1 812	1 812
Other current liabilities	10 564	9 360
	36 303	**27 312**

Deferred income refer to contract liabilities and consist of prepaid charter revenues 1 500 (0), Mobilization revenue 0 (32) and catering and rechargeable income 0 (0).

18 RELATED PARTY TRANSACTIONS

During the year 2020 the Group has, in the ordinary course of business on arm's length basis, sold services for USD 0 (0) million and purchased for USD 0 (5) million from the Keppel Group. Keppel Offshore Pte Limited, which is part of the Keppel Group, own 49.9 % of the Company.

The Keppel group provided a loan of USD 244 million. Interest is capitalized annually in October each year. See note 15. Accrued interest cost on this loan amount to USD 0 (0.8) million.

19 MORTGAGES AND GUARANTEES

As of December 31, 2020, the Group's total interest-bearing debt secured by mortgages amounted to USD 633 million (USD 584 million). The secured credit facilities were 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 673.2 million (USD 1,202.4 million). In addition, USD 36.7 million (USD 53.7 million) cash was pledged on behalf of the secured creditors.

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

As of December 31, 2020 and 2019, the Group has no performance guarantees for client contracts.

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 as well as disputes and litigations in the ordinary course of business in countries where the group operates. There are ongoing investigations/legal processes in the group and the risks have individually been reported as a contingent liability or provision to the extent required but no cases are deemed material to be disclosed separately.

21 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.

22 EVENTS AFTER THE BALANCE SHEET DATE

Financial situation – Completed restructuring

The Company announced on March 24, 2021 that it and the Group have successfully completed its comprehensive balance sheet restructuring, securing a fully consensual deal among all key stakeholders, including shareholders, First Lien Bondholders, Second Lien Bondholders and the Bank Vessel Facility lenders. The Group has retained its existing fleet of five operating vessels while substantially reducing its debt by USD 610 million.

The Group enhanced its liquidity position by securing a new USD 100 million revolving credit facility and reducing its debt service. The Company is exiting its restructuring process well positioned to tender for new business as the market recovers, thanks to its significantly deleveraged and well-capitalized balance sheet.

The comprehensive balance sheet restructuring covers all credit facilities and includes the following main components (see below for information on each new instrument)

- First Lien Bonds converted into two new USD 115 million bonds issuances, both partly repaid so USD 100 million outstanding under each, as well as 40.1% of the Company's common shares.
- Second Lien Bonds exchanged for 10-year warrants which will convert into 12% of the equity with a strike price based on USD 424 million equity value.
- Bank Vessel Facility cancelled for USD 46 million settlement whereby the Group retained Floatel Endurance and cash in blocked bank accounts.
- Keppel loan fully forgiven, and Keppel retain 49.9% of the Company's common shares in return for providing credit support for the new revolving credit facility.
- Other shareholders exchanged their shares for 10-year warrants which will convert into 5% of the equity with a strike price based on USD 625 million equity value.
- Existing preference shares and warrants repurchased on their respective terms.
- An investment company, Floatel Interessenter AS, own by management subscribed for 10% of Company's common shares as part of a new incentive program.

Restructuring effects
The effect to the income statement related forgiveness of indebtedness and accrued interest net of Q1-2021 advisory fees amount to USD 581.9 million. The Group incurred, in addition to the financial effects, USD 4.1 million in administrative expenses related to the restructuring.

Equity was in addition increased from the subscription of shares by management's investment company and the First Lien Bond exchange as well the issuance of warrants.

EFFECT OF THE RESTRUCTURING IN Q1 2021	Equity effect
Effect to Profit and loss	
Forgivness of debt and interest net of Q1-2021 advisory fees	581 883
Restructuring related administrative expenses	–4 089
Effect on the Result in Q1-2021	**577 794**
Subscription for shares	23 612
Warrants	3112
Other effects on Equity	**26 724**
Total effect on Equity	**604 518**

New Interest-bearing debt
The Company's credit facilities consist after the restructuring of the following instruments

- 6% Senior Secured USD 115 million 1st Lien Cash Pay Bonds ("Cash Bonds") (ISIN NO 001 0950868) maturing 24 September 2026 and with USD 100 million outstanding.
- 10% Senior Secured USD 115,000,000 1st Lien PIK Pay Bonds ("PIK Bonds") (ISIN NO 001 0950884) maturing 24 September 2026 with USD 100 million outstanding.
- USD 100,000,000 super senior revolving credit facility ("RCF") maturing 24 March 2024 with interest rate of Libor + 7.25%

Each credit facility is repayable in full on the respective maturity date and has no scheduled amortisations. Each of the credit facilities has a minimum freed liquidity covenants from January 1, 2023 of USD 10,000,000 and increasing to USD 15,000,000 from January 1, 2024 and liquidity is defined as unrestricted cash of the Group plus any undrawn RCF commitments.

RCF was drawn with USD 95 million, and the Group has USD 32.7 million cash balance as of March 31, 2021. Recorded net debt as of March 2021 amounts to USD 259.1 million.

Equity, warrants and shareholders
The Company's capital structure consists after the restructuring of the following instruments
- 107 165 289 common shares with nominal value USD 0.02 all carrying one vote each.
- 14 613 449 warrants with strike price USD 3.96 expiring March 24, 2031.
- 6 409 407 warrants with strike price USD 5.13 expiring March 24, 2031

Shareholders as of April 29, 2021 are:

SHAREHOLDERS (COMMON SHARES)	# OF SHARES	% OF SHARES
FELS Offshore Pte Ltd	53 501 857	49,92%
Euroclear Bank S.A./N.V. (Nominee)	37 692 095	35,17%
Floatel Interessenter AS	10 715 542	10,00%
CLEARSTREAM BANKING S.A. (Nominee)	4 445 993	4,15%
Others	809 802	0,76%
Total	**107 165 289**	**100,00%**

Operations

The Company announced on January 10, 2021 that the Group has been awarded three contracts on the Norwegian continental shelf. One will commence in June 2021 for Vår Energi for a period of three months plus options thereafter with Floatel Superior being the nominated vessel.

It was announced in the same press release that the Group has been awarded two contracts with Equinor for execution in 2022. One for Breidablikk with a start date in April 2022 for a period of four to six months and the second Equinor contract for Johan Sverdrup Phase II, with a start date around April 2022 for a period of five to eight months.

As at the end of March 2021 the Company reported that the Floatel Endurance's contract at Equinor's Martin Linge field has been extended to 29 June 2021. The Group has granted Equinor further options thereafter.

Financial Statements of Floatel International Ltd 2020

INCOME STATEMENT

All numbers in USD thousands

1 JANUARI–31 DECEMBER	Notes	2020	2019
Revenues		0	0
Cost of providing services		0	0
Gross profit(+)/(–)		**0**	**0**
Administrative expenses		–2 332	–1 926
Other gains / losses – net		0	0
Operating loss		**–2 332**	**–1 926**
Result from group companies	5	–231 000	–21 000
Finance income	6	2 865	3 286
Finance cost	6	–106 327	–82 076
Finance costs – net		**–334 462**	**–99 790**
Loss before income tax		**–336 794**	**–101 716**
Income tax expense		0	0
Loss for the period		**–336 794**	**–101 716**
Loss attributable to owners of Floatel International Ltd		–336 794	–101 716

STATEMENT OF COMPREHENSIVE INCOME

All numbers in USD thousands

1 JANUARI–31 DECEMBER	Notes	2020	2019
Net loss		**–336 794**	**–101 716**
Other comprehensive income		0	0
Income tax related to these items		0	0
Comprehensive income / (loss)		**–336 794**	**–101 716**

STATEMENT OF FINANCIAL POSITION

All numbers in USD thousands

1 JANUARI–31 DECEMBER	Notes	2020	2019
Assets			
Non-current assets			
Participation in subsidiaries	7	1 095 185	1 326 185
		1 095 185	**1 326 185**
Current assets			
Other current receivables	8	1 909	327
Group receivables	10	51 233	35 073
Cash		8 382	52 532
		61 524	**87 932**
Total Assets		**1 156 709**	**1 414 117**
Equity and liabilities			
Equity			
Share capital		2 144	2 144
Additional Paid in capital		325 563	325 563
Retained earnings incl. Profit/loss of the year		–553 030	–215 425
Total equity		**–225 323**	**112 282**
Liabilities			
Non-current liabilities			
Interest-bearing debt	9	0	787 385
Loan from group companies	**10**	408 696	356 375
Total non-current liabilities		**408 696**	**1 143 760**
Current liabilities			
Current portion of interest-bearing debt	9	867 894	26 000
Trade payables		1 717	848
Group liabilities	10	86 024	118 912
Other current liabilities		17 701	12 315
Total current liabilities		**973 336**	**158 075**
Total Equity and Liabilities		**1 156 709**	**1 414 117**

STATEMENT OF CHANGES IN EQUITY

All numbers in USD thousands

Attributable to shareholders of the parent company	Share capital	Additional paid in capital	Retained earnings incl profit of the year	Total equity
Equity 2018-12-31	**2 144**	**325 563**	**–110 732**	**216 975**
Net income / (loss) for the year	–	–	–101 716	–101 716
Merger expenses	–	–	–2 977	–2 977
Equity 2019-12-31	**2 144**	**325 563**	**–215 425**	**112 282**
Net income / (loss) for the year	–	–	–336 794	–336 794
Merger expenses	–	–	–811	–811
Equity 2020-12-31	**2 144**	**325 563**	**–553 030**	**–225 323**

STATEMENT OF CASH FLOW

All numbers in USD thousands

1 JANUARI–31 DECEMBER	Notes	2020	2019
Cash flow from operating activities			
Operating result		–2 332	–1 926
Interest received		175	2 087
Interest paid		–1 718	–53 860
Total cash flow from operations before changes in working capital		**–3 875**	**–53 699**
Change in trade payables		–594	–400
Other changes in working capital		–2 221	32 588
Cash flow from operationg activities		**–6 690**	**–21 511**
Cash flow from investing activities			
Payment for financial assets	7	0	–29 000
Net cash flow from investing activities		**0**	**–29 000**
Cash flow from financing activities			
Merger cost		–811	–2 977
Intercompany loans		30 065	91 813
Repayment of debt	9	0	–41 000
Other financial items paid		–16 816	–2 332
Net cash flow from financing activities		**12 438**	**45 504**
Cash flow for the year		**5 748**	**–5 007**
Cash and cash equivalents, January 1		3 189	10 924
Currency effect on cash		–555	–2 728
Cash and cash equivalents, December 31		**8 382**	**3 189**

NOTES TO THE FINANCIAL STATEMENTS OF FLOATEL INTERNATIONAL LTD

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 April 29, 2021.

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

	2020	2019
Result from group companies		
Write-down of shares in subsidiares	–231 000	–21 000
	–231 000	**–21 000**

6 FINANCIAL INCOME AND EXPENSES

	2020	2019
Financial income		
Interest income	2 865	3 286
Gain on repurchase of loan	0	0
	2 865	**3 286**
Financial cost		
Interest expenses	–81 784	–74 895
Currency gain/ loss	–552	–2 728
Financial fees	–23 991	–4 453
	–106 327	**–82 076**

7 PARTICIPATION IN SUBSIDIARIES

	2020	2019
Opening balance	1 326 185	1 318 185
Bought shares	0	29 000
Write-down of shares in subsidiares	–231 000	–21 000
Closing balance	**1 095 185**	**1 326 185**

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	N.L	100
Floatel UK Contractor Ltd	500 821	Scotland	100
Floatel UK Ltd	488 695	Scotland	100
Floatel UK Partners Ltd	595 359	Scotland	100
Floatel Contractor B.V	50 181 041	N.L	100

COMPANY	EQUITY %	NO OF SHARES	BOOK VALUE	BOOK VALUE 19
Floatel Endurance Ltd	100	100	278 210	312 210
Floatel Reliance Ltd	100	100	13 808	115 308
Floatel Superior Ltd	100	100	252 000	252 000
Floatel Triumph Ltd	100	100	288 000	307 000
Floatel Victory Ltd	100	100	233 500	310 000
Floatel International AB	100	400 000	298	298
Floatel Service AB	100	100 000	235	235
Floatel Singapore Pte Ltd	100	100 000	77	77
Floatel Delaware LLC	100	None	0	0
Floatel Partners BV	100	18 000	20	20
Floatel UK Contractor Ltd	100	1	0	0
Floatel UK Ltd	100	1	37	37
Floatel UK Partners Ltd	100	1	0	0
Floatel Contractor B.V	100	18 000	29 000	29 000
			1 095 185	**1 326 185**

8 OTHER CURRENT RECEIVABLES

	2020	2019
Other current receivables	3	3
Deposits	1 789	0
Prepaid expenses	117	324
	1 909	**327**

9 INTEREST-BEARING DEBT

	2020	2019
Bond First lien	436 000	400 000
Bond Second lien	84 563	75 000
Bank Vessel facility	112 564	109 000
Keppel loan	243 956	241 500
Less borrowing expenses	–9 189	–12 115
	867 894	**813 385**

Regarding maturity dates see note 15 in consolidated financial statements.

10 INTRA-GROUP BALANCES

	2020	2019
Transactions with related parties		
Operating expenses	–1 243	–1 419
Interest income group	2 690	1 199
Interst expense group	–25 242	–20 562
Group receivables		
Accrued interest	0	1 199
Related to former cash-pool	51 233	33 874
	51 233	**35 073**
Group liabilties		
Accrued interest rate	–5 948	–6 695
Other accruals	138	
Short term debt related to aqusition	0	–29 000
Payables related to former cash-pool	–80 214	–83 217
	–86 024	**–118 912**
Loans and payables to group companies		
Trade payables	0	549
Loan from group companies	408 696	356 375
Receivables and payables related to cash-pool		
Total amount in group cash-pool	0	52 479
Group receivables	0	33 874
Group payables	0	–83 217
Companys part of cash-pool	**0**	**3 136**

11 MORTGAGES AND GUARANTEES

As of 31 December 2020, the Company's total interest-bearing debt secured by mortgages amounted to USD 633 million (USD 584 million). 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
- Floatel Contractor B.V

The book value of these subsidiaries was USD 1,095.2 million (USD 1,326.2 million). In addition, USD 8.3 million (USD 52.5 million) cash was pledged on behalf of the secured creditors. In line with industry practice, the Company has also guaranteed the performance under the charter contracts on behalf of its subsidiaries.

12 APPROPRIATION

The following profit in Floatel International is at the disposal on the annual General Meeting:

	2020
Retained earnings	–216 236
Net loss for the year	**–336 794**
	–553 030

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

FLOATEL INTERNATIONAL LTD
VICTORIA PLACE 5TH FLOOR
31 VICTORIA STREET
HAMILTON HM10
BERMUDA
Phone: +46(31) 352 07 00
Fax: +46(31) 352 07 01
www.floatel.bm