

## **PRESS RELEASE**

Bermuda, 5-December-2020

### **FLOATEL INTERNATIONAL LTD:**

#### **SIGNING OF LOCK-UP AGREEMENT BY KEY FINANCIAL STAKEHOLDERS IN SUPPORT OF A PROPOSED RESTRUCTURING**

The Company is the Issuer under the 9 % senior secured USD 400,000,000 1st Lien bonds 2018/2024 with ISIN NO001 0833775 (the "**1L Bonds**", their holders, the "**1L Bondholders**") and the 12.75 % USD75,000,000 2nd Lien bonds 2018/2024 with ISIN NO001 0833783 (the "**2L Bonds**", their holders, the "**2L Bondholders**"). The Company is also the borrower under a USD 150,000,000 term loan facility (the "**Bank Vessel Facility**") and under revolving credit facilities for an undrawn total amount of USD 100,000,000 (the "**RCFs**", the lenders under the RCFs and the Bank Vessel Facility being the "**Lenders**").

Following negotiations with its key financial stakeholders throughout 2020, the Company is pleased to announce that it, together with certain of its subsidiaries, has entered into a lock-up agreement with its 49.9% shareholder, FELS Offshore Pte. Ltd ("**Keppel**"), and an ad hoc group of 1L Bondholders (the "**AHG**") and other consenting 1L Bondholders holding in aggregate over 56% by value of the 1L Bonds (the "**Lock-Up Agreement**"). The Company is taking the Lock-Up Agreement to a wider group of 1L Bondholders and anticipates securing additional significant support in the coming days. The Lock-Up Agreement will commit the Company, Keppel, the AHG and any acceding 1L Bondholders or 2L Bondholders to use reasonable endeavours to implement a comprehensive financial and corporate restructuring of the Floatel group (the "**Transaction**").

The Transaction will in broad terms, once certain milestones set out in the Lock-Up Agreement been passed, entail a corporate reorganisation of the Floatel group of companies, where the entities owning and operating the vessels "Floatel Reliance", "Floatel Superior", "Floatel Triumph" and "Floatel Victory" (the "**Bond Vessel Entities**") including the vessels and their other assets (the "**Bond Vessel Assets**") as well as certain Floatel group entities, which provide operational and management functions, being acquired by a newly established orphan company registered in Bermuda ("**Newco**"). The Transaction is described below.

The Company will as previously announced not publish a Q3-2020 interim report, as going concern can no longer be assumed. Newco (see below) will publish its first interim report for the first calendar quarter ending after the Transaction is completed.

### **Overview of the Transaction**

Subject to the satisfaction of certain milestones set out in the Lock-Up Agreement, the Transaction will, once consummated, result in a corporate reorganisation of the Floatel group of companies, with the Bond Vessel Assets as well as certain Floatel group entities, which provide operational and management functions to the Bond Vessel Entities, together with their assets (collectively with the Bond Vessel Assets, the "**Transferring Assets**") being acquired by Newco (the "**Newco Acquisition**"). The NewCo Acquisition will be carried out through the enforcement by the 1L Bondholders of their security over the shares in the Bond Vessel Entities and the entities providing operational and management functions.

All other Floatel group entities, including the entities owning and operating the vessel “Floatel Endurance”, together with their assets (collectively, the “**Bank Vessel Assets**”) will remain as direct or indirect subsidiaries of the Company unless the Lenders under the Bank Vessel Facility otherwise direct pursuant to the terms of the relevant collateral documents, which were entered into in connection with the Bank Vessel Facility and the Company’s USD 20,000,000 revolving credit facility and which granted certain security interests in favour of the Lenders in respect of the Bank Vessel Assets.

In consideration for the acquisition by Newco of the Transferring Assets, debt obligations in the amount of the 1L Bonds will be assumed by Newco along with debt obligations in a portion of the Bank Vessel Facility that is secured by the Company’s pool of “Common Collateral”, which is a pool of collateral securing the 1L Bonds, 2L Bonds and Bank Vessel Facility together (the “**Newco Debt Assumption**”). The remaining portion of the Bank Vessel Facility will remain a liability of the Company. The 2L Bonds and the approximately USD 244,000,000 subordinated loan borrowed by the Company from Keppel are not part of the Newco Acquisition and Newco Debt Assumption and will remain with the Company. Newco is prepared to offer warrants in Newco to the 2L Bondholders if the 2L Bondholders pass a bondholder resolution under the 2L Bonds in favour of the Proposed Transaction. Following the completion of the Transaction there will be a significant balance sheet deleveraging and an extension to Newco’s near-term maturity and cash-pay interest profile.

The Transaction will provide Newco with a robust liquidity profile pursuant to terms for a new revolving credit facility of up to USD 100,000,000 (the “**New RCF**”), which is in the process of being sourced, such liquidity being essential in the currently challenging operating environment, giving Newco a stable platform to bid for new contract awards moving into 2021. The New RCF will be secured against the same assets provided as security for the Cash Bond and the PIK Bond (see below), with the liabilities under the New RCF being repaid in priority to the liabilities under the Cash Bond and the PIK Bond in the event that the security is enforced.

In addition to Newco Acquisition and the Newco Debt Assumption, the main terms agreed pursuant to the Lock-Up Agreement are as follows:

- A Bermudian scheme of arrangement to convert the debt obligations assumed in relation to the 1L Bonds and Bank Vessel Facility that in each case will be secured by the Common Collateral into ordinary shares in Newco (the “**Scheme**”);
- Upon completion of the Scheme, the 1L Bonds will be subject to a further equitisation such that the aggregate principal amount outstanding under the 1L Bonds will be USD 230,000,000, which will then be converted into new first-lien bond instruments comprised of a USD 115,000,000 6% cash-pay bond (the “**Cash Bond**”) and a USD 115,000,000 10% PIK bond (the “**PIK Bond**”) each to mature 5.5 years from completion of the Transaction. The Cash Bond and the PIK Bond will be secured against the vessels “Floatel Reliance”, “Floatel Superior”, “Floatel Triumph” and “Floatel Victory” and shares in the Bond Vessel Entities, among other assets;
- A cash payment of USD 30,000,000 to the 1L Bondholders, being an amount equivalent to 7.5% of the current outstanding principal of 1L Bonds, which will reduce each of the Cash Bond and PIK Bond to USD 100,000,000;
- The post-Transaction total debt at Newco will be up to USD 300,000,000, assuming the New RCF is fully drawn;
- The post-Transaction equity in Newco will be allocated such that Keppel will hold 49.9%, management 10% and the remainder will be allocated to the 1L Bondholders (subject to dilution by the consideration provided to the Lenders under the Bank Vessel Facility through the Scheme), and all to be subject to dilution from any future exercise of warrants; and

- The Company will likely file for insolvency in Bermuda following completion of the Newco Acquisition.

### **Support for the Transaction**

The Lock-Up Agreement provides for equivalent provisions as were contained in the forbearance arrangements the Company had in place with the certain members of the AHG since April 2020 and the Lock-Up Agreement is subject to the satisfaction of certain milestone conditions and can be terminated by either the Company, Keppel, or a specified threshold of the 1L Bondholders if those milestones are not achieved.

The Transaction as set out in the Lock-up agreement is however made up of several steps (as described above), including enforcement of security by the 1L Bondholders and NewCo taking on the New RCF. The Transaction also requires entry into further definitive agreements in relation to various aspects of the Transaction. There is no certainty or assurance at the date of this announcement that any of the aforementioned steps will be successfully carried out, or that the necessary definitive agreements in respect of the Transaction will be entered into or that the Transaction will be implemented or completed or that the terms of the Transaction will be as envisaged in this announcement.

If implemented with the support of Keppel and the 1L Bondholders party to the Lock-Up Agreement only, the Transaction is anticipated to complete around Q1-2021 quarter end.

The Lock-Up Agreement provides that the Transaction can be implemented consensually with the support of the 2L Bondholders and/or the Lenders if the Company, Keppel and the AHG agree terms with the 2L Bondholders by 21 January 2021 and/or the Lenders by 18 January 2021. Constructive discussions are ongoing with the Lenders regarding a consensual transaction that would result in the Bank Collateral being discharged. In addition, the Company continues to work with the Lenders to establish arrangements that would allow expenses in respect of Floatel Endurance and the banks' collateral companies to be covered by proceeds in the blocked accounts following the payment agreement lapsing on its terms, as mentioned in the market announcement dated 31 August 2020. The Company has commenced discussions with the 2L Bondholders and hopes to develop that dialogue to deliver a fully consensual transaction.

The vessels that are on charter continue to operate as normal and it is business as usual for the Group's operations.

Attached is a presentation with an update from the Company.

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## INFORMATION ABOUT FLOATEL INTERNATIONAL LTD

*Floatel International Ltd was established in 2006 to satisfy market demand for a new generation of offshore flotels. The vision of the Company is to own and operate the most modern, safe and reliable flotel fleet in the world.*

*Floatel International owns and operates five semisubmersible accommodation vessels, all vessels were delivered within the period 2010 to 2016. Two vessels, Floatel Superior and Floatel Endurance are approved to operate in the Norwegian sector and four vessels are approved for the UK sector.*

*All vessels are equipped with a dynamic positioning system and are built according to the latest HSE requirements providing quality and comfort for the guests onboard. The accommodation capacity of the Floatel fleet ranges from 440 beds to 560 beds. All vessels are furthermore equipped with large deck areas, workshops and crane support able to assist complicated offshore hookup projects and maintenance and modifications of existing offshore facilities.*

*Floatel has two bond issuances listed on Oslo ABM with ticker code FLOAT02 and FLOAT03.*

*Floatel International AB is a management company responsible for operational management and construction supervision for and on behalf of the Owner, Floatel International Ltd.*

*For further information about Floatel International Group, please visit our website: [www.floatel.bm](http://www.floatel.bm)*