FLOATEL INTERNATIONAL

Annual Report 2022

Floatel International Ltd

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FLOATEL INTERNATIONAL

The Floatel International Group ("the Group") was established in 2006 to satisfy market demand for a new generation of offshore flotels. The vision of the Group is to own and operate a modern, safe, and reliable flotel fleet. Since 2021, the Group has its head office and the parent company its principal place of business in Norway.

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2022 in brief

EBITDA Margin, 2022

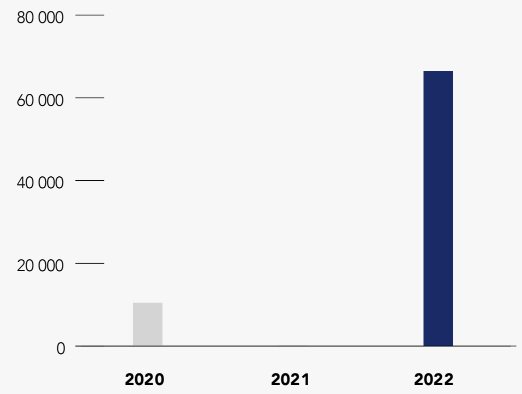
37%

(0%, 2021)

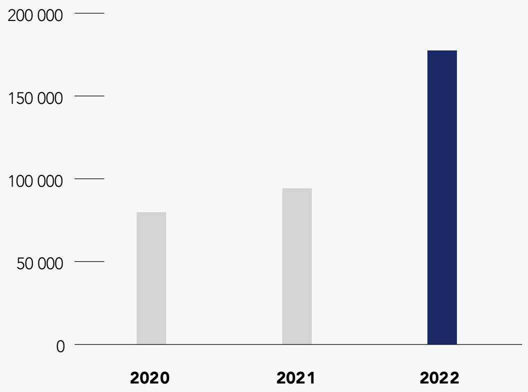
"

The fleet completed five charters, for three different clients during the year resulting in **63%** fleet utilisation compared with 44% in 2021.

EBITDA
(USD 1,000)



REVENUE
(USD 1,000)



FLOATEL INTERNATIONAL

About Floatel

The Group owns and operates five semisubmersible accommodation vessels; all vessels were delivered between 2010 and 2016. Two vessels, Floatel Endurance and Floatel Superior, are approved to work in the Norwegian sector, and four vessels, including Floatel Endurance and Floatel Superior, 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 on board. The accommodation capacity of the Floatel fleet ranges from 440 beds to 560 beds. All vessels have large deck areas, workshops, and crane support.

The Group's vessels assist energy companies worldwide with accommodation and construction support for various offshore oil, gas and wind projects. Our vessels are used, generally on a time charter basis, for maintenance and modification projects and in connection with installing new offshore facilities. Our vessels are connected to the host installation, which can be both floating and fixed bottom facilities, through a telescopic gangway, and are typically operated using dynamic positioning (DP) but can also be moored if requested by the client.

Floatel has four bond issuances, of which two are listed on Nordic ABM, Oslo Exchange, with ticker codes FLOAT04 and FLOAT05, and a third will be listed in summer 2023.

Our Core Values – Compassion, Commitment, and Cooperation – are at the forefront of everything we do. They guide us in how we interact with stakeholders, the communities in which we operate, and the people we employ.

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 with our partners and clients across our organization.

The year in brief

Overall performance has improved compared to previous years as the direct impact of the macroeconomic and geopolitical situation, including a heightened risks of a recession and the conflict in Ukraine, has been limited for the Group, and the high demand for energy has continued. Energy prices have increased demand for our services during 2022.

During the year, the fleet had completed five charters, for three different clients. This resulted in 63% fleet utilisation compared with 44% in 2021. At year-end, Floatel Endurance was idle in Skipavika, Norway; Floatel Reliance was laid-up in Tenerife, Canary Islands; Floatel Superior was on charter for Equinor on the Norwegian continental shelf; Floatel Triumph was idle in Kemaman, Malaysia awaiting its Australian campaign starting with a charter for Woodside in March 2023; and Floatel Victory was on charter for Equinor in Brazil.

	2022	2021	2020	2019	2018
Revenue	177 606	94 131	79 673	159 112	303 380
EBITDA	66 459	173	10 465	68 753	165 856
Operating result	22 364	–44 348	–524 231	–23 206	104 481
Result before tax	– 1 136	504 456	–606 662	–80 763	36 823
Equity	372 277	375 970	–153 340	454 757	547 192
Total assets	684 480	705 881	760 263	1 311 618	1 456 010
Operating margin[1)]	13%	–47%	–658%	–15%	34%
Equity/asset ratio[2)]	54%	53%	–20%	35%	38%

1. Operating margin; Operating result/Revenue. Equity/asset ratio; Book equity/Total assets
2. Equity/asset ratio; Book equity/Total assets

About this report

Floatel publishes its 2022 corporate governance, ESG, and financial reports in one document.

The auditors opine on the Consolidated Financial Statements and the parent company financial statements included on pages 26 - 54 in this document, which, together with the Directors' report, constitute the Annual report.

All amounts provided in USD thousands, unless otherwise stated.

Read more about Floatel on our website: www.floatel.no.

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ESG report
Floatel International Group 2022

Introduction

Floatel International Group ("Floatel" or "the Group") is an integral part of the offshore energy services industry and our work supports the production of reliable and affordable energy. As the world transitions to a lower-carbon society, we understand the challenges and opportunities ahead of us, including the need to reduce our own emissions. We aim to follow the International Maritime Organization's ("IMO") Initial GHG Strategy regarding the reduction of ship emissions, and we have already taken several initiatives that have resulted in less fuel consumption.

Our Core Values – Compassion, Commitment, and Cooperation – are at the forefront of everything we do. They guide us in how we interact with stakeholders, the communities in which we operate, and the people we employ.

Welcome to our first ESG report.

Compassion

We show humanity, understanding, and responsibility towards each other, the environment, and the society we work in.

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We are committed and loyal to our company, our responsibilities, our clients, and the projects in which we operate.

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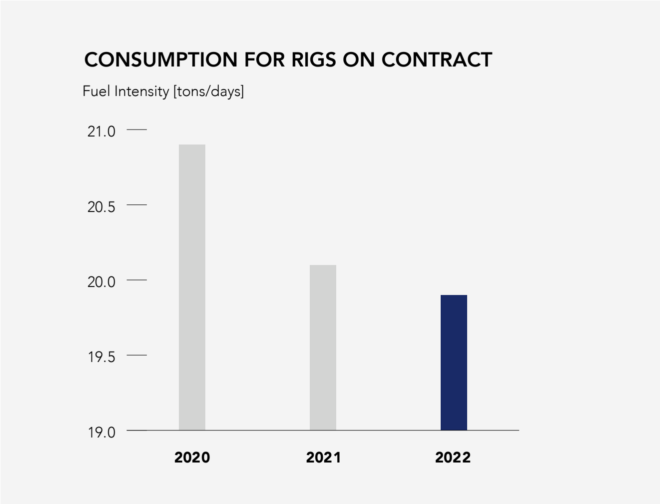
Environment

The primary purpose of Floatel is to provide accommodation and construction support to the world's offshore energy companies. As such, Floatel is part of the international energy sector.

Although the global community is moving away from fossil energy sources to reduce the emission of greenhouse gases, there is still, and will, for the foreseeable future, continue to be a great demand for petroleum products. Not only for energy production but also to produce, for example, different synthetics, chemicals, and hygiene products. During the transition to a fossil-free world, the demand for the services of Floatel will remain, and we are determined to provide these services in the most responsible way possible.

Floatel is highly committed to reducing its waste, emissions, and environmental impact. In 2022, we adopted the ambitious emissions target of the Initial IMO GHG Strategy. This means that, by 2030, Floatel aims to reduce its emissions by 40% compared to the initial operational values of our fleet in April 2010.



Highlights

During 2022, Floatel has taken several steps towards a more sustainable operation. It starts with the decision to work towards the Initial IMO GHG Strategy. In practice, this translates to the reduction of GHG emissions by 40% by 2030, compared to the levels at delivery of the vessels in 2010. The commitment has been implemented in our HSE Policy and complemented with two new company KPIs.

This year marks the first time Floatel has published an ESG report. We are excited to share our work to achieve a more sustainable operation for our employees, customers, the global community, and the environment.

Floatel is working with Norwegian company Yxney to bring real-time operational performance analysis to the crew on the bridge. The information will aid the crew in making more informed decisions about operating configurations, such as the number of running generators, thruster settings, heading, speed, and trim during transit, etc. The software will also enable us to evaluate the vessels' performance based on historical data, set a baseline for different operational modes, and measure the effect of technical upgrades.

Operation in the 2+1 split mode has been utilised

21% and 36%

of the time on hire for Floatel Superior and Floatel Endurance, respectively.

We have set a new milestone for the rigs operating in Norway. Operation in the 2+1 split mode has been utilised 21% and 36% of the time on hire for Floatel Superior and Floatel Endurance, respectively. The operational mode enables power generation on two engines instead of three, resulting in a higher load on the running engines with better performance and lower emissions.

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Environment data

	2022	2021	2020
Consumption for rigs on contract			
Fuel Oil [tons]	21 600	14 046	7 657
Fuel Intensity [tons/days]	19,9	20,1	20,9
Consumption for rigs off contract			
Fuel Oil [tons]	3 990	5 939	2 510
Electricity from Shore [kWh]	1 618 880	5 480 387	13 543 597
Fuel Intensity [tons/day]	5,4	5,3	1,7
Carbon Intensity for rigs on contract			
CO_2	69 141	45 914	26 017
Contracted days	1 084	700	366
Client POB	316 420	149 723	118 508
CO_2 / Contracted Days [tons/day]	64	66	71
CO_2 / POB [tons/(person*day)]	0,22	0,31	0,22
GHG Emissions for rigs on contract [tons]			
Direct Emissions - Scope 1	71 205	46 587	26 584
Indirect Emissions - Scope 2	0	0	0
GHG Emissions for rigs off contract [tons]			
Direct Emissions - Scope 1	13 048	19 423	7 487
Indirect Emissions - Scope 2	40	137	2 311

	2022	2021	2020
Other air emissions for rigs on contract [tons]			
NOx	868	569	313
SO_2	23,8	15,6	9,6
Other air emissions for rigs off contract [tons]			
NOx	156	228	81
SO_2	4,5	7,0	3,2
Recordable Spills	**1**	**0**	**0**

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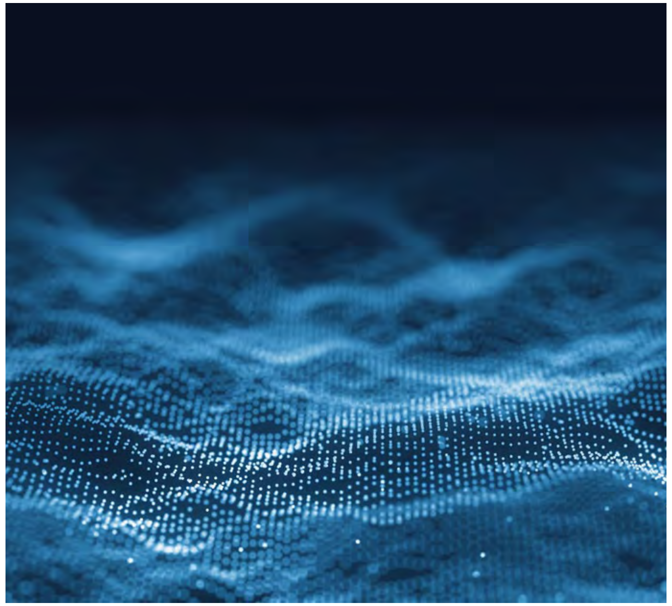
Roadmap

Floatel is working in three areas to reduce the impact of our operation and achieve our target of a 40% reduction in GHG emissions by 2030:

1. Digitalisation
2. Energy Efficiency
3. Operational Procedures



Digitalisation

To better understand the impact of our operation, data is needed. We are, therefore, implementing new tools and applications to improve the analysis of the operation. The analyses will be presented in real time to the crew on board, enabling them to make more informed decisions. Increasing the number of sensors on the vessels will increase the understanding of how the equipment performs and where to focus our efforts to increase efficiency.

Energy Efficiency

Floatel's offshore vessels operate in Dynamic Positioning (DP), which means they are designed to maintain their position at sea, even in harsh weather conditions. The engines, thrusters, and all auxiliary equipment are chosen to perform in extreme operational cases despite the vessel operating, most of the time, in more benign conditions. Our second focus is to increase the efficiency of the equipment in low load conditions by installing complementary units, frequency regulators on pumps and fans, less demanding consumers, etc. This results in a reduced demand for energy, less fuel consumed, and fewer emissions released into the air.

Operational Procedures

While adding to the flexibility of the equipment, we are also continuously evaluating our internal procedures to ensure that all parts of the vessels' operations are optimised for onboard energy production and consumption. This applies to DP operations during contracts and during transits, yard stays, and lay-ups between contracts. There are different challenges for each mode of operation, and all need to be considered.

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Environmental Risks and Opportunities

The environmental stakes are increasing rapidly. Large international forums like the UN and the EU have highlighted the importance of transitioning towards a carbon-neutral future, preferably before 2050, to meet the Paris Agreement's 1.5-degree goal.

There are also several opportunities for the development of energy storage. Battery solutions have seen a significant upswing in the last decade, notably in the vehicle and marine sectors. Smaller car ferries are going fully electric, while larger RoPax ferries are exploring hybrid solutions while awaiting further maturation of the battery technology. Battery hybrid solutions are also gaining popularity in the offshore sector, with OSVs and drilling rigs leading the way. Some fixed platforms are connected to shore power for the provision of energy. Floatel intends to follow this path and conceptually have both hybrid and electric solutions available, which will be part of the solution to reduce GHG emissions by 40% before 2030.

The emergence of carbon-neutral fuels, like hydrogen, ammonia, methanol, and other e-fuels, is not yet viable for offshore use due to infrastructure limitations. However, Floatel is following their development with interest and continually evaluates the feasibility of converting one or several onboard engines.

Operating in a 2+1 split and closed ring configurations have been a game changer. This allows the vessels to operate on two engines instead of three during benign weather conditions. These operational modes increase the efficiency of the engines, allowing them to produce the same amount of energy with less fuel.

The vessels utilising a 2+1 split configuration are designed for and approved to operate in this mode, maintaining operational safety and, at the same time, improving environmental efficiency. Using a 2+1 configuration within the accommodation and construction support segment is a new approach. We are suggesting this operational mode to our clients whenever it is possible to guarantee safe operations.

Environmental Performance

In 2022, the Floatel fleet was contracted for 1,084 days. Two vessels operated in the Norwegian North Sea, one outside Brazil and one in Southeast Asia/Australia, servicing two contracts. The fifth vessel was in a warm lay-up in Tenerife, Spain.

The environmental performance of a semi-submersible accommodation unit depends on several factors. The weather and ocean currents have a significant influence. So does the type of installation, whether it is a moving or a fixed target. Location and seasonal variations also make it challenging to compare one operation to another.

Floatel will always strive to utilise shore power where this is available. However many shore facilities such as ports and shipyards cannot provide shore power and therefore an increase in fuel intensity can be seen for rigs off contract.

The vessels operating in Norway have been utilising the 2+1 split configuration, enabling operation on two generators instead of three, with higher engine load and improved fuel efficiency. Compared to the historical operation of the vessels at this location, the emissions were reduced by 10–15% for similar operational conditions.

On the downside, one of Floatel's vessels operating in Norway had a recordable oil spill in November. Approximately one cubic meter of hydraulic oil was released into the sea when a hydraulic pipe broke on the gangway. The event is the first recordable oil spill in the Group's history. The accident has since been thoroughly investigated, and preventive actions are now in place across the fleet to avoid similar events from happening again.

The operation outside Brazil proved to be challenging from an environmental performance perspective. The client, a moving Floating Production, Storing and Offloading (FSPO) vessel, was in strong currents, resulting in higher fuel consumption and emissions than the rig's historical average.

For the vessel in Southeast Asia and Australia, one client did not approve the operation in a "Closed Ring Bus Bar" configuration. The use of a conventional 3-split operation resulted in above-average fuel consumption for this contract and, as a result, for the entire year.

Compared to the historical operation of the vessels in Norway, the emissions were reduced by

10-15%

for similar operational conditions.

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Social

Safety

Safety is paramount at Floatel, and our track record shows that we always put safety first. During 2022, there was only one recordable injury in the entire fleet, giving a Total Recordable Injury Rate (TRIR) of 1.09, well below the industry average of 1.70. No Loss Time Injuries (LTI) occurred during the year. We are proud of our safety culture at Floatel, where everyone working on board is encouraged to highlight or report any safety concerns they may experience.

A toolbox talk precedes all work tasks involving any risk. A safe job analysis is conducted if the risks are considered significant. This way, we ensure all jobs are well-planned, communicated, and safely executed. During 2022, the toolbox talk rate has steadily increased, which indicates that the crew are taking more responsibility for the risks at work and are inclined to reduce them.

The market for accommodation vessels is trending towards shorter contracts, forcing the vessels in and out of lay-up. Manning up and down between projects may impact the continuity of the crew and the safety culture on board. Even so, Floatel has achieved strong safety performance results for the year, which we are very proud to present.

Drills and Training. In an emergency, all personnel responsible for any aspect of the response must be adequately trained to handle the situation.

An annual plan for drills and training is established on all vessels to ensure that sufficient training is given to the personnel. Each person within the emergency organisation is assigned an emergency duty on board, and the drills and training are carried out to verify and enhance the competence of the personnel.

New ERP. Floatel is transitioning to a new ERP system. The safety module is next in line for implementation, and this will provide us with new ways to analyse in-depth the safety performance and statistics, regarding safety related accidents and events. The new system will guide the reporter of an event with predefined values, resulting in a more coherent data set for the statistics.

Safety Campaigns. To increase the awareness of safety issues and risks that come with working offshore, Floatel has an HSE programme with safety campaigns that are presented on board and shown on screens around the vessels. Each campaign is communicated for two months to cover all crew rotations. During 2022, the campaign focus has been on the following subjects:

- *Cyber Security*
- *Dropped Objects*
- *Noise Protection*
- *Sustainability*
- *Chemical Awareness*
- *Hand and Finger Injuries*

TRIR - Total Recordable Injury Rate

	2022	2021	2020
TRIR - Total Recordable Injury Rate	1,09	2,86	2,13
SOR - Safety Observation Rate	724	647	438
MVR - Management Visit Rate	122	161	118
TBTR - ToolBox Talk Rate	2 267	2 050	1 568

Human Resources

The employees are, together with the vessels, Floatel's biggest assets. Investing in people development and ensuring people enjoy being at work while always putting safety first is a way for Floatel to create sustainable people performance.

The goal is to create safe workplaces with clear and structured roles. However, it is essential for all employees to feel that they can impact their role and be part of improving the workplace and its processes. It is crucial to have good leaders to nurture such development.

Working in shipping and offshore, there is a long tradition of age seniority being a key indicator for promotions. For the last decade, Floatel has prioritised competence and leadership over seniority. This approach has paid off, as we now have a very changeable accommodation vessel business. Floatel has numerous competent leaders on board, who are all adaptable to change.

The accommodation and construction support vessels market has shifted from long-term to short-term contracts. The average contract length is now 3–6 months rather than several years. Some vessels move from country to country and must change crew members frequently. This challenges our organisation on many levels, including our ambition to have as many permanent offshore employees as possible and manage the stress level of onshore and offshore employees.

Attracting personnel to work in the offshore oil and gas service industry long-term can be challenging since you spend a long time away from home. Most marine crews work half of the year on board. The offshore business training requirements are high and add to the time away from family and friends. Floatel has decided to increase online CBT training to reduce the number of days being away from home. Without compromising on the quality of courses, our preferred suppliers offer a combination of training online and at the training premises.

Many companies have experienced lower retention rates during the COVID-19 pandemic. Floatel has, however, coped well. This is mainly due to the offshore marine crew supporting each other during quarantine periods and because we increased recruitment at the onshore organisation to manage changes in regulations and the resulting increase in logistical and administrative workload. The Gothenburg office in Sweden was partly open during the pandemic for those who didn't have an adequate workplace at home.

Floatel strives to be an engaged employer where employees can grow and develop. For several years, Floatel has conducted employee surveys both on- and offshore.

RETENTION RATE[1] (%)	Target	2022	2021	2020
Onshore	70%	80%	87%	61%
Offshore	85%	100%	100%	99%

The Group result is excellent and, in most areas, exceeds the benchmark[2]. Nevertheless, one area for improvement is managing the stress levels of the onshore teams in this new changeable market. In 2022, only 54% of onshore employees reported that they had a "reasonable" stress level at their workplace. The goal is to increase this in 2023.

Diversity and Inclusion

The Group's goal is for all people working at Floatel to feel respected and know they can be part of the community regardless of their gender, nationality, religion, sexual orientation, socioeconomic background, or disability.

In our experience, the more diversity there is in a group, the better the working environment. Floatel's global presence is reflected by our employees coming from 17 countries in 2022. For the vessels operating outside of Norway in 2022, 83% of the officers and 29% of the senior officers were non-Scandinavian.

Within the shipping and offshore industry, there is an underrepresentation of women. Floatel has few female applicants when searching for personnel for offshore positions.

1. Calculated on permanent employees in the Group, including long-term contracted offshore personnel and employees that resign. Formula is as follows; (Average no. of employees in last 24 months – no. of permanent employees resigning in last 24 months) ./. Average no. of employees in last 24 months.
2. The benchmark is based on the results of all companies using the Brilliant Future employee survey tool.

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WOMEN ON BOARD 2022	2022	2021
Senior Officers	4%	–
Officer	5.5%	–
Ratings (skilled seafarers)	5.5%	–
Total	**5.0%**	**1.8%**

WOMEN ONSHORE 2022	2022	2021
Board of Directors	0%	0%
Senior Management	0%	0%
Managers	25%	39%
Employees	52%	48%
Total	**42%**	**42%**

SICK LEAVE	2022	2021	2020
Onshore	0,57	1,06	0,99
Offshore	1,80	3,70	6,50

Adding Value to Local Communities

During 2022 Floatel vessels have been in Norwegian, Spanish, Brazilian, Australian, Philippine, Taiwanese, and Malaysian waters (excluding transits).

Our ambition is to always add value to local communities by employing local personnel. This aligns with Floatel Group's Core Values and is key to Floatel's sustainability approach. Floatel always uses local crew for catering and hotel services when possible.

At least 25% of Floatel's typical marine crew consists of a core team who are always moving with the vessel. If there is no qualified local crew to fill vacant positions, the rest of the people on board are a core team from the Philippines. Working in the oil and gas industry brings significant value to Filipino marine crew and their families. For a Filipino seafarer, the offshore salary is, on average, double that of traditional European Ro-Ro employment.

FLOATEL INTERNATIONAL

Governance

Code of Conduct

The way we do business is set out in Floatel's Code of Conduct. Everything from legal compliance, business relations, accounting and reporting, recourse efficiency and environmental performance, human rights and modern slavery, HSE issues, anti-corruption, etc., are regulated within and driven by this Code. There were no fines or sanctions for non-compliance with laws or regulations in 2022.

The Anti-Corruption Policy has been implemented to ensure Floatel does not conduct or become involved in bribery or fraudulent business practices. All personnel participate in an annual computer-based anti-bribery course. At the year-end, 87% of the office personnel had a valid course certificate.

The Open Door Policy allows employees to report a suspicious event directly to senior management. Where an event is of such a nature that the employee feels uncomfortable reporting to senior management, a whistle-blower and ethics system is in place, which allows the employee to report the event anonymously to an external party.

There we no whistle-blower cases reported in 2022.

Our policy on modern slavery, human trafficking, and child labour, as detailed in our Code of Conduct, reflects our commitment to acting ethically and with integrity.

Our vessels are certified for conditions of employment as per the Maritime Labour Convention (MLC) 2006 standards. They include, but are not limited to; minimum age, medical certification, qualifications, employment agreements, use of manning agencies, hours of work and rest, manning levels, accommodation, recreational facilities, food and catering, health and safety, accident prevention, medical care, complaint procedures, and wages.

Governance Structure

The Board of Directors is responsible for Floatel Group's business, including all aspects of ESG. They are responsible for the strategies to navigate risks and opportunities related to environmental, social, and governance sustainability within the Group.

The Board of Directors has given senior management operational responsibility for ESG. Senior management report back and highlight any issues to the Board of Directors through its Audit Committee, which is responsible for ESG and risk, in addition to financial reporting and corporate governance, at least once every year.

ESG Committee. To ensure that Floatel Group presents all relevant ESG data in a verified, coherent, and transparent way, senior management has established an ESG committee. The committee drives the work of compiling and reporting all ESG measures taken within the company and following up on the ESG KPIs and targets presented in this report.

The ESG committee comprises senior management, HSEQ, HR, and technical department representatives. The committee seeks additional information from the financial, operational, and ICT departments in specific questions.

Communication. This report marks Floatel Group's first publication of an ESG report. The report will be published every year in conjunction with the Annual report, and the integration of ESG reporting into the Floatel management system will increase further as we advance.

The ESG group within the HSEQ department compiles and reports on many of the Group's KPIs each month and communicates the progress and performance internally to all employees.

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INTERNATIONAL

Corporate Governance report

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FLOATEL INTERNATIONAL

Corporate Governance report 2022

Legal organisation

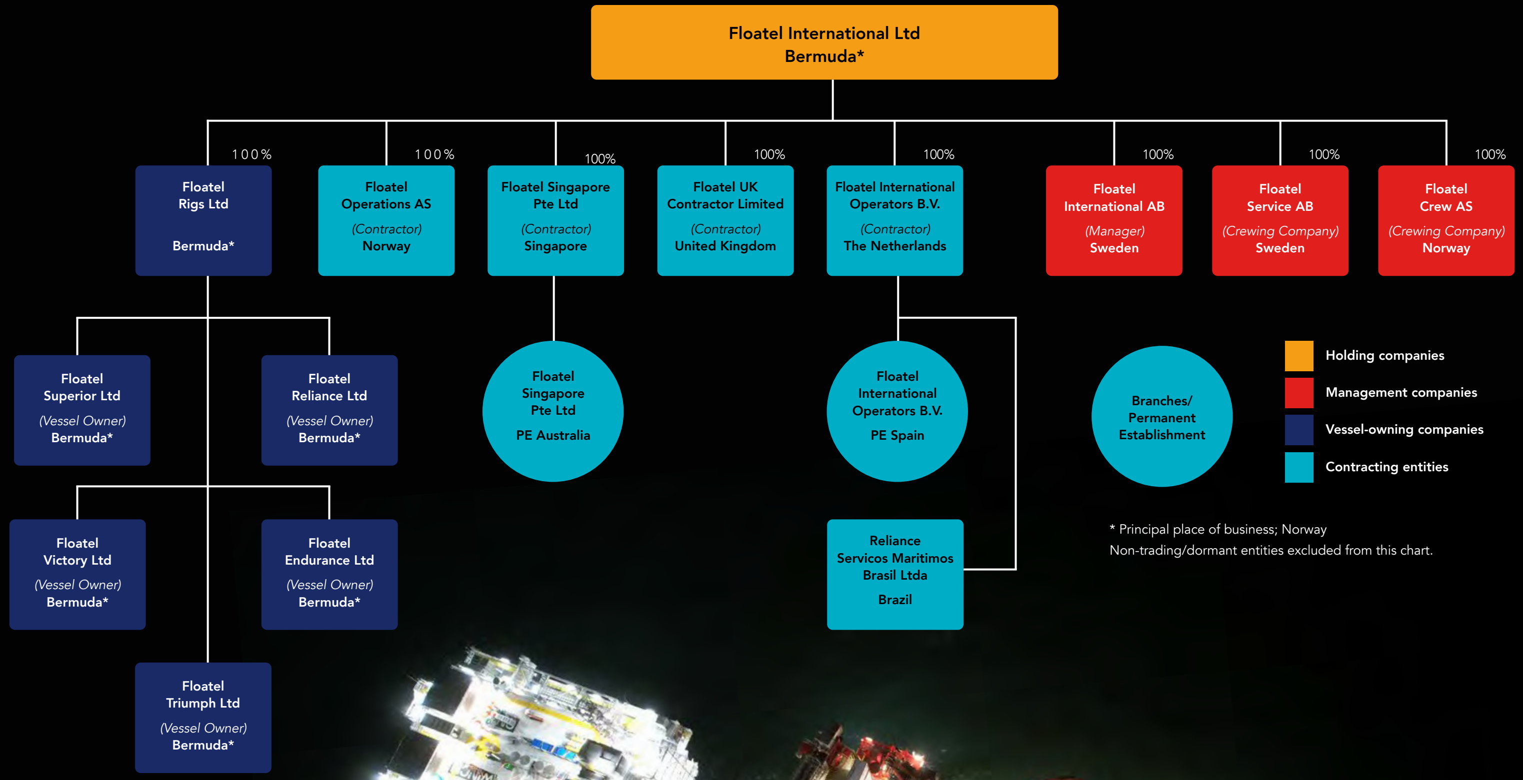
Floatel International Ltd ("the Company") is incorporated in Bermuda and has its principal place of business in Oslo, Norway. It is the holding company and ultimate parent company of the Floatel International Group (the "Group"). All subsidiaries within the Group are wholly owned, and the Group has no joint ventures or similar arrangements. The Group categorises its legal entities into four types: (i) Holding entities, (ii) Vessel-owning entities, (iii) Contracting or Operating entities, and (iv) Management entities.

Five Norwegian-based, Bermuda-incorporated subsidiaries separately own one vessel each. They are organised as a sub-group under Floatel Rigs Ltd (also holding its principal place of business in Norway). All vessels are Bermuda flagged.

The Group is locally present with subsidiaries or branches and site offices, i.e., the contracting or operating entities, in jurisdictions where the Group operates from time to time. These entities primarily hold contracts with the clients. There are currently five operating companies and two branches in the Group.

There are two types of management entities, ship manager and crew agencies. Floatel International AB acts as the Group's Ship and Administrative/IT manager, while Floatel Service AB, and Floatel Crew AS, operate as crew agencies for the vessels.

The corporate structure as of December 31, 2022 (excluding non-trading and dormant entities), is set out to the right.



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Corporate governance

Floatel's corporate governance is embedded in the running of the business through FIMS ("Floatel International Management System"). 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 of Directors ("BoD") 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.

The main internal rules and regulations for corporate governance are:

- *The Byelaws*
- *The Code of Conduct*
- *Rules of Procedure for the BoD*
- *Terms of References for the BoD Committees*
- *Instructions for the Chief Executive Officer ("CEO")*
- *Anti-Corruption and Anti-Fraud Procedure*
- *Approval Procedure and Matrix*
- *Floatel International Management System (FIMS) in general – other relevant Policies, Procedures, and Guidelines*

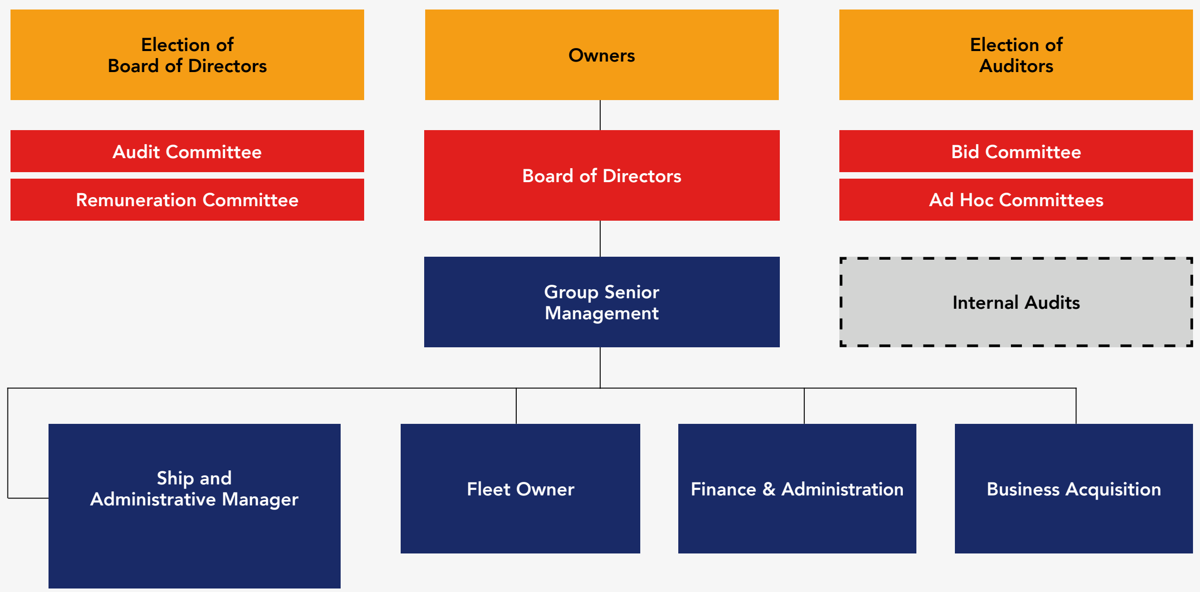

Figure 1: Floatel Corporate Governance Structure

The BoD is responsible for overall corporate governance and operational and financial internal control. The Audit Committee advises the BoD on the appropriateness of significant policies and procedures relating to corporate governance, ESG and risk, as well as financial processes and disclosures. It reviews the effectiveness of Floatel's internal control framework. The BoD has delegated to the senior management, through written policies and procedures, the day-to-day responsibility for conducting, implementing, and evaluating corporate governance, ESG, risk management, and internal control.

The CEO is responsible for strategic management and business direction, policies, procedures, and guidelines for developing the business and implementing strategies and services that promote good corporate culture. Regarding contract opportunities, the CEO shall provide to the Bid Committee of the BoD 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 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 (such as tax, currency, and expropriation risks).

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

The Chief Financial Officer ("CFO") is responsible for establishing, communicating, and monitoring the financial reporting and the connected internal controls.

The Health, Safety, Environment, and Quality ("HSEQ") Manager is responsible for establishing, communicating, and monitoring FIMS, ESG, risk management, and Management System Audits apart from the Financial Reporting and Internal Control over Financial Reporting. The HSEQ Manager coordinates internal audits in accordance with the Management System Audit (Quality Assurance) and in accordance with the Internal Control over the Financial Reporting framework, as well as any self-assessments and audits initiated by a shareholder.

Shares and shareholders

The Company's principal shareholders are Keppel Corporation Limited through Kepinvest Holdings Pte Ltd.[1] with 49.9%, management holding 10.0% of the common shares through Floatel Interessenter AS, and several financial institutions holding the remaining shares.

Kepinvest Holdings Pte. Ltd., and NT Services AS ("NTS"), a Nordic Trustee / Ocorian company, are recorded in the shareholder registry as holders of the common shares. The common shares registered with NTS are, in turn, represented by an equivalent number of Norwegian Depository Receipts ("NDRs") issued by NTS, mirroring the rights of the underlying shares. The NDRs are issued in the Norwegian Central depository, Euronext Securities Oslo (previously VPS / Verdipapirsentralen) ("ESO") under ISIN NO NO0012785759. See note 14 to the Consolidated Financial Statements regarding current shareholdings.

The Company's Byelaws regulate the rights of the shareholders and include inter alia rules for appointing and removing Board members, procedural rules for the BoD, what should be addressed at the Annual General Meeting ("AGM"), and the BoD's mandate for issuing securities.

The AGM is usually held before the end of June each year and no later than the end of December, the latest date permitted without extension by the Bermuda Companies Act. The date of the next AGM is usually is included in the financial calendar, which is available on Floatel's website. The notice of a general meeting is normally sent to shareholders, including beneficial holders of NDRs, no later than 14 days before the meeting.

The BoD proposes the agenda for the AGM and any extra general meetings. The Byelaws determine the main agenda items. Before a general meeting, NTS will collect proxies from NDR holders to be able to vote on their behalf as their authorised representative. Shareholders may cast their votes in writing, including by means of electronic communication, in a period before the general meeting in question. Appropriate arrangements are made for shareholders to vote on each matter. The general meeting in question, including the AGM, elects the chair at the meeting.

The Board of Directors and its committees

The BoD shall establish targets, policies of importance, and strategic plans for the Group, continuously monitor their observance, and ensure that such policies and plans are periodically reviewed. The BoD shall ensure that the Group's organisation is appropriate and making strategic decisions regarding the management, investment, and supply of capital.

The BoD shall appoint, evaluate and, if necessary, dismiss the CEO. The BoD shall ensure an effective system for follow-up and control of Floatel's operations and the associated risks. The BoD shall also ensure a satisfactory process for monitoring Floatel's compliance with laws and other regulations relevant to the Group's operations and the application of internal guidelines.

The BoD consists of five members: two representing Keppel Corporation Limited, the largest shareholder, the CEO, one independent director and one representing all non-Keppel shareholders. There are no deputies or alternate members, or members appointed by employee organisations. In addition, the BoD is supported by a corporate secretary and administrator.

The BoD shall have at least four regular meetings each year. It had during 2022 ten physical meetings, including pre- and post-meetings to the shareholders' general meetings. The Chairman is responsible for ensuring the BoD's work is well organised and conducted efficiently. Senior management attends Board meetings during the year to present and report on specific questions and has also circulated a monthly operational report to the BoD.

To maximise the efficiency of the BoD's work and to ensure a thorough review of specific matters, the BoD has established a Remuneration Committee and an Audit Committee. The establishment of a Bid Committee is set out in the Byelaws. In addition, the BoD may convene ad hoc committees for specific purposes. There were no ad hoc committees convened in 2022. The tasks and responsibilities of the Committees are detailed in their respective terms of reference, which are adopted annually.

The Remuneration Committee assists the BoD in senior management remuneration matters, receives information, and recommends to the BoD decisions on matters relating to the principles of remuneration, actual remunerations paid, and other terms of employment of senior management. The Remuneration Committee's tasks also include monitoring bonuses and incentive programmes.

The Bid Committee shall, on behalf of the BoD, decide prices and other commercial terms not regulated by the Company's contracting principles that should be offered in clients' bid and tender processes and review the management's price and return calculations. Furthermore, the Bid Committee reviews the contracting principles and recommends changes to these principles, if any, to the BoD annually.

The Audit Committee assists the BoD 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, proposals, and annual and quarterly financial statements and reports before they are submitted to the BoD.

The Audit Committee furthermore supervises the efficiency of the internal control over financial reporting, internal audit, ESG, and risk management. It provides support to the BoD in the decision-making processes regarding such matters. The Audit Committee monitors the audit of the financial reports and reports thereon to the BoD. 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 reviews 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.

Auditor

The AGM elects the auditor, and the BoD approves the auditor's fee. The Audit Committee meets with the auditor annually, without senior management representatives being present, to review internal control procedures and discuss any weaknesses and proposals for improvement. The auditor is present at the Audit Committee meeting and reports on any material changes in the accounting principles and critical aspects of the audit.

The Audit Committee approves the annual audit plan for the Group and assesses the auditor's independence in relation to the Group annually. The auditor may carry out specific audit-related or non-audit services for the Group, providing these do not conflict with their duties as auditor. In the annual report, the auditor's remuneration is split between the audit fee and fees for other services.

1. Keppel Corporation Limited made an intra-group transfer of their shares from FELS Offshore Pte. Ltd. to Kepinvest Holdings Pte. Ltd. in February 2023.

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Internal control over financial reporting

According to the Bermuda Companies Act, the BoD is responsible for the Group's internal control and risk management. The BoD has delegated through written policies and procedures to the senior management the day-to-day responsibility for identifying, evaluating, and managing risks and implementing and maintaining 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 managing and maintaining the processes required to design, implement, and assess internal controls over financial reporting. The Group's system of internal controls encompasses documents applicable to all Group operations and companies, which promote:

- *Effective and efficient operations of the Group by enabling it to respond appropriately to significant risks that it faces in carrying out its business*
- *Consistency and reliability of financial reporting*
- *Safeguarding of assets*
- *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 how 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. Robust risk management processes, combined with a culture that emphasises 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 BoD through the Audit Committee.

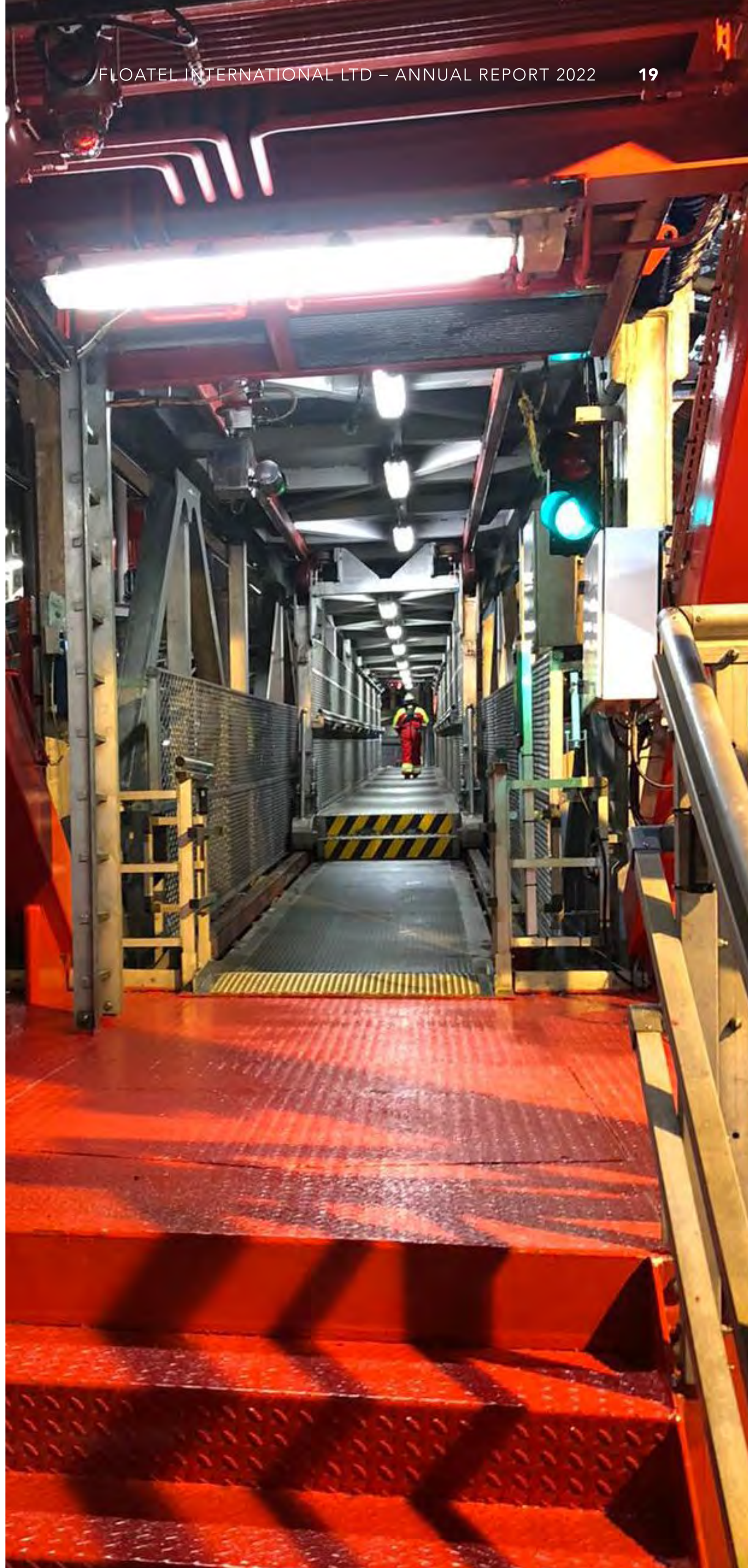
The Group's control activities are performed to help implement the Group's policies, procedures, and guidelines. The control activities involve two elements: policies establishing the overall intention and direction of the organisation and procedures to affect/implement the policies. Financial procedures and guidelines to obtain reliable financial reporting are documented and communicated throughout the Group, resulting in management directives being carried out.

Management shall consider internally and externally generated data that enables them to make informed business decisions about financial reports and disclosures. Management shall ensure that relevant information is adequately identified, captured, processed, and reported. As communication is essential to an effective control environment, management shall ensure appropriate, 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 takes in performing their duties. The scope and frequency of separate evaluations depend primarily on assessing risks and the effectiveness of ongoing monitoring processes. The key components of the Group's monitoring process include (i) the processes used by the BoD 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 discussion of external audit plans; monitoring communication from the external auditors and ensuring prompt follow-up and implementation of any recommendations, and (vi) senior management and BoD review of performance through a comprehensive system of reporting based on the annual budget, 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 the Group can experience while conducting its business. This will also include response and recovery activities. The BoD has the overall responsibility for risk management. It delegates it to senior management, under the supervision of the Audit Committee, to manage day-to-day risk together with the rest of the organisation.



Risks at the system or corporate level shall include but are not limited to:

- *Business risks, such as geographical, political, contracting risks, asset ownership, and investments*
- *Compliance risks, such as violations of regulations or costs related to changes in regulations*
- *Client project risks, such as contractual and conversion/ modification risks*
- *Operational risks, such as operational execution risks, including HSEQ risks*
- *Financial risks, such as credit and liquidity risks, as well as the interest rate and foreign currency risks*

The risks identified shall be assessed as follows:

- *Strategic risks, managed by the senior management within the framework set and approved by the BoD unless its significance following any procedure results in the matter requires Board approval*
- *Tactical risks, managed by the department managers within the framework set and approved by senior management based on the Group's policies and procedures unless its significance following any procedure requires Board or senior management approval*
- *Operational execution, managed by the operations or ship management team in accordance with the Group's policies and procedures unless its significance following any procedure requires Board or senior management approval*

Each risk or group of risks shall be further assessed, and the proper risk mitigation measures shall be identified and implemented. For example:

- *Avoiding the risk – withdrawal, alternative solution*
- *Controlling the risk – HSEQ Systems, internal control*
- *Transferring the risk – contracting principles, insurance plan*
- *Accepting the risk – contingency planning*

Insurance management forms part of the risk mitigation activities that minimise the commercial consequences of an incident and provide resources for response and recovery activities.

Remuneration

Non-executive Board members' (all but the CEO) remuneration is based on a fixed monthly fee without additional compensation for committee work. None has the right to pensions or termination payment. Information about all the compensation paid to Board members is provided in Note 7 to the Consolidated Financial Statements.

The AGM decides the remuneration of the BoD. The Company may decide on the remuneration in the absence of a general meeting decision. The BoD must approve any Board member's consultancy work for the Group and pay for such work. No such work was carried out during 2022.

Through the Remuneration Committee, the BoD makes guidelines for executive compensation and benefits, including the CEO, and other terms and conditions of employment. These guidelines set out the main principles applied in determining the compensation and benefits for executive personnel.

The total remuneration consists of base salary, pension contribution, annual bonus based on the Group's performance, and a long-term share-based incentive programme (MIP). Members of senior management are covered under the same budget, guidelines, and limitations as other onshore personnel in the Group.

Information about the compensation and benefits paid to senior management is found in Note 7 to the Consolidated Financial Statements.

Salary and Pension

Base salary levels are determined by considering the nature of the individual role, individual considerations, and market benchmarks. The base salary is reviewed annually to ensure that it is set at the right level and potential annual percentage increases are aligned with those of employees in general, except in specific circumstances. The Remuneration Committee determines senior management salaries.

Pensions are based on defined contribution plans; the exception to this rule is that Norwegian senior management employees have a top hat plan in addition to the collective defined contribution plan due to legal restrictions. Pension assets and pension liabilities for the top hat plan are recognised separately in the balance sheet but always match each other, so Floatel has no further payments after the initial contribution. The Remuneration Committee determines premium levels for senior management.

Bonus

The Group's bonus system is designed to promote performance aligned with the strategy. The bonus for all employees, including senior management, is determined by Floatel's performance on a pre-defined set of key performance indicators (KPIs), essential improvement initiatives, or activities with clear deliverables critical for the Group's future success.

The KPIs are divided into four categories, (i) Financial outcome, (ii) Securing new contracts for coming years, (iii) Efficient operations, and (iv) HSEQ and ESG.

Following the formulaic performance assessment relative to targets, the Remuneration Committee approves the final bonus outcome. Accordingly, the committee may exercise discretion to adjust the outcome upwards or downwards, including cancelling the bonus in its entirety in case of a safety or environmental incident or breakdown resulting in a cancelled contract.

Management incentive programme (MIP)

Management formed an investment company in 2021, which owns 10% of the shares in the Company. The investment company was funded by a combination of fixed coupon preference shares held by the Company and ordinary shares (management's investment). There is a shareholders' agreement between the Company, the investment company, and the participating managers, including, among other things, good and bad leaver provisions, non-compete and non-solicitation provisions, terms for issuing new shares, and exit events. New managers may be invited to participate in the MIP.

Other terms and benefits

The notice period for all onshore employees, including senior management, is three months if the employee resigns and three months or longer in accordance with the relevant collective bargaining agreement if made redundant by Floatel. Senior management is entitled to severance pay for up to two years at the end of the notice period in cases of redundancy and one year in cases of a change of control.

All employees, including senior management, receive non-monetary benefits such as healthcare insurance and phones aligned with local practices.

Communication

The Company has three bonds (two in 2022) listed on Nordic ABM with Oslo Børs. Nordic ABM is not a regulated market, multilateral trading facility, or organized trading facility and is not subject to the provisions of the Norwegian Securities Trading Act. The Company must make information public under the ABM rules.

The Company aims to have an open and proactive dialogue with analysts, investors, and other stakeholders. Floatel strives to continuously publish relevant information to the market in a timely, effective, and non-discriminatory manner. All announcements are simultaneously available on www.floatel.no and the Oslo Børs' website, www.newsweb.no.

The Company will publish its fourth quarter interim report, including preliminary annual figures, by the end of February. The complete annual report will be available no later than the end of April. The Company's financial calendar is updated regularly, and updates are published on www.floatel.no and www.newsweb.no.

Management typically holds an audio cast in connection with the publication of interim reports. Management also attends relevant industry and investor conferences. Floatel reduces its contact with analysts, investors, and other stakeholders in the final 30 days before the publication of interim reports. No comments about the Company's results and outlook will be given during this period.

Floatel has multiple reporting channels through which concerns may be raised to the BoD, including a whistle-blower and an ethics system that lets employees and other stakeholders report events anonymously via an external party. Regardless of the channel used to raise concerns, they are usually first lifted to the Audit Committee for initial assessment, then lifted to the BoD if necessary. The number of cases received through the whistleblowing channel is available in the ESG report.

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Directors' report

FLOATEL INTERNATIONAL

Directors' report 2022

General information about the business

The Floatel International Group ("the Group") was established in 2006. The Group operates a fleet of five modern semi-submersible accommodation and construction support vessels providing the offshore oil, gas and wind industries with high-quality accommodation, catering, and ancillary services. The parent company, Floatel International Ltd ("the Company"), is an exempted limited liability company incorporated in Bermuda, with its principal place of business in Norway. The office and business address is Dronning Eufemias gate 8, 0191 Oslo, Norway, and the registered address is Canon's Court, 22 Victoria Street, HM 1179, Hamilton, Bermuda.

The vessels are owned by Group companies with the same principal place of business as the Company. The Group has local companies and offices in areas where the vessels operate and ship and crew management companies in Sweden and Norway.

Operations

The fleet had an average utilisation of 63% (44% in 2021), compared with an estimated average market utilisation of 78% (58% in 2021). All vessels, while in operation, have shown excellent performance with an average commercial uptime (actually received revenues divided by maximum contract revenues) above 97% (99% in 2021).

Floatel Endurance started its charter for Equinor's Johan Sverdrup phase II project on the Norwegian continental shelf in February 2022. The charter ended just before year-end, so Floatel Endurance was idle in Skipavika, Norway, on December 31, 2022. From mid-March 2023, Floatel Endurance will take over the assignment for Equinor at the Grane field from Floatel Superior.

Floatel Reliance has been idle in Tenerife in the Canary Islands during the year, awaiting a new charter assignment. The vessel is actively marketed for new charters.

Floatel Superior was on charter for Equinor at the Grane field in Norway from March 2022 to the end of the year. Floatel Superior will continue the assignment until mid-March 2023, when Floatel Endurance will take over. Floatel Superior will go quayside in Skipavika, Norway, to prepare for the Var Energi Balder project, which will start in early May 2023.

Floatel Triumph was contracted by Oersted in Taiwan from December 2021 to March 2022 at the Greater Changhua wind farm project. Floatel Triumph was thereafter quayside in Kemaman, Malaysia, before starting the next assignment for Inpex in Australia at the Ichthys field in June 2022. The intention was to directly transit from Inpex to the Shell Prelude project, but Shell informed us in August 2022 that the project had been postponed to 2023, so Floatel Triumph transited back to Kemaman and was on paid standby at year-end. Floatel Triumph will start the charter with Woodside for the Pluto project in mid-March 2023, and the contracted firm period is three months, with options after that. Shell Prelude begins soon after the completion of Woodside.

Floatel Victory was in operation to provide maintenance and safety unit services for Equinor at the Peregrino field in Brazil during the entire year. The charter has been extended and now ends on April 30, 2023. Floatel Victory will, after completion, do a special periodic survey and transit to Chevron Anchor in the US Gulf of Mexico with a planned start in July 2023.

The Group has an onshore organisation supporting its marine activities, with approximately 50 people working onshore and offices in Oslo (Norway), Gothenburg (Sweden), Macaé (Brazil), Perth (Australia), and Singapore.

Outlook

The direct impact of the macroeconomic and geopolitical situation, including heightened risks of a recession and the conflict in Ukraine, has been limited for the Group. Furthermore, continued high energy demand and prices will drive demand for our services.

Even if continued improvements were visible in 2022, the market remains partly oversupplied, resulting in modest near-term price increases. It is estimated to be a soft year in 2023, especially in the North Sea, with opportunities moving to 2024 and beyond.

We believe the demand for offshore accommodation services will increase from 2024 based on visible and predicted higher customer activity levels, evidenced by current client discussions and tender activity. This, and the reduced supply, will result in higher utilisation and, with some time lag, also prices.

Additionally, the shift in the energy discussion towards renewable sources has created a debate about energy composition for the future; however, the transition to a renewable world is likely to take time.

The globally operating, purpose-built, semi-submersible accommodation fleet presently comprises eighteen vessels following recent announcements by competitors to scrap older vessels plus two vessels yet to be delivered. Seventeen vessels have been built since 2005 (including the two new buildings mentioned), and the remaining older vessels are expected to exit the market in the coming years.

Sustainability and Health, Safety, and Environment

Floatel is an integral part of the offshore energy services industry and our work supports the production of reliable and affordable energy. Our Core Values – Compassion, Commitment, and Cooperation – are at the forefront of everything we do. They guide us in how we interact with stakeholders, the communities in which we operate and the people we employ.

As the world transitions to a lower-carbon society, we understand the challenges and opportunities ahead of us, including the need to reduce our own emissions. We aim to follow the International Maritime Organization's ("IMO") Initial GHG Strategy regarding the reduction of ship emissions, and we have already taken several initiatives that have resulted in less fuel consumption

Safety is paramount at Floatel, and our track record shows that we always put safety first. During the year, no Loss Time Injuries (LTI) occurred and there was only one recordable injury in the entire fleet. We are proud of our safety culture at Floatel, where everyone working on board is encouraged to highlight or report any safety concerns they may experience.

The employees are, together with the vessels, Floatel's biggest assets. Investing in people development and ensuring people enjoy being

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at work while always putting safety first is a way for Floatel to create sustainable people performance. Floatel strives to be an engaged employer where employees can grow and develop. For several years, Floatel has conducted employee surveys both on- and offshore. The Floatel Group result is excellent and, in most areas, exceeds the relevant benchmark.

Unfortunately, there was a recordable oil spill during the reporting year, the first ever in the company's history. Relevant authorities and the client were informed immediately. As a result of the event an internal investigation took place which resulted in several actions being implemented fleetwide to prevent recurrence. Information regarding the event was distributed company-wide in the form of a safety alert for immediate actions across the fleet, and later as a lesson learned with detailed information.

Please refer to the ESG Report found on p. 5 of this Annual Report for further information on these topics.

Corporate Governance, risk management, and legal organisation

Floatel's corporate governance is embedded in the running of the business through FIMS ("Floatel International Management System"). 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 of Directors and senior management, thus bringing greater transparency to how the Group is managed.

The Board of Directors is responsible for overall corporate governance and 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, ESG and risk, as well as financial processes and disclosures. The Board of Directors has delegated to the senior management, through written policies and procedures, the day-to-day responsibility for conducting, implementing, and evaluating corporate governance, ESG, risk management, and internal control.

The Risk Management System is set up to identify, assess and mitigate risks the Group can experience while conducting its business. This will also include response and recovery activities. The Board of Directors has the overall responsibility for risk management. It delegates it to senior management, under the supervision of the Audit Committee, to manage day-to-day risk together with the rest of the organisation.

Please refer to the Corporate Governance Report found on p. 15 of this Annual Report for further information on these topics.

Income statement

The consolidated revenues for 2022 were USD 177.6 million (USD 94.1 million in 2021). The mobilisation 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 and non-recurring effects were USD 106.6 million (USD 89.9 million). The recurring EBITDA[1] for the year was USD 71.0 million (USD 4.5 million). EBITDA came to USD 66.5 million (USD 0.2 million).

Depreciation and impairment totalled USD 43.2 million (USD 44.5 million). A USD 0.9 million write-off is included in 2022 and relates to the retirement of purchases in a previous year not used for a special periodic survey. The generated operating result was USD 22.4 million (USD –44.3 million).

Management has performed impairment assessments of its vessels in accordance with IFRS. As a result, no impairment charges have been recorded in 2022 or 2021. Please refer to note 11.1 of the Consolidated Financial Statement for further information and assumptions for the assessment.

Net financial items were USD –23.5 million (USD 548.8 million), and the change from the previous year depends on the last year being affected by the restructuring. The net result for the period was USD –3.2 million (USD 503.7 million).

Financial position

As of December 31, 2022, total assets were USD 684 million (USD 706 million). Non-current assets totalled USD 602 million (USD 640 million), whilst net working capital totalled USD 29.1 million (USD 9.9 million). Net customer receivables, the sum of trade receivables and accrued revenues were USD 29.1 million (USD 15.2 million).

The Group's cash and cash equivalents totalled USD 16.4 million (USD 14.4 million). Undrawn revolving credit facilities amounted to USD 45 million (USD 12.7 million) at the end of the year.

The book equity at the end of the period totalled USD 372 million (USD 376 million). Total interest-bearing debt was USD 268 million (USD 284 million). The reported total interest-bearing debt includes prepaid borrowing expenses of USD 1.7 million (USD 2.7 million). The expenses amortise over the life of the facilities. As of December 31, 2022, net interest-bearing debt totalled USD 252 million (USD 271 million). This results in a debt (gross interest bearing) to equity ratio of 0.7 times (0.8) and an equity ratio (total assets) of 54% (53%).

Order book

The total contract order book for the Company as of December 31, 2022, was approximately USD 219 million plus options of USD 162 million. As of December 31, 2022, the order book was approximately USD 117 million plus options of USD 58 million.

Financing, Liquidity, and Going Concern

The financial statements are prepared on a going-concern basis. The direct impact of the macroeconomic and geopolitical situation, including heightened risks of a recession and the conflict in Ukraine, has been and is expected to have limited, if any, negative impact on the Group going forward. The Company refinanced its revolving credit facility in March 2023 and considers the financial position and the liquidity of the Group to be sound. Cash flow from operations, combined with the total available liquidity, is expected to be more than sufficient to finance the Group in 2023.

The Group's term credit facilities at year-end consisted of two Norwegian high-yield bonds in an aggregate amount of USD 200 million and a USD 100 million revolving credit facility with maturities in 2026 and 2024, respectively. The bonds are listed on Nordic ABM with Euronext Oslo (FLOAT04 PRO, FLOAT05 PRO). The revolving credit facility was refinanced and cancelled in March 2023 in connection with the Group raising a new 11.25% per annum super senior secured USD 100,000,000 bonds maturing March 2026.

As of December 31, 2022, the total outstanding interest-bearing debt, excluding prepaid borrowing cost, effective interest adjustment, and accrued interest, of the Group amounted, therefore to USD 265 million (USD 287.3 million).

For more details, see significant events after the reporting period and note 15 to the Consolidated Financial Statements.

1. Non-recurring effect not included in Recurring (adjusted) EBITDA refer to material matters outside the ordinary course of business and/or refer to previous financial years such as restructuring expenses, reversal of old provisions and expenses incurred in connection with matters referred to in note 20 to the Consolidated Financial Statements.

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Share/shareholder information and dividend policy

The Company has 107,165,289 common shares with a nominal value of USD 0.02.

The Company has also issued 21,022,856 warrants in two series allotted to former 2nd lien bondholders and shareholders, respectively. The warrants have an exercise price of USD 3.96/share and USD 5.13/share, respectively. Both series expire at the earlier of the so-called Exit Event[2] and March 2031.

The principal shareholders are Keppel Corporation Limited through Kepinvest Holdings Pte Ltd. with 49.9%, management holding 10.0% of the common shares through Floatel Interessenter AS, and several financial institutions holding the remaining shares.

No dividends have been paid during the year or in recent years. Neither are dividends expected to be paid in the foreseeable future given the expected liquidity going forward and that it requires the consent of the Company's secured creditors in accordance with the relevant credit facilities.

The 2022 Annual General Shareholders Meeting will be held at the Company's premises, Dronning Eufemias gate 8, 0191 Oslo, Norway, on May 16, 2023.

Significant events after the end of the reporting period

On March 23, 2023, the Company raised new 11.25% per annum super senior secured USD 100,000,000 bonds ISIN NO0012862673 maturing March 2026. The proceeds were partly used to prepay and cancel the revolving credit facility. The remaining proceeds will be used for general corporate purposes.

Vår Energi has not declared the 2024 option for the potential Jotun project in Norway. Alternative work is likely available and Vår Energi may still need an accomodation vessel for the Jotun project.

Aker BP has awarded Floatel Endurance a contract for work at the Skarv FPSO as part of the Skarv Satellites Project in the Haltenbanken area on the Norwegian continental shelf. The contract will commence in March 2024 and has a firm hire period of eight months with options to extend. The contract award is subject to Aker BP obtaining plan for development and operations (PDO) approval from Norwegian authorities.

Annual results and disbursements

	2022
Retained earnings of the Company:	
Retained earnings	37 738
Net profit for the year	**4 154**
	41 892

The Board of Directors has decided not to declare and pay dividends for the fiscal year ending December 31, 2022, and proposes that the accumulated undistributed profit be allocated to the retained earnings account.

2. Exit Event means a change of control of the Company, a sale of all or substantially all the assets of the Group or an IPO of the common shares of the Company.

Consolidated Financial Statements with notes

Consolidated Income Statement

1 JANUARY–31 DECEMBER	Notes	2022	2021
Revenue	5	177 606	94 131
Cost of providing services	6,7	–141 019	–119 587
Gross profit(+)/loss (–)		**36 587**	**–25 456**
Administrative expenses	7,22	–16 376	–18 892
Other gains / losses – net		2 153	0
Operating profit(+)/loss(–)		**22 364**	**–44 348**
Interest income			
Net restructuring financial result	22	0	581 883
Finance income	8	162	1 081
Finance cost	8	–23 662	–34 160
Finance income and costs – net		**–23 500**	**548 804**
Profit(+)/loss(–) before income tax		**–1 136**	**504 456**
Income tax expense	9	–2 095	–792
Profit(+)/loss(–) for the period		**–3 231**	**503 664**
Profit(+)/loss(–) attributable to owners of Floatel International Ltd		–3 231	503 664
Earnings per share, basic (USD)	10	–0,03	4,70
Earnings per share, diluted (USD)	10	–0,03	4,70

Consolidated Statement of Comprehensive Income

1 JANUARY–31 DECEMBER	Notes	2022	2021
Net profit(+)/loss(–)		**–3 231**	**503 664**
Items that are or may be reclassified as profit or loss			
Foreign currency translations – foreign operations		–462	–1 077
Other comprehensive income		**–462**	**–1 077**
Total comprehensive income		**–3 693**	**502 587**

Consolidated Statement of Financial Position

31 DECEMBER	Notes	2022	2021
Assets			
Non-current assets			
Property, plant and equipment	11.1	595 490	634 070
Right-of-use assets	11.2	480	946
Intangible assets	11.3	2 206	2 144
Financial assets		3 827	3 300
		602 003	**640 460**
Current assets			
Inventory		27 858	24 672
Trade receivables	12	17 405	12 375
Income tax receivables	9	1 382	1 623
Other current receivables	13	19 404	12 318
Cash and cash equivalents		16 428	14 433
		82 477	**65 421**
Total Assets		**684 480**	**705 881**

31 DECEMBER	Notes	2022	2021
Equity and liabilities			
Equity			
Share capital	14	2 144	2 144
Additional paid in capital		348 102	348 102
Other reserves		707	1 169
Retained earnings incl. Profit/Loss of the year		21 324	24 555
Total equity		**372 277**	**375 970**
Liabilities			
Non-current liabilities			
Interest-bearing debt	15	268 494	284 615
Other long term liabilities		118	520
Provisions	20	5 167	3 232
Total non-current liabilities		**273 779**	**288 367**
Current liabilities			
Trade payables		7 611	6 065
Income tax liabilities	9	2 923	2 060
Other current liabilities	17	27 890	33 419
Total current liabilities		**38 424**	**41 544**
Total Equity and Liabilities		**684 480**	**705 881**

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Consolidated Statement of Changes in Equity

	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 2021-01-01	**2 144**	**325 568**	**2 241**	**–483 293**	**–153 340**
Net profit for the year				503 663	503 663
Other comprehensive income		–5	–1 072		–1 077
Share subscriptions and warrants		22 539		4 185	26 724
Equity 2021-12-31	**2 144**	**348 102**	**1 169**	**24 555**	**375 970**
Net result for the year				–3 231	–3 231
Other comprehensive income			–462		–462
Equity 2022-12-31	**2 144**	**348 102**	**707**	**21 324**	**372 277**

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Consolidated statement of cash flows

1 JANUARY–31 DECEMBER	Notes	2022	2021
Cash flow from operating activities			
Operating result		22 364	–44 348
Interest received		162	35
Interest paid		–13 220	–5 046
Income tax paid		–1 007	–642
Adjustment for depreciation and impairment	11	44 095	44 522
Adjustments for other non-cash related items		1 673	4 019
Total cash flow from operations before changes in working capital		**54 067**	**–1 460**
Changes in inventories		–3 186	–1 668
Changes in trade receivables		–5 030	–5 950
Changes in trade payables		1 546	1 782
Other changes in working capital		–5 507	4 354
Cash flow from operating activities		**41 890**	**–2 942**
Cash flow from investing activities			
Payments for property, plant and equipment	11	–5 586	–4 596
Net cash flow from investing activities		**–5 586**	**–4 596**
Cash flow from financing activities			
Repayment of debt	15	–32 330	–76 805
Proceeds from debt	15	0	87 330
Other financial items paid		–1 603	–25 364
Net cash flow from financing activities		**–33 933**	**–14 839**
Cash flow for the year		**2 371**	**–22 377**
Cash and cash equivalents, January 1		14 433	36 662
Currency effect on cash		–376	148
Cash and cash equivalents, 31 December		**16 428**	**14 433**

Notes to the consolidated financial statements

1 General information

Floatel International Ltd. ('the Company') an exempted limited liability company incorporated in Bermuda with its principal place of business in Norway. The office and business address is Dronning Eufemias gate 8, 0191 Oslo, Norway, and the registered address is Canon's Court, 22 Victoria Street, HM 1179, Hamilton, Bermuda.

The consolidated financial statements comprise the Company's and its subsidiaries financial statements (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 nine and a half years. The fleet is designed to meet the requirements of offshore oil, gas and wind installations in challenging deep water and/or hostile environments and provide superior living standards and support services.

These Group Consolidated Financial Statements were authorised for issue by the Board of Directors on April 28, 2023.

All numbers are in USD thousands unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in preparing these consolidated financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

2.1 Basis of preparation

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 measured at fair value. The consolidated financial statements are presented in US dollars (USD), the functional currency for most companies in the Group.

The financial statements are prepared on a going-concern basis. The direct impact of the macroeconomic and geopolitical situation, including heightened risks of a recession and the conflict in Ukraine, has been and is expected to have limited, if any, negative impact on the Group going forward. The Company refinanced its revolving credit facility in March 2023 and considers the financial position and the liquidity of the Group to be sound. Cash flow from operations, combined with the total available liquidity, is expected to be more than sufficient to finance the Group in 2023.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in 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 2022

Several new standards, amendments to standards, and interpretations are effective for annual periods beginning after January 1, 2022. None of these has had a significant effect on the consolidated financial statements of the Group.

(b) New accounting principles for 2023 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 of December 31, 2022. 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, unrealized gains, and losses resulting from intra-group transactions and dividends are fully eliminated. Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interest exists, the non-controlling interest is 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:

- *Derecognises the assets (including goodwill) and liabilities of the subsidiary*
- *Derecognises the carrying amount of any non-controlling interest*
- *Derecognises the cumulative translation differences recognised in equity*
- *Recognises the fair value of the consideration received*
- *Recognises the fair value of any investment retained*
- *Recognises any surplus or deficit in the income statement*
- *Reclassifies the parent company's share of components previously recognised in other comprehensive income to the income statement or retained earnings as appropriate*

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the Group entities' financial statements 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, the Group's presentation currency. The Company's and most subsidiaries' functional currency is USD.

(b) Transactions and balances

Transactions in foreign currencies are translated to the Group entities' respective functional currencies 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 measured based on the historical cost in a foreign currency are translated using the exchange rate at the transaction date.

Foreign currency differences arising on retranslation are generally recognised in the income statement. However, for foreign currency differences arising from derivatives qualifying for cash flow hedges, to the extent the hedge is effective, the retranslation is recognised 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 recognised in other comprehensive income and presented as a separate equity component.

On consolidation, exchange differences from translating 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 acquiring 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 expenditures directly attributable to the acquisition of the items. Cost may also include transfers from the 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 recognised 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 derecognised. All other repairs and maintenance are charged to the income statement during the financial period they are incurred. Incurred borrowing costs during the construction period are capitalized on the vessels per 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:

Vessels with useful life for different components

- *Superstructure, 30 years*
- *Living quarter (exterior), 16 years*
- *Living quarter (interior), 10 years*
- *IT-related equipment, 5 years*
- *Periodic maintenance, 5-7 years*

Other equipment

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

If appropriate, the assets' residual values and useful lives are reviewed and adjusted at each balance sheet date.

An asset's carrying amount is immediately written down 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 recognised 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 amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 selling costs, and value in use. Assets are grouped at the lowest levels for separately identifiable cash inflows (cash-generating units) to assess impairment. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The Company carried out impairment tests for its vessels in connection with preparing this report according to IAS 36. These tests are based on reasonable and supportable cash flow projections, including extrapolation for periods beyond the primary forecast period. The Company has 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 Group.

Refer to note 11.1 for further details and outcome.

2.7 Financial assets

Floatel's financial assets are classified into two categories 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 the income statement (FVPL).

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade date when the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flow from the financial assets have expired or have been transferred or sold, 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 FVPL, transaction costs directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the income statement.

Financial assets at amortised cost

Assets held solely for collecting contractual cash flows, and where these cash flows comprise only principal and interest, are valued at amortised cost. The carrying value of these assets is adjusted for recognised expected credit losses (refer to impairment below). Interest income from these financial assets is recognised per the effective interest method and included in financial income. The Group's financial assets valued at amortised cost comprise trade receivables, other receivables, accrued income, and cash and cash equivalents.

Impairment of financial assets recognised at amortised cost

The Group assesses future credit losses associated with assets recognised at amortised cost. The Group recognises a credit reserve for expected credit losses on each reporting date. For impairment of trade receivables, see section 2.10.

Financial assets at fair value through the income statement

Assets that do not meet the criteria for amortised cost are measured at FVPL. A gain or loss on an investment that is subsequently measured at FVPL is recognised in the income statement and presented net within other gains/(losses) in the period it arises. Dividend income from financial assets at FVPL is recognised in the income statement as part of other income when the Group's right to receive payments is established. A financial asset is classified as held for trading if acquired principally to sell in the short term.

Derivatives classified into the FVPL category are mainly used in financial hedges where the changes in fair value are taken directly through the income statement.

Gains or losses arising from changes in the fair value of the financial assets at FVPL category are presented in the income statement within financial income and costs - net.

2.8 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value when a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising 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; thus, all derivatives are recorded at fair value through the income statement.

2.9 Inventories

Inventories are stated at cost as inventories consist of spare parts and consumbles used in the operation of the vessels and not goods for sale. Cost is determined by using FIFO (first in – first out) method.

2.10 Trade receivables

Trade receivables are classified as current assets. Trade receivables are initially recognised at their transaction price. As the Group holds trade receivables solely to collect contractual cash flows (principal and potentially interest), they are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group applies the simplified method of credit reserves for trade receivables, i.e., the reserve will correspond to the expected loss over the whole life of the trade receivable. To measure the credit losses, trade receivables 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 recognised 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, and potential other short-term highly liquid investments with original maturities of three months or less.

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 initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised 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 recognised in the income statement except to the extent it relates to a business combination or items recognised 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 subsidiaries and associates operate and generate taxable income. The Group periodically evaluates positions taken in tax returns concerning situations in which applicable tax regulations are 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 between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that affects neither accounting nor taxable profit or loss at the time of the transaction. Deferred income tax is determined using tax rates (and laws) enacted or substantially enacted at the balance sheet date and which 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 recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary difference and, probably, that the temporary difference will not reverse in the foreseeable future.

2.16 Employee benefit expenses

(a) Pension obligations

The Group and the Company have 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. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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The exception to the defined contribution plan rule is that Norwegian senior management employees have a top hat plan in addition to the collective defined contribution plan due to legal restrictions. Pension assets and pension liabilities for the top hat plan are recognised separately in the balance sheet but always match each other, so Floatel has no further payments after the initial contribution.

(b) Share-based compensation
No share-based compensations are in place. Key managers indirectly hold shares in the Company through a joint investment company, Floatel Interessenter AS. The investment was made at fair market value. A shareholder agreement in place gives the Company the right to purchase leavers' shares and invite new managers to invest.

(c) Bonus plans
The Group typically has bonus schemes for executives, managers, and employees, which are based on key performance indicators in the following categories, (i) financial outcome, (ii) securing new contracts for coming years, (iii) efficient operations, and (iv) HSEQ and ESG. A liability and an expense are recognised based on the expected outcome for the year. The Group recognises provisions when contractually obliged or where past practice creates a constructive obligation. Please refer to the Corporate Governance Report for further information about bonus plans.

2.17 Provisions

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

- *the Group has a present legal or constructive obligation because of past events;*
- *an outflow of resources will probably 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 recognised for future operating losses.

Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations taken as a whole. A provision is recognised even if the probability of an outflow concerning any item 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 provision increase due to time passage is recognised as interest expense.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for selling goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates, and discounts after eliminating sales within the Group.

The Group recognises revenue when control is transferred to the customer, which is when the performance obligations are fulfilled. Revenues regarding service contracts are typically recognised over time and accounted for over the duration of the contract using either the input or output methods. These are different methods to measure the progress towards complete satisfaction of a performance obligation. For revenue recognition over time, the Group bases its estimates on historical results, considering the type of customer, the type of transaction, and the specifics of each arrangement.

(a) Sales of services and other related income
i. Charter revenue
The Group provides offshore services to the oil and gas and offshore windfarm industries through time charter contracts with contract terms generally ranging from less than one year to over two years. The charter income is recognised over time according to the terms of the agreement and when the work is performed, and the performance obligations are fulfilled. A booking fee is recognised when performance obligations according to the contract are fulfilled.

ii. Mobilisation revenue
Mobilisation and demobilisation income is usually allocated over the charter period since the obligation to perform mobilisation activities are highly interdependent on the charter activities. Thus, the mobilisation and demobilisation revenue usually is not a distinct performance obligation. Instead, the performance obligation related to mobilisation and demobilisation activities is recognised with the performance obligation to provide charter services.

iii. Catering and rechargeable revenue
The Group provides catering and hotel services and extra rechargeable services, which result in revenue according to the terms of the agreement, and revenue is recognised over time when performance obligations are met.

(b) Interest income
Interest income is recognised on a time-proportion. 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 recognised using the initial effective interest rate.

(c) Dividend income
Dividend income is recognised when the right to receive payment is established.

(d) Insurance and warranty revenues
Insurance and warranty revenues are recognised when the counterparty can reliably measure and confirm them.

2.19 Phasing of mobilisation activities

The Group has assessed that the costs to perform mobilisation and demobilisation activities are incurred in fulfilling a contract with the customer. These costs relate directly to a contract, generate resources to satisfy the contract, and are expected to be recovered. The costs are therefore capitalised as costs to fulfill a contract and amortised systematically over the contract period.

2.20 Leases

The Group's leases mainly comprise the right-of-use regarding office premises. The leases are recognised as right-of-use assets 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 the 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.

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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 the 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 recognised as a liability in the Group's financial statements in the period in which the Company's shareholders approve the dividends.

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 to the common shares, such as any "in the money" options.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to various 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 minimise potential adverse effects on the Group's financial performance. The Group normally uses to the extent relevant derivative financial instruments to hedge specific 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 Group companies have USD as their functional currency; foreign currency risks occur 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 normally be minimised based on financial instruments.

The Group's exposure to currencies other 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 EUR, NOK, SEK, and USD. AUD and GBP are primary expense currencies in years when vessels operate in Australian or UK waters. Capital expenditures are mainly denominated in EUR, NOK, SEK, SGD, and USD. Tax liabilities primarily include EUR, SEK, NOK, and SGD. Tax liabilities arise in BRL, GBP, and USD in years when the Group operates in these countries. Cash and cash equivalents are mainly denominated in USD.

Net currency exposure as of December 31, 2022, primary local currencies, thousands

	Local Currency	USD	Closing rate
EUR	–2 449	–2 611	1,0662
SEK	–39 863	–3 819	0,0958
NOK	–104 340	–10 570	0,1013

The Group usually hedges most operating expenditures in currencies other than USD using derivative instruments. Material capital expenditures, including special periodic surveys in currencies other than USD, are typically hedged independently of the time horizon. The Group deviated from its principles during 2021 and 2022 because of the financial restructuring completed in 2021, preventing it from entering derivatives contracts.

The fair value of any forward exchange contracts is estimated using quoted market prices. The fair value estimates the gain or loss that would have been realised if the contract had been closed out at the balance sheet date.

(ii) Cash flow and fair value interest rate risk

In all material respects, the Group's revenues and cash flow from operations are independent of changes in market interest rate levels. The Group sometimes raises loans at floating interest rates. It may utilise, on such occasions, interest derivatives as cash flow hedges of future interest payments, which have 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 at a lower rate than if the borrowing had occurred 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 for the agreed notional amount.

As of December 31, 2022, no interest rate derivatives agreements exist. USD 200 million out of USD 265 million carries a fixed interest rate, and USD 10 million carries a zero coupon. The Group's risk related to interest rate risk is therefore considered limited. The table below demonstrates the sensitivity to change in interest rates, with all other variables unchanged, of the Group's rresult before tax as of December 31, 2022:

Loan, nominal amount	Interest rate basis points –/+*	Effect on profit before tax
265 000	–200	1 115
265 000	–150	836
265 000	–100	558
265 000	100	–558
265 000	150	–836
265 000	200	–1 115

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

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, and credit exposure toward clients, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum BBB+ rating are accepted. If there is no independent rating, the Group assesses the client's credit quality, 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, 2022, was USD 16.4 million (14.4). On December 31, 2022, most current accounts were held with SEB, Skandinaviska Enskilda Banken AB (publ).

In line with industry practice, the Group's charter contracts usually contain clauses allowing the client to cancel the contract early or for convenience under certain conditions. However, the effect on the result in such cases will typically 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 typically have to pay Floatel all or a substantial part of the remaining contract value.

The counterparty risk is generally limited regarding clients since these are typically major and national oil companies with high credit ratings and strong balance sheets.

Concerning 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 the counterparty's default, 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 they fall due, as well as the ability to refinance credit facilities when they mature and the ability to close out market positions. The Company monitors rolling forecasts of the Group's liquidity reserve based on expected cash flow.

All five vessels in the Group 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 always to ensure a sound financial position. The Company continuously monitors the cash position and capital structure to meet current funding requirements and to fund future growth opportunities. As the Group matures, its capital structure will be optimised to meet evolving conditions, including liquidity, investment opportunities, and financing capabilities.

To maintain or adjust the capital structure, the the Company may change the dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No dividend has been paid during the year and is not expected to be paid in the foreseeable future. The Company's secured credit facilities have provisions requiring secured creditors' consent for dividends and other returns of capital to shareholders to be declared and paid. 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 current bid price is the quoted market price for any financial assets held by the Group. The fair value of any interest rate derivatives is calculated as the present value of the estimated future cash flows. The fair value of any 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 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

The Company has used estimates and assumptions that have affected assets, liabilities, revenues, expenses, and information on potential liabilities. This applies to the 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 change these estimates. 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 recognised in the period in which the changes occur.

The most critical accounting estimates and judgments for the Group relate 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).

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5 Revenue from rendering of services

	2022	2021
Revenue		
Charter revenues	133 692	71 282
Catering and rechargeable expenses	31 608	17 698
Other	1 953	57
Mobilisation/demobilisation fees	10 353	5 094
	177 606	**94 131**
Revenues by geographical location:		
Europe	102 392	71 613
Americas	39 950	11 499
Asia-Pacific	35 264	11 019
	177 606	**94 131**

6 Cost of providing services

	2022	2021
Cost of sales		
Repair and maintenance	–19 822	–14 465
Depreciation of vessels	–42 620	–43 432
Impairment of vessels	–928	0
Crew cost	–39 913	–39 726
Rechargeable and catering expenses	–25 508	–16 573
Mobilisation/demobilisation expenses	–10 375	–3 816
Other operating expenses	–1 853	–1 575
	–141 019	**–119 587**

7 Employment benefit expenses

	2022	2021
Salaries including remuneration to the Board of Directors	–22 308	–22 890
Bonus/Ex gratia payment	–959	–3 244
Statutory and contractual social security contributions	–4 308	–5 707
Pension cost	–3 136	–3 364
Total employee benefits	**–30 711**	**–35 205**
Whereof management/Board members		
Salaries including remuneration Board members	–1 520	–1 339
Bonus/Ex gratia payment	–656	–2 474
Statutory and contractual social security contributions	–416	–842
Pension cost	–737	–275
Total employee benefits	**–3 329**	**–4 930**

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 end of the notice period for up to two years. Please refer to the Corporate Governance Report regarding further details on management employment terms and remuneration principles.

Executives and managers were, in 2021, awarded an ex gratia payment for the investment in the joint investment company, Floatel Interessenter AS, which owns 10% of the Company's common shares. The 2022 amounts refer to the regular annual bonus, further described in the Corporate Governance Report.

8 Financial income and expenses

	2022	2021
Financial income		
Interest	162	35
Currency gain	0	1 046
Total financial income	**162**	**1 081**
Financial cost		
Currency gain/loss	–241	0
Interest cost	–20 764	–30 480
Borrowing expenses	–2 657	–3 680
Total financial expenses	**–23 662**	**–34 160**

9 Taxes

	2022	2021
Result before tax	–1 136	504 456
Tax calculated at tax rate of parent company	250	4 419
Tax calculated at domestic tax rates appl to resp country	–563	–647
Tax effect of:		
Expenses not deductable for tax	–665	0
Not balanced tax losses	–1 184	–4 419
Tax related to previous years	67	–145
Tax cost for the year	**–2 095**	**–792**
Effective tax rate	N/A	0,2%

	2022	2021
Tax cost reconciliation per country:		
The Netherlands corporation tax	–1 049	–478
Swedish corporation tax	–651	–162
UK corporation tax	0	–7
Australian corporation tax	–231	0
Brazilian corporation tax	–231	0
Adj. in respect of current tax previous years	67	–145
	–2 095	**–792**

The Company has since September 9, 2021 been tax resident in Norway, with a tax rate of 22%. Before September 9, 2021, the company was a tax resident in Bermuda with a corporate tax rate of 0%.

The balanced amount for income tax receivables amounts to 1,382 USD thousands (1,623) and mainly relates to Norway and Sweden. The balanced amount for income tax liabilities is 2,923 USD thousands (2,060) and refers primarily to the Netherlands.

The Group has tax losses carried forward in Norway, and expects not to be in a taxable position in the foreseeable future, see also note 2.15.

10 Earnings per share

	2022	2021
Net income for the year	–3 231	503 664
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)	–0,03	4,70
Earnings per common share, diluted (USD)	–0,03	4,70

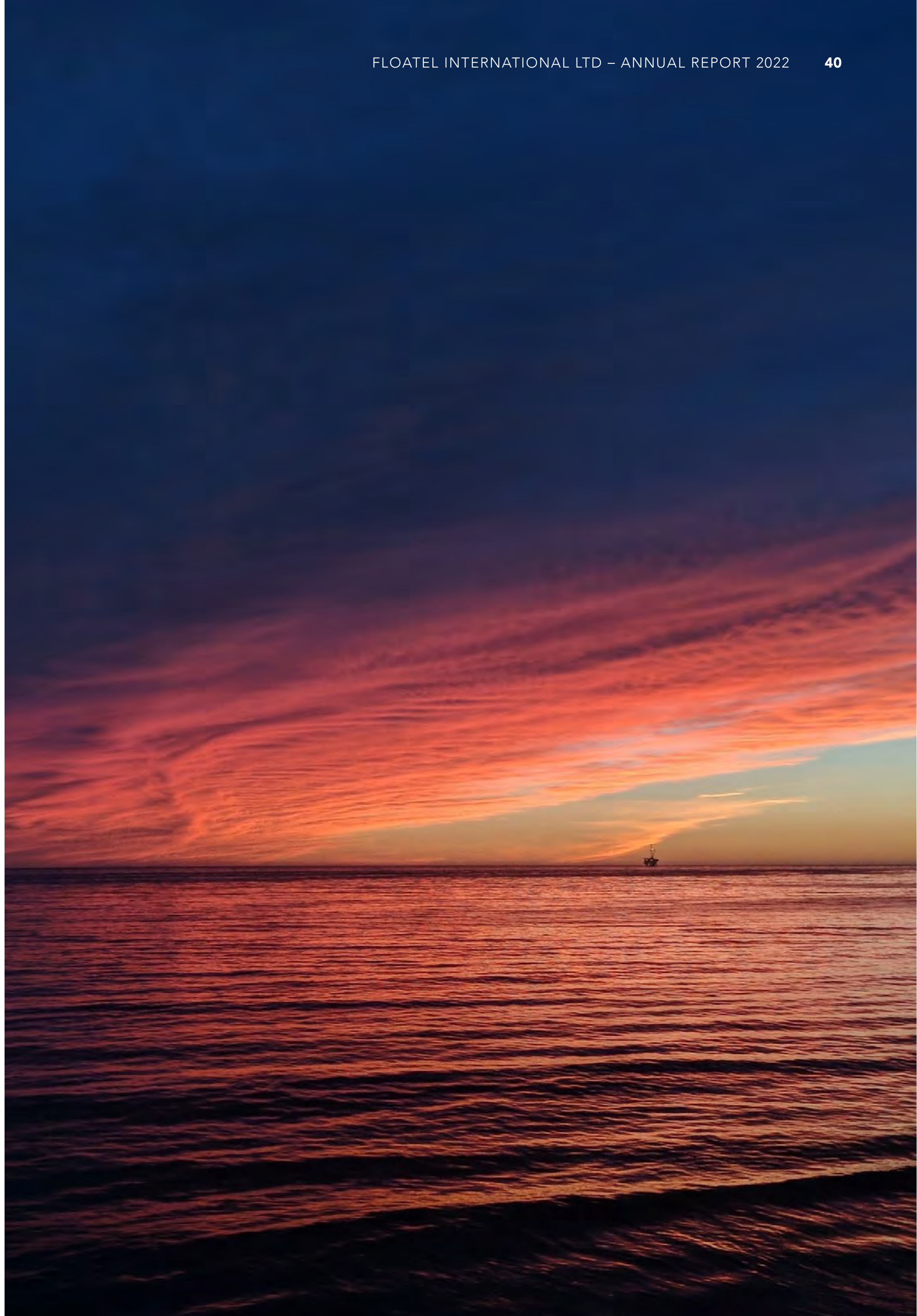
Earnings per share are calculated by dividing the net profit by the weighted average number of common shares outstanding during the year.

CONTENTS

11.1 Property, plant, and equipment

	2022	2021
Vessel incl. vessel upgrade		
Opening acquisition costs, January 1	1 625 361	1 621 095
Purchases during the year	4 740	4 266
Disposal *	-927	0
Closing acquisition costs, December 31	1 629 174	1 625 361
Accumulated depreciation, January 1	-447 483	-404 051
Depreciation for the year	-42 620	-43 432
Closing accumulated depreciation, December 31	-490 103	-447 483
Accumulated impairment, January 1	-543 825	-543 825
Disposal*	927	0
Impairment loss for the year *	-927	0
Closing accumulated impairment, December 31	-543 825	-543 825
Net book value as per 31 December	**595 246**	**634 053**
Other equipment		
Opening acquisition costs, January 1	1 814	2 105
Translation difference	-252	-198
Purchases during the year	272	–
Disposal	0	-93
Closing acquisition costs, December 31	1 834	1 814
Accumulated depreciation, January 1	-1 797	-1 894
Translation difference	242	187
Disposal	0	93
Depreciation for the year	-35	-183
Closing accumulated depreciation, December 31	-1 590	-1 797
Net book value as per 31 December	**244**	**17**
Total book value Property, plant and equipment	**595 490**	**634 070**

* Disposal and Impairment of 927 USD thousands relates to the retirement of previous year's purchases made but not used for a special periodic survey



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All Vessels are registered in Bermuda. The vessels are security for credit facilities; see note 19.

The Company has performed an impairment assessment of the recoverable values of the Group's vessels in accordance with IFRS (see 2.6) based on the value in use. Each vessel is considered to be a cash-generating unit. The new assessments resulted in no impairment charges, and no impairment charges were recorded during 2022 or 2021.

As stated above, the recoverable amounts have been determined by calculating the valuation-in-use (ViU). Impairments are 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 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 stays is estimated to be 65% from 2026.*
- *The revenues until 2025 are based on current contracts and estimated new agreements reflecting present market conditions for each vessel. Assumptions reflect gradual improvement and return to stabilised market conditions from the year 2024 and onwards.*
- *Operating expenses reflect present levels adjusted for long-term inflation. Capital expenditure is based on a life-cycle asset plan for each vessel, which accounts for special periodic surveys, thruster overhauls, expected mid-life upgrades and refurbishments at appropriate intervals, and regular maintenance expenditure.*
- *10.5% (10.5% in 2021) discount rate equal to the weighted average cost of capital (WACC), and approximately 2% long-term growth rate (inflation) has been assumed.*

Sensitivity:

- *A 1.0% decrease in the discount rate would lead to a USD 64 million increase in the ViU, and a 1.0% increase would lead to USD 57 million decreases in ViU.*
- *A 10% increase in long-term utilisation from 65% to 75% would lead to an increase of the ViU with USD 138 million, while a 10% decrease from 65% to 55% would lead to a USD 138 million decrease in ViU and USD 17 million aggregate impairment.*
- *An increase of USD 15 thousand in the long-term day rates would lead to an increase of the ViU with USD 93 million, and a USD 15 thousand decrease would lead to a USD 93 reduction of ViU and USD 12 million aggregate impairment.*

11.2 Right-of-use assets

	2022	2021
Opening acquisition costs, January 1	1 370	1 512
Translation difference	–183	–142
Closing acquisition costs, December 31	1 187	1 370
Accumulated depreciation, January 1	–424	–36
Translation difference	68	23
Depreciation for the year	–351	–411
Closing accumulated depreciation, December 31	–707	–424
Net book value as per 31 December	**480**	**946**

Note 11.3 Intangible assets

	2022	2021
Opening acquisition costs, January 1	4 390	4 500
Translation difference	–606	–440
Purchases during the year	523	330
Closing acquisition costs, December 31	4 307	4 390
Accumulated depreciation, January 1	–2 246	–1 960
Translation difference	306	210
Depreciation for the year	–161	–496
Closing accumulated depreciation, December 31	–2 101	–2 246
Net book value as per 31 December	**2 206**	**2 144**

12 Trade receivables

	NEITHER PAST DUE NOR IMPAIRED	< 30 DAYS	30–60 DAYS	> 60 DAYS
2022	17 405	0	0	0
2021	12 375	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

	2022	2021
Other current receivables		
Accrued income	11 666	2 854
Prepaid expenses	3 961	1 885
Capitalized mobilisation cost	1 188	5 165
Other current receivables	2 589	2 414
	19 404	**12 318**

Accrued income relates to contract assets and consists of; charter revenues of 7,900 (2,006), mobilisation revenue of 1,297 (0), and catering and rechargeable income of 2,469 (848).

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14 Capital and reserves

Share capital

The Company's shares are common and 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. Please refer to the Corporate Governance report and Directors' report for details on the shares and related depository receipts.

Additional paid-in capital/share premium

Additional paid-in capital/share premium refers to the amount payable for issued shares in the Company above 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 JANUARY–31 DECEMBER	2022	2021
Authorised		
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 of Directors	17 834 711	17 834 711

Shareholders

As of December 31, 2022, the legal shareholders of the common shares are Keppel Corporation Limited through FELS Offshore Pte. Ltd.[1] with 49.9% and NT Services AS ("NTS"), a Nordic Trustee / Ocorian company. The common shares registered with NTS are, in turn, represented by an equivalent number of Norwegian Depository Receipts ("NDRs") issued by NTS, mirroring the rights as the underlying shares.

Shareholders and holders of depository receipts as of April 17, 2023 are:

SHAREHOLDER			# of instruments	% of votes and ownership
Kepinvest Holdings Pte. Ltd.	Directly registered	N/A	53 501 857	49,92%
Barclays Capital Inc	Depository receipts	Nominee	18 356 540	17,13%
Floatel Interessenter AS	Depository receipts	Ordinary	10 715 542	10,00%
Clearstream Banking S.A.	Depository receipts	Nominee	6 236 559	5,82%
State Street Bank and Trust Comp	Depository receipts	Nominee	3 060 036	2,86%
Østlandske Pensionsboliger AS	Depository receipts	Ordinary	2 966 823	2,77%
The Bank of New York Mellon	Depository receipts	Nominee	2 395 018	2,23%
Euroclear Bank S.A./N.V.	Depository receipts	Nominee	1 571 310	1,47%
Goldman Sachs International	Depository receipts	Nominee	1 296 414	1,21%
BNP Paribas	Depository receipts	Nominee	1 288 438	1,20%
Citigroup Global Markets Ltd	Depository receipts	Nominee	1 089 271	1,02%
Others	Depository receipts	Mixed	4 687 481	4,37%
Total			**107 165 289**	**100,00%**

Warrants

14,613,449 freely tradable warrants with a strike price of USD 3.96 expiring March 24, 2031, and exercisable at any time until expiry. Warrants were awarded initially in exchange for the 2nd lien bonds as part of the restructuring in 2021.

6,409,407 freely tradable warrants with a strike price of USD 5.13 expiring March 24, 2031, and exercisable at any time until expiry. Warrants were awarded initially in exchange for common shares held by shareholders other than Keppel Corporation Limited as part of the restructuring in 2021.

1. Keppel Corporation Limited transferred their shares to Kepinvest Holdings Pte. Ltd, another wholly owned subsidiary, in February 2023.

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CONTENTS

15 Interest-bearing debts

	2022	2021
1st lien cash pay bonds	100 000	100 000
1stst lien pik pay bonds*	100 000	100 000
1st lien interest bonds*	10 000	0
PIK bonds effective interest adjustment*	5 150	0
Revolving credit facility	55 000	87 330
Less borrowing expenses	-1 656	-2 715
	268 494	**284 615**
The long-term debt is repayable as follows:		
Within one year	0	0
Between one and two years	55 000	0
Between two and five years	215 150	287 330
After five years	0	0
	270 150	**287 330**

* The accounts are prepared using effective interest for the 1st Lien PIK pay bond and the 1st Lien Interest bond (the "PIK bonds") combined. The PIK bonds are presented with their respective nominal value so the adjustment is reported separately.

Group Financing

The Company completed a comprehensive balance sheet restructuring on March 24, 2021, whereby existing credit facilities were partly repaid and partly written off or exchanged for warrants, common shares, and/or replacement credit facilities, including a new $100 million Revolving Credit Facility.

The Company's credit at December 31, 2022, of the following instruments

- *6% Senior Secured USD 115 million 1st Lien Cash Pay Bonds ("Cash Bonds") (ISIN NO0010950868) maturing September 24, 2026, and with USD 100 million outstanding listed on Nordic ABM (Euronext Oslo) under ticker FLOAT05.*
- *10% Senior Secured USD 115 million 1st Lien PIK Pay Bonds ("PIK Bonds") (ISIN NO0010950884) maturing September 24, 2026, with USD 100 million outstanding listed on Nordic ABM (Euronext Oslo) under ticker FLOAT04.*
- *0% Senior Secured 1st Lien PIK Interest Bonds (PIK Interest Bonds) (ISIN NO0010950884) maturing September 24, 2026, and with USD 10 million outstanding.*
- *USD 100 million super senior revolving credit facility ("RCF") maturing March 24, 2024, with an interest rate of LIBOR + 7.25%.*

Each credit facility is repayable in full on the respective maturity date and has no scheduled amortisations; however, the revolving credit facility commitment is reduced by USD 10 million on March 24, 2023, and September 24, 2023, respectively.

Financial Maintenance Covenants and Excess Cash

Each of the credit facilities has a minimum free liquidity maintenance covenant to be tested from March 31, 2023, of USD 10,000,000 and increasing to USD 15,000,000 from March 31, 2024. Liquidity is defined as the unrestricted cash of the Group plus any undrawn RCF commitments.

Each of the credit facilities is subject to an excess cash mechanism whereby any cash above USD 25 million at each calendar quarter-end should be used to first repay the revolving credit facility and, once repaid in full and thereafter, the Cash Bonds and PIK Bonds pro rata. Any amount repaid under the revolving credit facility can be redrawn.

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16 Financial instruments

The following information is presented to assist users of financial instruments in assessing the extent of risk related to financial instruments.

All financial instruments are presented at amortised cost.

	2022	2021
Financial assets		
Trade receivables	17 405	12 375
Other current receivables	12 958	5 268
Cash and cash equivalents	16 428	14 433
	46 791	**32 076**
Financial liabilities		
Trade payables	7 611	6 065
Interest bearing debt	268 494	284 615
	276 105	**290 680**

FX forwards and interest rate derivatives are valued based on current exchange rates and forward curves. The Group held no such derivatives as of December 31, 2022. 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 that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

17 Other current liabilities

	2022	2021
Deferred income	2 654	3 240
Accrued interest	4 795	12 461
Debt related to leasing	398	460
Accrued personnel cost	10 384	8 815
Accrued mobilisation cost	1 344	2 068
Other current liabilities	8 315	6 375
	27 890	**33 419**

Deferred income refers to contract liabilities and consists of prepaid charter revenues 1 938 (0), mobilisation revenue 716 (3 240), and catering and rechargeable income 0 (0).

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18 Related party transactions

The Group had, in 2022 and 2021 no transactions with the Keppel Corporation Limited.

The Company has subscribed for USD 3.3 million in fixed dividend preference shares in Floatel Interessenter AS, Norway, a company controlled by management and thereby a non-controlling investment by the Company. The dividend will be payable as and when approved by Floatel Interessenter's Board of Directors. Floatel Interessenter AS is a 10% shareholder in the Company.

19 Mortgages and guarantees

As of December 31, 2022, the Group's total nominal interest-bearing debt secured by mortgages amounted to USD 265 million (USD 287 million). The secured credit facilities were secured by mortgages on all the Group's vessels: Floatel Endurance. Floatel Reliance, Floatel Superior, Floatel Triumph and Floatel Victory.

The book value of the vessels was USD 595 million (USD 634 million). In addition, USD 14.7 million (USD 13.6 million) of cash was pledged on behalf of the secured creditors. The secured creditors also have security in:

- *internal contracts;*
- *insurance compensations;*
- *shares in subsidiaries;*
- *factoring charges, charges on equipment, charges on inventory in countries where relevant; and*
- *floating charges in all Group companies where that is permitted.*

20 Legal issues

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, litigations, and other legal issues in the ordinary course of business in countries where the Group operates. The Group has ongoing investigations/legal processes, and the risks have individually been reported as a contingent liability or provision to the extent required. No cases are deemed material to be disclosed separately other than the ones below.

There is an ongoing tax investigation in Norway regarding employee compensation and benefits, where the draft assessment has been received in 2023. Amounts are included in reported provisions and accruals. The accepted amount has been paid, and an additional tax surcharge has been contested.

A Brazilian first-instance court ruled in November 2022 in favour of the plaintiff regarding an alleged breach of a contractual non-solicitation provision in 2014. The ruling will be appealed as there was just cause, in the Company's opinion, for the crew to continue to work on board the vessel since the crewing agency had not fulfilled its obligations toward the Group, our client, the employees and Brazilian authorities. However, it cannot be ruled out that the decision may stand after the appeal. No provision has been made in the accounts since an unfavorable outcome is considered less probable but not remote.

21 Commitments

The Group leases offices 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 Restructuring

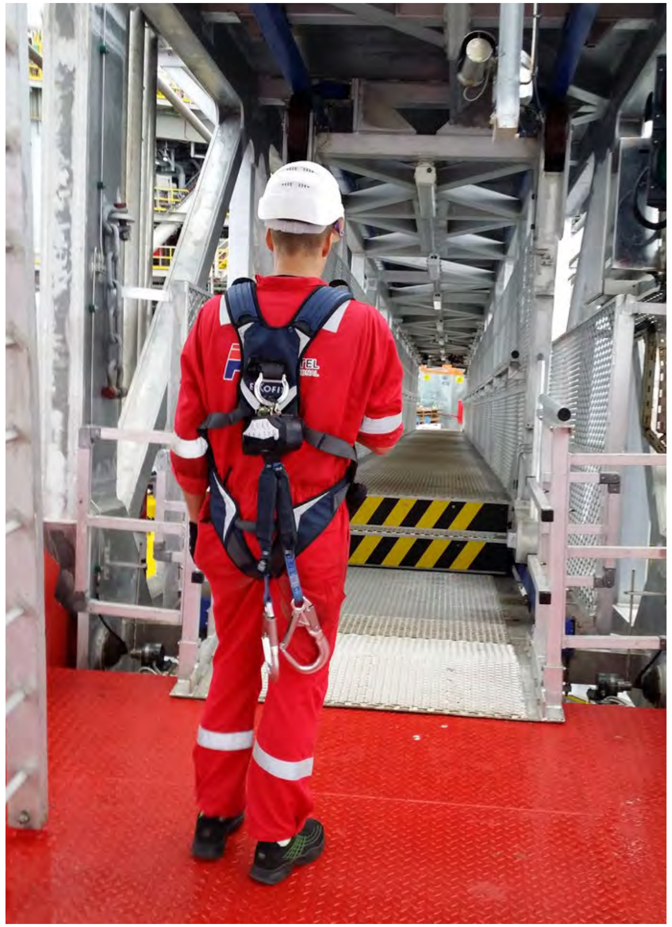
The Company announced on March 24, 2021, that it and the Group have successfully completed its comprehensive balance sheet restructuring, securing a fully consensual deal among all key stakeholders. Please refer to the 2021 Annual Report for information about the restructuring.

23 Events after the balance sheet date

The Company raised new 11.25% per annum super senior secured USD 100 million bonds ISIN NO0012862673 maturing March 2026 on March 23, 2023. The proceeds were partly used to prepay and cancel the revolving credit facility. The remaining proceeds will be used for general corporate purposes.

Vår Energi has not declared the 2024 option for the potential Jotun project in Norway. Alternative work is likely available and Vår Energi may still need an accomodation vessel for the Jotun project.

Aker BP has awarded Floatel Endurance a contract for work at the Skarv FPSO as part of the Skarv Satellites Project in the Haltenbanken area on the Norwegian continental shelf. The contract will commence in March 2024 and has a firm hire period of eight months with options to extend. The contract award is subject to Aker BP obtaining plan for development and operations (PDO) approval from Norwegian authorities.



Parent Company Financial Statements with notes

Income Statement – Floatel International Ltd

1 JANUARY–31 DECEMBER	Notes	2022	2021
Revenues	11	3 789	2 936
Cost of providing services		0	0
Gross profit(+)/(–)		**3 789**	**2 936**
Administrative expenses	5,11	–5 808	–4 716
Other gains / losses – net		–199	0
Operating loss		**–2 218**	**–1 780**
Result from Group companies	6	4 485	64 180
Net restructuring financial result		0	581 883
Finance income	7,11	25 939	1 288
Finance cost	7,11	–24 052	–58 988
Finance costs – net		**6 372**	**588 363**
Gain before income tax		**4 154**	**586 583**
Income tax expense		0	0
Gain for the period		**4 154**	**586 583**
Profit/Loss attributable to owners of Floatel International Ltd		4 154	586 583

Statement of Comprehensive Income

1 JANUARY–31 DECEMBER	Notes	2022	2021
Net Profit		**4 154**	**586 583**
Other comprehensive income		0	0
Comprehensive income		**4 154**	**586 583**

Statement of Financial Position – Floatel International Ltd

31 DECEMBER	Notes	2022	2021
Assets			
Non-current assets			
Participation in subsidiaries	8	376 676	376 714
Other financial investments		3 828	3 300
Intercompany loans	11	295 661	293 000
		676 165	**673 014**
Current assets			
Other current receivables	9	459	105
Group receivables	11	12 386	17 399
Cash		10 315	13 648
		23 160	**31 152**
Total Assets		**699 325**	**704 166**

31 DECEMBER	Notes	2022	2021
Equity and liabilities			
Equity			
Share capital		2 144	2 144
Additional paid in capital		348 102	348 102
Retained earnings incl. profit/loss of the year		41 892	37 738
Total equity		**392 138**	**387 984**
Provision			
Provision for pension		478	0
Total Provisions		**478**	**0**
Liabilities			
Non-current liabilities			
Interest-bearing debt	10	268 494	284 615
Total non-current liabilities		**268 494**	**284 615**
Current liabilities			
Trade payables		103	215
Group liabilities	11	32 058	18 151
Other current liabilities		6 054	13 201
Total current liabilities		**38 215**	**31 567**
Total Equity and Liabilities		**699 325**	**704 166**

Statement of Changes in Equity – Floatel International Ltd

	Attributable to shareholders of the Company			
	Share capital	Additional paid in capital	Retained earnings	Total equity
Equity 2021-01-01	**2 144**	**325 563**	**–553 030**	**–225 323**
Net income / (loss) for the year	–	–	586 583	586 583
Share subsciptions and warrants	–	22 539	4 185	26 724
Equity 2021-12-31	**2 144**	**348 102**	**37 738**	**387 984**
Net income / (loss) for the year	–	–	4 154	4 154
Equity 2022-12-31	**2 144**	**348 102**	**41 892**	**392 138**

Statement of cash flow – Floatel International Ltd

1 JANUARY–31 DECEMBER	Notes	2022	2021
Cash flow from operating activities			
Operating result		–2 218	–1 780
Interest received		133	0
Interest paid		–13 155	–5 015
Total cash flow from operations before changes in working capital		**–15 240**	**–6 795**
Change in trade payables		–112	211
Other changes in working capital		45 994	26 211
Cash flow from operationg activities		**30 642**	**19 627**
Cash flow from investing activities			
Payment for financial assets		–50	–6
Net cash flow from investing activities		**–50**	**–6**
Cash flow from financing activities			
Repayment of debt	10	–32 330	–76 806
Proceeds from debt	10	0	87 330
Other financial items paid		–1 595	–24 879
Net cash flow from financing activities		**–33 925**	**–14 355**
Cash flow for the year		**–3 333**	**5 266**
Cash and cash equivalents, January 1		13 648	8 382
Currency effect on cash		0	0
Cash and cash equivalents, December 31		**10 315**	**13 648**

FLOATEL INTERNATIONAL

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 with an average age of approximately nine and a half years. The fleet is designed to meet the requirements of offshore oil, gas and wind installations in challenging deep water and/or hostile environments and provide superior living standards and support services.

The Company is an exempted limited liability company incorporated in Bermuda, with its principal place of business in Norway. The office and business address is Dronning Eufemias gate 8, 0191 Oslo, Norway, and the registered address is Canon's Court, 22 Victoria Street, HM 1179, Hamilton, Bermuda.

The Company's financial statements were authorised for issue by the Board of Directors on April 28, 2023.

All numbers are in USD thousands unless otherwise stated.

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. Unless otherwise stated, these policies have been consistently applied to all the years presented.

All financial instruments in the Company are recorded at amortised cost. See note 16 in the Consolidated Financial Statements for further information regarding financial instruments.

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 the Group level. See note 3 in the notes to the Consolidated Financial Statements.

4 Critical accounting estimates and judgments

The Company has used estimates and assumptions that have affected assets, liabilities, revenues, expenses, and information on potential liabilities. This applies to the 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 recognised in the period in which the changes occur.

5 Administrative expenses

	2022	2021
Personnel costs	2 849	875
Service fees from Group company	1 027	2 584
Auditor audit fees	348	271
Auditor other fees	28	108
Advisors	907	425
Other administrative expenses	649	453
	5 808	**4 716**
Whereof Personnel costs		
Remuneration to the Board members	132	238
Salaries	1 606	375
Pension cost and social charges	959	238
Other personnel costs	152	24
	2 849	**875**

In 2022 and from September 2021 the Company has 4 employees, all members of management.

6 Result from Group companies

	2022	2021
Dividend	4 523	785 536
Forgivness of debt	0	2 144
Write-down of shares in subsidiares	–38	–723 500
	4 485	**64 180**

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7 Financial income and expenses

	2022	2021
Financial income		
Interest income	25 939	1 288
	25 939	**1 288**
Financial cost		
Interest expenses	–21 082	–55 598
Currency gain/loss	–316	–194
Financial fees	–2 654	–3 196
	–24 052	**–58 988**

8 Participation in subsidiaries

	2022	2021
Opening balance	376 714	1 095 185
Shares received as dividend	0	5 022
Acquired shares	0	7
Write-down of shares in subsidiares	–38	–723 500
Closing balance	**376 676**	**376 714**

COMPANY	IDENTIFICATION NO	REGISTERED OFFICE	SHARE CAPITAL %
Floatel Crew AS	928 148 947	Norway	100%
Floatel Operators AS	927 672 863	Norway	100%
Floatel Rigs Ltd	927 777 703	Norway	100%
Floatel UK Contractor Ltd	500 821	Scotland	100%
Floatel Singapore Pte Ltd	201425786E	Singapore	100%
Floatel International AB	556711-1421	Sweden	100%
Floatel Service AB	556967-8856	Sweden	100%
Floatel Contractor B.V	50 181 041	The Netherlands	100%
Floatel International Operators B.V	50 181 556	The Netherlands	100%
Floatel Partners BV	64 525 023	The Netherlands	100%
Floatel Delaware LLC	5 531 077	USA	100%

COMPANY	EQUITY %	NO OF SHARES	BOOK VALUE
Floatel Crew AS	100%	30 000	3
Floatel Operators AS	100%	30 000	3
Floatel Rigs Ltd	100%	100	369 518
Floatel UK Contractor Ltd	100%	1	0
Floatel Singapore Pte Ltd	100%	100 000	76
Floatel International AB	100%	400 000	299
Floatel Service AB	100%	100 000	235
Floatel Contractor B.V	100%	18 000	1 500
Floatel International Operators B.V	100%	18 000	5 022
Floatel Partners BV	100%	18 000	20
Floatel Delaware LLC	100%	None	0
			376 676

9 Other current receivables

	2022	2021
Other current receivables	189	55
Prepaid expenses	270	50
	459	**105**

10 Interest-bearing debts

	2022	2021
1st lien cash pay bonds	100 000	100 000
1st lien pik pay bonds*	100 000	100 000
1st lien interest bonds*	10 000	0
PIK bonds effective interest adjustment *	5 150	0
Revolving credit facility	55 000	87 330
Less borrowing expenses	–1 656	–2 715
	268 494	**284 615**

* The accounts are prepared using effective interest for the 1st Lien PIK pay bond and the 1st Lien Interest bond (the "PIK bonds") combined. The PIK bonds are presented with their respective nominal value so the adjustment is reported separately.

Regarding maturity dates see note 15 in the Consolidated Financial Statements.

11 Intra-Group balances

	2022	2021
Transactions with related parties		
Revenue	3 789	2 936
Operating expenses	–1 027	–2 823
Dividend from associates	4 523	785 536
Interest income group	25 806	1 286
Interst expense group	–475	–25 245
Group receivables		
Accrued income and trade receivables	3 842	3 984
Other receivables	8 544	13 415
	12 386	**17 399**
Group liabilities		
Accruals and trade payables	–745	–442
Other payables	–31 313	–17 709
	–32 058	**–18 151**
Loans to/from group companies		
Loans to group companies	295 661	293 000

FLOATEL INTERNATIONAL

12 Mortgages and guarantees

As of December 31, 2022, the Company's total interest-bearing debt secured by pledges and share charges amounted to USD 265 million (USD 287 million). The debt was secured by share charges/pledges on the shares in the following subsidiaries:

- *Floatel Contractor B.V*
- *Floatel Crew AS*
- *Floatel Delaware LLC*
- *Floatel Rigs Ltd*
- *Floatel Superior Ltd*
- *Floatel Reliance Ltd*
- *Floatel Victory Ltd*
- *Floatel Endurance Ltd*
- *Floatel Triumph Ltd*
- *Floatel International AB*
- *Floatel International Operators B.V*
- *Floatel Operators AS*
- *Floatel Partners BV*
- *Floatel Service AB*
- *Floatel Singapore Pte Ltd*
- *Floatel UK Contractor Ltd*

The book value of the above listed subsidiaries was USD 377 million (USD 377 million). In addition, USD 10.3 million (USD 13.6 million) of cash was pledged on behalf of the secured creditors.

In line with industry practice, the Company has also guaranteed performance under the charter contracts on behalf of its subsidiaries.

Oslo, April 28, 2023

Kevin Chng
Chairman

Kee Huat Loh
Director

Kjell E Jacobsen
Director

Roger Iliffe
Director

Peter Jacobsson
Director and Chief Executive Officer

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 2022. The consolidated financial statements and the parent company financial statements are included on pages 26 - 54 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, 2022, 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 pages 1 to 25.

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 determines 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 intends 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, 28 April, 2023

PricewaterhouseCoopers AB

Johan Malmqvist

Authorized Public Accountant

Auditor in charge

FLOATEL
INTERNATIONAL

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