



INTERIM REPORT



Q2 Report 2022

Q2 2022

Floatel International Ltd

Oslo – August 24, 2022 – Floatel International Ltd (“Floatel”) presents its consolidated financial statements for the second quarter of the financial year 2022.

Highlights:

- Events during the quarter:
 - Floatel Endurance and Floatel Superior on charter for Equinor at the Johan Sverdrup and Grane fields in Norway respectively during the entire quarter.
 - Floatel Triumph ended operations for Oersted in Taiwan and commenced the charter for Inpex in Australia during the quarter.
 - Floatel Victory continued its charter for Equinor in Brazil to provide Maintenance and Safety Unit (MSU) services.
- Status update as of the reporting date:
 - Floatel Endurance in operation for Equinor at the Johan Sverdrup field in Norway.
 - Floatel Reliance is idle in Tenerife in the Canary Islands awaiting the next assignment.
 - Floatel Superior in operation for Equinor at the Grane field (Breidablikk Project) in Norway.
 - Floatel Triumph in operation for Inpex at the Ichthys field in Australia.
 - Floatel Victory in operation for Equinor Brazil providing MSU services at the Peregrino FPSO.
- The second quarter fleet utilization was 67% (49% for the comparable period last year). Total firm contract backlog (excluding options) was approximately USD 119 million as of June 30, 2022, and it was USD 133 million as of June 30, 2021.
- Revenues for the second quarter were USD 45.9 million (USD 28.7 million for the comparable period in 2021).
- EBITDA for the second quarter amounted to USD 15.2 million (USD 1.3 million)
- Total assets as of June 30, 2022, amounted to USD 708 million (USD 728 million as of June 30, 2021).
- Cash and cash equivalents as of June 30, 2022, were USD 4.8 million (USD 13.1 million).
- Total book equity as of June 30, 2022, amounted to USD 359 million (USD 405 million).

Summary of business activities during the first quarter of 2022

Floatel Superior

Floatel Superior started the assignment for Equinor at the Grane field on the Norwegian continental shelf on March 28, 2022, and the charter runs until September 30, 2022.



Floatel Superior on charter for Equinor's Breidablikk Project.

Floatel Reliance

Floatel Reliance is idle in Tenerife in the Canary Islands awaiting the next assignment. The vessel is actively marketed for new charters.



Floatel Reliance idle in Tenerife, Canary Islands.

Floatel Victory

Floatel Victory was in operations to provide Maintenance and Safety Unit services for Equinor at the Peregrino field in Brazil during the quarter. The charter has been extended and now ends on December 27, 2022, with options thereafter.



Floatel Victory in operation alongside Peregrino FPSO.

Floatel Endurance

Floatel Endurance commenced the charter for Equinor at Johan Sverdrup in the Norwegian Continental Shelf on February 24, 2022. Equinor has extended the contract, so the firm period now ends October 31, 2022, with further options thereafter.



Floatel Endurance in operations for Equinor at Johan Sverdrup, Phase II project.

Floatel Triumph

Floatel Triumph was quayside in Kemaman, Malaysia preparing for Australia until transiting and commencing the Inpex Ichthys charter on June 20, 2022.



Floatel Triumph in operation for Inpex offshore Australia

Financial development

Revenue and operating result for the second quarter 2022

USD 45.9 million (USD 28.7 million) in total consolidated Revenues and USD -30.7 million (USD -27.5 million) in total Operating and Administrative expenses before depreciation resulted in an EBITDA for the quarter of USD 15.2 million (USD 1.3 million).

USD -10.8 million (USD -11.2 million) in total Depreciation included in the Cost of providing services and Administrative expenses resulted in USD 4.4 million quarterly Operating result (USD -10.0 million).

Net Finance income and costs were in the quarter USD -5.0 million (USD -8.0 million).

The net result for the second quarter was USD -1.0 million (USD -18.2 million).

The current backlog based on committed work was at the end of reporting period approximately USD 119 million excluding options (USD 133 million).

Revenue and operating result year to date 2022

USD 70.5 million (44.1) in Total consolidated revenues. USD -55.6 million (-46.0) in total Operating and administrative expenses before depreciation and restructuring costs. EBITDA before restructuring costs came to USD 14.9 million (-1.9).

USD -21.5 million (-22.4) in total Depreciation and USD 0 million Impairment charge (0). Net finance income and costs were USD -9.2 million (560.7), whereof 0 million (581.9) is related to the restructuring. The net income for year to date was USD -16.4 million (532.3).

Financial position as of June 30, 2022

Total assets were USD 708 million (USD 728 million as of June 30, 2021). Total non-current assets were USD 624 million (USD 660 million) whilst Net working capital totalled USD 29.7 million (USD 17.5 million).

The Group's Cash and cash equivalents totalled USD 4.8 million (USD 13.1 million). Total equity at the end of the period was USD 359 million (USD 405 million).

Interest-bearing debt totalled USD 293 million (USD 284 million) whereof USD 0 million is reported as the current portion (USD 0 million). In the reported Total interest-bearing debt, prepaid borrowing expenses of USD 2.2 million (USD 3.2 million) are included. The expenses amortize over the life of the facilities. Net interest-bearing debt totalled USD 289 million (USD 271 million).

Market outlook

Utilisation for the worldwide semi-submersible accommodation (ASV) fleet was x78% in Q2 2022 (64% in Q2 2021). In comparison, Floatel International's utilisation in Q2 was 67% (49%). The global ASV fleets' utilisation during the first half of 2022 was 73% (50%) whilst the Group's utilization for the first half of the year was 59% (36%).

It is uncertain what the full impact from the macroeconomic and geopolitical situation including potential recession and Ukraine will be for Floatel. Higher interest rates and inflation will result in higher interest and operating expenses. It may on the other hand result in increased demand for our services.

The market continues to be oversupplied even if further improvements have been visible first half of 2022 resulting in prices continuing to be under pressure. Additionally, the shift in the energy discussion towards renewable sources has created a discussion about energy composition for the future, however the transition to a renewable world is likely to take time.

The worldwide operating purpose-built semi-submersible accommodation fleet presently comprises 18 vessels following recent announcements by competitors to scrap older vessels plus two vessels yet to be delivered. 17 vessels are built since 2005 (including the two new buildings mentioned) and it is expected that the remaining older vessels will exit the market in the coming years.

We believe that the demand for offshore accommodation services will increase based on predicted higher activity level amongst customers, however it is uncertain how quickly this will be. This together with the reduced supply will result in the utilization of the accommodation fleet and prices with some time lag to gradually improve.

Significant event after the end of the reporting period

The charter for Floatel Superior to support Equinor with the Breidablikk project at the Grane field on the Norwegian Continental Shelf has been extended with one month and now ends October 31, 2022.

Early May 2022 a Letter of Intent was received for the provision of Floatel Triumph to support Woodside Pluto project in second quarter 2023. The contract for the work is expected to be signed in September 2022.

The charter with Shell Australia to support the Prelude project, which originally was planned to start in August 2022, has recently been suspended to 2023. Details to follow.

Oslo – August 24, 2022
The Board of Directors of Floatel International Ltd

Condensed consolidated Income Statement

Figures in USD thousands	Notes	Q2 - 2022	Q2- 2021	YTD - 2022	YTD - 2021	2021
Revenues	6	45 872	28 719	70 479	44 105	94 131
Cost of providing services	5,8	-37 282	-35 161	-68 748	-61 635	-119 587
Gross result		8 590	-6 442	1 731	-17 530	-25 456
Administrative expenses *	5,8	-4 223	-3 527	-8 292	-10 888	-18 892
Operating result	5	4 367	-9 969	-6 561	-28 418	-44 348
Net restructuring financial result	4,7	0	0	0	581 883	581 883
Finance income	7	1 435	-307	1 940	447	1 081
Finance cost	7	-6 404	-7 757	-11 128	-21 681	-34 160
Finance income and costs - net	7	-4 969	-8 064	-9 188	560 649	548 804
Result before income taxes		-602	-18 033	-15 749	532 231	504 456
Income tax expense		-441	-181	-631	35	-792
Result attributable to owners of Floatel International Ltd		-1 043	-18 214	-16 380	532 266	503 664
Earnings per share, basic (USD)		-0,01	-0,17	-0,15	4,97	4,70
Earnings per share, diluted (USD)		-0,01	-0,17	-0,15	4,97	4,70

*Includes cost related to the restructuring of -4.1 million in Q1 2021

Condensed consolidated Statement of Comprehensive Income

Figures in USD thousands	Q2 - 2022	Q2- 2021	YTD - 2022	YTD - 2021	2021
Net result	-1 043	-18 214	-16 380	532 266	503 664
Items that are or may be reclassified as profit or loss					
Foreign currency translation - foreign operations	-394	381	-288	-314	-1 077
Other comprehensive income	-394	381	-288	-314	-1 077
Total comprehensive income	-1 437	-17 833	-16 668	531 952	502 587

Condensed consolidated Statement of Financial Position

Figures in USD thousands	Notes	2022-06-30	2021-06-30	2021-12-31
Assets				
Non-current assets				
Property, plant and equipment	8	617 365	653 415	634 070
Right-of-use assets	8.1	664	1 213	946
Intangible assets	8.2	2 220	2 307	2 144
Financial investments	12	3 314	3 300	3 300
Deferred tax asset		0	84	0
Total non-current assets		623 563	660 319	640 460
Current assets				
Inventory		29 606	23 862	24 672
Trade receivables		16 843	8 869	12 375
Tax receivables		1 783	1 728	1 623
Other current receivables		31 303	20 539	12 318
Cash and cash equivalents		4 781	13 086	14 433
Total current assets		84 316	68 084	65 421
Total assets		<u>707 879</u>	<u>728 403</u>	<u>705 881</u>
Equity and liabilities				
Equity				
Share capital		2 144	2 144	2 144
Additional Paid in capital		348 102	348 102	348 102
Other reserves		881	1 932	1 169
Retained earnings incl. Result of the year		8 175	53 158	24 555
Total equity		359 302	405 336	375 970
Liabilities				
Non-current liabilities				
Other long term liabilities		290	744	520
Interest-bearing debt	9	293 437	284 086	284 615
Provisions	10	4 670	0	3 232
Total non-current liabilities		298 397	284 830	288 367
Current liabilities				
Trade payables		13 097	7 439	6 065
Current portion of interest-bearing debt	9	0	0	0
Tax liabilities		2 139	2 458	2 060
Other current liabilities		34 944	28 340	33 419
Total current liabilities		50 180	38 237	41 544
Total equity and liabilities		<u>707 879</u>	<u>728 403</u>	<u>705 881</u>

Condensed consolidated Statements of Changes in Equity

Figures in USD thousands	Share capital	Additional paid in capita	Other reserves	Retained earnings	Total equity
Equity 2020-12-31	2 144	325 568	2 241	-483 293	-153 340
Total comprehensive income					
Net result for the period	0	0	0	503 663	503 663
Other comprehensive income	0	-5	-1 072	0	-1 077
Share subscriptions and warrants	0	22 539	0	4 185	26 724
Equity 2021-12-31	2 144	348 102	1 169	24 555	375 970
Total comprehensive income					
Net result for the period	0	0	0	-16 380	-16 380
Other comprehensive income	0	0	-288	0	-288
Equity 2022-06-30	2 144	348 102	881	8 175	359 302

Condensed consolidated Cash Flow Statement

Figures in USD thousands	Q2 - 2022	Q2- 2021	YTD - 2022	YTD - 2021	2021
Cash flow from operating activities					
Operating result	4 367	-9 969	-6 561	-28 418	-44 348
Interest received	8	1	9	3	35
Interest paid	-1 924	-1 746	-9 557	-1 746	-5 046
Income tax paid	-379	-69	-789	375	-642
Adjustment for depreciation and impairment	10 804	11 226	21 479	22 447	44 522
Adjustments for other non-cash related items	-915	261	935	1 492	4 019
Total cash flow from operations before changes in working	11 961	-296	5 516	-5 847	-1 460
Changes in inventories	-2 780	-533	-4 934	-858	-1 668
Changes in trade receivables	-8 133	-3 336	-4 468	-2 444	-5 950
Changes in trade payables	4 268	1 422	7 032	3 156	1 782
Other changes in working capital	-8 059	-5 902	-6 270	-1 481	4 354
Cash flow from operating activities	-2 743	-8 645	-3 124	-7 474	-2 942
Cash flow from investing activities					
Payments for property, plant and equipment	30	-961	-4 948	-2 090	-4 596
Net cash flow from investing activities	30	-961	-4 948	-2 090	-4 596
Net cash flow from operations	-2 713	-9 606	-8 072	-9 564	-7 538
Cash flow from financing activities					
Repayment of debt	-5 000	-7 670	-2 330	-76 805	-76 805
Proceeds from debt	0	0	0	87 330	87 330
Other financial items paid	-506	-2 075	-1 099	-24 773	-25 364
Net cash flow from financing activities	-5 506	-9 745	-3 429	-14 248	-14 839
Cash flow for the period	-8 219	-19 351	-11 501	-23 812	-22 377
Cash and cash equivalents, beginning of period	11 237	32 670	14 433	36 662	36 662
Currency effect on cash	1 763	-233	1 849	236	148
Cash and cash equivalents,end of Period	4 781	13 086	4 781	13 086	14 433

Key Financials

Figures in USD thousands	Q2 - 2022	Q2- 2021	YTD - 2022	YTD - 2021	2021
EBITDA excluding restructuring effects	15 171	1 257	14 918	-5 971	4 263
EBITDA margin	33,1%	4,4%	21,2%	Neg	4,5%
Equity ratio	50,8%	55,6%	50,8%	55,6%	53,3%
Net working capital *	29 711	17 491	29 711	17 491	9 881
Net interest-bearing debt	288 656	271 000	288 656	271 000	270 182
Total number of ordinary shares	107 165 289	107 165 289	107 165 289	107 165 289	107 165 289
Average number of ordinary shares	107 165 289	107 165 289	107 165 289	107 165 289	107 165 289
Average number of ordinary shares (diluted)	107 165 289	107 165 289	107 165 289	107 165 289	107 165 289

*Income tax receivables and liabilities are not included in Net working capital

Notes to the interim report

1. General information

Floatel International Ltd (“the Company”) is a limited liability company, incorporated in 2006 under the laws of Bermuda, with principal place of business in Norway. Floatel International Ltd and its subsidiaries (“the Group”) provide offshore accommodation and construction support services to the global oil and gas industry. The Group currently operates five semi-submersible accommodation vessels. They were delivered in 2010 (2), 2013, 2015, and 2016 respectively. The Company’s address is Dronning Eufemias gate 8, 0191 Oslo, Norway.

2. Basis of presentation

The accompanying condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB), including IAS 34 Interim Financial Reporting.

The situation has stabilised with improving demand and development of COVID-19 vaccines whilst there are no imminent visible effects from the geopolitical situation including Ukraine, so the company has as a result prepared its financial statements on a going concern basis

These interim financial statements should be read in conjunction with the Company’s Audited Consolidated Financial Statements as of 31 December 2021. In the opinion of the Company, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

3. Significant accounting policies

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company’s Audited Consolidated Financial Statements and accompanying notes for the financial year ended 31 December 2021.

New and updated accounting standards

There are no IFRS or IFRIC interpretations that are not yet effective that are expected to have a material impact on the Group.

4. Restructuring

Please refer to note 22 in the 2021 Annual Report

5. Operating result

Figures in USD thousands	Q2 - 2022	Q2 - 2021	YTD 2022	YTD 2021	2021
Revenue	45 872	28 719	70 479	44 105	94 131
Operating expenses	-26 615	-24 246	-47 545	-39 811	-76 155
Administrative expenses - normal	-4 086	-3 216	-8 016	-6 176	-13 713
EBITDA before restructuring effect	15 171	1 257	14 918	-1 882	4 263
Administrative expenses - related to restructuring	0	0	0	-4 089	-4 089
EBITDA after restructuring effect	15 171	1 257	14 918	-5 971	174
Depreciation	-10 804	-11 226	-21 479	-22 447	-44 522
Impairment charge	0	0	0	0	0
Operating result	4 367	-9 969	-6 561	-28 418	-44 348

6. Revenues

Figures in USD thousands	Q2 - 2022	Q2 - 2021	YTD 2022	YTD 2021	2021
Charter revenues	34 517	22 060	53 436	33 204	71 282
Other revenues	119	0	133	1	57
Catering and rechargeable expenses	9 176	5 717	12 437	10 078	17 698
Mobilisation/demobilisation fees	2 060	942	4 473	822	5 094
Revenues	45 872	28 719	70 479	44 105	94 131

In the North Sea operators normally plan their offshore maintenance and modification activities in the period April to October due to weather, especially for shorter contracts less than six months such as planned shutdowns. This means higher utilisation of the accommodation fleet in the said period.

7. Finance income and cost

Figures in USD thousands	Q2 - 2022	Q2 - 2021	YTD 2022	YTD 2021	2021
Restructuring gain - forgiven debt + interest net expenses	0	0	0	581 883	581 883
Interest gain	8	2	9	3	35
Exchange rate difference	1 427	-309	1 931	444	1 046
Interest expense	-5 633	-5 738	-9 499	-19 121	-30 480
Other financial cost	-771	-2 019	-1 629	-2 560	-3 680
Net finance income and cost	-4 969	-8 064	-9 188	560 649	548 804

8. Property, plant, and equipment

Figures in USD thousands	2022-06-30	2021-06-30	2021-12-31
Opening balance acquisition cost	1 627 175	1 623 200	1 623 200
Purchases during the year	4 492	1 957	4 266
Disposals	0	0	-93
Currency revaluation	-207	-49	-198
Closing acquisition cost	1 631 460	1 625 108	1 627 175
Opening balance depreciation	-449 280	-405 945	-405 945
Depreciation for the period	-21 209	-21 974	-43 615
Disposals	0	0	93
Currency revaluation	219	51	187
Closing balance depreciation	-470 270	-427 868	-449 280
Opening balance impairment	-543 825	-543 825	-543 825
Impairment loss for the year	0	0	0
Closing balance impairment	-543 825	-543 825	-543 825
Net book value end of period	617 365	653 415	634 070

The Company performed in connection with the preparation of the 2021 Annual Report, an impairment assessment of the recoverable values of its vessels in accordance with IFRS based on value in use. Please refer to note 11.1 to the Consolidated Financial Statements in the 2021 Annual Report for information about the assessment. The Company's views and assessments are in all material respects unchanged as of the reporting date.

All Vessels are registered in Bermuda. The vessels are security for credit facilities.

8.1. Right to use assets

Figures in USD thousands	2022-06-30	2021-06-30	2021-12-31
Opening balance aquisition cost	1 370	1 512	1 512
Currency revaluation	-157	-57	-142
Closing aquisition cost	1 213	1 455	1 370
Opening balance depreciation	-424	-36	-36
Depreciation for the period	-185	-210	-411
Currency revaluation	60	4	23
Closing balance depreciation	-549	-242	-424
Net book value end of period	664	1 213	946

8.2. Intangible assets

Figures in USD thousands	2022-06-30	2021-06-30	2021-12-31
Opening balance aquisition cost	4 390	4 500	4 500
Purchases during the year	447	133	330
Currency revaluation	-532	-201	-440
Closing aquisition cost	4 305	4 432	4 390
Opening balance depreciation	-2 246	-1 960	-1 960
Depreciation for the period	-86	-263	-496
Currency revaluation	247	98	210
Closing balance depreciation	-2 085	-2 125	-2 246
Net book value end of period	2 220	2 307	2 144

9. Interest-bearing debt

Figures in USD thousands	2022-06-30	2021-06-30	2021-12-31
1st Lien cash pay bonds	100 000	100 000	100 000
1st Lien PIK pay bonds *	100 000	100 000	100 000
1st Lien PIK interest bonds *	10 000	0	0
PIK bonds effective interest adjustment *	622	0	0
RCF	85 000	87 330	87 330
Less prepaid financing fees	-2 185	-3 244	-2 715
Interest-bearing debt	293 437	284 086	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.

1st lien cash pay bond interest is 6% p.a. and paid annually. 1st Lien PIK pay bond nominal interest rate is 10% p.a. which is converted annually to 1st Lien PIK interest bonds. The PIK interest bonds has 0% interest rate and RCF interest rate is $\text{libor} + 7.25\% \text{ p.a.}$

The RCF is repayable March 24, 2024, and all bonds September 24, 2026.

10. 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. There are ongoing investigations/legal processes in the group and the risks have individually been reported as a contingent liability or provision to the extent required but no cases are deemed material to be disclosed separately other than that there is an ongoing tax investigation in Norway regarding employee compensation and benefits where it is probable that amounts will be due, and estimates are included in reported provisions.

11. Forward-looking statements

This report contains forward-looking statements. These statements are based on various assumptions, including the Company management's examination of historical operating trends. Factors that, in the Company's view, could cause actual results to differ materially from the forward-looking statements contained in this report are the following:

- (i) The competitive nature of the offshore accommodation service industry.
- (ii) Oil and gas prices.
- (iii) Changes in economic conditions or political events.
- (iv) COVID-19 pandemic and force majeure events.
- (v) Government regulations.
- (vi) Changes in the spending plans of our clients.
- (vii) Changes in Floatel's operating expenses including crew salaries.
- (viii) Insurance.
- (ix) Repair and maintenance.

12. Related party transactions

The Group had during the first quarter of 2022 no transactions with the Keppel Group. Keppel Offshore Pte Limited, which is part of the Keppel Group, owns 49.9 % of the Company.

The Company 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.



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