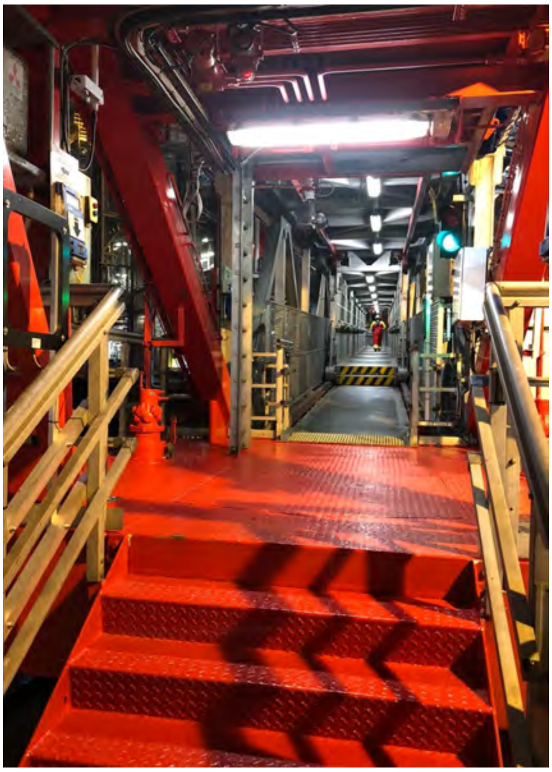
INTERIM REPORT



Q4 Report 2019

Q4 2019

Floatel International Ltd

Hamilton – February 19, 2020 – Floatel International Ltd ("Floatel") presents its consolidated financial statements for the fourth quarter of the financial year 2019.

Highlights:

- On December 19, 2019 a contract was signed with Ineos FPS for provision of Floatel Victory to provide accommodation and construction support in connection with maintenance work at the Unity platform, Central North Sea. Commencement is around May 1, 2020 and the duration of the charter is four months with Ineos having options to extend the charter.
- Fleet status update
  - Floatel Superior was replaced by Floatel Endurance at the Martin Linge field early November and is now idle in Skipavika, Norway.
  - Floatel Reliance idle in Tenerife in the Canary Islands awaiting next assignment.
  - Floatel Victory idle in Skipavika, Norway awaiting the Ineos charter.
  - Floatel Endurance replaced Floatel Superior at Martin Linge early November and the charter has been extended to end June 2020 with further options to end 2020.
  - Floatel Triumph idle outside Johor in Malaysia awaiting the next assignment.
- Fourth quarter fleet utilization was 29% including yard-stays and transit (80% for the comparable period last year). Total firm contract backlog (excluding options) is approximately USD 49 million as of December 31, 2019. The backlog as of December 31, 2018 was USD 136 million.
- The Company and Prosafe announced on February 13, 2020 that the Parties mutually have agreed to discontinue the merger process.
- The Group's financial situation is unsustainable as liquidity is under pressure. There is a material uncertainty to whether the Group will be able to service its secured financial liabilities and net working capital requirements for the coming 12 months. The Company has initiated discussions with its key creditors and the view is that these efforts have reasonable expectations of success.
- Revenues for the quarter were USD 22.3 million (99.2 for comparable period in 2018).
- EBITDA amounted to USD 1.5 million (59.9).
- The net result for the reporting period was USD -57.9 million (16.0).
- Total assets by December 31, 2019 amounted to USD 1,312 million (1,456).
- In the light of the current market situation and outlook an impairment of USD 30.3 million was booked in the fourth quarter.
- Cash and cash equivalents by December 31, 2019 were USD 53.7 million (76.5).
- The total book equity by December 31, 2019 amounted to USD 454.8 million (547.2).

Summary of business activities during the fourth quarter of 2019

Floatel Superior

Floatel Superior commenced its charter at Equinor Martin Linge project late July 2018 and the charter continued until November, when the Vessel was replaced by Floatel Endurance. Floatel Superior is now idle in Skipavika, west coast of Norway.

Floatel Superior and Floatel Endurance alongside Martin Linge during vessel swap that took place early November 2019.

Floatel Reliance

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

Floatel Reliance idle in Tenerife, Canary Islands.

Floatel Victory

Floatel Victory is idle in Skipavika, Norway a awaiting the Ineos charter.

On December 19, 2019 a contract was signed with Ineos FPS for provision of Floatel Victory to provide accommodation and construction support in connection with maintenance work at the Unity platform, Central North Sea. Commencement is around May 1, 2020 and the duration of the charter is four months with Ineos having options to extend the charter.

Floatel Victory provided inshore accommodation for Equinor September 2019.

Floatel Endurance

Floatel Endurance replaced Floatel Superior at the Martin Linge project in November. The charter has been extended to end June 2020 with further options to end 2020.

Floatel Endurance now in operations for Equinor at Martin Linge field.

Floatel Triumph

Floatel Triumph ended its charter for Inpex Ichthys Project March 3, 2019. She is idle offshore Johor in Malaysia awaiting next assignment.

Floatel Triumph ended operation for Inpex 3 March 2019 and is now idle Malaysia.

Financial development

The accounts are prepared on the assumption of a going concern. However, the Company's and the Group's financial situation is unsustainable as liquidity is under pressure. There is a material uncertainty to whether the Company will be able to service its secured financial liabilities and net working capital requirements for the coming 12 months.

The Company has initiated discussions with its key creditors, and the going concern assumption is based on the board's view that the Company's efforts in this respect have reasonable expectations of success.

See also note 2.

Revenue and operating result for the fourth quarter 2019
USD 22.3 million (99.2) in total consolidated revenues and USD -20.8 million (-39.3) in total Operating expenses before depreciation resulted in an EBITDA for the quarter of USD 1.5 million (59.9).

USD -15.8 million (-15.6) in total Depreciation and USD -30.3 million (0) in Impairment included in Cost of providing services resulted in an Operating result for the quarter of USD -44.6 million (44.3).

Net financial items were USD -13.9 million (-26.8). The net result for the fourth quarter was USD -57.9 million (16.0).

The current backlog based on committed work was at the end of reporting period approximately USD 49 million excluding options (136).

Revenue and operating result year 2019
USD 159.1 million (303.4) in total consolidated revenues and USD -90.3 million (-137.5) in total Operating expenses before depreciation resulted in an EBITDA for the year of USD 68.8 million (165.9).

USD -61.7 million (-61.4) in total Depreciation and USD -30.3 million (0) in Impairment included in Cost of providing services resulted in an Operating result of USD -23.2 million (104.5).

Net financial items were USD -57.6 million (-67.7). The net result for the year was USD -88.9 million (26.7).

Financial position as per December 31, 2019
Total assets were USD 1,311 million (1,456). Non-current assets totalled USD 1,206 million (1,289) whilst Net working capital totalled USD 12.8 million (36.3[1]).

The Group's cash and bank reserves totalled USD 53.7 million (76.5). The book equity at the end of the period totalled USD 454.8 million (547.2). USD 3.0 million in expenses related to the merger with Prosafe booked directly towards equity during the year.

Total interest-bearing debt totalled USD 813.4 million (850.6). In the reported total interest-bearing debt, prepaid borrowing expenses of USD 12.1 million are included. The expenses amortize over the life of the facilities. Net interest-bearing debt totalled USD 759.7 million (774.0).

The Group complies with all of its financial covenants as of December 31, 2019 and on the reporting date.

Market outlook

Utilisation for the worldwide semi-submersible accommodation fleet was 40% in Q4 2019 (67%). In comparison, Floatel International's utilisation in Q4 was 29% (80%), which includes charter periods; yard-stays; mob/demobs periods and paid standby periods. The global semi fleet utilisation was 55% in 2019 versus 59% in 2018.

[1] Figure restated due to updated assessment of IFRS 15

The overall offshore market is slowly improving from the downturn driven by oil price development combined with continued pressure to reduce cost levels for the operators. A higher drilling activity and general improvement within offshore oil services we believe will pave the way for future accommodation charters. Within the offshore accommodation market, we face prolonged downturn with low fleet utilisation and foresee weaker outlook than estimated before and especially in the North Sea, however we have seen some bidding activity especially in the maintenance and modification market resulting in some awards recently, albeit at low rates relative to historical levels.

There is potentially both increased supply coming into the market and potential further scrapping of older vessels. The worldwide operating purpose built semi-submersible accommodation fleet presently comprises 24 vessels following recent announcements by competitors to scrap older vessels plus two vessels yet to be delivered. It is anticipated that additional older vessels will exit the marketplace in the coming years.

Update on the Merger with Prosafe

On 28 October 2019, the Norwegian Competition Authorities announced that it prohibits the merger. The parties filed for an appeal proceeding in Norway.

On 30 January 2020, the UK competition authorities (CMA) announced their provisional findings which conclude that blocking the merger may be the only way to mitigate their concerns.

The Company and Prosafe announced on February 13, 2020 that the Parties mutually have agreed to discontinue the merger process. The conclusion is that any near-term completion of a value enhancing merger is unlikely.

Significant event after the end of the reporting period

Nothing to report

Hamilton – February 19, 2020
The Board of Directors of Floatel International Ltd

FLOATEL INTERNATIONAL

Condensed consolidated Income Statement

Figures in USD thousands	Notes	Q4 - 2019	Q4- 2018	2019	2018
Revenue	5	22 301	99 185	159 112	303 380
Cost of providing services *	6	-62 323	-51 069	-168 300	-182 717
Gross result		**-40 022**	**48 116**	**-9 188**	**120 663**
Administrative expenses	6	-4 597	-3 848	-14 018	-16 182
Operating result	**4**	**-44 619**	**44 268**	**-23 206**	**104 481**
Finance income		252	338	2 171	10 293
Finance cost		-14 112	-27 161	-59 728	-77 951
Finance costs - net		**-13 860**	**-26 823**	**-57 557**	**-67 658**
Result before income taxes		**-58 479**	**17 445**	**-80 763**	**36 823**
Income tax expense		625	-1 448	-8 095	-10 158
Result attributable to owners of Floatel International Ltd		**-57 854**	**15 997**	**-88 858**	**26 665**
** Q4-2019 and full year 2019 include USD -30.3 million impairment charge*					
Earnings per share, basic (USD)		-0,55	0,14	-0,85	0,22
Earnings per share, diluted (USD)		-0,55	0,14	-0,85	0,22

Condensed consolidated Statement of Comprehensive Income

Figures in USD thousands	Q4 - 2019	Q4- 2018	2019	2018
Net result	**-57 854**	**15 997**	**-88 858**	**26 665**
Items that are or may be reclassified as profit or loss				
Foreign currency translation - foreign operations	-43	-11	-637	-556
Other comprehensive income	**-43**	**-11**	**-637**	**-556**
Total comprehensive income	**-57 897**	**15 986**	**-89 495**	**26 109**

Condensed consolidated Statements of Changes in Equity

Figures in USD thousands	Share capital	Additional paid in capital	Other reserves	Retained earnings incl profit of the year	Total equity
Equity 2018-01-01	**2 144**	**325 563**	**2 437**	**190 849**	**520 993**
Total comprehensive income					
Net result for the year	**0**	**0**	**0**	**26 665**	**26 665**
Other comprehensive income	**0**	**0**	**-556**		**-556**
Total comprehensive income	**0**	**0**	**-556**	**26 665**	**26 109**
Option proceeds	**0**	**0**	**0**	**90**	**90**
Equity 2018-12-31	**2 144**	**325 563**	**1 881**	**217 604**	**547 192**
Total comprehensive income					
Net result for the year	**0**	**0**	**0**	**-88 858**	**-88 858**
Other comprehensive income	**0**	**0**	**-637**	**0**	**-637**
Total comprehensive income	**0**	**0**	**-637**	**-88 858**	**-89 495**
Option proceeds				**37**	**37**
Merger expenses	**0**	**0**	**0**	**-2 977**	**-2 977**
Equity 2019-12-31	**2 144**	**325 563**	**1 244**	**125 806**	**454 757**

FLOATEL INTERNATIONAL

Condensed consolidated Statement of Financial Position

Figures in USD thousands	Notes	2019-12-31	2018-12-31
Assets			
Non-current assets			
Property, plant and equipment	6	1 205 701	1 288 046
Deferred tax asset		56	1 193
Total non-current assets		**1 205 757**	**1 289 239**
Current assets			
Inventory		23 972	23 582
Trade receivables		6 772	23 666
Tax receivables		2 335	0
Other current receivables		19 049	43 011
Cash and cash equivalents		53 733	76 512
Total current assets		**105 861**	**166 771**
Total assets		**1 311 618**	**1 456 010**
Equity and liabilities			
Equity			
Share capital		2 144	2 144
Additional Paid in capital		325 563	325 563
Other reserves		1 244	1 881
Retained earnings incl. Profit of the year		125 806	217 604
Total equity		**454 757**	**547 192**
Liabilities			
Non-current liabilities			
Deferred tax debt		0	474
Other long term liabilities		188	-
Interest-bearing debt	7	787 385	809 559
Total non-current liabilities		**787 573**	**810 033**
Current liabilities			
Trade payables		9 648	11 095
Current portion of interest-bearing debt	7	26 000	41 000
Income tax liabilities		6 328	3 876
Other current liabilities		27 312	42 814
Total current liabilities		**69 288**	**98 785**
Total equity and liabilities		**1 311 618**	**1 456 010**

FLOATEL INTERNATIONAL

Condensed consolidated Cash Flow Statement

Figures in USD thousands	Q4 - 2019	Q4 - 2018	2019	2018
Cash flow from operating activities				
Operating result	-44 619	44 268	-23 206	104 481
Interest received	252	338	2 171	2 221
Interest paid	-24 649	-6 086	-53 860	-44 330
Income tax paid	-92	-1 855	-7 317	-11 065
Adjustment for depreciation and impairment	46 105	15 597	91 959	61 375
Adjustments for other non-cash related items	140	-1 719	1 979	-6 937
Total cash flow from operations before changes in working capital	**-22 863**	**50 543**	**11 726**	**105 745**
Changes in inventories	-154	-883	-390	-2 847
Changes in trade receivables	73	13 633	16 894	3 903
Changes in trade payables	4 986	5 638	-1 447	2 181
Other changes in working capital	-700	-7 610	7 527	-3 673
Cash flow from operating activities	**-18 658**	**61 321**	**34 310**	**105 309**
Cash flow from investing activities				
Payments for property, plant and equipment	-5 530	-136	-9 177	-6 655
Net cash flow from investing activities	**-5 530**	**-136**	**-9 177**	**-6 655**
	-24 188	61 185	25 133	98 654
Cash flow from financing activities				
Repayment of debt	-10 250	-725 241	-41 000	-805 881
Proceeds from debt	0	625 000	0	625 000
Other financial items paid	-903	-13 800	-2 039	-16 547
Merger Expenses / Proceeds from equity	-717	90	-2 940	90
Net cash flow from financing activities	**-11 870**	**-113 951**	**-45 979**	**-197 338**
Cash flow for the period	**-36 058**	**-52 766**	**-20 846**	**-98 684**
Cash and cash equivalents, beginning of period	90 587	130 940	76 512	176 858
Currency effect on cash	-796	-1 662	-1 933	-1 662
Cash and cash equivalents, end of Period	**53 733**	**76 512**	**53 733**	**76 512**

Key Financials

	Q4 - 2019	Q4- 2018	2019	2018
EBITDA	1 486	59 865	68 753	165 856
EBITDA margin	6,7%	60,4%	43,2%	54,7%
Equity ratio	34,7%	34,7%	34,7%	34,7%
Net working capital	12 833	36 350*	12 833	36 350*
Net interest-bearing debt	759 652	774 047	759 652	774 047
Total number of ordinary shares	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
Average number of ordinary shares (diluted)	107 165 289	107 165 289	107 165 289	107 165 289

**The amount updated from Q4 Report 2018*

Notes to the interim report

1. General information

Floatel International Ltd ("the Company") is a limited liability company, incorporated 2006 under the laws of Bermuda. Floatel International Ltd and its subsidiaries ("the Group") provide offshore accommodation and construction support services to the global oil and gas industry. The Group currently operates five new built semi-submersible accommodation vessels. They were delivered in 2010 (2), 2013, 2015 and 2016 respectively. The Company's registered office is situated at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

2. Basis of presentation

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

The accounts are prepared on the assumption of a going concern. However, the Company's and the Group's financial situation is unsustainable as liquidity is under pressure. There is a material uncertainty to whether the Company will be able to service its secured financial liabilities and net working capital requirements for the coming 12 months, which cast significant doubt on the Company's ability to continue as a going concern.

The long-term viability of the Company's and the Group's business depends on the Company finding a solution to its financial situation. The Company has initiated discussions with its key creditors, and the going concern assumption is based on the Board's view that the Company's efforts in this respect have reasonable expectations of success.

In a situation where going concern no longer can be assumed, there is a risk for significant write-downs of the Group's assets.

These interim financial statements should be read in conjunction with the Company's financial statements as at 31 December 2018. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

3. Significant accounting policies

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements and accompanying notes for the financial year ended 31 December 2018.

<u>Financial instruments at fair value</u>

Derivatives are classified into the category Fair value through profit or loss as Floatels derivatives are mainly used in economic hedges where the changes in fair value are taken directly through profit or loss. The FX forwards and interest rate derivatives are measured based on current exchange rates and forward curves. The derivatives are categorized within level 2 of the fair value hierarchy. All inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

IFRS 16, Leases – effective from 1 January 2019

IFRS 16, Leases requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged.

The standard has primarily had an impact the accounting of the group's operational leases. At present, the group only has leases for office rent and items of lesser value, such as copying machines.

The entity has chosen the modified retrospective transition method. The opening balance of the lease liability and the Right-of-use assets amounts to USD 1.1 million, USD for discounted value of current lease contracts. No effect on equity to opening balance. The effect to EBITDA amounts to 0,1 million in Q4 2019.

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

4. Operating result

Figures in USD thousands	Q4 - 2019	Q4- 2018	2019	2018
Revenue	22 301	99 185	159 112	303 380
Operating expenses	-16 665	-35 472	-77 639	-121 342
Administrative expenses	-4 150	-3 848	-12 720	-16 182
EBITDA	1 486	59 865	68 753	165 856
Depreciation	-15 805	-15 597	-61 659	-61 375
Impairment charge	-30 300	0	-30 300	0
Operating result	-44 619	44 268	-23 206	104 481

5. Revenues

Figures in USD thousands	Q4 - 2019	Q4- 2018	2019	2018
Charter revenues	17 148	77 203	124 922	232 081
Other revenues	1 197	0	1 197	0
Catering and rechargeble expenses	3 712	17 364	28 535	56 190
Mobilisation/demobilisation fees	244	4 618	4 458	15 109
	22 301	99 185	159 112	303 380

The group has no significant seasonal variations.

6. Property, plant and equipment

Figures in USD thousands		2019-12-31	2018-12-31
Opening balance aquisition cost	*	1 631 420	1 623 690
Purchases during the year		9 177	6 656
Disposals		-6 452	0
Currency revaluation		-573	0
Closing aquisition cost		1 633 572	1 630 346
Opening balance depreciation		-308 164	-246 788
Depreciation for the period		-61 659	-61 376
Disposals		6 192	0
Currency revaluation		196	0
Closing balance depreciation		-363 435	-308 164
Opening balance impairment		-34 136	-34 136
Impairment loss for the year		-30 300	0
Closing balance impairment		-64 436	-34 136
Net book value end of period		1 205 701	1 288 046

**Opening balance 2019 adjusted in accordance with IFRS 16*

Within the offshore accommodation market, we face prolonged downturn and foresee weaker outlook than estimated before. Management has therefore performed an impairment assessment of its vessels in accordance with IFRS. Each vessel is considered to be a cash generating unit. As a result, impairment charges of USD 30.3 million were made in the fourth quarter 2019. Book value of vessels after impairment 1 202.4 million (1 285.1).

The recoverable amounts have been identified by calculating the valuation-in-use (VIU). Impairments have been made in the accounts for vessels with VIU less than their net book value.

The VIU calculations are based on a long-term forecast until the end of each vessel´s useful life. The main assumptions used in the computations are charter rates, utilisation, operating expenses and capital expenditures.

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

- Utilization - The utilisation is estimated to improve over the years to come from current level to 75% from 2025.
- Revenues – The revenues until 2024 is based on current contracts and estimated new contracts reflecting current market conditions for each vessel. Assumptions reflect gradual improvement and return to normal market conditions from year 2025.
- Expenses – Operating expenses reflect current market conditions.

- Capital expenditures – Capital expenditure is based on special periodic survey plans, current activity plans and expected mid-life upgrade/refurbishment of each vessel as well as normal maintenance expenditure.

- Discount rate of 10.5% (WACC) and long-term growth rate (inflation) of 1.7%.

Sensitivity

- A 0.5% decrease in the discount rate would lead to USD 76 million increase of the carrying values and a 0.5% increase would lead to USD 70 million decrease in carrying values.

- A 10% decrease in the long-term utilization from 75% to 65% would lead to a decrease of the carrying values with USD 94 million whilst a change with 10% of the long-term day rates would lead to a change of the carrying values with USD 145 million.

7. Interest bearing debt

Figures in USD thousands	2019-12-31	2018-12-31
1st lien bond	400 000	400 000
2nd lien bond	75 000	75 000
Bank vessel facility	109 000	150 000
Subordinated shareholder loan	241 500	239 795
Less prepaid financing fees	-12 115	-14 236
	813 385	850 559
The long-term debt is repayable as follows:		
Within one year	26 000	41 000
Between one and two years	21 000	26 000
Between two and five years	537 000	83 000
After five years	241 500	714 795
	825 500	864 795

8. Legal issues

The Group has currently no material legal issues pending. As a result of the group's global presence, the individual companies in the group will from time to time be subject to tax investigations and tax audits from tax authorities as well as disputes and litigations in the ordinary course of business in countries where the group operates. There are ongoing investigations/legal processes in the group and the risks have individually been reported as a contingent liability or provision to the extent required but no cases are deemed material to be disclosed separately.

9. Forward-looking statements

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

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

10. Related party transactions

During the fourth quarter 2019 the Group has, in the ordinary course of business on arm's length basis, sold services for USD 0 million and purchased for USD 5 million from the Keppel Group including Keppel FELS part of Floatel Endurance Special Periodic Survey, which was recognized during the fourth quarter 2019. The Group has in addition received proceeds from Keppel FELS of USD 1 million in commercial settlement for certain outstanding warranty claims. Keppel Offshore Pte Limited, which is part of the Keppel Group owning 49.9 % of the Company. The Keppel Group has provided a USD 242 million subordinated loan, which stems from the delivery of Floatel Triumph in 2016.

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