FLOATEL INTERNATIONAL

ANNUAL REPORT 2019

FLOATEL INTERNATIONAL LTD

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DIRECTORS' REPORT 2019

GENERAL INFORMATION ABOUT THE BUSINESS

The Floatel International Group was established in 2006. Floatel operates a fleet of five modern semi-submersible accommodation and construction support vessels providing the oil and gas industry with high quality offshore accommodation, catering and ancillary services. The parent company, Floatel International Ltd registration number 38902, is domiciled on Bermuda with its registered office at Victoria Place 5th floor, 31 Victoria Street, Hamilton HM 10 Bermuda.

Floatel International Ltd. has a Gothenburg subsidiary, Floatel International AB, for onshore operational support and supervision. Floatel Group have local companies and offices in areas where the vessels operate.

Floatel runs its business and operation on a set of core values which are imbued what we do;

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

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

Cooperation – *Teamwork is the key to success, and we cooperate within the organization as well as with our partners and clients.*

The mission of the Company is "To be the preferred choice by providing flexible solutions with high quality and the best possible performance – always putting safety first". This form the basis for how we operate and do business and our fleet is therefore designed to meet the challenging projects in deep water and hostile environments so we can provide superior living standard and support services in these locations across the world.

THE YEAR IN BRIEF AND KEY FINANCIAL DATA

The fleet operated for Equinor at Martin Linge in Norway, Total at Culzean in the UK and Inpex in Australia as well as short inshore contract for Equinor in Norway during the year resulting in 37% utilization for the fleet during the year (73% in 2018).

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

It was announced in conjunction with the publication of the interim report on February 19, 2020 that the Company's and the Group's financial situation is unsustainable as liquidity is under pressure. It was further announced on April 14, 2020 that the Company has stopped payment at present time of amortisation, interest and commitment fees under its credit facilities and bond issuances. 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 view is that these have reasonable expectations of success.

The Company and Prosafe SE announced June 3, 2019 that an agreement had been signed to merge the respective businesses subject to clearances from competition authorities in Norway and the UK, required consents from creditors and Prosafe shareholders approval. The Parties announced on February 13, 2020 that the Parties mutually have agreed to discontinue the merger process. The conclusion was that any near-term completion of a merger was unlikely.

	2019	2018	2017	2016	2015
Revenue	159 112	303 380	310 807	289 044	375 422
EBITDA	68 753	165 856	172 379	157 389	187 663
Operating profit(+)/loss(–)	–23 206	104 481	88 589	106 010	124 625
Profit(+)/loss(–) before tax	–80 763	36 823	36 664	50 261	72 635
Equity	454 757	547 192	523 891	496 585	461 492
Total assets	1 311 618	1 456 010	1 594 913	1 603 378	1 626 013
Operational margin	–15%	34%	29%	37%	33%
Margin	–51%	12%	12%	17%	19%
Equity/asset ratio	35%	38%	33%	31%	28%

Operating profit 2019 include USD –30.3 million impairment charge
Definition of ratios: Operational margin; Operating profit/Revenue. Margin; Profit before tax/Revenue

OPERATIONS

The Group's fleet of consist of five accommodation and construction support vessels. The fleet had average utilization including charter, yard-stay and paid standby periods of 37% compared with an estimated average market utilization of 55%. All vessels whilst in operation have shown good performance with an average commercial uptime (actual received revenues divided by maximum contract revenues) above 99%.

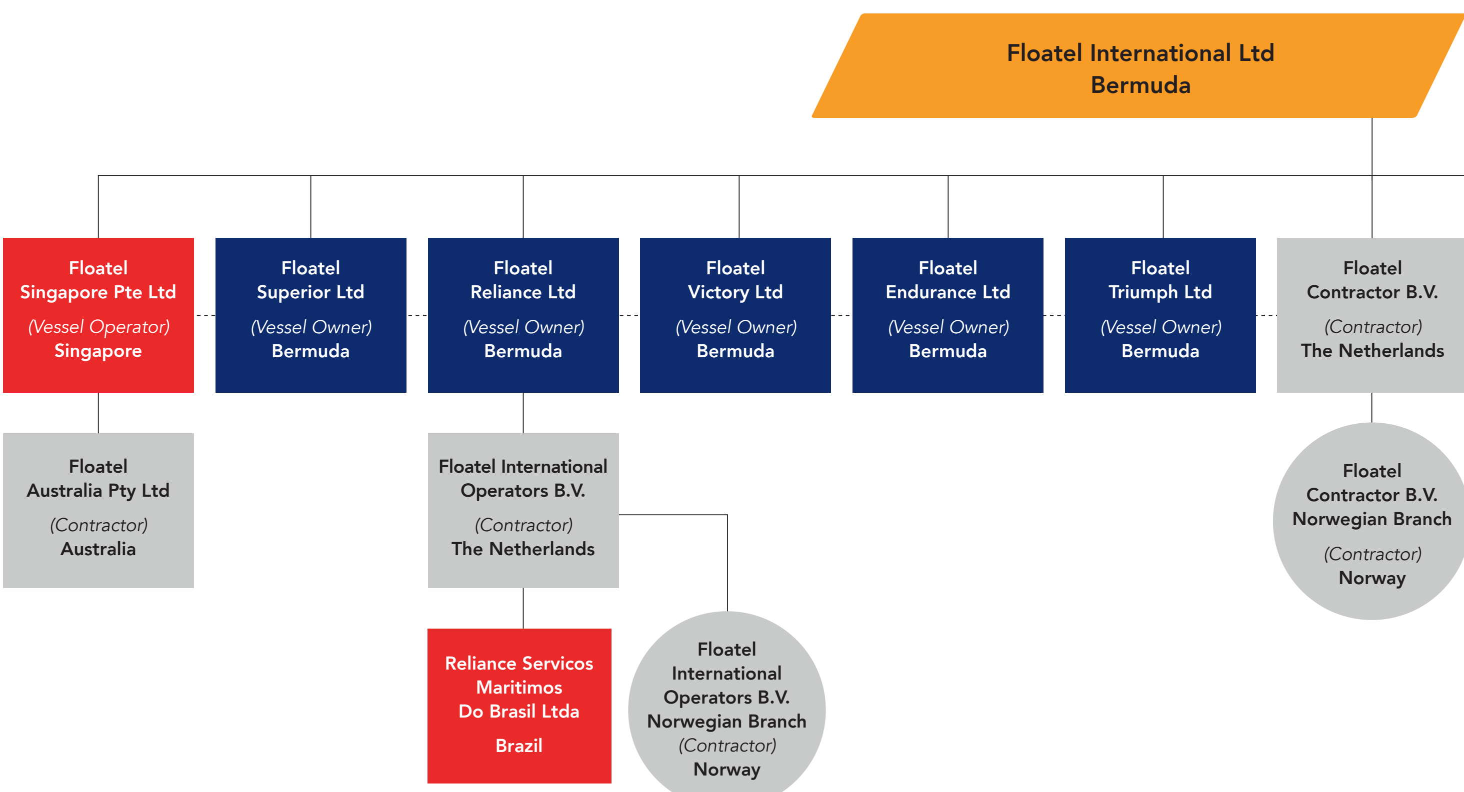
Floatel Superior was in operations for Equinor at the Martin Linge field until early November 2019 when she was replaced by Floatel Endurance since she has her second special periodic survey due prior to the end of the charter.

Floatel Reliance ended its five-year charter for Petrobras in Brazil on 7 March, 2016. After demobilization in Brazil, the vessel commenced the transit to Tenerife in the Canary Islands where the vessel continued to be idle and await new charter assignments.

Floatel Victory finished its long-term charter for Total Culzean in June 2019 and she transited to Skipavika, Norway thereafter where she is idle awaiting next charter.

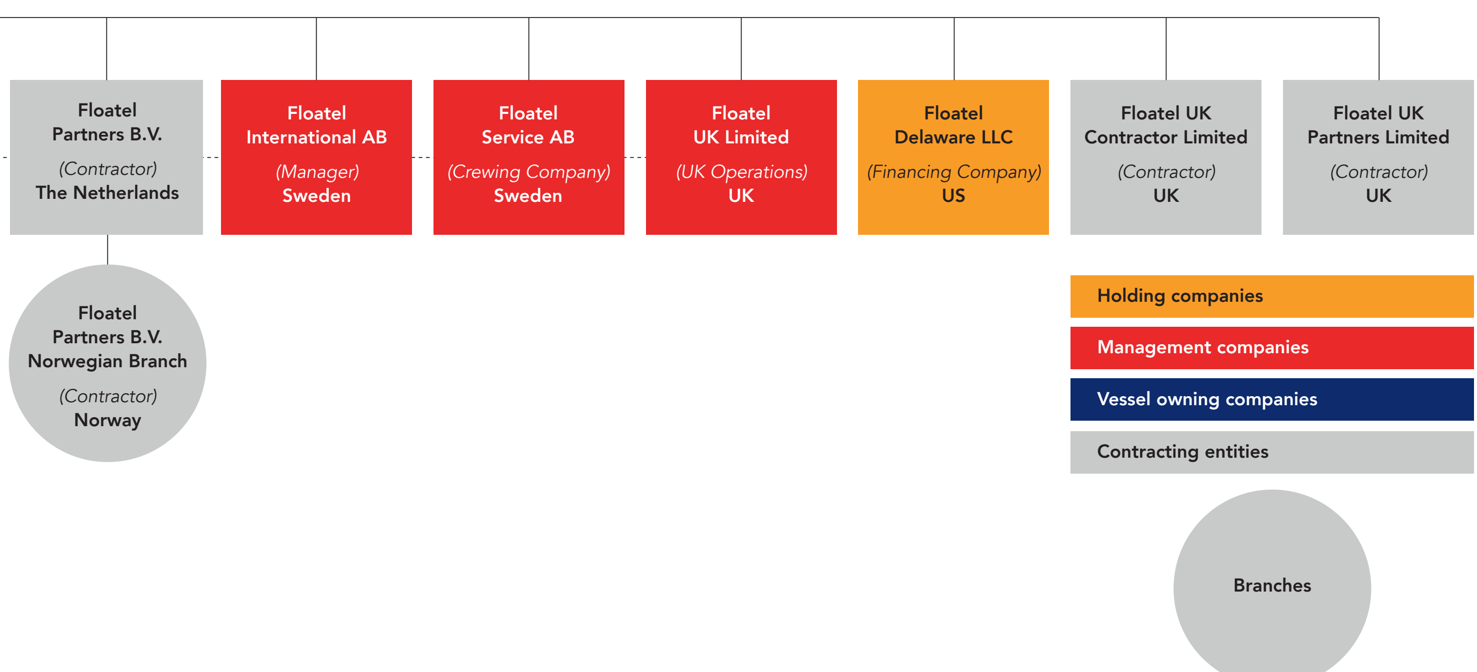
Floatel Endurance began the year in Singapore for outstanding rectification works, which was combined with the special periodic survey and returned to the North Sea mid-September. She replaced Floatel Superior at Martin Linge early November and the charter has been extended to end June 2020 with further options to end December 2020.

Floatel Triumph ended its operation for Inpex Ichthys project March 3, 2019. She was idle outside Johor in Malaysia for the rest of the year awaiting the next assignment.



The group has an onshore organization supporting its marine activities with approximately 50 people working in the offices in Bermuda, Gothenburg (Sweden), Aberdeen (UK) and in Singapore during the year. The office in Perth (Australia) was closed during the year after the Inpex charter ended.

All subsidiaries within the Group are fully owned and the Group has no joint-ventures or similar arrangements. The Corporate Structure is set out below



OUTLOOK

Utilisation for the worldwide semi-submersible accommodation fleet was 55% in 2019 (59%). In comparison, Floatel International's utilisation was 37% (73%), which includes charter periods; yard-stays; mob/demobs periods and paid standby periods.

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

The Covid-19 pandemic have caused reduced energy consumption and OPEC's disagreement on production limits have recently forced the oil price to unprecedented low levels under 30 US$/barrel. Almost all industries are or will be affected, which gives material uncertainty as to the effects on global economy. This has resulted in many oil and gas companies announcing cuts in 2020 capital expenditure and creates uncertainties for the near term and may also have a negative impact on the demand for offshore accommodation services in the medium-term pending closure of the pandemic and oil price recovery. Ongoing offshore oil and gas projects have been suspended and several projects planned to be executed in the near term have been postponed to a later date.

Within the offshore accommodation market, we face prolonged downturn which will be even longer due to COVID-19 effects with low fleet utilisation and weaker outlook than estimated before and especially in the North Sea. However we still believe that the market will recover once the situation stabilise. 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 expected that the present market condition will accelerate further scrapping of older vessels which will in the longer perspective improve the supply/demand balance.

MERGER WITH PROSAFE SE

The Company and Prosafe SE ("Prosafe", Oslo Stock Exchange ticker PRS) announced 3 June, 2019 that an agreement to merge their respective businesses had been signed subject to inter alia clearances from competition authorities in Norway and the UK, required consents from creditors and Prosafe shareholders approval, The intention was to create a more robust company with improved services and geographical presence, able to sustain a prolonged cyclical downturn and challenging markets for offshore accommodation.

However, the Company and Prosafe announced on February 13, 2020 that the Parties mutually have agreed to discontinue the merger process. The conclusion that any near-term completion of a merger is unlikely was reached in the light of the Norwegian Competition Authorities announced on October 28, 2019 that it prohibits the merger which the parties subsequently appealed (not concluded with merger was continued) and that the UK competition authorities (CMA) on January 30, 2020, announced their provisional findings which conclude that blocking the merger may be the only way to mitigate their concerns.

CORPORATE GOVERNANCE

Floatel International's corporate governance is embedded in the running of the business through FIMS, Floatel International Management System. The Company supports and operates in accordance with the UN Global Compact and the OECD Guidelines for Multinational Enterprises. The Group's corporate governance documents and FIMS are drawn up taking these international standards into account.

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, starting at the top with the Board, through to various management and employee levels, thus bringing greater transparency to how Floatel International is managed.

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

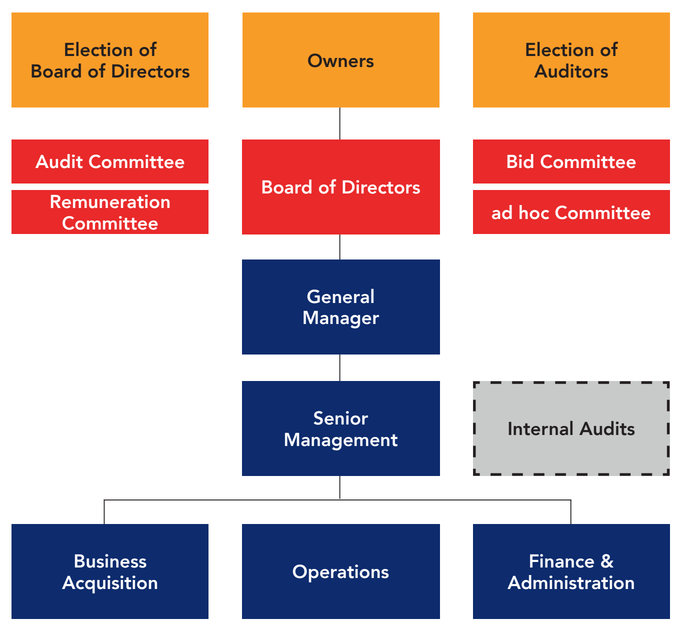


Figure 1: Floatel Corporate Governance Structure

Main internal rules and regulations for corporate governance at Floatel International

- The Bye-Laws and the Shareholders Agreement
- The Code of Conduct
- Rules of Procedure for the Board of Directors,
- Terms of References for the Board Committees
- Instructions for the CEO of the administrative Manager
- Instructions for the General manager
- Anti-Corruption and Anti-Fraud Procedure
- Approval Procedure and Matrix
- Floatel International Management System (FIMS) in general – other relevant Policies, Procedures and Guidelines

The Board of Directors are overall responsible for corporate governance as well as operational and financial internal control. The Audit Committee advises the Board of Directors on the appropriateness of significant policies and procedures relating to corporate governance as well as financial processes and disclosures and reviews the effectiveness of Floatel internal control framework. The Board of Directors has delegated through written policies and procedures to Senior Management team the day-to-day responsibility for the conducting, implementation and evaluation of FIMS including corporate governance and internal control.

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

The CEO of the Administrative Manager has the overall responsibility for strategic management and business direction, policies procedures and guidelines for the development of the business, the implementation of strategies and services which promote the corporate culture. In respect of contract opportunities, the CEO shall provide to the Bid Committee in the BoD with sufficient information regarding risks and opportunities related to the contract opportunity. Without excluding the generality of the foregoing, the CEO shall highlight whether the contract terms deviate, and to what extent, from the Company's Contracting Principles and whether the area of operation is associated with operational risks (such as piracy or weather risks) or other risks in the jurisdiction as such (such as tax, currency and expropriation risks). In addition, the CEO shall report Strategic Risks and other Significant Risks connected to the business, operations and important projects to the BoD if the potential consequence is 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 payback time of the investment when relevant and/or a risk analysis showing the potential consequences of not taking action.

The CFO of the administrative Manager is responsible for establishing, communicating and monitoring the Financial Reporting as well as internal control of the same.

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

THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Board shall establish targets, policies of importance and strategic plans for the Company and the Group and continuously monitor both their observance and ensure that such policies and plans are updated and reviewed. The Board of Directors shall furthermore ensure that organisation of the Group is appropriate and making strategic decisions regarding the management, investment and supply of capital.

The Board of Directors shall appoint, evaluate and, if necessary, dismiss the General Manager and the CEO as well as ensure that there is an effective system for follow-up and control of the Company's operations and the risks to the Company that are associated with its operations including ensure that there is a satisfactory process for monitoring the Company's compliance with laws and other regulations relevant to the Company's operations, as well as the application of internal guidelines.

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

The Board of Directors had four regular meetings and four extra meetings and the latter held as conference calls in 2019 and passed circular resolution in connection with seven different matters. The Chairman of the Board is responsible for ensuring that the Board's work is well organised and conducted in an efficient manner. Senior Management also attended Board meetings during the year to present and report on specific questions, and a monthly operational report was circulated to the Board.

To maximise the efficiency of the Board's work and to ensure a thorough review of specific issues, the Board has established a Compensation Committee, an Audit Committee and a Bid Committee. In addition, the board may convene ad hoc committees for specific purposes. The tasks and responsibilities of the Committees are detailed in the terms of reference of each Committee, which are annually adopted as part of the Rules of Procedure of the Board.

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

The Bid Committee shall on behalf of the Board decide what prices and other commercial terms not regulated by the company's contracting principles should be offered in a client bid and/or tender process and review management's price and return calculations. Furthermore, review the contracting principles and recommend changes, if any, to the board on an annual basis.

The Audit Committee assists the Board in ensuring that the financial reports are prepared in accordance with International Financial Reporting Standards (IFRS). The Audit Committee also supervises the financial reporting and gives recommendations and proposals as well as review the annual and quarterly financial statements and reports before they are submitted to the Board.

The Audit Committee furthermore supervises the efficiency of the financial internal controls, internal audit and risk management in relation to the financial reporting and provides support to the Board in the decision-making processes regarding such matters. The Committee monitors the audit of the financial reports and reports thereon to the Board. The Audit Committee also regularly liaises with the Group's statutory auditor as part of the annual audit process and reviews the audit fees and the auditor's independence and impartiality. Finally, the committee review the arrangements for employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters, including a review of ethical and whistleblowing guidelines.

INTERNAL CONTROL OVER FINANCIAL REPORTING

According to the Bermuda Companies Act, the Board of Directors is responsible for the Group's internal control and risk management. The Board of Directors has delegated through written policies to the Senior Management the day-to-day responsibility for the identification, evaluation and management of risks and the implementation and maintenance of control systems.

Floatel's internal control principles are based on the recommendations of the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission, which is one of the most widely recognised internal control frameworks. The Procedures are structured to provide guidance related to roles and responsibilities for the management and maintenance of the processes required to design implement and assess internal controls. The Group's system of internal controls encompasses documents applicable to all Group operations and companies, which promote:

- The effective and efficient operations of the Group by enabling it to respond appropriately to significant risks that it faces in carrying out its business
- The consistency and reliability of financial reporting
- The safeguard of assets
- The compliance with applicable laws and regulations

The five components of this framework are control environment, risk assessment, control activities, information and communication and monitoring activities.

The control environment establishes the overall tone for the organisation and is the foundation for all other components of internal control. As such, the control environment has a pervasive influence on the way the Group's business activities are structured, objectives established and risks assessed.

To achieve the Group's Objectives, including meeting the financial return expectations of its owners, Floatel pursues activities that involve some degree of risk. Strong risk management disciplines, combined with a culture that emphasizes the need to accept risks, are crucial to the long-term success of the Group. Risks relating to financial reporting are evaluated and monitored by the Board through the Audit Committee.

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

Management shall consider internally generated and externally generated data that enables them to make informed business decisions about financial reports and disclosures. Management shall ensure that relevant information is identified, captured, processed, and reported adequately. As communication is an important part of an effective control environment, management shall ensure relevant, adequate and timely information.

The internal control systems are monitored to assess the quality of the system's performance over time. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations depend primarily on the assessment of risks and the effectiveness of on-going monitoring processes. The key components of the Group's monitoring process include: (i) The processes used by the Board to review the effectiveness of the system of internal control, (ii) The Audit Committee review of annual and quarterly financial reports before recommending their publication, (iii) the HSEQ Department formal assessment of the organisation's compliance with FIMS, coordination of FIMS updates , internal audits, and assistance with self-assessment processes, (iv) Management review meetings, (v) review and discus external audit plans; monitor communication from the external auditors and ensuring prompt follow-up and implementation of any recommendations, and (vi) Senior Management and Board review of performance through a comprehensive system of reporting based on an annual budget, with monthly management reviews against actual results, analysis of variances, key performance indicators and quarterly forecasting.

RISK MANAGEMENT

The Risk Management System is set up to identify, assess and mitigate risks that the Company can experience while carrying out its business. This will also include response and recovery activities. The Group Board of Directors have the overall risk management responsibility and delegate it to the CEO of the Administrative Manager to manage risk on a day to day basis together with Senior Management and the rest of the organisation.

The Company shall identify its own risks and divide them in to three main risk areas: (i) business risks, such as geographical, political, contracting risks, asset ownership and investments, (ii) project and operational risks, such as conversion and operational execution risks, including HSEQ risks and (iii) financial risks, such as credit and liquidity risks, as well as interest rate and foreign currency risks.

The risks identified shall be assessed and categorised as follows: (i) strategic risks, managed by the Senior Management unless significance in accordance with any other Procedure requires Board approval on the basis of the corporate strategy, mission and core values, (ii) tactical risks, managed by the department managers on the basis of the Company's Policies and Procedures unless significance in accordance with any other procedure requires board and/or Senior Management approval, and (iiI) operational execution, managed by operations and project management on the basis of the Company's Policies and Procedures unless significance in accordance with any other procedure requires board and/or Senior Management approval

The Board together with the Senior Management shall determine the Floatel Group's overall business strategy and risk taking. The CEO of the Administrative Manager has the task to ensure compliance with this strategy.

The Group is exposed to financial risks from its operations and funding activities, such as interest rate risk, foreign currency risk, liquidity risk and credit risk. The CFO of the Administrative Manager oversees that management of these risks are in accordance with the Treasury and Finance Procedure that has been reviewed and approved by the Board. See note 3 regarding Financial Risk Management

There is a separate section in the Tendering and Contracts, including guidelines on how to evaluate the overall risk level to in relation to specific contracts. The aim is to create the base line for a continuous evaluation and management of risks during the contract execution and to reduce the Floatel Group's overall risk exposure.

Each project shall be evaluated using an integrated approach to assess the combined risk profile for all types of risks expected during the different phases of the project. This shall form the baseline for the decision to tender and/or commit to a contract. The Senior Management shall carry out a first risk assessment before it decides to tender for a new project based on the project information available, the corporate business strategy and contracting principles.

The Company's onshore and offshore operations involve a wide variety of risks, such as injury to personnel, damage to equipment, accidental discharges/emissions to the natural environment and business interruption. Most of the project and operational risks are governed by the Company's internal policies and procedures. Each department, vessel, rig team and any other functions shall see to that it has developed a risk management plan for its activities.

SUSTAINABILITY AND HEALTH, SAFETY, ENVIRONMENT AND QUALITY ASSURANCE (HSEQ)

Floatel International Group holds certification to following standards:

- ISO 9001:2015 (Quality, certificate issued by Lloyd's Register Quality Assurance)
- ISO 14001:2015 (Environment, certificate issued by Lloyd's Register Quality Assurance)
- OHSAS 18001:2007 / ISO 45001:2918 (Occupational Health and Safety Management, certificate issued by Lloyd's Register Quality Assurance)
- International Safety Management Code (Safety, certificate issued by Bermuda Shipping and Maritime Authority)
- International Ship and Port facility Security Code (Security, certificate issued by Bermuda Shipping and Maritime Authority)
- Maritime Labour Convention 2006 (Labour rights, certificate issued by Bermuda Shipping and Maritime Authority)

In addition, Floatel International Group is registered with:

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

HSE STATISTICS 2015–2019

Definitions:

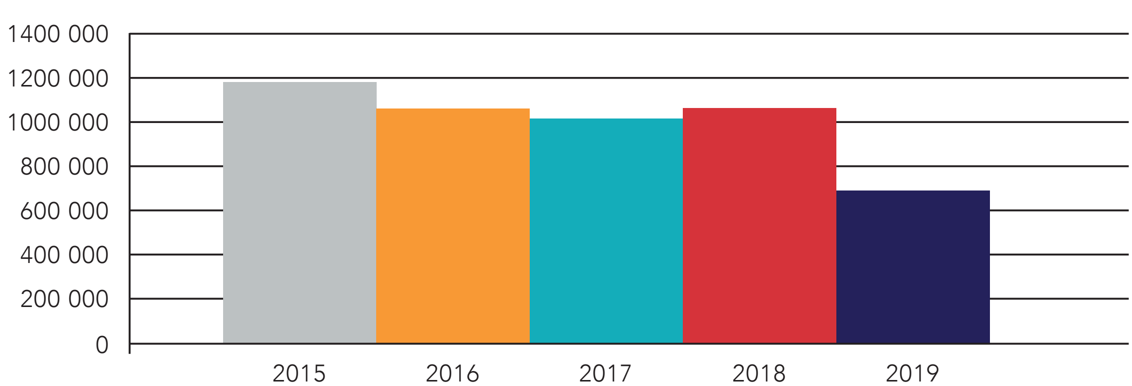
- Man Hours: Offshore man hours. Including crew, catering, subcontractors but excluding "guests" (personnel with workplace on client installation).
- Total Recordable Injury Rate (TRIR): Work Related Fatalities + Lost Time Injuries + Restricted Work Cases + Medical Treatment Cases)* 1.000.000 / Working hours
- Safety Observation Rate (SOR): Number of Safety Observations* 200.000 / Working hours
- Management Visit Rate (MVR): Number of Management Visit Days* 200.000 / Working hours

Floatel Internationals statistics is benchmarked towards IMCA (International Maritime Contractors Association) statistics. IMCA divides the member companies into different bands based on man hours per year:

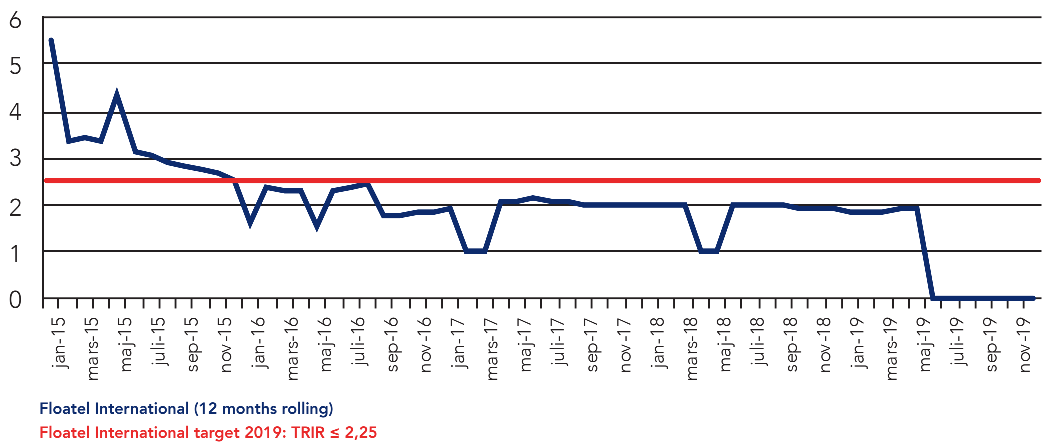
- Band A: > 10 million man hours per year
- Band B: 5 – 10 million man hours per year
- Band C: 1 – 5 million man hours per year
- Band D: < 1 million man hours per year

Over the past 5 years, Floatel International has had about 1.000.000 man hours per year and therefore benchmark is made towards band C.

Man hours per year 2015 – 2019:



Total Recordable Injury Rate (TRIR) 2015 – 2019:

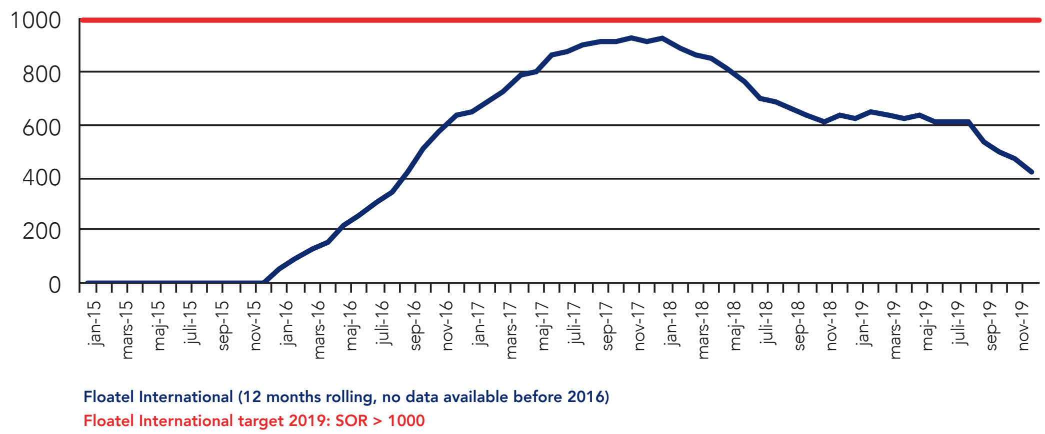


There were no recordable injuries (Work Related Fatalities, Lost Time Injuries, Restricted Work Cases or Medical Treatment Cases) or environmental incidents reported during 2019.

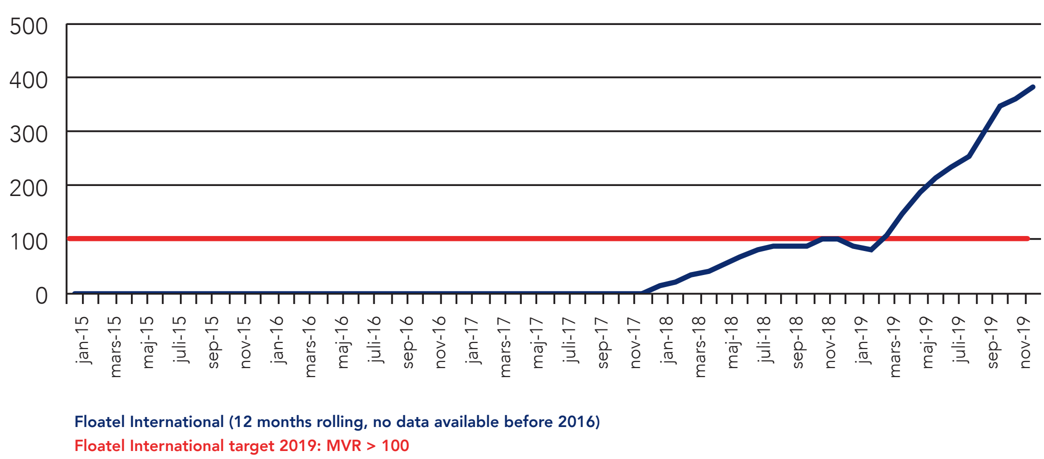
Recordable injuries included in the statistics:

- 2015 Restricted Work Case: Hand injury with hammer
  Medical Treatment Case: Possible electrocution in heli lounge
  Medical Treatment Case: Laceration to left index finger
- 2016 Loss Time Injury: Shoulder dislocation resulting in medivac
  Medical Treatment Case: Painful Achilles due to new shoes
- 2017 Loss Time Injury: IP stumbled and fell on deck during helicopter arrival
  Medical Treatment Case: 3 cm scalp laceration
- 2018 Medical Treatment Case: Finger injury
  Medical Treatment Case: Finger injury

Safety Observation Rate (SOR) 2015 – 2019:



Management Visit Rate (MVR) 2015 – 2019:



FINANCIAL REVIEW

INCOME STATEMENT

The consolidated revenues for 2019 came to USD 159.1 million (303.4 in 2018). The mobilization fees earned under charter contracts are recognised in the income statement during periods when the accommodation and support services are provided to the clients.

The total operating expenses before depreciation were USD –90.4 million (–137.5). EBITDA for the year was USD 68.8 million (165.9). Depreciation totalled –90.0 (–61.4), with year 2019 including an impairment charge of USD 30.3 million. The generated operating loss/ profit was USD –23.2 million (104.5).

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. As a result, impairment charges of USD 30.3 million were made in the fourth quarter 2019. Please refer to note 11 of the Consolidated Financial Statement for further information and assumptions for the assessment.

Net financial items were USD –57.6 million (–67.7). The refinancing in October 2018 meant on one hand higher interest cost in 2019 than in 2018 despite Libor was lower. 2018 on the other hand includes write-off prepaid borrowings costs related to the old facilities and gain on repurchase US term loan in Q2, 2018 whereby net financial items were lower in 2019 than in 2018. The net result for the period was USD –88.9 (26.7).

FINANCIAL POSITION

Total assets on 31 December, 2019 were USD 1,312 million (1,456). Non-current assets totalled USD 1,206 million (1,289) whilst net working capital totalled USD 12.8 million (32.5). Trade receivables were USD 6.8 million (23.7). The Group's cash and bank reserves by the end of the period amounted to USD 53.7 million (76.5).

The book equity at the end of the period totalled USD 454.8 million (547.2). 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 as of 31 December, 2019 totalled USD 759.7 million (774). This results in a debt (gross interest bearing) / equity ratio of 1.8 times (1.6) and an equity ratio (total assets) of 35% (38%).

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

ORDER BOOK

Total contract order book for the company as of 1 January, 2020 was approximately USD 89 million whereof options USD 40 million. The order book as of 1 January, 2019 was approximately USD 185 million whereof options USD 49 million.

FINANCING, LIQUIDITY AND GOING CONCERN

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 and that the Company has stopped payment at present time of amortisation, interest and commitment fees under its credit facilities and bond issuances (see Significant events after the end of the reporting period for further details). There is therefore 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 business depends on finding a solution to the 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.

If the discussions with the secured creditors are unsuccessful and if there are no other realistic alternatives available to secure the liquidity situation in the Company, going concern can no longer can be assumed meaning that the valuation of the assets in the Company will no longer be made under the going concern assumption which involves a risk for significant write-downs of the group's assets.

The effects of COVID-19, oil price development and other macroeconomic factors have resulted in a dramatic impact on the global macro economy, oil demand and consequently capital markets and market outlook. This has resulted in many oil and gas companies announcing cuts in 2020 capital expenditure and creates uncertainties for the near term and may also have a negative impact on the demand for offshore accommodation services in the medium-term pending closure of the pandemic and oil price recovery. The Group has so far experienced suspended charters from 2020 to 2021 but has not experienced and do not expect at this time cancellations or being out on standby albeit being experienced by peers. As a result, there is no additional material uncertainty arising from COVID-19 and as a result the company has prepared its financial statements on a going concern basis with the concerns as described above.

The Group's term credit facilities where refinanced in October 2018 with USD 400 million first lien and USD 75 million second lien Norwegian high-yield bonds as well as a new USD 150 million bank term loan. USD 100 million new revolving credit facilities replaced the existing one with the same amount. Maturities was extended to 2023/2024. The bonds were listed with Oslo Bors on Nordic ABM Oslo on February 4, 2019. (FLOAT02 PRO, FLOAT03 PRO).

As of 31 December, 2019, the total outstanding interest-bearing debt, exclusive prepaid borrowing cost, of the Group amounts therefore to USD 825.5 million (865.7) and includes apart from the above facilities a USD 241.5 million shareholder loan to Keppel FELS Limited.

Repayment of debt includes scheduled amortisations with USD 26 million (41). For more details, see note 15.

The interest-bearing debt agreements are subject to change of control clauses as defined in the relevant agreements. The Bonds as well as the Revolving Credits and New Vessel Facilities are subject financial maintenance covenants. The Group complies with all of its financial covenants as of 31 December, 2019.

See section Significant events after the end of the reporting period for more information about the Company´s and the Group´s financial situation.

SHARE / SHAREHOLDER INFORMATION AND DIVIDEND POLICY

Floatel International Ltd has 107 165 289 common shares and 10 000 preference shares with nominal value USD 0.02. The preference shares principal amount is USD 30 000 000 and they are entitled to 9% dividend p.a. and any unpaid dividend should be paid before any dividends to the common shares.

Floatel International Ltd have also issued 3 500 000 warrants to be used for a management incentive program whereof 2 772 784 where subscribed for 31 December, 2019. The warrants have an exercise price of USD 2.60/share and expires November 2022.

The principal shareholders are Keppel Corporation through FELS offshore Pte Ltd. with 49.9% and Oaktree Capital Management through OCM Wonder PF/FF Holding PT, Ltd. with 42.6%. Several private investors hold remaining shares.

The 2019 Annual General Shareholders Meeting was held at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda on 5 June, 2019 at 09:00 am. The 2020 Annual General Shareholders Meeting will be held at the Company's registered address Victoria Place 5th floor, 31 Victoria Street, Hamilton HM10, Bermuda on 4 June, 2020.

The Company's financial situation (please refer to section Financing, Liquidity and Going Concern in this Directors' report) and the credit facilities including the shareholder loan contain dividend restrictions, which will prevent dividends in the foreseeable future

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Macro situation

COVID-19 pandemic, oil price development and other macroeconomic factors have resulted in a dramatic impact on the global macro economy, oil demand and consequently capital markets and market outlook. This has resulted in many oil and gas companies announcing cuts in 2020 capital expenditure and creates uncertainties for the near term and may also have a negative impact on the demand for offshore accommodation services in the medium-term pending closure of the pandemic and oil price recovery. The Group has so far experienced suspended charters from 2020 to 2021 but has not experienced and do not expect at this time cancellations or being out on standby albeit being experienced by peers.

Operations

It was agreed with Ineos in April 2020 to suspend the charter for repair and maintenance at the Unity platform to April 2021.

Floatel Triumph start a inshore charter with the Marine & Port Authority of Singapore in April 2020 to house healthy foreign workers in the fight against COVID-19

Financial situation

The Company announced in its interim financial statements for Q4-2019 on February 19, 2020 that its and the Group's financial situation is unsustainable as liquidity is under pressure and that there is therefore 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,

Furthermore; the Company announced April 14, 2020 that it is in constructive negotiations with its bank lenders (the "Lenders") and ad hoc committee of holders of the 1L Bonds (the "AHC") holding in aggregate over 56% of the outstanding amount of 1L Bonds and that a forbearance and deferral agreement has been entered into with the AHC for thirty-five days (subject to the satisfaction of certain conditions) in relation to payments of amortisation, interest and commitment fees due under the bank facilities and the 1L and 2L bond issuances (the "Relevant Payments"). Negotiations are ongoing with the Lenders to finalise the terms of a similar deferral agreement and the Lenders have confirmed in writing that they remain supportive of the Group and do not intend to take any further action at this time.

The Company will not make the Relevant Payments at the present time and the Forbearance Agreement and deferral agreement (to be finalised with the Lenders) will provide all parties with sufficient time to negotiate terms with its stakeholders for a longer-term solution for the Company.

As part of the discussions, the Lenders have blocked the Company's and certain other companies earnings accounts related to Floatel Endurance. However, the Company's and Group's vessels and business continue to operate as normal.

Prosafe merger

The Company and Prosafe announced on February 13, 2020 that the Parties mutually have agreed to discontinue the merger process. The conclusion that any near-term completion of a merger is unlikely was reached in the light of the Norwegian Competition Authorities announced on October 28, 2019 that it prohibits the merger which the parties subsequently appealed (not concluded with merger was continued) and that the UK competition authorities (CMA) on January 30, 2020, announced their provisional findings which conclude that blocking the merger may be the only way to mitigate their concerns.

ANNUAL RESULT AND DISBURSEMENTS

The following profit in Floatel International Ltd is at the disposal on the Annual General Meeting (KUSD):

	2019
Retained earnings	–113 709
Net loss for the year	**–101 716**
	–215 425

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

Hamilton April 27, 2020

On behalf of the board

Marlin Khiew
Chairman

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 2019. The consolidated financial statements and the parent company financial statements are included on pages 21-54 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, 2019, 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.

Material uncertainty related to going concern

Without modifying our conclusion above, we draw attention to "Note 2.1 Basis of preparation" and "Note 21 Events after the balance sheet date" in the financial statements where it is described that the financial statements are prepared on the assumption of a going concern. However the Company's current operations do not generate sufficient operating cash flow and the financial situation is therefore unsustainable and liquidity is under pressure. The Company has stopped payment at present time of amortisation, interest and commitment fees under its credit facilities and bond issuances. Secured financing is necessary to ensure that the Group has enough liquidity to support continued operations in 2020. The Company has ongoing discussions with its key creditors, both bank lenders and an ad hoc committee of holders of the 1L bonds, to secure the necessary financing for the Group, but these discussions have not yet been completed to secure the liquidity situation in the Company.

Therefore, as stated in the Annual report, 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 about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

If the discussions with the secured creditors are unsuccessful and if there are no other realistic alternatives available to secure the liquidity situation in the Company, going concern can no longer can be assumed meaning that the valuation of the assets in the Company will no longer be made under the going concern assumption which involves a risk for significant write-downs of the group's assets.

Other Information than the annual accounts and consolidated accounts

Management is responsible for the other information. The other information comprises the Directors report on pages 3 to 17.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of management and those charged with governance for the consolidated financial statements and the parent company financial statements

Management is 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 management 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, management is responsible for assessing the Group's ability to continue as a going concern and using going concern basis of accounting unless management 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and parent company financial statetments, 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 management.
- Conclude on the appropriateness of management'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, 27 April, 2020
PricewaterhouseCoopers AB

Johan Malmqvist
Authorized Public Accountant
Auditor in charge

Consolidated Financial Statements of Floatel International Group 2019

CONSOLIDATED INCOME STATEMENT

All numbers in USD thousands except per share data

1 JANUARI–31 DECEMBER	Notes	2019	2018
Revenue	5	159 112	303 380
Cost of providing services	6,7	–168 300	–182 717
Gross profit(+)/loss(–)		**–9 188**	**120 663**
Administrative expenses	7	–14 018	–16 182
Other gains / losses – net		0	0
Operating profit(+)/loss(–)		**–23 206**	**104 481**
Finance income	8	2 171	10 293
Finance cost	8	–59 728	–77 951
Finance costs – net		**–57 557**	**–67 658**
Profit(+)/loss(–) before income tax		**–80 763**	**36 823**
Income tax expense	9	–8 095	–10 158
Profit(+)/loss(–) for the period		**–88 858**	**26 665**
Profit/loss attributable to owners of Floatel International Ltd		–88 858	26 665
Earnings per share, basic (USD)	10	–0,85	0,22
Earnings per share, diluted (USD)	10	–,85	0,22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

All numbers in USD thousands

1 JANUARI–31 DECEMBER	Notes	2019	2018
Net profit/loss		**–88 858**	**26 665**
Items that are or may be reclassified as profit or loss			
Foreign currency translations – foreign operations		–637	–556
Income tax relating to these items		0	0
Other comprehensive income		**–637**	**–556**
Total comprehensive income		**–89 495**	**26 109**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All numbers in USD thousands

1 JANUARI–31 DECEMBER	Notes	2019	2018
Assets			
Non-current assets			
Property, plant and equipment	11	1 205 701	1 288 046
Deferred tax assets	9	56	1 193
Total non-current assets		**1 205 757**	**1 289 239**
Inventory		23 972	23 582
Trade receivables	12	6 772	23 666
Income tax receivables	9	2 335	0
Other current receivables	13	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	14	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			
Interest-bearing debt	15	787 385	809 559
Other long term liabilities		188	0
Deferred tax debt		0	474
Total non-current liabilities		**787 573**	**810 033**
Current liabilities			
Trade payables		9 648	11 095
Current portion of interest-bearing debt	15	26 000	41 000
Income tax liabilities	9	6 328	3 876
Other current liabilities	17	27 312	42 814
Total current liabilities		**69 288**	**98 785**
Total Equity and Liabilities		**1 311 618**	**1 456 010**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All numbers in USD thousands

Attributable to shareholders of the parent company

	Share capital	Additional paid in capital	Other reserves	Retained earnings incl profit of the year	Total equity
Equity 2018–01–01	**2 144**	**325 563**	**2 437**	**190 849**	**520 993**
Total comprehensive income					
Net profit 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**
Options proceeds	0	0	0	90	90
Equity 2018–12–31	**2 144**	**325 563**	**1 881**	**217 604**	**547 192**
Total comprehensive income					
Net loss for the year	0	0	0	–88 858	–88 858
Other comprehensive income	0	0	–637		–637
Total comprehensive income	**0**	**0**	**–637**	**–88 858**	**–89 495**
Options 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**

CONSOLIDATED STATEMENT OF CASH FLOWS

All numbers in USD thousands

1 JANUARI–31 DECEMBER	Notes	2019	2018
Cash flow from operating activities			
Operating result		–23 206	104 481
Interest received		2 171	2 221
Interest paid		–53 860	–44 330
Income tax paid		–7 317	–11 065
Adjustment for depreciation and impairment	11	91 959	61 375
Adjustments for other non-cash related items		1 979	–6 937
Total cash flow from operations before changes in working capital		**11 726**	**105 745**
Changes in inventories		–390	–2 847
Changes in trade receivables		16 894	3 903
Changes in trade payables		–1 447	2 181
Other changes in working capital		7 527	–3 673
Cash flow from operating activities		**34 310**	**105 309**
Cash flow from investing activities			
Payments for property, plant and equipment	11	–9 177	–6 655
Net cash flow from investing activities		**–9 177**	**–6 655**
Cash flow from financing activities			
Repayment of debt	15	–41 000	–805 881
Proceeds from debt	15	0	625 000
Other financial items paid		–2 039	–16 547
Proceeds from equity		–2 940	90
Net cash flow from financing activities		**–45 979**	**–197 338**
Cash flow for the year		**–20 846**	**–98 684**
Cash and cash equivalents, January 1		76 512	176 858
Currency effect on cash		–1 933	–1 662
Cash and cash equivalents, 31 December		**53 733**	**76 512**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Floatel International Ltd. ('the Company') is a limited liability company incorporated in Bermuda. The address of its registered office is Victoria Place 5th floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together 'the Group').

The Group owns and operates a modern fleet of five semi-submersible accommodation and construction service vessels with an average age of approximately six and a half year. The fleet is designed to meet the requirements of offshore oil and gas activity in the challenging deep water and hostile environments and to provide superior living standard and support services. These Group Consolidated Financial Statements were authorised for issue by the Board of Directors on April 27, 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

(Also applicable for parent company)

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared under the historical cost convention, except for derivative instruments which have been measured at fair value. The consolidated financial statements are presented in US dollars (USD), which is the functional currency for most of the companies in the group.

The accounts are prepared on the assumption of a going concern. However, the Company's and the Group's financial situation is unsustainable as liquidity is under pressure and that the Company has stopped payment at present time of amortisation, interest and commitment fees under its credit facilities and bond issuances. There is therefore 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 business depends on finding a solution to the 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.

If the discussions with the secured creditors are unsuccessful and if there are no other realistic alternatives available to secure the liquidity situation in the Company, going concern can no longer can be assumed meaning that the valuation of the assets in the Company will no longer be made under the going concern assumption which involves a risk for significant write-downs of the group's assets.

The effects of COVID-19, oil price development and other macroeconomic factors have resulted in a dramatic impact on the global macro economy, oil demand and consequently capital markets and market outlook. This has resulted in many oil and gas companies announcing cuts in 2020 capital expenditure and creates uncertainties for the near term and may also have a negative impact on the demand for offshore accommodation services in the medium-term pending closure of the pandemic and oil price recovery. The Group has so far experienced suspended charters from 2020 to 2021 but has not experienced and do not expect at this time cancellations or being out on standby albeit being experienced by peers. As a result, there is no additional material uncertainty arising from COVID-19 and as a result the company has prepared its financial statements on a going concern basis with the concerns as described above. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(a) New accounting principles for 2019

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January, 2019. None of these is has had a significant effect on the consolidated financial statements of the Group. The new standards include:

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 will primarily 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 and few company cars. Considering the few and the size of leases in the group where Floatel is the lessee, and the fact that the accounting for lessors is in all material respects be unchanged, the assessment is that the standard has had no material impact on the group. No early adoption done.

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 present value of current lease contracts.

EFFECT TO FINANCIAL STATEMENT OF IFRS 16

All numbers in USD thousands

	2019
Effect to Income statement	
Reversed cost of operational leasing	490
Interest cost	–72
Depreciation	–437
	–19

	Closing Balance	Opening balance
Effect to balance sheet		
Right of use assets	607	1076
Leasingdebt short term	–438	–426
Leasingdebt long term	–188	–650
	–19	**0**

Interest rate 6,81%, based on the average interestrate for groups interestbe-aringdebts, as per 2019-01-01. Depreciation based on remaining contract, 29 month, as per 2019-01-01

Commitment regarding operatonal lease as per 2018-12-31	1 206
Present value adjustment	–130
Leasingdebt according to IFRS 16 as per 2019-01-01	1 076

Short-term leases and leases for which the underlying asset is of low value are exempted.

(b) New accounting principles for 2020 and later not yet adopted

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group as at 31 December, 2019. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions and unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full. Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interest exists, the non-controlling interest are allocated their share of the total comprehensive income of the period, even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences recognized in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate

2.3 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in USD, which is the Group's presentation currency. The parent company's and most of the subsidiaries functional currency is USD.

(b) Transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognized in profit or loss. However, foreign currency differences arising from derivatives qualifying for cash flow hedges, to the extent the hedge is effective, the retranslation of the following items are recognized in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognized in other comprehensive income and presented as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to other comprehensive income. When a foreign operation is disposed of such that control is lost, the cumulative amount of exchange differences in the translation reserve related to that operation is reclassified to the income statement as part of the gain or loss on disposal.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are stated at historical cost less depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Incurred borrowing costs during the construction period are capitalized on the vessels, in accordance with IAS 23.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Vessel, with useful life for different components:

– Superstructure, 35 years
– Living Quarter (exterior), 25 years
– Living Quarter (interior), 10 years
– IT related equipment, 5 years
– Periodic maintenance, 5 years

Other equipment:

– Other equipment, 3–5 years

– Right of use assets, remaining contract time

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.6). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other (losses)/gains – net' in the income statement.

2.5 INTANGIBLE ASSETS

Intangible assets are stated the same way as property, plant and equipment.

Depreciation is calculated using the straight-line method, over five years.

2.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The Company has carried out an impairment test of each of its vessels according to IAS 36. The test has been based on reasonable and supportable cash flow projections including extrapolation for periods beyond budgeted projections. Management have assessed the reasonableness of the assumptions by examining the causes of differences between past cash flow projections and actual cash flows. The discount rate used in the tests is the weighted average cost of capital (WACC) for the Company. The impairment test concluded in an impairment loss of USD 30.3 million for the vessels. For further details regarding impairments test see note 11.

2.7 FINANCIAL ASSETS

Floatels financial assets are classified in two categories and are based on the Groups 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 profit or loss (FVPL).

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets at amortized cost

Assets held with the sole purpose of collecting contractual cash flows, and where these cash flows comprise only principal and interest, are valued at amortized cost. The carrying value of these assets are adjusted for any expected credit losses that have been recognized (refer to impairment below). Interest income from these financial assets are recognized in accordance with the effective interest method and are included in financial income. The Group's financial assets valued at amortized cost comprise the items trade receivables, other receivables, accrued income and cash and cash equivalents.

Impairment of financial assets recognized at amortized cost

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

Financial assets at fair value through profit or loss

Assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. A gain or loss on a investment that is subsequently measured at fair value through profit or loss is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Group's right to receive payments is established. Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

Derivatives are classified into the category Fair value through 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.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within finance costs-net.

2.8 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group does not apply hedge accounting and thus all derivatives are recorded at fair value through profit and loss.

2.9 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined by using the weighted average method.

2.10 TRADE RECEIVABLES

Trade receivables are classified as current assets. Trade receivables are initially recognized at their transaction price. As the Group holds trade receivables solely in order to collect contractual cash flows (principal and interest) they are subsequently measured at amortized cost using the effective interest method, less provision for impairment. For trade receivables, the Group applies the simplified method of credit reserves, i.e., the reserve will correspond to the expected loss over the whole life of the trade receivable. In order to measure the credit losses, trade receivable are grouped based on credit risk characteristics and days past due. The Group applies forward-looking variables for expected credit losses. Expected credit losses are recognized in the consolidated statement of comprehensive income in administrative expenses.

2.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.12 SHARE CAPITAL

Shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 TRADE PAYABLES

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.14 BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 CURRENT AND DEFERRED INCOME TAX

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or other comprehensive income. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

2.16 EMPLOYEE BENEFIT EXPENSES

(a) Pension obligations

The Group has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation

No share-based compensation are in place. Key employees have been offered to purchase warrants at fair market value.

(c) Bonus plans

The Group has bonus schemes for executives, managers and employees which normally are based on the Groups operating profit and management objectives. A liability and an expense is recognized based on expected outcome for the year. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.17 PROVISIONS

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

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation;
- and the amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.18 REVENUE RECOGNITION

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

The Group recognizes revenue when control is transferred to the customer, that is when the performance obligations are fulfilled. Revenues regarding service contracts are normally recognized over time and accounted for over the duration of the contract with the use of either the input or output methods. These are different methods to measure the progress towards a complete satisfaction of a performance obligation. For revenue recognition over time the Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of services and other related income

a. Charter revenue

The Group provides offshore services to oil and gas industry in the form of time charter contracts with contract terms generally ranging from less than one year to five years. The charter income is recognized over time according to the terms of the agreement and in the period the work is performed and the performance obligations is fulfilled. Booking fee is recognized when performance obligations according to contract is fulfilled.

b. Mobilizaton revenue

Mobilization income is usually allocated over time in the firm contract period for the charter revenue since the obligation to perform mobilization activities are highly interdependent on the charter activities. Thus, the mobilization revenue are normally not a distinct performance obligation in itself. Instead, the performance obligation related to mobilization activities are recognized together with the performance obligation to provide charter services

c. Catering and rechargeable revenue

The Group provides services regarding catering and rechargeable revenue according to terms of the agreement and revenue is recognized over time when performance obligations are met.

Cost to fulfill the contract

The Group has assessed that the costs to perform mobilization activities are costs that has incurred in fulfilling a contract with the customer. These costs relates directly to a contract, generate resources used in satisfying the contract and are expected to be recovered. The costs are therefore capitalized as costs to fulfil a contract and amortized on a systematic basis over the contract period

(b) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

(c) Dividend income

Dividend income is recognized when the right to receive payment is established.

(d) Insurance and warranty revenues

Insurance and warranty revenues are recognized when they can be reliably measured and confirmed from the counterparty. Expenditures regarding insurance and warranty are capitalized to the extent it is expected to be compensated.

2.19 LEASES

Leases from 1 January, 2019 in accordance with IFRS 16

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

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

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

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

Leases up until 31 December, 2018 in accordance with IAS 17

Assets held by the Group under leases which transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Group's statement of financial position.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Future payments of operational lease see note 22 commitments.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2.20 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Costs related to the intended merger with Prosafe SE are recognized as a cost related to shareholders and booked directly to equity.

2.21 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are calculated using the weighted average number of shares outstanding during the period adjusted for any dilutive potential ordinary shares; such as any options that are "in the money".

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk for the Group is the risk that arises in connection with the operations and investments in foreign currencies. A majority of the Group companies have USD as their functional currency, foreign currency risks arise when the cash flows and balance sheet items are denominated in a currency other than USD. The Group shall strive towards minimising currency exposure. Essential current cash flow and balance sheet exposures that cannot be matched against cash flows and balance sheet items shall be minimised on the basis of financial instruments.

The Group's exposure to other currencies than USD is mainly associated with operating and capital expenditures, tax liabilities and cash or cash equivalents, as revenues generally are received in USD. Depending of the country of operations and the nationality of the crew, the operating expenditures are mainly denominated in USD, NOK, SEK, GBP, and AUD. Capital expenditures are mainly denominated in USD, SGD, EUR, NOK, and SEK. Tax liabilities predominantly consist of NOK, EUR, SEK, GBP, AUD and BRL. Cash and cash equivalents are mainly denominated in USD.

CURRENCY EXPOSURE

Net currency exposure as per 2019-12-31, major local currency, thousands

	Local Currency	USD	Closing rate
AUD	758	530	0,6990
BRL	4 520	1 102	0,2438
EUR	113	127	1,1198
GBP	-479	-628	1,3110
SEK	91 328	9 799	0,1073
SGD	-497	-368	0,7410
NOK	51 132	5 803	0,1135

Minimum 75% of the operating expenditures in other currencies than USD are typically currency-hedged using derivative instruments. Material capital expenditures including special periodic surveys are hedged independent of the time horizon.

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

(ii) Cash flow and fair value interest rate risk

The Group's revenues and cash flow from operations are, in all material respects, independent of changes in market interest rate levels. The Group sometimes raises loans at floating interest rates and utilises interest derivatives as cash flow hedges of future interest payments, which has the financial effect of converting loans from floating to fixed interest rates. Interest derivatives allow the Group to raise long-term loans at floating interest rates and convert these loans to fixed interest rates that are at a lower rate than if the borrowing had taken place directly at a fixed interest rate. In the case of an interest derivatives, the Group reaches an agreement with other parties to exchange, at stipulated intervals (usually once per quarter), the difference between amounts according to contract at fixed interest rates and floating interest amounts, calculated with respect to the agreed notional amount.

As of December 31, 2019 there are no interest rate derivatives agreements since USD 716.5 million out of USD 825.5 million carries fixed interest rates. The Group's risk related to interest rate risk is therefore considered to be limited. The below table demonstrates the sensitivity to change in interest rates, with all other variables unchanged, of the Group´s profit before tax (loan by December 31, 2019):

Loan (USD 1.000)	Interest rate basis points –/+	Effect on profit before tax (USD 1.000)
825 500	–200	–1 723
825 500	–150	–1 403
825 500	–100	–935
825 500	100	935
825 500	150	1 403
825 500	200	1 870

(b) Credit risk

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

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If there is no independent rating, management assesses the credit quality of the client, taking into account its financial position, past experience and other factors. The maximum exposure to credit risk on cash and cash equivalents (ignoring collateral and credit quality) at 31 December, 2019 was USD 53.7 million (76.5). At 31 December, 2019 a majority of the current accounts were held by SEB.

The counterparty risk is in general limited in respect of clients, since these are typically major oil companies and national oil companies with high credit ratings and strong balance sheets.

In line with industry practice, the Group's charter contracts normally contain clauses which give the client a possibility for early cancellation or cancellation for convenience under certain conditions. However, the effect on the result in such cases will normally be wholly or partly offset by a financial settlement in Floatel's favour, providing that Floatel has not acted negligently. Following a potential notice of termination for convenience, the client will normally have to pay Floatel all or a substantial part of the remaining contract value.

With respect to credit risk arising from the other financial assets of the Group, which comprise other current receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these receivables. (See note 2.10)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet operating and investments needs, tax and other liabilities when the fall due as well as the ability to refinance credit facilities when they mature and ability to close out market positions. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

All of the Group's five vessels are fully financed through equity and long-term debt and positive cash flow is expected from their aggregate operations. Please refer to note 2.1 basis for preparation for information regarding the Group's liquidity and financial situation and prospects.

3.2 CAPITAL RISK MANAGEMENT

The Group's objectives are to ensure a sound financial position at all times. Management continuously monitors the cash position and capital structure in order to meet current funding requirements and to fund future growth opportunities. As the Company matures, its capital structure will be optimized to meet evolving conditions including liquidity, investment opportunities and financing capabilities. At year-end, the Company is in compliance with all financial covenants and is building towards an optimal liquidity situation. Please refer to note 2.1 basis for preparation for information regarding the Group's liquidity and financial situation and prospects.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. See share/shareholder information and dividend policy in the Directors' report for further details about the capital structure.

3.3 FAIR VALUE ESTIMATION

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. The fair value of interest rate derivatives is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. As the loans bear an estimated market rate, the carrying amount is a reasonable approximation of the fair value and thus no fair value disclosure is presented.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Management has used estimates and assumptions that have affected assets, liabilities, revenues, expenses and information on potential liabilities. This applies to assessment of fixed assets and in addition to financial instruments at fair value. The actual outcome may differ from these estimates and assumptions and future events may lead to these estimates being changed. Estimates and the underlying assumptions are continuously reviewed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Such changes will be recognized in the period in which the changes occur.

The most critical accounting estimates and judgment for the Group relates to the measurements of the vessel values such as estimated useful lives and need for impairments (see also note 2 section 2.4, 2.6 and note 11).

5 REVENUE FROM RENDERING OF SERVICES

	2019	2018
Revenue		
Charter revenues	124 922	232 081
Catering and rechargeble expenses	28 535	56 190
Other	1 197	0
Mobilisation/demobilisation fees	4 458	15 109
	159 112	**303 380**
Revenues by geographical location:		
Europe	140 041	174 765
Asia-Pacific	19 071	128 615
	159 112	**303 380**

6 COST OF PROVIDING SERVICES

	2019	2018
Cost of sales		
Repair and maintenance	–13 769	–24 336
Depreciation of vessels	–60 361	–61 375
Impairment	–30 300	0
Crew cost	–30 242	–34 371
Rechargeble and catering expenses	–25 711	–54 642
Mobilisation/demobilisation expenses	–5 793	–5 518
Other operating expenses	–2 124	–2 475
	–168 300	**–182 717**

7 EMPLOYMENT BENEFIT EXPENSES

	2019	2018
Salaries and wages	–21 945	–23 425
Statutory and contractual social security contributions	–3 243	–3 324
Defined contribution plan	–3 983	–4 133
Total employee benefits	**–29 171**	**–30 882**

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

2018 MANAGEMENT	SALARY	BONUS	DEFINED CONTRIBUTION PENSION PLAN	TOTAL REMUNERATION
Peter Jacobsson (CEO)	298	131	93	522
Tomas Hjelmstierna (CFO)	216	154	70	440
Per Marzelius (COO)	162	61	52	275
Total remuneration	676	346	**215**	**1 237**

In 2019 and 2018 the Board of Directors served without compensation. However, incurred expenses are reimbursed.

Members of the management have agreements on severance pay. Under these agreements, the Company guarantees a remuneration corresponding to the base salary received at the time of departure for a period of up to two years.

Key employees have purchased warrants at fair market value.

In 2016 and 2017 the company sold 1 580 000 warrants to management at market price. Price paid was the market price calculated according to Black & Scholes model and performed by an external valuation firm. In 2018 the Company repurchased 60 000 warrants at market price from certain managers in connection with them leaving the Company, and sold 874 100 warrants to management at market price. In 2019 the company repurchased 60 000 warrants at market price from certain managers in connection with them leaving the Company, and sold 438 664 warrants to management at market price. The warrants, whereby 2 772 784 (2 394 100) are subscribed for by management at year-end, mature in 2022. Exercise price is 2.60

8 FINANCIAL INCOME AND EXPENSES

	2019	2018
Interest	2 171	2 221
Currency gain	0	0
Gain from repurchase of loan	0	8 072
Total financial income	**2 171**	**10 293**
Financial cost		
Currency gain/loss	–880	–3 565
Interest cost	–54 405	–58 839
Borrowing expenses	–4 443	–15 547
Total financial expenses	**–59 728**	**–77 951**

9 TAXES

	2019	2018
Result before tax	–80 763	36 823
Tax calculated at domestic tax rates appl to resp country	–9 104	–13 405
Tax effect of:		
Expenses not deductable for tax	–20	–2 040
Not balanced tax losses	–241	6 217
Tax related to previous years	1 270	–930
Tax cost for the year	**–8 095**	**–10 158**
Effective tax rate	n/a	–27,6%
Tax reconciliation per country		
Swedish corporation tax	–587	–627
Norwegian corporation tax	–5 942	1 247
Netherlands corporation tax	–1 241	–182
UK corporation tax	–1 406	–3 312
Singapore corporation tax	–45	0
Australian corporation tax	–144	–6 354
Adj. in respect of current tax previous years	1 270	–930
Tax cost for the year	**–8 095**	**–10 158**

At the date of this report, there is no Bermuda income, corporation or profits tax, nor is there any withholding tax, capital tax, capital transfer tax, estate duty or inheritance tax payable.

The balanced amount for income tax liabilities is 6 328 USD thousands (3 876) and mainly relates to Norway, the Netherlands and the UK. The balanced amount for income tax receivable amount to 2 335 USD thousands (0) and mainly relates to Norway, Sweden and Australia.

10 EARNINGS PER SHARE

	2019	2018
Earnings per share are calculated by dividing the net profit by the weighted average number of common shares outstanding during the year.		
Net income of the year	–88 858	26 665
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)	–0,85	0,22
Earnings per common share, diluted (USD)	–0,85	0,22

11 PROPERTY, PLANT AND EQUIPMENT

	2019	2018
Vessel incl. vessel upgrade		
Opening acquisition costs, January 1	1 625 483	1 619 532
Purchases during the year	8 288	5 951
Disposal	–6 452	0
Closing acquisition costs, December 31	1 627 319	1 625 483
Accumulated depreciation, January 1	–306 274	–245 664
Disposal	6 192	0
Depreciation for the year	–60 361	–60 610
Closing accumulated depreciation, December 31	–360 443	–306 274
Accumulated impairment, January 1	–34 136	–34 136
Impairment loss for the year	–30 300	0
Closing accumulated impairment, December 31	–64 436	–34 136
Net book value as per 31 December	1 202 440	**1 285 073**
Other equipment		
Opening acquisition costs, January 1	5 937	4 157
Translation difference	–572	0
Purchases during the year	889	705
Closing acquisition costs, December 31	6 254	4 862
Accumulated depreciation, January 1	–1 889	–1 124
Translation difference	194	0
Depreciation for the year	–1 298	–765
Closing accumulated depreciation, December 31	–2 993	–1 889
Net book value as per 31 December	**3 261**	**2 973**
Total book value as per 31 December	**1 205 701**	**1 288 046**

As from 2019 the group apply IFRS 16, leasing. 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 present value of current lease contracts. This is included in other equipment and refers to office rent.

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 (see 2.6). 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.

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 value in use and a 0.5% increase would lead to USD 70 million decrease in value in use.
- 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.

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

All Vessels are registered at Bermuda. Vessels are held as security for borrowings, se note 19.

12 TRADE RECEIVABLES	TOTAL	NEITHER PAST DUE NOR IMPAIRED	< 30 DAYS	30–60 DAYS	> 60 DAYS
2019	6 772	6 772	0	0	0
2018	23 666	23 666	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	2019	2018
Other current receivables		
Accrued income	7 117	31 214
Prepaid expenses	2 312	1 475
Capitalized mobilisation cost	1 599	5 291
Other current receivables	8 021	5 031
	19 049	**43 011**

Accrued income relates to Contract assets and consist of; charter revenues 5 735 (21 818), Mobilization revenue 0 (5 519) and catering and rechargeable income 1 382 (3 877).

14 CAPITAL AND RESERVES

Share capital

The Company's shares are preferred shares and common shares. Common shares rank equally with regard to the Company's residual assets. The holders of common shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company.

In January 2014 the Company issued 10 000 preferred shares. The main rights, privileges, restrictions and conditions to the preferred shares are as follows:

(a) Seniority. The preferred shares shall, with respect to the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or other distribution of its assets among its shareholders for the purposes of winding-up its affairs, rank senior to and be entitled to preference over all other classes of shares of the Company;

(b) Redemption Amount and Price. The term "Redemption Price" when used in reference to any Preferred Share each means the sum of USD 3,000 of the lawful currency of the United States of America. Redemption can only occur on request by the company;

(c) Dividends. Subject to the provisions of the bye-laws and applicable law, the holders of the Preferred Shares shall be entitled to receive, and the Company shall pay thereon, in preference and in priority to the holders of the Company's common shares, a cumulative dividends, payable annually on the last day of December at a rate of 9% per annum accrued day by day from the funds legally available, as and when declared by the Board of Directors subject always to the applicable provisions of the Companies Act 1981 of Bermuda (as amended). Payment of dividend cannot be requested by the holder.

Additional paid in capital/share premium

The amount payable for shares in the Company and issued by the Company itself in excess of their nominal value.

OTHER RESERVES

Translation reserve

The translation reserves comprise all foreign currency differences arising from the translation of the financial statements of foreign operations.

1 JANUARI–31 DECEMBER	2019	2018
Authorized		
Common shares of par value USD 0.02	125 000 000	125 000 000
Preferred shares of par value USD 0.02	10 000	10 000
Issued and fully paid		
Common shares of par value USD 0.02	107 165 289	107 165 289
Preferred shares of par value USD 0.02	10 000	10 000
Unissued shares available for issuance by the board	17 834 711	17 834 711

SHAREHOLDERS (COMMON SHARES)	# OF SHARES	% OF SHARES
FELS Offshore Ltd	53 501 857	49,92%
OCM Wonder PF/FF Holdings PT, Ltd	45 678 377	42,62%
Others	7 985 055	7,45%
Total	**107 165 289**	**100,00%**

15 INTEREST-BEARING DEBT

	2019	2018
Bond First lien	400 000	400 000
Bond Second lien	75 000	75 000
Bank Vessel facility	109 000	150 000
Keppel loan	241 500	239 795
Less borrowing expenses	–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**

As of 31 December, 2019, the Group´s main financial liabilities had the following remaining contractual maturities (USD thousands):

	2020	2021	2022	2023	2024	2025	Total
Interest bearing debt, amortization	26 000	21 000	21 000	41 000	475 000	266 140	850 140*
Interest bearing debt, interest payment	51 356	50 151	49 067	47 925	23 493		221 992
Trade payables and other current liabilities	43 288						43 288

* Amortization including PIK interest of USD 24 640 in year 2025

GROUP FINANCING

In October 2018, Floatel Group refinanced and replaced the TLB loan (Term loan B) and New Vessel Facility. The new loan portfolio consist of one bank loan, BVF-Bank Vessel Facility maturing September 2023, First and Second Lien Bond Issuances maturing in April 2024. The Revolving Credit Facility was replaced with two new Revolving Credit Facilities maturing in September 2023. The Keppel loan (subordinated debt) matures in December 2025.

BOND FINANCING

There are two Bond Issuances, First Lien and Second Lien with aggregate nominal amounts of USD 400m and USD 75m respectively. Interest paid bi-annually of USD 18m (9.0% –1st Lien) and USD 4.8m (12.75% – 2nt Lien). The bond collateral vessels are Floatel Superior, Floatel Reliance, Floatel Victory and Floatel Triumph.

BVF

The USD 109 (150) million Bank Vessel Facility is being repaid in quarterly instalments of USD 5.25m and for the first 5 consecutive repayments (until January 2020) an additional USD 5 m repayment is added on top of the quarterly instalment. Interest rate is Libor +3.25%.

KEPPEL LOAN

The Keppel loan of USD 241.5 (239.8) million is a subordinated shareholder loan. Accrued interest is capitalized on an annual basis. The rate is 2% and may subject to certain conditions either decrease or increase. Maturity date is December 31, 2025.

RCF

The bank Revolving Credit Facilities are multicurrency facilities available for utilization and/or used for ancillary purposes such as overdrafts and collateral for performance guarantees on a rolling basis during the entire term of the loans. Any utilization shall be done pro rata between the two facilities. As at December 31, 2019 there were no drawdown on the facilities. The 0.70% commitment fee on unused commitments is paid quarterly in arrears. Interest rate on any utilization will be Libor + 2.25% subject to increase based on ratchet based on utilization. Guarantee fees are negotiated on case-by-case basis.

	2019	2018
Total commitment	100 000	100 000
Unutilized	100 000	81 500
Utilized ancillary as part of guarantees	0	18 500

Financial covenants are normally tested quarterly and applies for all borrowings apart from the subordinated shareholder loan:

- Minimum liquidity: USD 50m (increase to 5% for some facilities if Senior Borrowings are above USD 1,000 million)
- Minimum Book Equity Ratio of 25%
- Minimum Asset Cover Ratio (tested semi-annually);
  - 1.3:1 for First Lien Bonds and one of the Revolving Credit Facilities based on outstanding First Lien Bonds and fair market value of Bond Collateral Vessels
  - 1.25:1 for the BVF and the other Revolving Credit based on outstanding BVF amount plus this Revolving Credit commitment and fair market value of Floatel Endurance

The BVF and the Revolving Credits have from December 31, 2020 an additional covenant:

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

The Group is compliant with all financial covenants as at 31 December, 2019.

See note 21 regarding the current financial situation.

Regarding mortgages and guarantees see note 19.

16 FINANCIAL INSTRUMENTS

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

Classification of financial assets and liabilities as of 31 December, 2019	FAIR VALUE THROUGH INCOME STATEMENT	AT AMORTISED COST	TOTAL
Financial assets			
Trade receivables	0	6 772	6 772
Other current receivables	72	15 066	15 138
Cash and cash equivalents	0	53 733	53 733
Total financial assets	**72**	**75 571**	**75 643**
Financial liabilities			
Trade payables	0	9 648	9 648
Current portion of interest-bearing debt	0	26 000	26 000
Other current liabilities	0	0	0
Interest-bearing debt	0	787 385	787 385
Net book value as per 31 December, 2019	**0**	**823 033**	**823 033**
Classification of financial assets and liabilities as of 31 December, 2018			
Financial assets			
Trade receivables	0	23 666	23 666
Other current receivables	0	30 726	30 726
Cash and cash equivalents	0	76 512	76 512
Total financial assets	**0**	**130 904**	**130 904**
Financial liabilities			
Trade payables	0	11 095	11 095
Current portion of interest-bearing debt	0	41 000	41 000
Other current liabilities	1 097	0	1 097
Interest-bearing debt	0	809 559	809 559
Net book value as per 31 December, 2018	**1 097**	**861 654**	**861 654**

The FX forwards and interest rate derivatives are value based on current exchange rates and forward curves. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Assets and liabilities measured at fair value at:

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

31 DECEMBER 2018	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Fair value currency forwards	0	0	0	0
Fair value interest rate swap	0	0	0	0
Total financial assets	0	**0**	**0**	**0**
Fair value currency forwards	–1 097	0	–1 097	0
Fair value prepaid CAP	0	0	0	0
Total financial liabilities	**–1 097**	**0**	**–1 097**	**0**

17 OTHER CURRENT LIABILITIES

	2019	2018
Deferred income	32	5 274
Accrued interest	11 584	12 816
Debt related to leasing	438	
Accrued personel cost	4 086	6 657
Accrued mobilization cost	1 812	6 086
Other current liabilities	9 360	11 981
	27 312	**42 814**

Deferred income relates to contract liabilities and consist of: charter revenues 0 (39), Mobilization revenue 32 (2 759) and catering and rechargeable income 0 (2 476).

18 RELATED PARTY TRANSACTIONS

During the year 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 provided a loan of USD 242 million. Interest is capitalized annually. See note 15. Interest cost on this loan amount to 0.8 million (4.7).

19 MORTGAGES AND GUARANTEES

As of 31 December, 2019, the Group's total interest-bearing debt secured by mortgages amounted to USD 584 million (625). The borrowings was secured by mortgages on the following five vessels:

Floatel Superior	Floatel Endurance
Floatel Reliance	Floatel Triumph
Floatel Victory	

The book value of these vessels was USD 1,202.4 million (1,285.1). In addition, USD 53.7 million (75.3) cash was pledged on behalf of the secured creditors.

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

As of 31 December, 2019, the Group has no performance guarantees for client contracts (previous year 18,5 million).

20 LEGAL ISSUES

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

21 EVENTS AFTER THE BALANCE SHEET DATE

COVID-19 pandemic, oil price development and other macroeconomic factors have resulted in a dramatic impact on the global macro economy, oil demand and consequently capital markets and market outlook. This has resulted in many oil and gas companies announcing cuts in 2020 capital expenditure and creates uncertainties for the near term and may also have a negative impact on the demand for offshore accommodation services in the medium-term pending closure of the pandemic and oil price recovery. The Group has so far experienced suspended charters from 2020 to 2021 but has not experienced and do not expect at this time cancellations or being out on standby albeit being experienced by peers.

Operations

It was agreed with Ineos in April 2020 to suspend the charter for repair and maintenance at the Unity platform to April 2021.

Floatel Triumph start a inshore charter with the Marine & Port Authority of Singapore in April 2020 to house healthy foreign workers in the fight against COVID-19

Financial situation

The Company announced in its interim financial statements for Q4-2019 on February 19, 2020 that its and the Group's financial situation is unsustainable as liquidity is under pressure and that there is therefore 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.

Furthermore; the Company announced April 14, 2020 that it is in constructive negotiations with its bank lenders (the "Lenders") and ad hoc committee of holders of the 1L Bonds (the "AHC") holding in aggregate over 56% of the outstanding amount of 1L Bonds and that a forbearance and deferral agreement has been entered into with the AHC for thirty-five days (subject to the satisfaction of certain conditions) in relation to payments of amortisation, interest and commitment fees due under the bank facilities and the 1L and 2L bond issuances (the "Relevant Payments").

Negotiations are ongoing with the Lenders to finalise the terms of a similar deferral agreement and the Lenders have confirmed in writing that they remain supportive of the Group and do not intend to take any further action at this time.

The Company will not make the Relevant Payments at the present time and the Forbearance Agreement and deferral agreement (to be finalised with the Lenders) will provide all parties with sufficient time to negotiate terms with its stakeholders for a longer-term solution for the Company.

As part of the discussions, the Lenders have blocked the Company's and certain other companies earnings accounts related to Floatel Endurance. However, the Company's and Group's vessels and business continue to operate as normal.

Prosafe merger

The Company and Prosafe announced on February 13, 2020 that the Parties mutually have agreed to discontinue the merger process. The conclusion that any near-term completion of a merger is unlikely was reached in the light of the Norwegian Competition Authorities announced on October 28, 2019 that it prohibits the merger which the parties subsequently appealed (not concluded with merger was continued) and that the UK competition authorities (CMA) on January 30, 2020, announced their provisional findings which conclude that blocking the merger may be the only way to mitigate their concerns.

22 COMMITMENTS

The group leases office under non-cancellable operating leases expiring within 1-3 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Part of the office is sub-let to third parties also under non-cancellable operating leases.

1 JANUARI–31 DECEMBER	2019	2018
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follws:		
Within one year	n/a	499
Within one to five years	n/a	707
	n/a	**1 206**
Sub-lease payments		
Future minimum lease payments expected to be recived in relation to non-cancellable sub-leases of operating leases	n/a	280

Financial Statements of Floatel International Ltd 2019

INCOME STATEMENT

All numbers in USD thousands

1 JANUARI–31 DECEMBER	Notes	2019	2018
Revenues		0	0
Cost of providing services		0	0
Gross profit		**0**	**0**
Administrative expenses		–1 926	–2 586
Other gains / losses – net		0	0
Operating loss		**–1 926**	**–2 586**
Result from group companies	5	–21 000	–14 000
Finance income	6	3 286	10 241
Finance cost	6	–82 076	–81 025
Finance costs – net		**–99 790**	**–84 784**
Loss/Profit before income tax		**–101 716**	**–87 370**
Income tax expense		0	0
Loss/Profit for the period		**–101 716**	**–87 370**
Loss attributable to owners of Floatel International Ltd		–101 716	–87 370

STATEMENT OF COMPREHENSIVE INCOME

All numbers in USD thousands

1 JANUARI–31 DECEMBER	Notes	2019	2018
Net profit / (loss)		**–101 716**	**–87 370**
Other comprehensive income		0	0
Income tax related to these items		0	0
Comprehensive income / (loss)		**–101 716**	**–87 370**

STATEMENT OF FINANCIAL POSITION

All numbers in USD thousands

1 JANUARI–31 DECEMBER	Notes	2019	2018
Assets			
Non-current assets			
Participation in subsidiaries	7	1 326 185	1 318 185
Total non-current assets		**1 326 185**	**1 318 185**
Current assets			
Other current receivables	8	327	7
Group receivables	10	35 073	33 050
Cash	10	52 532	74 580
		87 932	**107 637**
Total Assets		**1 414 117**	**1 425 822**
Equity and liabilities			
Equity			
Share capital		2 144	2 144
Additional Paid in capital		325 563	325 563
Retained earnings incl. Profit of the year		–215 425	–110 732
Total equity		**112 282**	**216 975**
Liabilities			
Non-current liabilities			
Interest-bearing debt	9	787 385	809 559
Loan from group companies	**10**	356 375	244 000
Total non-current liabilities		**1 143 760**	**1 053 559**
Current liabilities			
Current portion of interest-bearing debt	9	26 000	41 000
Trade payables	10	848	1 248
Group liabilities	10	118 912	100 058
Other current liabilities		12 315	12 982
Total current liabilities		**158 075**	**155 288**
Total Equity and Liabilities		**1 414 117**	**1 425 822**

STATEMENT OF CHANGES IN EQUITY

All numbers in USD thousands

Attributable to shareholders of the parent company	Share capital	Additional paid in capital	Retained earnings incl profit of the year	Total equity
Equity 2017-12-31	**2 144**	**325 563**	**–23 452**	**304 255**
Net income / (loss) for the year	–	–	–87 370	–87 370
Option proceeds	–	–	90	90
Equity 2018-12-31	**2 144**	**325 563**	**–110 732**	**216 975**
Net income / (loss) for the year	–	–	–101 716	–101 716
Merger expenses	–	–	–2 977	–2 977
Equity 2019-12-31	**2 144**	**325 563**	**–215 425**	**112 282**

STATEMENT OF CASH FLOW

All numbers in USD thousands

1 JANUARI–31 DECEMBER	Notes	2019	2018
Cash flow from operating activities			
Operating result		–1 926	–2 586
Interest received		2 087	2 169
Interest paid		–53 860	–44 955
Total cash flow from operations before changes in working capital		**–53 699**	**–45 372**
Change in trade payables		–400	0
Other changes in working capital		32 588	873
Cash flow from operationg activities		**–21 511**	**–44 499**
Cash flow from investing activities			
Dividend from associates	10	0	0
Payment for financial assets	7	–29 000	0
Net cash flow from investing activities		**–29 000**	**0**
Cash flow from financing activities			
Merger cost		–2 977	90
Intercompany loans		91 813	244 000
Repayment of debt	9	–41 000	–805 881
Proceeds from debt	9	0	625 000
Other financial items paid		–2 332	–16 380
Net cash flow from financing activities		**45 504**	**46 829**
Cash flow for the year		**–5 007**	**2 330**
Cash and cash equivalents, January 1		10 924	11 423
Currency effect on cash		–2 728	–2 829
Cash and cash equivalents, December 31	10	**3 189**	**10 924**

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Floatel International Ltd. ('the Company'), through its subsidiaries, owns and operates a modern fleet of five accommodation and construction vessels. The fleet is designed to meet the increased offshore oil and gas activity in the new challenging projects in deep water and hostile environments and to provide superior living standard and support services compared to the existing accommodation vessel fleet worldwide.

The Company is a limited liability company incorporated in Bermuda. The address is Victoria Place, 5th floor, 31 Victoria Street Hamilton HM 10 Bermuda.

The Company's financial statements were authorised for issue by the Board of Directors on April 27, 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Regarding the principal accounting policies applied in the preparation of these financial statements please see note 2 in the consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

All financial instruments in the parent company are recorded at amortized cost for further information regarding financial instruments, see note 16 in the consolidated financial statements.

Shares in subsidiaries are accounted for at cost, according to IAS 27.

3 FINANCIAL RISK MANAGEMENT

The Company's overall financial risk management program is conducted on Group level (see note 3 in the notes to the consolidated financial statements).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Management has used estimates and assumptions that have affected assets, liabilities, revenues, expenses and information on potential liabilities. This applies to common assessment of fixed assets and in addition to financial instruments at fair value. Future events may lead to these estimates being changed. Estimates and the underlying assumptions are continuously reviewed. Such changes will be recognized in the period in which the changes occur.

5 RESULT FROM GROUP COMPANIES

	2019	2018
Result from group companies		
Write-down of shares in subsidiares	–21 000	–14 000
	–21 000	**–14 000**

6 FINANCIAL INCOME AND EXPENSES

	2019	2018
Financial income		
Interest income	3 286	2 169
Gain on repurchase of loan	0	8 072
	3 286	**10 241**
Financial cost		
Interest expenses	–74 895	–62 816
Currency gain/ loss	–2 728	–2 829
Financial fees	–4 453	–15 380
	–82 076	**–81 025**

7 PARTICIPATION IN SUBSIDIARIES

	2019	2018
Opening balance	1 318 185	1 332 185
Bought shares	29 000	0
Write-down of shares in subsidiares	–21 000	–14 000
Closing balance	**1 326 185**	**1 318 185**

COMPANY	IDENTIFICATION NO	REGISTERED OFFICE	SHARE CAPITAL %
Floatel Endurance Ltd	46 839	Bermuda	100
Floatel Reliance Ltd	41 165	Bermuda	100
Floatel Superior Ltd	40 891	Bermuda	100
Floatel Triumph Ltd	47 937	Bermuda	100
Floatel Victory Ltd	45 615	Bermuda	100
Floatel International AB	556711-1421	Sweden	100
Floatel Service AB	556967-8856	Sweden	100
Floatel Singapore Pte Ltd	201425786E	Singapore	100
Floatel Delaware LLC	5 531 077	USA	100
Floatel Partners BV	64 525 023	N.L	100
Floatel UK Contractor Ltd	500 821	Scotland	100
Floatel UK Ltd	488 695	Scotland	100
Floatel UK Partners Ltd	595 359	Scotland	100
Floatel Contractor B.V	50 181 041	N.L	100

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

8 OTHER CURRENT RECEIVABLES

	2019	2018
Other current receivables		
Other current receivables	3	7
Prepaid expenses	324	0
	327	**7**

9 INTEREST-BEARING DEBT

	2019	2018
Bond First lien	400 000	400 000
Bond Second lien	75 000	75 000
Bank Vessel facility	109 000	150 000
Keppel loan	241 500	239 795
Less borrowing expenses	–12 115	–14 236
	813 385	**850 559**

Regarding maturity dates see note 15 in consolidated financial statements.

As of 31 December, 2019, the Company´s main financial liabilities had the following remaining contractual maturities (KUSD):

	2020	2021	2022	2023	2024	2025	Total
Interest bearing debt, amortization	26 000	21 000	21 000	41 000	475 000	266 140	850 140*
Interest bearing debt, interest payment	51 356	50 151	49 067	47 925	23 493		221 992

* Amortization including PIK interest of USD 24 640 in year 2025

10 INTRA-GROUP BALANCES

	2019	2018
Transactions with related parties		
Operating expenses	–1 419	–1 924
Dividend from associates	0	0
Interest income group	1 199	0
Interst expense group	–20 562	–3 982
Group receivables		
Accrued interest	1 199	0
Related to cash-pool	33 874	33 050
	35 073	**33 050**
Group liabilties		
Accrued interest rate	–6 695	–3 351
Short term debt related to aqusition	–29 000	0
Payables related to cash-pool	–83 217	–96 707
	–118 912	**–100 058**
Loans and payables to group companies		
Trade payables	549	427
Loan from group companies	356 375	244 000
Receivables and payables related to cash-pool		
Total amount in group cash-pool	52 479	74 522
Group receivables	33 874	33 050
Group payables	–83 217	–96 707
Companys part of cash-pool	**3 136**	**10 865**
Cash		
Companys part of cash-pool	3 136	10 865
Cash in bank	53	58
	3 189	**10 923**

11 MORTGAGES AND GUARANTEES

As of 31 December, 2019, the Company's total interest-bearing debt secured by mortgages amounted to USD 584 million (625). The debt was secured by mortgages on the shares in the following subsidiaries:

- Floatel Superior Ltd
- Floatel Reliance Ltd
- Floatel Victory Ltd
- Floatel Endurance Ltd
- Floatel Triumph Ltd
- Floatel International AB
- Floatel Service AB
- Floatel Singapore Pte Ltd
- Floatel Partners BV
- Floatel UK Contractor Ltd
- Floatel UK Ltd
- Floatel UK Partners Ltd
- Floatel Contractor B.V

The book value of these subsidiaries was USD 1,326.2 million (1,318.2). In addition USD 52.5 million (74.6) cash was pledged on behalf of the secured creditors. In line with industry practice, the Company has also guaranteed the performance under the charter contracts on behalf of its subsidiaries, amounting to 0 (18.5) million.

12 APPROPRIATION

The following profit in Floatel International Ltd is at the disposal on the Annual General Meeting (KUSD):

	2019
Retained earnings	–113 709
Net loss for the year	**–101 716**
	–215 425

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

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