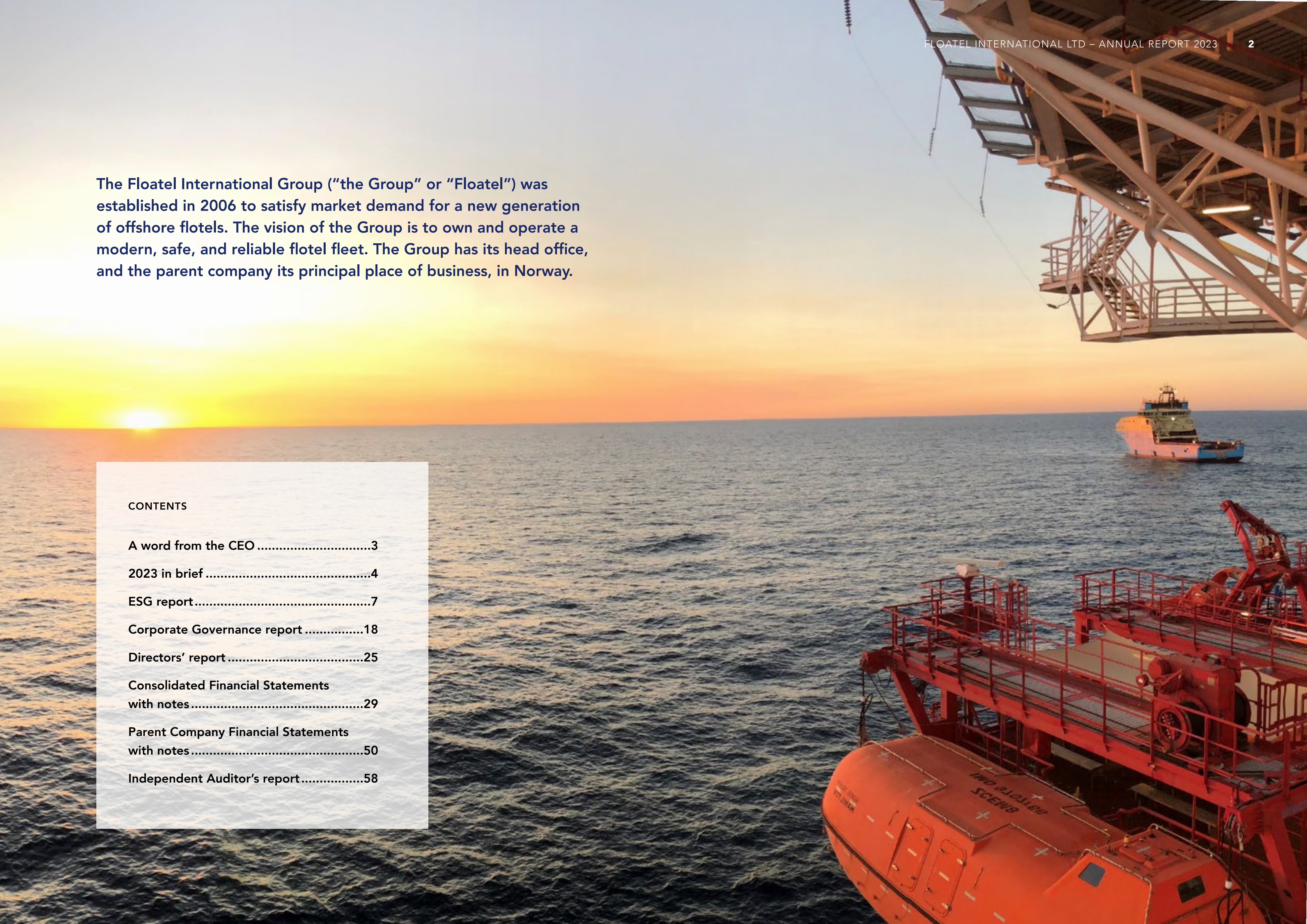
FLOATEL INTERNATIONAL

Annual Report 2023

Floatel International Ltd



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

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A word from the CEO

I am extremely proud of our achievements over the last couple of years, and the enthusiasm and professionalism of the organisation inspire me every day. It is pleasing to see our dedication pay off too. We increased our backlog of work every quarter of last year. At the end of 2023, the backlog of committed work stood at close to USD 400 million, compared to a backlog of USD 95 million just before we announced two contracts at the end of the year before.

Overall, 2023 was a successful year although the utilization was a bit lower than we initially predicted with Floatel Reliance and Floatel Endurance laid up most of the year causing a drop of 22% in revenue compared to 2022. However, we were able to sign seven contracts during 2023 for work to be executed years to come.

The outlook for 2024 looks more positive considering recently secured contracts. All four active vessels are on assignment in 2024 despite limited additional demand emerging in the early months of 2024. Floatel Victory was originally contracted to work for Shell Shearwater in the North Sea during 2024 but will return to Equinor Peregrino in Brazil instead. We will accommodate this by sending Floatel Triumph back to the North Sea to perform the work for Shell and by Floatel Endurance undertaking the 2025 assignment in Canada for Cenovus. So it's perhaps of little surprise that we are considering reactivating Floatel Reliance, which has been laid up since 2016. A decision on this is expected during the first half of 2024.

We have managed to secure new assignments for Floatel Endurance, Floatel Superior and Floatel Triumph in 2025 and 2026. And so, subject to finding work for Floatel Reliance, the fleet will be more or less fully booked until Floatel Victory comes off contract in Spring 2026.

Equally noteworthy is our exceptional safety record. Most of that comes down to the commitment of our employees. And I want to take this opportunity to thank them all – onshore and offshore – for their continued dedication to teams and the overall success of Floatel International.

Together, we will embrace the opportunities that lie ahead with confidence and unity. I look forward to a successful and rewarding year ahead.

Peter Jacobsson, CEO

I am extremely proud of our achievements over the last couple of years, and the enthusiasm and professionalism of the organisation inspire me every day.

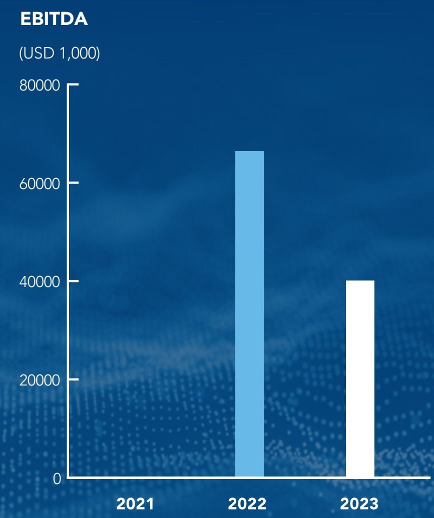
2023 in brief

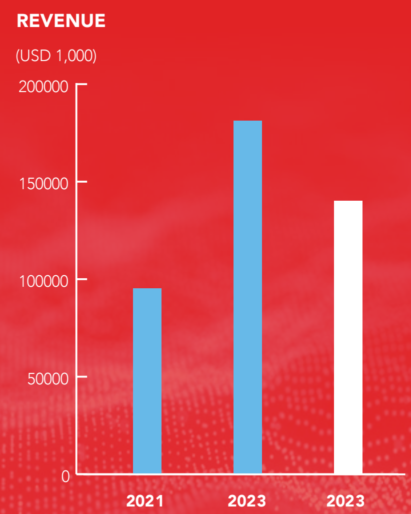
> The fleet completed five charters, for three different clients during the year resulting in 51% fleet utilisation compared with 62% in 2022.

Committed to reduce our emissions by

40%

by 2030





29%

EBITDA margin, 2023
(37%, 2022)

About Floatel

The Group owns and operates five semisubmersible accommodation vessels; all vessels were delivered between 2010 and 2016. Two vessels, Floatel Endurance and Floatel Superior, are approved to work in the Norwegian sector, and four vessels, including Floatel Endurance and Floatel Superior, are approved for the UK sector. All vessels are equipped with a dynamic positioning system and are built according to the latest HSE requirements providing quality and comfort for the guests on board. The accommodation capacity of the Floatel fleet ranges from 440 beds to 560 beds. All vessels have large deck areas, workshops, and crane support.

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

Floatel placed a new senior secured bond issuance in April 2024 which inter alia refinanced the four existing bond issuances, an application will be made for the new senior secured bonds to be listed on Oslo Børs.

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

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

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

Cooperation – Teamwork is the key to success, and we cooperate with our partners and clients across our organisation.

> **To be the preferred choice by providing flexible solutions with high quality and the best possible performance – always putting safety first.**

The year in brief

After the improved performance in 2022, it was a soft year in 2023, with limited additional demand expected in 2024, especially in the North Sea, with opportunities moving to 2025 and beyond. This has resulted in the market remaining partly oversupplied and, as a consequence, in modest near-term price increases with rates improving from 2025.

The direct impact of the macroeconomic and geopolitical situation, including heightened risks of a recession and the conflicts in Ukraine and the Middle East, has been limited for the Group. Furthermore, energy demand is expected to remain resilient which continues to drive demand for our services. Oil prices are expected to remain volatile amidst the uncertain economic and geopolitical backdrop.

During the year, the fleet completed five charters, for three different clients. This resulted in 51% fleet utilisation compared with 62% in 2022. At year-end, Floatel Endurance and Floatel Superior were idle in Skipavika, Norway; Floatel Reliance was laid-up in Tenerife, Canary Islands; Floatel Triumph was in transit to the North Sea for thruster overhaul and an assignment on the UK continental shelf during summer half-year 2024; and Floatel Victory was on charter for Chevron in the US Gulf of Mexico.

About this report

Floatel publishes its 2023 corporate governance, ESG, and financial reports in one document.

The auditors opine on the Consolidated Financial Statements and the parent company financial statements included on pages 29 - 57 in this document, which, together with the Directors' report, constitute the Annual report.

All amounts are provided in USD thousands, unless otherwise stated. Read more about Floatel on our website: www.floatel.no.

	2023	2022	2021	2020	2019
Revenue	138 152	177 606	94 131	79 673	159 112
EBITDA	40 133	66 459	173	10 465	68 753
Operating result[1)]	–3 441	22 364	–44 348	–524 231	–23 206
Result before tax	–30 938	–1 136	504 456	–606 662	–80 763
Equity	339 705	372 277	375 970	–153 340	454 757
Total assets	699 113	684 480	705 881	760 263	1 311 618
Operational margin[2)]	–2%	13%	–47%	–658%	–15%
Equity/asset ratio[2)]	49%	54%	53%	–20%	35%

1. Operating result 2022, 2020 and 2019 include USD 0.9 million, USD 479.4 million and USD 30.3 million impairment charge respectively
2. Operational margin; Operating result/Revenue. Equity/asset ratio; Book equity/Total assets

ESG report

Introduction

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

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

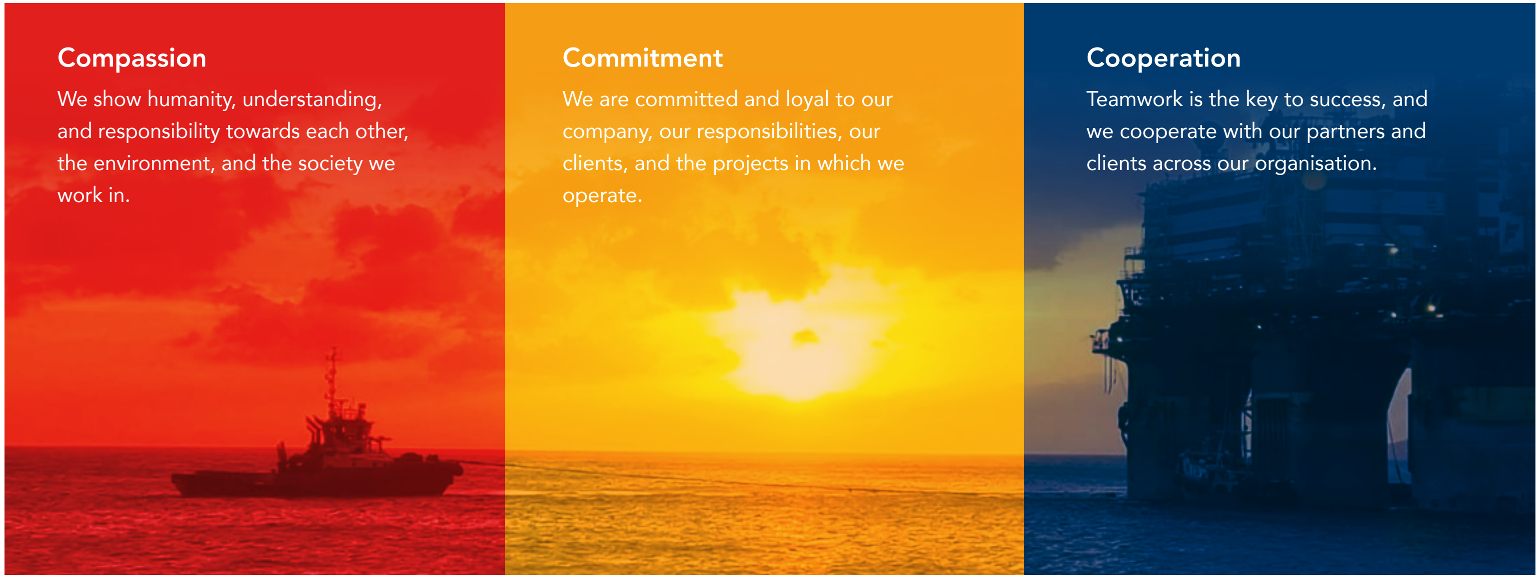
Highlights

Floatel is on target to reduce the emission intensity of the fleet's operation. During 2023, the emission intensity levels were 22% below the baseline, i.e. emission intensity at delivery. Compared to 2022, the emission intensity was reduced by 5.4%.

To further empathise the importance of working towards a more sustainable operation, Floatel has expanded on the sustainability elements of the HSSE policy in a comprehensive Environmental and Sustainability policy. The new policy clarifies Floatel's environmental responsibility, social accountability, how economic viability is ensured, and Floatel's strive towards excellent governance.

Floatel is increasing its focus on social accountability by aligning our processes and business relationships with the OECD guidelines on due diligence to ensure that all risks related to human rights are handled with appropriate care.

A statement on how Floatel adheres to and complies with Norway's Transparency Act was published on Floatel's website and is now incorporated into this ESG report.



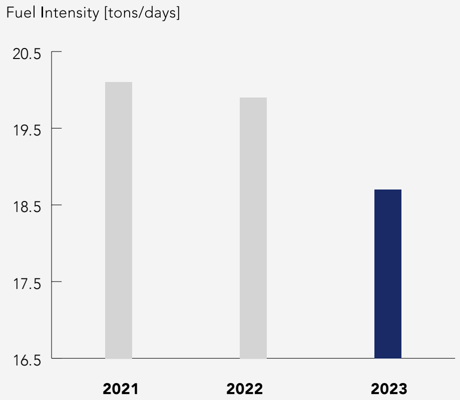
Environment

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

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

Floatel is highly committed to reducing its waste, emissions, and environmental impact. In 2022, we adopted the ambitious emissions target of the Initial IMO GHG Strategy. This means that, by 2030, Floatel aims to reduce its emission intensity by 40% compared to the initial operational values of our fleet in April 2010. The revised IMO GHG Strategy was released in July 2023. The extent to which Floatel will commit to these new targets will be assessed during 2024.

CONSUMPTION FOR RIGS ON CONTRACT



Highlights

Floatel is on target to reduce the emission intensity of the fleet's operation. During 2023, the emission levels from operations were 22% below the baseline, i.e. emission intensity at delivery. Compared to 2022, the emission intensity was reduced by 5.4%.

The fuel intensity is dependent on several factors: area of operation, seasonal weather, current variations, fixed or moving target (client platform), ability to run in 2+1 split operation, etc. The most fuel-intensive rigs were in lay-up for the majority of the year, reducing the fleet's overall fuel intensity level. While having operations in the Gulf of Mexico, with currents of up to 3kn, increased the level. The limited time in 2+1 split operation also contributed negatively to the total fuel consumption.

To inform operational decisions, fuel flow meters have been installed on two of the rigs, with the others to follow in 2024. This enables the rig to adjust the operation in real time and optimise the engine configurations and fuel consumption, especially during transits. Live data will be presented on the bridge for the crew. The detailed fuel consumption data for each engine will also allow for in-depth analysis and benchmarking of the engines' performance. Engine selection based on this data will increase the efficiency and the accuracy of the maintenance programme.

One of our vessels has had a persistent issue with exhaust odour, mostly due to inefficient combustion related to the low load on the engines. After various modifications of the exhaust system over several years, which have led to slight improvements, the engine manufacturer suggested a change of the turbocharger and injector nozzle type. The project surpassed expectations with greatly improved combustion at low load, but also with a slightly increased fuel efficiency with reduced emissions of CO_2, SOx, and NOx as a result.

> Operation in the 2+1 split mode has been utilised 6% and 44% of the time on hire for Floatel Superior and Floatel Endurance, respectively.

During 2023, Floatel has continued to transition towards a more sustainable operation. A new Environmental and Sustainability Policy has been introduced to further emphasise the company's focus and commitment. Along with the Policy, a new Company Objective has been added which states that Floatel is "To run sustainable operations with continuous reduction of exhaust emissions". The Objective is monitored and followed up by four KPIs: monitoring oil spills, fuel consumption, GHG emissions, and operational time in 2+1 split operation.

Floatel Superior, operating mainly towards moving targets during the year, saw the utilisation of 2+1 split operation reduced from 21% in 2022 to around 6% of the operational uptime in 2023. A moving target decreases the safety margins and only allows for a 2-engine operation in especially benign weather conditions. Floatel Endurance had a limited operational time in 2023, although with 44% of that time in 2+1 split, compared to 36% in 2022.

Environment data

	2023	2022	2021
Consumption for rigs on contract			
Fuel Oil [tons]	14 759	21 600	14 046
Fuel Intensity [tons/days]	18.7	19.9	20.1
Consumption for rigs off contract			
Fuel Oil [tons]	6 477	3 990	5 939
Electricity from Shore [kWh]	5 510 259	1 618 880	5 480 387
Fuel Intensity [tons/day]	6.3	5.4	5.3
Carbon Intensity for rigs on contract			
CO_2	47 229	69 141	45 914
Contracted days	791	1 084	700
Client POB Nights	179 399	316 420	149 723
CO_2 / Contracted Days [tons/day]	60	64	66
CO_2 / POB [tons/(person*day)]	0.26	0.22	0.31
GHG Emissions for rigs on contract [tons]			
Direct Emissions - Scope 1	48 261	71 205	46 587
Indirect Emissions - Scope 2	–	–	–
GHG Emissions for rigs off contract [tons]			
Direct Emissions - Scope 1	20 942	13 048	19 423
Indirect Emissions - Scope 2	138	40	137

	2023	2022	2021
Other air emissions for rigs on contract [tons]			
NOx	589	868	569
SO_2	15.7	23.8	15.6
Other air emissions for rigs off contract [tons]			
NOx	248	156	228
SO_2	7.7	4.5	7.0
Recordable spills	**0**	**1**	**0**

Roadmap

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

Digitalisation

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

Energy efficiency

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

Operational procedures

While adding to the flexibility of the equipment, we are also continuously evaluating our internal procedures to ensure that all parts of the vessels' operations are optimised for onboard energy production and consumption. This applies to DP operations during contracts and transits, yard stays, and lay-ups between contracts. There are different challenges for each mode of operation, and all need to be considered. At the end of 2023, a comprehensive capability study was performed in cooperation with Kongsberg to evaluate the operational possibilities and limitations of the 2+1 split mode, focusing on moving targets.

Environmental risks and opportunities

The global environmental stakes are increasing rapidly. Large international forums like the UN and the EU have highlighted the importance of transitioning towards a carbon-neutral future, preferably before 2050, to meet the Paris Agreement's 1.5-degree goal. Upcoming regulations on sustainability, and reporting, e.g. the CSRD, will increase transparency on how multinational companies are working to improve efficiency and reduce their environmental impact. The European Union is on a path to also include offshore vessels in the MRV (Monitor, Report, Verify) regime to enable inclusion in the European Emission Trading System (ETS). So, increasing the environmental performance of the operation has strong economic incentives.

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

The emergence of carbon-neutral fuels, like hydrogen, ammonia, methanol, and other e-fuels, is not yet viable for offshore use due to infrastructure limitations. However, Floatel is following its development with interest and continually evaluates the feasibility of converting one or several onboard engines. The availability of more traditional fuels with lower well-to-wake emissions is being investigated. FAME and HVO100 are top candidates that could work as drop-in fuel for the already existing machinery.

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

The vessels utilising a 2+1 split configuration are designed for and approved to operate in this mode, maintaining operational safety and, at the same time, improving environmental efficiency. Using a 2+1 configuration within the accommodation and construction support segment is a new approach. We are suggesting this operational mode to our clients whenever it is possible to guarantee safe operations. A capability study is under development, together with Kongsberg, to further assess the operational limits of the rigs in 2+1 split connected to a moving target, such as an FPSO.

Environmental performance

In 2023, the Floatel fleet was contracted for 791 days. Two vessels operated in the Norwegian North Sea, one outside Brazil in the first half of the year before moving on to the Gulf of Mexico for the second half of the year, and one in Australia, servicing two contracts. The fifth vessel was in a warm lay-up in Tenerife, Spain.

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

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

Following last year's oil spill, where about a cubic meter of hydraulic oil was released into the sea when a hydraulic pipe broke on the gangway, there have been rigorous actions fleet-wide to reduce the risk of reoccurrence of such an event. During 2023, there have been no recordable spills in the Floatel fleet.

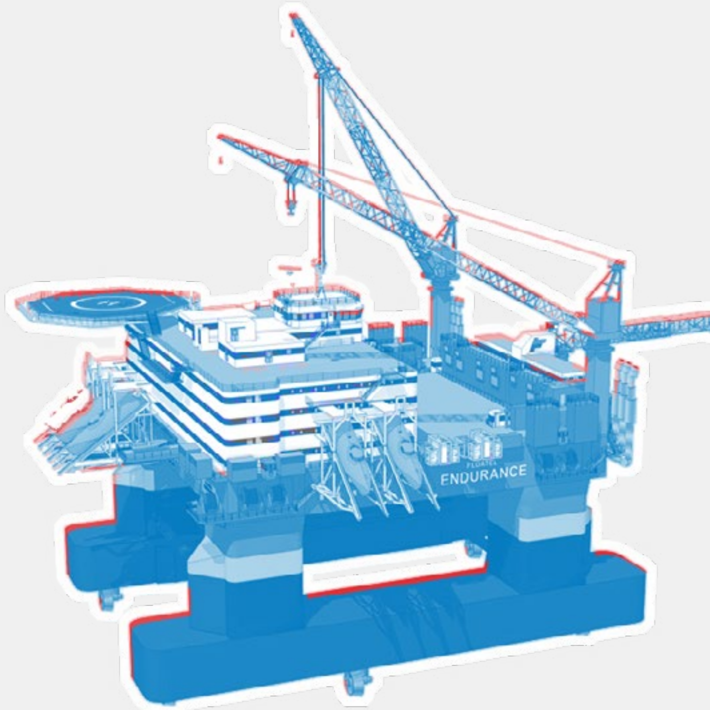
The operation in the Gulf of Mexico proved to be challenging from an environmental performance perspective. The client, an anchored semisubmersible floating production unit, was in strong currents, with large movements of the client installation resulting in higher fuel consumption and emissions than the Floatel rig's historical average for some parts of the operation.

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

REDUCE GHG EMISSIONS

40%

BEFORE 2030



Social

Safety

Safety is paramount at Floatel, and our track record shows that we always put safety first. During 2023, there was only one recordable injury in the entire fleet, a medical treatment case during lay-up. With a total of 912 000 hours worked offshore during the year, this gives a Total Recordable Injury Rate (TRIR) of 1.10. This is well below the industry average of 1.45 (IMCA offshore average for 2022). No Loss Time Injuries (LTI) occurred during the year. In the last five years, there has only been one work-related incident on board classed as an LTI. During that time, the entire fleet has performed over 3.8 million manhours of work. We are proud of our safety culture at Floatel where everyone working on board is encouraged to highlight and report any safety concerns they may experience.

Floatel has a rigorous safety management system designed to ensure the safety of all seafarers and other personnel on board the vessels. From risk identification procedures and workshops for each project to safe job analysis for each work task, reporting routines, and continuous follow-up of statistics and trends related to safety, there are many ways the health and safety interest of personnel is covered.

A toolbox talk precedes all work tasks involving any risk. A safe job analysis is conducted if the risks are considered significant. This way we ensure all jobs are well-planned, communicated, and safely executed. During 2023, the toolbox talk rate has been consistently above target, which indicates that the crew is taking responsibility for the risks at work and are inclined to reduce them.

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

I am very pleased with Floatel International's performance. They executed their work safely, efficiently and with a focus on high performance. I very much appreciate the collaborative behaviours from the planning period all the way to execution, with a one-team attitude, transparency and responsiveness

Undisclosed client

Safety Statistics

	2023	2022	2021
TRIR[1] – Total Recordable Injury Rate	1.10	1.09	2.86
SOR[2] – Safety Observation Rate	477	724	647
OVR[3] – Office Visit Rate	176	122	161
TBTR[4] – ToolBox Talk Rate	2 285	2 267	2 050

1. TRIR = (Work Related Fatalities + Loss Time Injuries + Restricted Work Cases + Medical Treatment Cases) * 1,000,000 / Working hours
2. SOR = Number of safety observations * 200,000 / Working hours
3. OVR = Number of Office visit days * 200,000 / Working hours
4. TBTR = Number of Toolbox talk cards * 200,000 / Working hours

Safety campaigns.

To increase the awareness of safety issues and risks that come with working offshore, Floatel has an HSE programme with safety campaigns that are presented on board and shown on screens around the vessels. Each campaign is communicated for two months to cover all crew rotations. During 2023, the campaign focus has been on the following subjects:

- *Noise protection*
- *Sustainability*
- *Manual handling*
- *Hand and finger injuries*
- *Vibration hazards*
- *Cyber security*

Human Resources

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

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

Floatel operates in the international maritime trade and adheres to the principles set out by the International Maritime Organization (IMO) and by extension, the Maritime Labour Convention (MLC). Floatel and all its business is audited annually by the flag state (Bermuda Shipping and Maritime Authority) on behalf of the IMO to confirm that the principles of the MLC are met. Additionally, Floatel holds annual internal audits on board all of its vessels to ensure compliance with the Convention.

Floatel has an MLC Complaint Procedure, clearly stating how a seafarer can write and file a complaint about breaches of their right under the MLC. Any seafarer has the right to complain about conditions related to any matter that is alleged to constitute a breach of the requirements of the MLC. For example, payment of salaries, ship service, conditions of employment, accommodation, recreational facilities, health protection, or food and care on board. These complaints can be sent to the Master on board, or if needed, to the Designated Person Ashore (DPA), the Flag State, a Competent Authority in the seafarers' country of residence, or an authorized Port State Control officer.

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

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

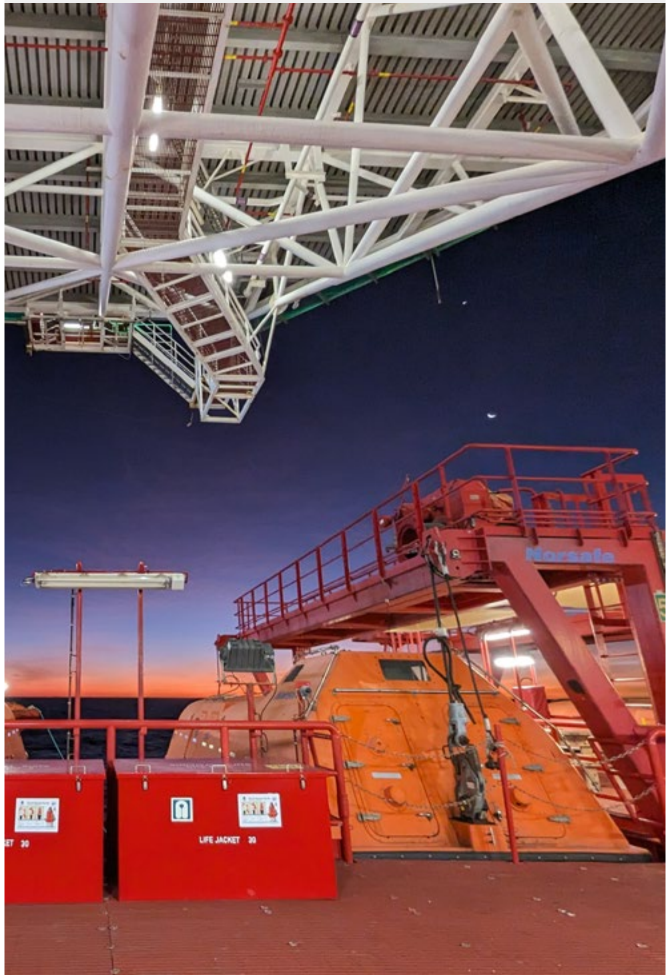
RETENTION RATE[1,2] (%)	Target	2023	2022	2021
Onshore	70%	75%	87%	92%
Offshore	85%	95.7	97.1	95.2

Risks associated with human rights

There are numerous risks related to Human Rights in the international maritime trade. These are identified on a corporate level and measures are taken to mitigate them throughout the Group's businesses. These risks can be related to labour rights violations, health and safety risks, breaches of indigenous and local community rights, freedom of association, and collective bargaining or related to discrimination and diversity.

The main risks identified related to Human Rights under Floatel's operations are violations of labour rights and the health and safety risks that come with working in an offshore environment.

36% of the onshore employees are women.



1. Calculated on permanent employees in the Group, including long-term contracted offshore personnel and employees that resign. Formula is as follows; (Average no. of employees in last 24 months minus no. of permanent employees resigning in last 24 months) divided by Average no. of employees in last 24 months.
2. Last year's offshore retention rate has been restated after correcting the formula

Manning our vessels

Floatel's vessels are manned partly by two in-house manning companies, Floatel Crew AS in Norway and Floatel Service AB in Sweden, for all officer positions. Ratings on board are manned by external agencies, except in Norway. These agencies are normally from the country we are operating in, but also from the Philippines, Scandinavia, and the UK. Additionally, catering when supplied by Floatel is supplied by local catering companies in the country of operation.

All crew employed by Floatel, including any of its in-house manning companies, are covered by a CBA. Floatel encourages manning agencies and catering suppliers to sign CBAs with their respective trade unions, and the Group is in talks with the manning agencies and catering firms to implement CBAs as a basic level of employment rights.

Personnel employed by crew manning agencies, and hospitality service businesses, that are not covered by a CBA will have their terms and conditions reviewed as part of the supplier audits to ensure the terms and conditions are in line with or better than what is considered normal in those countries.

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

After the pandemic Floatel has implemented a hybrid working environment for onshore employees, giving the right to onshore employees to work from home up to two days per week when suitable.

Floatel strives to be an engaged employer where employees can grow and develop. For several years, Floatel has conducted employee surveys both on- and offshore. The Group result is good and, in most areas, reaching the benchmark[3]. Nevertheless, one area for improvement is managing the stress levels of the onshore teams.

The stress level for the onshore employees has increased due to increased workload as a result of higher fleet utilisation on the back of improved market conditions driven by higher oil and gas prices after the pandemic.

Diversity and inclusion

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

In our experience, the more diversity there is in a group, the better the working environment. Floatel's global presence is reflected by our employees coming from 14 countries in 023 (17 in 2022). For the vessels operating outside of Norway in 2023, 88% (83%) of the officers and 25% (29%) of the senior officers were non-Scandinavian.

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

Adding value to local communities

During 2023, Floatel vessels have been in Norway, Spain, Brazil, Australia, the USA, and Curaçao (excluding transits).

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

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

3. The benchmark is based on the results of all companies using the Brilliant Future employee survey tool.

WOMEN OFFSHORE 2023	2023	2022	2021
Senior Officers	0.0%	4.0%	–
Officer	2.0%	5.5%	–
Ratings (skilled seafarers)	2.4%	5.5%	–
Total	**1.8%**	**5.0%**	**1.8%**

WOMEN ONSHORE 2023	2023	2022	2021
Board of Directors	0.0%	0.0%	0.0%
Senior Management	0.0%	0.0%	0.0%
Managers	28.0%	25.0%	39.0%
Employees	43.0%	52.0%	48.0%
Total	**36.0%**	**42.0%**	**42.0%**

SICK LEAVE	2023	2022	2021
Onshore	0.34	0.57	1.06
Offshore	1.30	1.80	3.70

Governance

Code of Conduct

Floatel's Code of Conduct sets out the way we do business. From legal compliance to business relations, accounting and reporting to recourse efficiency and environmental performance, human rights and modern slavery to HSSE issues and anti-corruption, how we regulate what we do and the standards we expect are all contained in this Code. Floatel had no fines or sanctions for non-compliance with laws or regulations in 2023.

Implementation of the Anti-Corruption Policy ensures Floatel does not conduct or become involved in bribery or fraudulent business practices. All personnel participate in an annual computer-based anti-bribery course. At year-end, 87% of onshore personnel had a valid course certificate.

To simplify reporting of breaches of Human Rights and other issues, Floatel has implemented an Open Door Policy, allowing any employee to go directly to senior management with concerns related to Health, Safety, and Environment (HSE) and Work Environment (WE).

If an issue related to breaches of Human Rights, the MLC, or other serious matters is not possible to resolve onboard a vessel, a Designated Person Ashore (DPA) is always available to the crew. The DPA will take action to uphold the rights of the personnel and always has direct access to senior management to effectively solve issues.

When an employee feels uncomfortable reporting to senior management, a whistle-blower and ethics system is in place. This allows employees to report events anonymously to an external party. The whistle-blower policy was updated and converted into a full procedure in December 2023 to comply with EU directive 2019/1937 regarding the protection of persons who report breaches of Union law.

There were no whistle-blower cases reported in 2023.

Our policy on modern slavery, human trafficking, and child labour, as detailed in our Code of Conduct, reflects our commitment to acting ethically and with integrity. Furthermore, Floatel adheres to and reports in accordance with the Norwegian Transparency Act.

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

Governance structure

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

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

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

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

The ESG report will be published every year in conjunction with the Annual report, and the integration of ESG reporting into the Floatel management system will increase further as we progress.

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

Due diligence

The Group conducts business relationship audits (due diligence), including suppliers and clients, on a regular basis to ensure compliance with Floatel's Code of Conduct, prevailing regulations, OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, and the Norwegian Transparency Act. These focus on addressing any adverse impacts on fundamental human rights and decent working conditions.

In 2023, the Group has developed and enhanced its audit and due diligence procedures and processes to ensure due diligence is completed in accordance with the OECD Guidelines for Multinational Enterprises. The Group will also implement measures to mitigate the identified risks. From 2024, audits and due diligence will be completed in compliance with OECD Due Diligence Guidance for Responsible Business Conduct.

The Group's fleet consists of five vessels. There are usually one or two clients chartering each vessel per year, although in exceptional circumstances, we might have three clients hiring a vessel during a year. The Floatel vessels are highly specialized with a select group of suppliers providing necessary equipment and systems. This means that losing a client or a key supplier could have a dramatic impact on the survival of Group. For this reason, the integrity of our clients and key suppliers is of utmost importance. Therefore, the information we publish will be high-level to ensure that information cannot be linked to a specific client or supplier.

Details of measures taken to cease, prevent, or mitigate identified adverse impacts in the areas of human rights and decent working conditions will be communicated to the affected customer or supplier. The public information shared will be high level. Such information can be commercially sensitive since the experience of guests on board our vessels is part of our core business.

There have not been any material adverse impacts identified through due diligence during 2023.

Suppliers

Third-party manning agencies are audited annually by Floatel or by auditing companies instructed by Floatel. The focus of these audits is to ensure compliance with the MLC, that there are no incidents of child labour or trafficking, and that all Human Rights are respected.

The following significant risk of adverse impacts have been identified during the year.

- *Contracts have been signed in new countries where Floatel has not operated before where there is potentially limited competition amongst crewing agencies and catering companies due to the geographical position and small size of the offshore industry. There is a potential risk that this lack of competition could lead to insufficient focus on human rights and decent working conditions in this area. However, this risk is strongly mitigated by the authorities in the region performing comprehensive reviews.*

Customers

The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the OECD due diligence guidance for responsible business conduct include clients as a type of business relationship covered by due diligence, even though not covered in the Norwegian Transparency Act. Because the Group conducts its operations ethically in terms of all business dealings and relationships as stated in the Code of Conduct, the Group has included clients in its due diligence scope.

Our operations and the services we provide contribute to the working conditions of the customers' employees and the customers' subcontractors' employees (together hereinafter named "guests"). We provide the physical environment for them during the rest hours of their working shift offshore. The cabin's outfitting and cleanliness, access to recreation areas, and the food served are all examples of items that affect the overall working conditions of guests since they are not able to leave the vessel during rest hours.

Guests can complain about onboard conditions through the submission of either SOS cards or guest satisfaction survey comments. Responding to and acting on such complaints is a part of the due diligence process. This is already implemented in our management system due to its close connection to the value we create for our clients.

The clients' respect for human rights cannot be directly influenced by our operations. However, we can assess a client's attitude towards these topics by reviewing publicly available policies published by a client. Therefore, during 2024 we will assess this by measuring the percentage of clients that have publicly published a policy on human rights.

The following significant risk of adverse impacts have been identified during the year.

- *Bids have been submitted to clients in countries requiring Floatel to contract through a local firm as an intermediate between Floatel and the end client. There has not been any previous business relationship with these local firms. These are usually smaller entities and, therefore, there is limited publicly available information about them. Floatel has identified a need to perform due diligence on these local firms to ensure they comply with fundamental human rights and decent working conditions.*

Corporate Governance report

Legal organisation

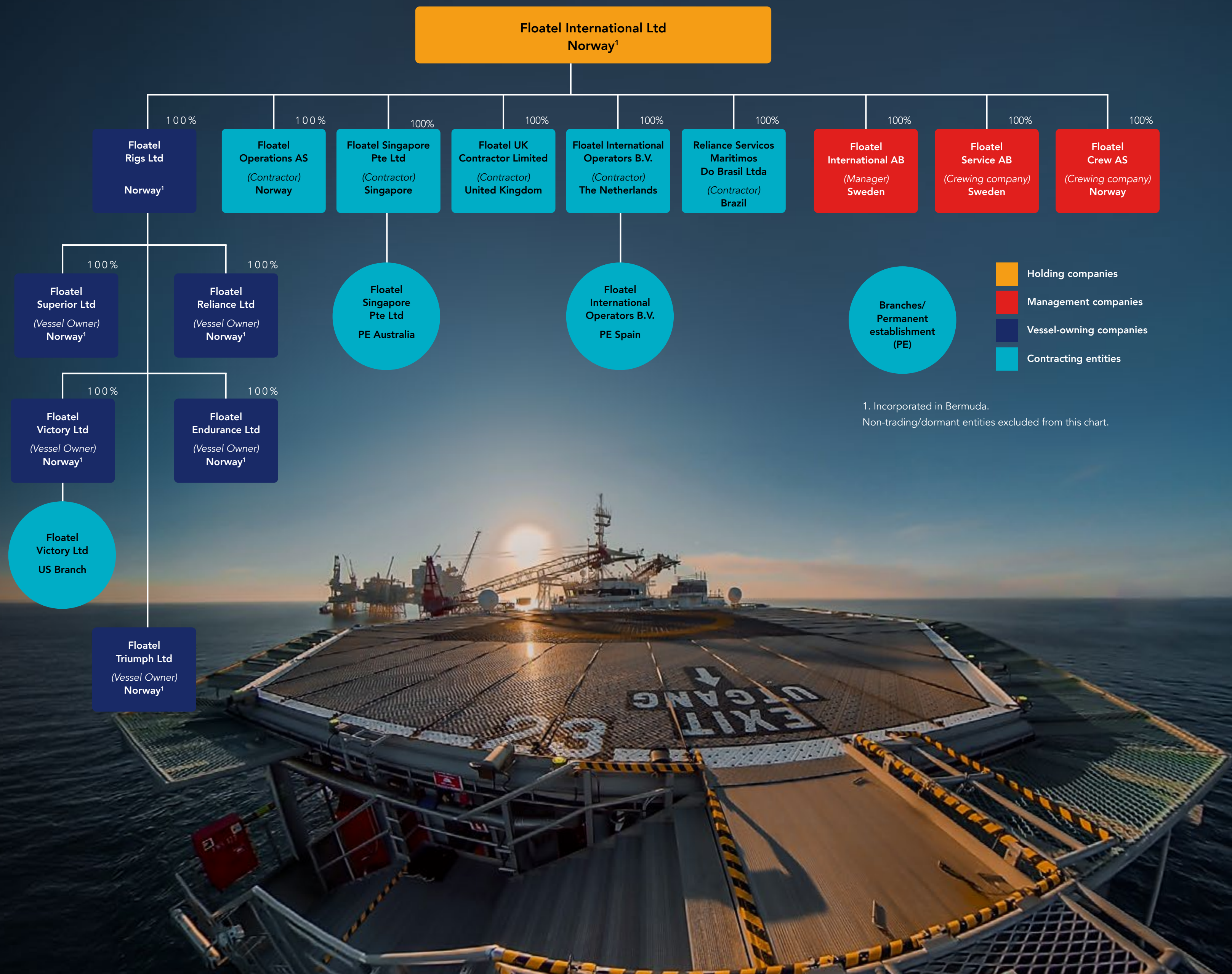
Floatel International Ltd ("the Company") is incorporated in Bermuda and has its principal place of business in Oslo, Norway. It is the holding company and ultimate parent company of the Group. All subsidiaries within the Group are wholly owned, and the Group has no joint ventures or similar arrangements.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

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

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

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

The corporate structure as of December 31, 2023 (excluding non-trading and dormant entities), is set out to the right.



1. Incorporated in Bermuda.
Non-trading/dormant entities excluded from this chart.

Corporate governance

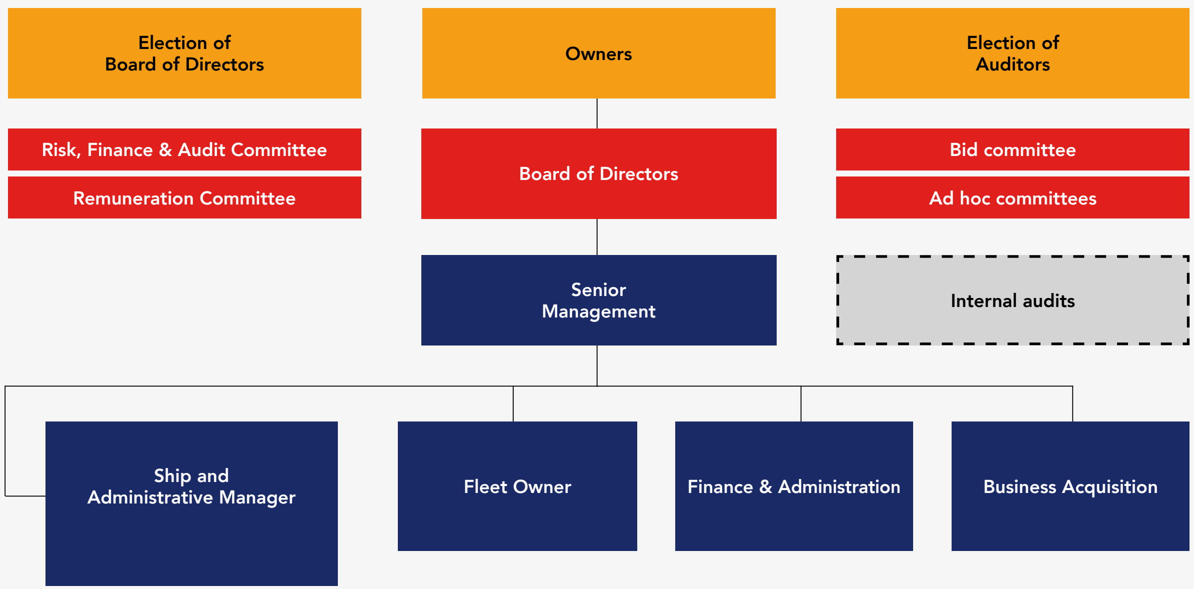
Floatel's corporate governance is embedded in the running of the business through Floatel International Management System (FIMS). FIMS comprises elements developed to meet our corporate governance responsibilities by defining the rules and procedures for day-to-day operations. It also defines roles and responsibilities for all staff, starting at the top with the Board of Directors (BoD) and Senior Management, thus bringing greater transparency to how the Group is managed.

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

The main internal rules and regulations for corporate governance are:

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

Floatel corporate governance structure



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

The CEO is responsible for strategic management and business direction, policies, procedures, and guidelines for developing the business and implementing strategies and services that promote good corporate culture. Regarding contract opportunities, the CEO shall provide to the Bid Committee of the BoD sufficient information regarding risks and opportunities related to the contract opportunity.

Without excluding the generality of the foregoing, the CEO shall highlight whether the contract terms deviate, and to what extent, from Floatel's Contracting Principles and whether the area of operation is associated with operational risks (such as piracy or weather risks) or other risks in the jurisdiction (such as tax, currency, and expropriation risks).

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

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

The Health, Safety, Environment, and Quality (HSEQ) Manager is responsible for establishing, communicating, and monitoring FIMS, ESG, risk management, and management system audits – excluding the financial reporting and internal control over financial reporting. The HSEQ Manager coordinates internal audits in accordance with the management system audit (Quality Assurance) and in accordance with the internal control over financial reporting framework, as well as any self-assessments and audits initiated by a shareholder. The HSEQ Manager reports on risk and ESG to RFAC through the CFO.

Shares and shareholders

The Company's principal shareholders are Keppel Ltd. through Kepinvest Holdings Pte Ltd ("Keppel") with 49.9%, management holding 10.0% of the common shares through Floatel Interessenter AS, and several financial institutions holding the remaining shares whereof one has 20.8%.

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

The Company's Byelaws regulate the rights of the shareholders and include inter alia rules for appointing and removing board members, procedural rules for the BoD, what should be addressed at the Annual General Meeting (AGM), as well as the BoD's mandate for issuing securities and shareholders right to ask for a listing of the Company on a stock exchange.

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

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

Appropriate arrangements are made for shareholders to vote on each matter. The general meeting in question, including the AGM, elects the chair at the meeting.

The Board of Directors and its committees

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

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

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

The BoD shall have at least four regular meetings each year. During 2023, it had seven physical meetings, including pre- and post-meetings to the shareholders' general meetings. The Chairman is responsible for ensuring the BoD's work is well organised and conducted efficiently. Senior Management attended Board meetings during the year to present and report on specific questions and has also circulated a monthly operational report to the BoD.

To maximise the efficiency of the BoD's work and to ensure a thorough review of specific matters, the BoD has established a Remuneration Committee and a Risk, Finance & Audit Committee (RFAC). The establishment of a Bid Committee is set out in the Byelaws. In addition, the BoD may convene ad hoc committees for specific purposes. There were no ad hoc committees convened in 2023. The tasks and responsibilities of the committees are detailed in their respective terms of reference, which are adopted annually.

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

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

The RFAC assists the BoD in ensuring that the financial reports are prepared in accordance with International Financial Reporting Standards (IFRS). The RFAC also supervises the financial reporting and makes recommendations, proposals, and annual and quarterly financial statements and reports before they are submitted to the BoD.

The RFAC also supervises the efficiency of the internal control over financial reporting, internal auditing, ESG, and risk management. It provides support to the BoD in the decision-making processes regarding such matters. The RFAC monitors the audit of the financial reports and reports thereon to the BoD. The RFAC 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 RFAC reviews the arrangements for employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters, including a review of the whistleblowing procedure.

Auditor

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

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

Internal control over financial reporting

According to the Bermuda Companies Act, the BoD is responsible for the Group's internal control and risk management. The BoD has delegated through written policies and procedures to Senior Management the day-to-day responsibility for identifying, evaluating, and managing risks and implementing and maintaining control systems.

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

- *Effective and efficient operations of the Group by enabling it to respond appropriately to significant risks that it faces in carrying out its business*
- *Consistency and reliability of financial reporting*
- *Safeguarding of assets*
- *Compliance with applicable laws and regulations*

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

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

To achieve the Group's objectives, including meeting the financial return expectations of its owners, Floatel pursues activities that involve some degree of risk. Robust risk management processes, combined with a culture that emphasises the need to accept risks, are crucial to the long-term success of the Group. Risks relating to financial reporting are evaluated and monitored by the BoD through the RFAC.

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

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

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

Risk management

The Risk Management System is set up to identify, assess and mitigate risks the Group can experience while conducting its business. This will also include response and recovery activities. The Board through the RFAC has governance and oversight while risk ownership lies with Senior Management. The CEO and CFO manage risk on a day-to-day basis together with Senior Management and the rest of the organisation.

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

- *Strategic risks, such as business strategy, geographical, political, market and contracting risks, asset ownership and investments as well human resources, human rights, and peers*
- *Financial risks, such as financial management, misstatement of financial statements, fraud, credit, and treasury risks.*
- *Operational risks, such as operational execution risks including project management, business, and operational processes, HSE, and ESG risks.*
- *Compliance risks, such as non-compliance or violations of laws and regulations or costs related to changes in regulations.*
- *IT and security risks, including operation technology, data and cyber security risks.*

The risks identified shall be assessed as follows:

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

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

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

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

Remuneration

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

The AGM decides the remuneration of the BoD. The Company may decide on the remuneration in the absence of a general meeting decision. The BoD must approve any Board member's consultancy work for the Group and pay for such work. No such work was carried out during 2023.

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

The total remuneration consists of base salary, pension contribution, annual bonus based on the Group's performance, and a long-term share-based incentive programme (MIP).

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

Salary and pension

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

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

Bonus

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

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

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

Management incentive programme (MIP)

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

Other terms and benefits

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

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

Communication

The Company had in 2023 three bonds listed on Nordic ABM with Oslo Børs. Nordic ABM is not a regulated market, multilateral trading facility, or organised trading facility and is not subject to the provisions of the Norwegian Securities Trading Act. The Company must make information public under the ABM rules. The Company placed a new senior secured bond issuance in April 2024 which inter alia refinanced the three bonds Listed on ABM, an application will be made for the new senior secured bonds to be listed on Oslo Børs, which is a regulated market.

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

The Company will publish its quarterly interim reports within 60 days of each quarter end. The complete annual report will be available no later than the end of April. The Company's financial calendar is updated regularly, and updates are published on www.floatel.no and www.newsweb.no.

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

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

Directors' report

General information about the business

The Floatel International Group ("the Group") was established in 2006. The Group operates a fleet of five modern semi-submersible accommodation and construction support vessels providing the offshore oil, gas and wind industries with high-quality accommodation, catering, and ancillary services. The parent company, Floatel International Ltd ("the Company"), is an exempted limited liability company incorporated in Bermuda, with its principal place of business in Norway. The office and business address is Dronning Eufemias gate 8, 0191 Oslo, Norway, and the registered address is Canon's Court, 22 Victoria Street, HM 12, Hamilton, Bermuda.

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

Operations

The fleet had an average utilisation of 51% (62% in 2022), compared with an estimated average market utilisation of 64% (78% in 2022). All vessels, while in operation, have shown excellent performance with an average commercial uptime (actually received revenues divided by maximum contract revenues) above 99% (97% in 2022).

Floatel Endurance replaced Floatel Superior in mid-March 2023 at Equinor's Grane field and the charter lasted until the end of April 2023. Floatel Endurance was idle in Skipavika, Norway for the rest of the year and started a special periodic survey during the fourth quarter. The vessel's next assignment is the Aker BP Skarv project on the Norwegian Continental Shelf which started March 1, 2024.

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

Floatel Superior was on charter for Equinor at the Grane field in Norway from the start of the year until mid-March 2023 and at Vår Energi's Balder project, from May 2 until September 12, 2023. Floatel Superior was thereafter idle in Skipavika, Norway during the rest of the year. The next charter is for Ineos at the Unity platform started in April 2024 and the vessel will thereafter go to Vår Energi in Norway in August 2024.

Floatel Triumph was idle in Kemaman, Malaysia, at the beginning of the year on paid standby until the charter with Woodside at the Pluto platform in Australia which started on March 18, 2023. When the Woodside assignment ended July 30, 2023, Floatel Triumph immediately mobilised to Shell Prelude in August 2023, and was on hire for Shell until November 22, 2023, when transit to the North Sea started. The next assignment is for Shell in the UK at the Shearwater field and commences in early May 2024.

Floatel Victory was in operation to provide maintenance and safety unit services for Equinor at the Peregrino field in Brazil until April 30, 2023. Floatel Victory thereafter completed a special periodic survey and transit to Chevron Anchor in the US Gulf of Mexico which started on July 7, 2023 and ended March 31, 2024. The next assignment is to go back and provide maintenance and safety unit services for Equinor at the Peregrino field in Brazil starting in May 2024.

The Group has an onshore organisation supporting its marine activities, with approximately 60 people working onshore and offices in Oslo (Norway) and Gothenburg (Sweden). The Group also has regional offices in Aberdeen (UK), Houston (Texas, USA), Macaé (Brazil), Perth (Australia), and Singapore.

Outlook

The direct impact of the macroeconomic and geopolitical situation, including heightened risks of a recession and the conflicts in Ukraine and the Middle East, has been limited for the Group. Furthermore, energy demand is expected to remain resilient and continue to drive demand for our services. Oil prices are expected to remain volatile amidst the uncertain economic and geopolitical backdrop.

After the improved performance in 2022, it was a soft year in 2023, with limited additional demand expected in 2024, especially in the North Sea. The market therefore remains partly oversupplied, so relatively modest near-term charter rate increases are expected.

We believe the increase in demand for offshore accommodation services will come in 2025, slightly later than previously estimated. This belief is based on visible and predicted increases in customer activity, evidenced by current client discussions and tender activity. This, coupled with the reduced supply, will likely result in higher utilisation and, with some time lag, higher charter rates.

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

The globally operating, purpose-built, semi-submersible accommodation fleet presently comprises twenty vessels including two vessels yet to be delivered whereof seventeen vessels have been built since 2005. The remaining older vessels are expected to exit the market in the coming years.

Sustainability and Health, Safety, and Environment

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

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

Safety is paramount at Floatel, and our track record shows that we always put safety first. During the year, no Loss Time Injuries (LTI) occurred, and the fleet total recordable injury rate (TRIR) was 1.10. We are proud of our safety culture at Floatel, where everyone working on board is encouraged to highlight or report any safety concerns, they may experience.

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

Please refer to the ESG Report found on p. 7 of this Annual report for further information on these topics.

Corporate governance, risk management, and legal organisation

Floatel's corporate governance is embedded in the running of the business through FIMS (Floatel International Management System). FIMS comprises elements developed to meet our corporate governance responsibilities by defining the rules and procedures for day-to-day operations. It also defines roles and responsibilities for all staff, starting at the top with the Board of Directors and senior management, thus bringing greater transparency to how the Group is managed.

The Board of Directors is ultimately responsible for overall corporate governance and operational and financial internal control. The Risk, Finance & Audit Committee (RFAC) advises the Board of Directors on the appropriateness of significant policies and procedures relating to corporate governance, ESG and risk, as well as financial processes and disclosures. The Board of Directors has delegated to the senior management, through written policies and procedures, the responsibility for conducting, implementing, and evaluating corporate governance, ESG, risk management, and internal control.

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

Please refer to the Corporate Governance report found on p. 18 of this Annual report for further information on these topics.

Financial information

Income statement

The consolidated revenues for 2023 were USD 138.2 million (USD 177.6 million in 2022). The mobilisation fees earned under charter contracts are recognised in the income statement during periods when the accommodation and support services are provided to the clients.

The total operating expenses net of other gains/losses before depreciation and non-recurring effects were USD 103.1 million (USD 106.6 million). The recurring EBITDA[1] for the year was USD 35.1 million (USD 71.0 million). EBITDA came to USD 40.1 million (USD 66.5 million).

Depreciation and impairment totalled USD 43.5 million (USD 44.1 million). There were no impairments in 2023, however a USD 0.9 million write-off is included in 2022 and relates to the retirement of purchases in a previous year not used for a special periodic survey.

Management has performed impairment assessments of its vessels in accordance with IFRS. This is done as a matter of policy and in years, such as 2023, when in all material respects, the combined financial and operational market developments have not resulted in the identification of an impairment risk that should trigger an impairment test. Please refer to note 11.1 of the Consolidated Financial Statement for further information and assumptions for the assessment.

Net financial items were USD -27.5 million (USD -23.5 million), and the change from the previous year is mainly due to the replacement of a revolving credit facility with a super senior high-yield bond in March 2023. The net result for the year was USD -33.0 million (USD -3.2 million).

Financial position

As of December 31, 2023, total assets were USD 699 million (USD 684 million). Non-current assets totalled USD 577 million (USD 602 million), whilst net working capital totalled USD 26.7 million (USD 29.2 million). Net customer receivables, the sum of trade receivables and accrued revenues were USD 21.6 million (USD 29.1 million).

The Group's cash and cash equivalents totalled USD 63.5 million (USD 16.4 million).

The book equity at the end of the period totalled USD 340 million (USD 372 million). Total interest-bearing debt was USD 322 million (USD 268 million). The reported total interest-bearing debt includes prepaid borrowing expenses of USD 2.9 million (USD 1.7 million). The expenses amortise over the life of the respective facilities. This results in net interest-bearing debt of USD 258 million (USD 252 million), debt (gross interest bearing) to equity ratio of 0.9 times (0.7) and an equity ratio (total assets) of 49% (54%).

Order book

The total contract orderbook for the Company as of December 31, 2023, was approximately USD 390 million plus options of USD 188 million. As of December 31, 2022, the order book was approximately USD 219 million plus options of USD 162 million.

Financing, liquidity, and going concern

The financial statements are prepared on a going-concern basis. The direct impact of the macroeconomic and geopolitical situation, including heightened risks of a recession and the conflicts in Ukraine and the Middle East, has been limited for the Group.

The Company refinanced all four outstanding high-yield bonds in April 2024 with a new 5-year 9.75% coupon USD 350 million senior secured bond and considers the financial position and the liquidity of the Group to be sound. Cash flow from operations, combined with the total available liquidity, is expected to be more than sufficient to finance the Group in 2024.

The Group's term credit facilities at year-end consisted of four Norwegian high-yield bonds in an aggregate amount of USD 320 million with maturities in 2026. Three of the bonds were listed on Nordic ABM with Euronext Oslo (FLOAT04 PRO, FLOAT05 PRO, FLOAT06 PRO).

As of December 31, 2023, the total nominal amount of outstanding interest-bearing debt, of the Group amounted, therefore to USD 320 million (USD 265 million).

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

Share/shareholder information and dividend policy

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

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

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

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

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

No dividends have been paid during the year or in recent years. Neither are dividends expected to be paid in the near future or in any event prior to a potential stock exchange listing as it requires the consent of the Company's secured creditors.

The 2024 Annual General Shareholders Meeting will be held at the Company's premises, Dronning Eufemias gate 8, 0191 Oslo, Norway, on May 28, 2024.

Significant events after the end of the reporting period

In April, 2024, the Company raised new 9.75% per annum senior secured USD 350,000,000 bonds with ISIN NO0013188102 maturing April 2029. The proceeds were partly used to prepay and cancel all four outstanding bond issuances including accrued interest and premiums.

Floatel Victory has been awarded an assignment to provide Maintenance and Safety Unit (MSU) support alongside Equinor's Peregrino Floating Production Storage and Offloading Unit (FPSO) offshore Brazil. The MSU assignment is for fifteen months with a commencement date on site in the second quarter 2024. An option to extend the assignment after the firm period has been granted.

A contract has been signed with Equinor Energy AS for provision of Floatel Superior for Åsgard B in 2025 and a conditional contract for Oseberg in 2025 and 2026, which shall be declared on or before November 1, 2024. The Åsgard contract will commence in March/April 2025 and for a duration of six months with Equinor having the option to extend. The subsequent engagement at the Oseberg field is due to commence immediately following the completion of the project at Åsgard in early Q4 2025 and will, if exercised, have five months firm period with Equinor having the option to extend.

A contract has been signed with an undisclosed client for provision of Floatel Triumph offshore Australia. Commencement of this contract will be in Q2 2026 for a firm duration of 80 days with the client having the right to extend.

Floatel Endurance has received a letter of intent from an undisclosed North Sea client to provide services in 2025 and 2026.

The Group's appeal of the Brazilian first instance court ruling in November 2022 has been rejected by the Brazilian Court of Appeal in April 2024. The Group does not agree with the decision and will likely lodge an appeal to the third instance (final level) in due course. In the Company's opinion, the contractual damages – to be calculated in a separate process if and when a final decision to the Group's detriment will gain legal force. The final outcome is uncertain and the risk has been provided for in prior periods and represent management's best views of a potential unfavorable outcome of the process.

Annual result and disbursements

	2023
Additional paid in capital	348 102
Retained earnings	41 892
Net result for the year	**–4 327**
	385 667

The Board of Directors proposes that the accumulated undistributed profit be allocated to the retained earnings account and that Additional paid in capital remains as such. The Company is not permitted to declare distributions or dividends prior to a potential stock exchange listing without the consent of the Company's secured creditors.

Consolidated Financial Statements with notes

Consolidated income statement

1 JANUARY–31 DECEMBER	Notes	2023	2022
Revenue	5	138 152	177 606
Cost of providing services	6,7	–125 604	–141 019
Gross profit(+)/loss (–)		**12 548**	**36 587**
Administrative expenses	7	–17 118	–16 376
Other gains / losses – net		1 129	2 153
Operating profit(+)/loss(–)	6	**–3 441**	**22 364**
Finance income	8	2 417	162
Finance cost	8	–29 914	–23 662
Finance income and costs – net		**–27 497**	**–23 500**
Profit(+)/loss(–) before income tax		**–30 938**	**–1 136**
Income tax expense	9	–2 091	–2 095
Profit(+)/loss(–) for the period		**–33 029**	**–3 231**
Profit(+)/loss(–) attributable to owners of Floatel International Ltd		–33 029	–3 231
Earnings per share, basic (USD)	10	–0.31	–0.03
Earnings per share, diluted (USD)	10	–0.31	–0.03

Consolidated statement of comprehensive income

1 JANUARY–31 DECEMBER	Notes	2023	2022
Net profit(+)/loss(–)		**–33 029**	**–3 231**
Items that are or may be reclassified as profit or loss			
Foreign currency translations – foreign operations		457	–462
Other comprehensive income		**457**	**–462**
Total comprehensive income		**–32 572**	**–3 693**

Consolidated statement of financial position

31 DECEMBER	Notes	2023	2022
Assets			
Non-current assets			
Property, plant and equipment	11.1	569 220	595 490
Right-of-use assets	11.2	1 076	480
Intangible assets	11.3	2 372	2 206
Financial assets		4 507	3 827
Total non-current assets		**577 175**	**602 003**
Current assets			
Inventory		28 535	27 858
Trade receivables	12	19 400	17 405
Income tax receivables	9	1 377	1 382
Other current receivables	13	9 150	19 404
Cash and cash equivalents		63 476	16 428
Total current assets		**121 938**	**82 477**
Total assets		**699 113**	**684 480**

31 DECEMBER	Notes	2023	2022
Equity and liabilities			
Equity			
Share capital	14	2 144	2 144
Additional paid in capital		348 102	348 102
Other reserves		1 164	707
Retained earnings incl. profit/loss of the year		–11 705	21 324
Total equity		**339 705**	**372 277**
Liabilities			
Non-current liabilities			
Interest-bearing debt	15	321 747	268 494
Other long term liabilities		724	118
Provisions		3 157	5 167
Total non-current liabilities		**325 628**	**273 779**
Current liabilities			
Trade payables		9 920	7 611
Income tax liabilities	9	3 398	2 923
Other current liabilities	17	20 462	27 890
Total current liabilities		**33 780**	**38 424**
Total equity and liabilities		**699 113**	**684 480**

Consolidated statement of changes in equity

	Attributable to shareholders of the parent company				
	Share capital	Additional paid in capital	Other reserves	Retained earnings incl profit of the year	Total equity
Equity 2022-01-01	**2 144**	**348 102**	**1 169**	**24 555**	**375 970**
Net result for the year				–3 231	–3 231
Other comprehensive income			–462		–462
Equity 2022-12-31	**2 144**	**348 102**	**707**	**21 324**	**372 277**
Net result for the year				–33 029	–33 029
Other comprehensive income			457		457
Equity 2023-12-31	**2 144**	**348 102**	**1 164**	**–11 705**	**339 705**

Consolidated statement of cash flows

1 JANUARY–31 DECEMBER	Notes	2023	2022
Cash flow from operating activities			
Operating result		–3 441	22 364
Interest received		2 417	162
Interest paid		–16 430	–13 220
Income tax paid		–1 704	–1 007
Adjustment for depreciation and impairment	11	43 574	44 095
Adjustments for other non-cash related items		–6 301	1 673
Total cash flow from operations before changes in working capital		**18 115**	**54 067**
Changes in inventories		–677	–3 186
Changes in trade receivables		–1 995	–5 030
Changes in trade payables		2 309	1 546
Other changes in working capital		6 506	–5 507
Cash flow from operating activities		**24 258**	**41 890**
Cash flow from investing activities			
Payments for property, plant and equipment	11	–17 285	–5 586
Cash flow from investing activities		**–17 285**	**–5 586**
Net cash flow from operations		**6 973**	**36 304**
Cash flow from financing activities			
Repayment of debt	15	–55 000	–32 330
Proceeds from debt	15	100 000	–
Other financial items paid		–4 501	–1 603
Net cash flow from financing activities		**40 499**	**–33 933**
Cash flow for the year		**47 472**	**2 371**
Cash and cash equivalents, January 1		16 428	14 433
Currency effect on cash		–424	–376
Cash and cash equivalents, December 31		**63 476**	**16 428**

Notes to the consolidated financial statements

1 General information

Floatel International Ltd. ("the Company") an exempted limited liability company incorporated in Bermuda with its principal place of business is in Norway. The office and business address is Dronning Eufemieas gate 8, 0191 Oslo, Norway, and the registered address is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The consolidated financial statements comprise the Company's and its subsidiaries financial statements (together 'the Group'). The Group owns and operates a modern fleet of five semi-submersible accommodation and construction service vessels with an average age of approximately ten and a half years. The fleet is designed to meet the requirements of offshore oil and gas and offshore wind farm installations in challenging deep water and/or hostile environments and provide superior living standards and support services.

These Group Consolidated Financial Statements were authorised for issue by the Board of Directors on April 26, 2024.

All numbers are in USD thousands unless otherwise stated.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

The financial statements are prepared on a going-concern basis. The direct impact of the macroeconomic and geopolitical situation, including heightened risks of a recession and the conflicts in Ukraine and the Middle East, has been limited for the Group.

The Company refinanced all four outstanding high-yield bonds in April 2024 with a new 5-year 9.75% coupon USD 350 million senior secured bond and considers the financial position and the liquidity of the Group to be sound. Cash flow from operations, combined with the total available liquidity, is expected to be more than sufficient to finance the Group in 2024.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(a) New accounting principles for 2023

Several new standards, amendments to standards, and interpretations are effective for annual periods beginning after January 1, 2023. None of these has had a significant effect on the consolidated financial statements of the Group.

(b) New accounting principles for 2024 and later not yet adopted

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2023. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains, and losses resulting from intra-group transactions and dividends are fully eliminated. Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interest exists, the non-controlling interest is allocated their share of the total comprehensive income of the period, even if that results in a deficit balance.

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

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

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

Foreign currency differences arising on retranslation are generally recognised in the income statement. However, 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 recognised in other comprehensive income.

(c) Group companies

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

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

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

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

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

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

2.4 Property, plant, and equipment

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

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

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

Vessels with useful life for different components

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

Other equipment

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

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

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

2.5 Intangible assets

Intangible assets are stated the same way as property, plant, and equipment. Depreciation is calculated using the straight-line method over five years.

2.6 Impairment of non-financial assets

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

The Company carried out impairment tests for its vessels in connection with preparing this report according to IAS 36. This is done as a matter of policy also in years, such as 2023, when in all material respects, the combined financial and operational market developments have not resulted in the identification of an impairment risk that triggers an impairment test as of the reporting date.

These tests are based on reasonable and supportable cash flow projections, including extrapolation for periods beyond the primary forecast period. The Company has assessed the reasonableness of the assumptions by examining the causes of differences between past cash flow projections and actual cash flows. The discount rate used in the tests is the weighted average cost of capital (WACC) for the Group.

Refer to note 11.1 for further details and outcome.

2.7 Financial assets

Floatel's financial assets are classified into two categories based on the Group's business model for managing the asset and the asset's contractual cash flow characteristics. The assets can be measured at amortised cost or fair value through the income statement (FVPL).

Recognition and derecognition

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

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

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

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

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

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

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

2.8 Derivative financial instruments and hedging activities
Derivatives are initially recognised at fair value when a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group does not apply hedge accounting; thus, all derivatives are recorded at fair value through the income statement.

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

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

2.11 Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, and potential other short-term highly liquid investments with original maturities of three months or less.

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

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

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

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

2.15 Current and deferred income tax
Income tax expense comprises current and deferred tax. It is recognised in the income statement except to the extent it relates to a business combination or items recognised directly in equity or other comprehensive income. The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and associates operate and generate taxable income. The Group periodically evaluates positions taken in tax returns concerning situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

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

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

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

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

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The exception to the defined contribution plan rule is that Norwegian senior management employees have a top hat plan due to legal restrictions. Pension assets and pension liabilities for the top hat plan are recognised separately in the balance sheet but always match each other, so Floatel has no further payments after the initial contribution.

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

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

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

- *the Group has a present legal or constructive obligation because of past events;*
- *an outflow of resources will probably be required to settle the obligation;*
- *and the amount has been reliably estimated.*

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

Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations taken as a whole. A provision is recognised even if the probability of an outflow concerning any item in the same class of obligations may be small.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.21 Dividend distribution

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

2.22 Earnings per share

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

The Group's exposure to currencies other than USD is mainly associated with operating and capital expenditures, tax liabilities, and cash or cash equivalents, as revenues generally are received in USD. Depending on the country of operations and the nationality of the crew, the operating expenditures are mainly denominated in EUR, NOK, SEK, and USD. AUD and GBP are primary expense currencies in years when vessels operate in Australian or UK waters. Capital expenditures are mainly denominated in EUR, NOK, SEK, SGD, and USD. Tax liabilities primarily include EUR, SEK, NOK, and SGD. Tax receivables/liabilities arise in BRL, GBP, and USD in years when the Group operates in these countries. Cash and cash equivalents are mainly denominated in USD.

Net currency exposure as of December 31, 2023, primary local currencies, thousands

	Local currency	USD	Closing rate
AUD	5 890	4 002	0.6795
EUR	–2 878	–3 180	1.1050
SEK	–61 928	–6 168	0.0996
NOK	–44 014	–4 327	0.0983

The Group's policy is to hedge most operating expenditures in currencies other than USD using derivative instruments. Material capital expenditures, including special periodic surveys in currencies other than USD, are typically hedged independently of the time horizon. The Group deviated from its principles during the period 2021-2023 because of the financial restructuring completed in 2021, preventing it from entering derivatives contracts.

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

(ii) Cash flow and fair value interest rate risk

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

As of December 31, 2023, no interest rate derivatives agreements exist. USD 300 million out of USD 320.0 million carries a fixed interest rate, and USD 20 million carries a zero coupon. The Group's risk related to interest rate risk is therefore considered limited.

(b) Credit risk

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

For banks and financial institutions, only independently rated parties with a minimum BBB+ rating were accepted during 2023. If there is no independent rating, the Group assesses the client's credit quality, considering its financial position, experience, and other factors. The maximum exposure to credit risk on cash and cash equivalents (ignoring collateral and credit quality) on December 31, 2023, was USD 63.5 million (14.4). On December 31, 2023, most current accounts were held with SEB, Skandinaviska Enskilda Banken AB (publ).

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

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

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

(c) Liquidity risk

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

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

3.2 Capital risk management

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

To maintain or adjust the capital structure, the Group may change the dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No dividend has been paid during the year. Neither are dividends expected to be paid in the near future or in any event prior to a potential stock exchange listing as it requires the consent of the Company's secured creditors. See share / shareholder information and dividend policy in the Directors' report for further details about the capital structure.

3.3 Fair value estimation

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

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

4 Critical accounting estimates and judgments

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

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

5 Revenue from rendering of services

	2023	2022
Revenue		
Charter revenues	99 198	133 692
Catering and rechargeble expenses	29 880	31 608
Other	436	1 953
Mobilisation/demobilisation fees	8 638	10 353
Total Revenues	**138 152**	**177 606**
Revenues by geographical location:		
Europe	45 225	102 392
Americas	35 421	39 950
Asia-Pacific	57 506	35 264
Total Revenues	**138 152**	**177 606**

6 Operating profit/loss

	2023	2022
Cost of sales		
Repair and maintenance	20 931	19 822
Depreciation of vessels	42 961	42 620
Impairment of vessels	–	928
Crew cost	21 233	39 913
Rechargeble and catering expenses	28 029	25 508
Mobilisation/demobilisation expenses	9 719	10 375
Other operating expenses	2 731	1 853
Total Cost of sales	**125 604**	**141 019**

	2023	2022
Operating profit/loss		
Revenue	138 152	177 606
Operating expenses – normal	–87 966	–93 043
Administrative expenses – normal	–16 255	–15 697
Other gains/losses	1 129	2 153
Recurring (adjusted) EBITDA	35 060	71 019
Non-recurring effects[1]	5 073	–4 560
EBITDA	40 133	66 459
Depreciation	–43 574	–44 095
Operating profit/loss	**–3 441**	**22 364**

1. Non-recurring effects refer to material matters outside the ordinary course business and/or refer to previous financial years such as restructuring expenses, reversal of old provisions and expenses incurred in connection matters with referred to in note 20, legal issues.

7 Employment benefit expenses and Remuneration to auditors

	2023	2022
Employment benefit expenses		
Salaries including remuneration to the board of directors	19 816	22 308
Bonus/Ex gratia payment	813	959
Statutory and contractual social security contributions	3 954	4 308
Pension cost	3 691	3 136
Total employee benefits	**28 274**	**30 711**
Whereof Senior Management/Board members		
Salaries including remuneration board	1 452	1 520
Bonus/Ex gratia payment	489	656
Statutory and contractual social security contributions	479	416
Pension cost	711	737
Total employee benefits	**3 131**	**3 329**
Remuneration to auditors		
PwC		
Audit fee	576	588
Audit related fee	231	83
Total PwC	**807**	**671**
Other companies		
Audit fee	25	–
Audit related fee	–	–
Total other companies	**25**	**–**
Total remuneration to auditors	**832**	**671**

Members of Senior Management have agreements on severance pay. Under these agreements, the Company guarantees a remuneration corresponding to the base salary received at the end of the notice period for up to two years. Please refer to the Corporate Governance report regarding further details on management employment terms and remuneration principles.

8 Financial income and expenses

	2023	2022
Financial income		
Interest	2 417	162
Total financial income	**2 417**	**162**
Financial cost		
Currency loss	–517	–241
Interest cost	–26 182	–20 764
Borrowing expenses	–3 215	–2 657
Total financial expenses	**–29 914**	**–23 662**

9 Taxes

	2023	2022
Result before tax	–30 938	–1 136
Tax calculated at tax rate of Parent Company 22%	6 806	250
Adjustment for tax calculated at domestic tax rates appl to resp country	–338	–563
Tax effect of:		
Expenses not deductable for tax	–18	–665
Adjustment for local regulations	12 405	19 623
Not balanced tax losses	–20 959	–20 807
Tax related to previous years	13	67
Tax cost for the year	**–2 091**	**–2 095**
Effective tax rate	N/A	N/A

	2023	2022
Tax cost reconciliation per country:		
Dutch corporation tax	–187	–1 049
Swedish corporation tax	–1 061	–651
Australian corporation tax	–754	–231
Brazilian corporation tax	–102	–231
Adj. in respect of current tax previous years	13	67
Tax cost for the year	**–2 091**	**–2 095**

The balanced amount for income tax receivables amounts to USD 1,377 thousands (1,382) and mainly relates to Norway. The balanced amount for income tax liabilities is USD 3,398 thousands (2,923) and refers primarily to the Netherlands and Sweden.

10 Earnings per share

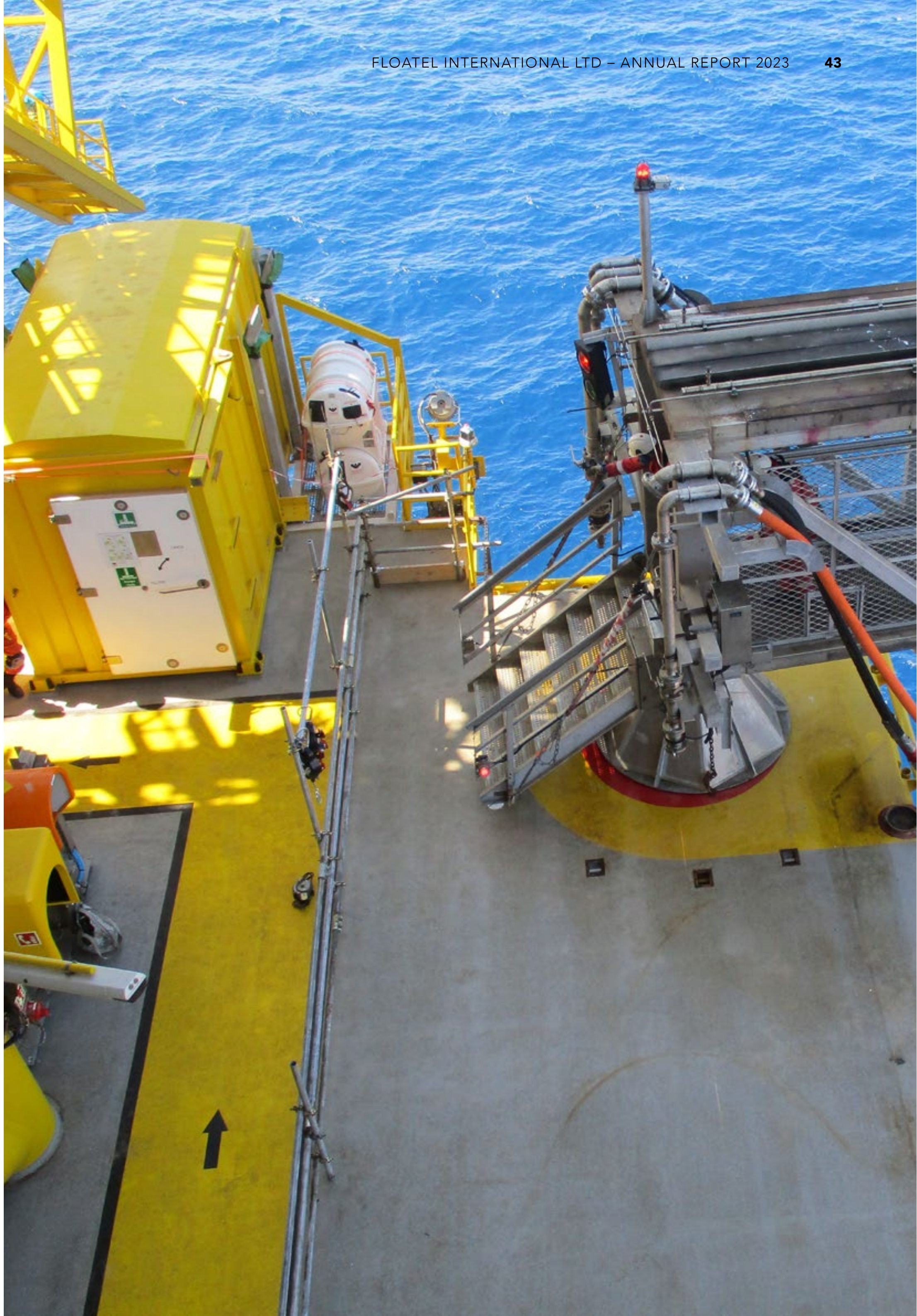
	2023	2022
Net income of the year	–33 029	–3 231
Total number of common shares outstanding	107 165 289	107 165 289
Weighted average number of common shares outstanding	107 165 289	107 165 289
Weighted average number of shares, diluted	107 165 289	107 165 289
Earnings per common share, basic (USD)	–0.31	–0.03
Earnings per common share, diluted (USD)	–0.31	–0.03

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

11.1 Property, plant, and equipment

	2023	2022
Vessel incl. vessel upgrade		
Opening acquisition costs, January 1	1 629 174	1 625 361
Purchases during the year	16 964	4 740
Disposal[1]	–6 529	–927
Closing acquisition costs, December 31	1 639 609	1 629 174
Accumulated depreciation, January 1	–490 103	–447 483
Disposal	6 306	–
Depreciation for the year	–42 960	–42 620
Closing accumulated depreciation, December 31	–526 757	–490 103
Accumulated impairment, January 1	–543 825	–543 825
Disposal[1]	–	927
Impairment loss for the year[1]	–	–927
Closing accumulated impairment, December 31	–543 825	–543 825
Net book value as per December 31	**569 027**	**595 246**
Other equipment		
Opening acquisition costs, January 1	1 834	1 814
Translation difference	72	–252
Purchases during the year	–	272
Closing acquisition costs, December 31	1 906	1 834
Accumulated depreciation, January 1	–1 590	–1 797
Translation difference	–67	242
Depreciation for the year	–56	–35
Closing accumulated depreciation, December 31	–1 713	–1 590
Net book value as per December 31	**193**	**244**
Total book value property, plant, and equipment	**569 220**	**595 490**

1. Disposal and Impairment in 2022 of 927 USD thousands relates to the retirement of previous year's purchases made but not used for a special periodic survey.



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

The Company has performed an impairment assessment of the recoverable values of its vessels in accordance with IFRS (see 2.6) based on the value in use. This is done as a matter of policy also in years, such as 2023, when in all material respects, the combined financial and operational market developments have not resulted in the identification of an impairment risk that triggers an impairment test as of the reporting date.

Each vessel is considered to be a cash-generating unit. The new assessments resulted in no impairment charges, and no impairment charges were recorded during 2023.

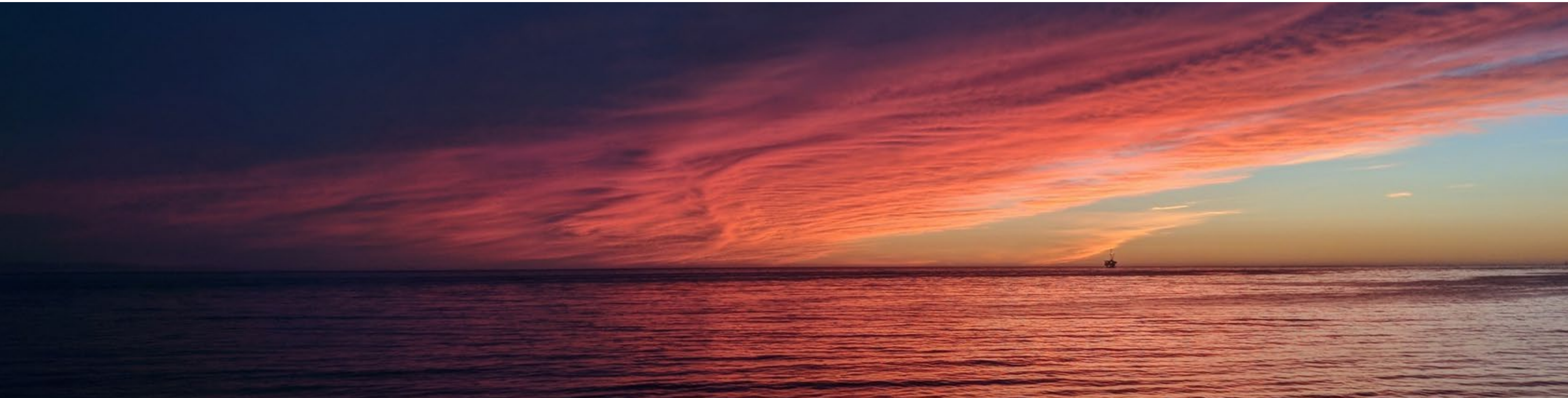
As stated above, the recoverable amounts have been determined by calculating the valuation-in-use (ViU). Impairments are made in the accounts for vessels with ViU less than their net book value. The ViU calculations are based on a long-term forecast until the end of each vessel's useful life. The main assumptions in the computations are charter rates, utilisation, operating expenses, and capital expenditures.

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

- *Utilisation subject to upgrade capital expenditure and related yard stays is estimated to be 65% from 2028.*
- *The revenues until 2027 are based on current contracts and estimated new agreements reflecting present market conditions for each vessel. Assumptions reflect gradual improvement and return to stabilised market conditions from the year 2025 and onwards.*
- *Operating expenses reflect present levels adjusted for long-term inflation. Capital expenditure is based on a life-cycle asset plan for each vessel, which accounts for special periodic surveys, thruster overhauls, expected mid-life upgrades and refurbishments at appropriate intervals, and regular maintenance expenditure.*
- *11.0% (10.5% in 2022) discount rate equal to the weighted average cost of capital (WACC), and approximately 2% long-term growth rate (inflation) has been assumed.*

Sensitivity:

- *A 1.0% decrease in the discount rate would lead to a USD 55 million increase in the ViU, and a 1.0% increase would lead to USD 49 million decreases in ViU.*
- *A 10% increase in long-term utilization from 65% to 75% would lead to an increase of the ViU with USD 115 million, while a 10% decrease from 65% to 55% would lead to a USD 115 million decrease in ViU and USD 8 million aggregate impairment.*
- *An increase of USD 20 thousand in the long-term day rates would lead to an increase of the ViU with USD 102 million, and a USD 20 thousand decrease would lead to a USD 103 reduction of ViU and USD 14 million aggregate impairment.*



11.2 Right-of-use assets

	2023	2022
Opening acquisition costs, January 1	1 187	1 370
Translation difference	44	–183
Additions	1 058	–
Modifications	–1 187	–
Closing acquisition costs, December 31	1 102	1 187
Accumulated depreciation, January 1	–707	–424
Translation difference	–1	68
Modifications	992	–
Depreciation for the year	–310	–351
Closing accumulated depreciation, December 31	–26	–707
Net book value as per December 31	**1 076**	**480**

11.3 Intangible assets

	2023	2022
Opening acquisition costs, January 1	4 307	4 390
Translation difference	189	–606
Purchases during the year	322	523
Closing acquisition costs, December 31	4 818	4 307
Accumulated depreciation, January 1	–2 101	–2 246
Translation difference	–97	306
Depreciation for the year	–248	–161
Closing accumulated depreciation, December 31	–2 446	–2 101
Net book value as per December 31	**2 372**	**2 206**

12 Trade receivables

	NEITHER PAST DUE NOR IMPAIRED	< 30 DAYS	30-60 DAYS	> 60 DAYS
2023	19 400	0	0	0
2022	17 405	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

	2023	2022
Other current receivables		
Accrued income	2 177	11 666
Prepaid expenses	3 906	3 961
Capitalised mobilisation cost	1 412	1 188
Other current receivables	1 655	2 589
	9 150	**19 404**

Accrued income relates to contract assets and consists of; charter revenues of USD 1,099 thousands (7,900), mobilisation revenue of USD 120 thousands (1,297), and catering and rechargeable income of USD 958 thousands (2,469).

14 Capital and reserves

Share capital

The Company's shares are common and rank equally regarding the Company's residual assets. The holders of common shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company. Please refer to the Corporate Governance and Directors' reports for details on the shares and related depository receipts.

Additional paid-in capital/share premium

Additional paid-in capital/share premium refers to the amount payable for issued shares in the Company above their nominal value.

Other reserves

Translation reserve

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

1 JANUARY–31 DECEMBER	2023	2022
Authorized		
Common shares of par value USD 0.02	125 000 000	125 000 000
Issued and fully paid		
Common shares of par value USD 0.02	107 165 289	107 165 289
Unissued shares available for issuance by the board	17 834 711	17 834 711

Shareholders

As of December 31, 2023, the legal shareholders of the common shares are Keppel Ltd. through Kepinvest Holdings Pte Ltd. ("Keppel") with 49.9% and Nordic Trustee Services AS ("NTS"), a Nordic Trustee / Ocorian company. The common shares registered with NTS are, in turn, represented by an equivalent number of Norwegian Depository Receipts ("NDRs") issued by NTS, mirroring the rights as the underlying shares.

Shareholders and holders of depository receipts as of April 5, 2024 are:

SHAREHOLDER			# of instruments	% of votes and ownership
Kepinvest Holdings Pte. Ltd.	Directly registered	N/A	53 501 857	49.92%
Barclays Capital INC	Depository receipts	Nominee	22 342 508	20.85%
Floatel Interessenter AS	Depository receipts	Ordinary	10 715 542	10.00%
Østlandske Pensjonistboliger AS	Depository receipts	Ordinary	3 284 491	3.06%
State Street Bank and Trust Comp	Depository receipts	Nominee	3 188 879	2.98%
Clearstream Banking S.A.	Depository receipts	Nominee	2 181 417	2.04%
Skandinaviska Enskilda Banken AB	Depository receipts	Nominee	1 857 579	1.73%
BNP Paribas	Depository receipts	Nominee	1 288 438	1.20%
Goldman Sachs International	Depository receipts	Nominee	1 288 436	1.20%
Skandinaviska Enskilda Banken AB	Depository receipts	Nominee	1 231 797	1.15%
ABG Sundal Collier ASA	Depository receipts	Nominee	1 000 000	0.93%
Others	Depository receipts	Mixed	5 284 345	4.93%
Total			**107 165 289**	**100.00%**

Warrants

14,613,449 freely tradable warrants with a strike price of USD 3.96 expiring the earlier of the so-called Exit Event[1] and March 2031, and exercisable at any time until expiry. Warrants were awarded initially in exchange for the 2nd lien bonds as part of the restructuring in 2021.

6,409,407 freely tradable warrants with a strike price of USD 5.13 expiring the earlier of the so-called Exit Event[2] and March 2031, and exercisable at any time until expiry. Warrants were awarded initially in exchange for common shares held by shareholders other than Keppel as part of the restructuring in 2021.

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

15 Interest-bearing debts

	2023	2022
1st lien cash pay bonds	100 000	100 000
1st lien PIK pay bonds[1]	100 000	100 000
1st lien PIK interest bonds[1]	20 000	10 000
Super senior secured bonds	100 000	–
PIK bonds effective interest adjustment[1]	4 689	5 150
Revolving Credit facility	–	55 000
Less borrowing expenses	–2 942	–1 656
	321 747	**268 494**
The long-term debt is repayable as follows:		
Within one year	–	–
Between one and two years	–	55 000
Between two and five years	324 689	215 150
After five years	–	–
	324 689	**270 150**

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

Group financing

The Company's credit at December 31, 2023, of the following instruments

- *6% senior secured USD 115 million 1st lien cash pay bonds (ISIN NO0010950868) maturing September 24, 2026, and with USD 100 million outstanding listed on Nordic ABM (Euronext Oslo) under ticker FLOAT05.*
- *10% senior secured USD 115 million 1st lien PIK pay bonds (ISIN NO0010950884) maturing September 24, 2026, with USD 100 million outstanding listed on Nordic ABM (Euronext Oslo) under ticker FLOAT04.*
- *0% senior secured 1st lien PIK interest bonds (ISIN NO0010950884)*
- *11.25% Super senior secured bonds mature March 23, 2026*

Each credit facility is repayable in full on the respective maturity date and has no scheduled amortisations.

On April 16, 2024, the Company raised a new 9.75% per annum senior secured USD 350,000,000 bonds with ISIN NO0013188102 maturing April 2029. The proceeds were partly used to prepay and cancel all four outstanding bond issuances in full including accrued interest and premiums. An application will be made for the new bonds to be listed on Oslo Børs.

Financial and maintenance covenants as of December 31, 2023

Each of the bonds has a minimum free liquidity maintenance covenant to be tested from January 1, 2023, of USD 10,000,000 and increasing to USD 15,000,000 from March 31, 2024. Liquidity is defined as the unrestricted cash of the Group plus any undrawn RCF commitments.

The Super senior secured bonds have the following additional covenants:

– A book equity ratio greater than 35%, defined as Total Equity divided by Total Assets

– Positive working capital defined as Total Current assets less Total Current liabilities

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

16 Financial instruments

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

All financial instruments are presented at amortised cost.

	2023	2022
Financial assets		
Trade receivables	19 400	17 405
Other current receivables	3 711	12 958
Cash and cash equivalents	63 476	16 428
	86 587	**46 791**
Financial liabilities		
Trade payables	9 920	7 611
Other current liabilities	0	0
Interest bearing debt	321 747	268 494
	331 667	**276 105**

The FX forwards and interest rate derivatives are valued based on current exchange rates and forward curves. The Group held no such derivatives as of December 31, 2023. 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 that have a significant effect on the recorded fair value are observable, either directly or indirectly

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

17 Other current liabilities

	2023	2022
Deferred income	–	2 654
Accrued interest	4 969	4 795
Debt related to leasing	355	398
Accrued personnel cost	7 727	10 384
Accrued mobilisation cost	1 436	1 344
Other current liabilities	5 975	8 315
	20 462	**27 890**

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

18 Related party transactions

The Group had during 2023 and 2022 very limited transactions with the Keppel Group. Keppel Offshore Pte Limited, which is part of the Keppel Group, owned 49.9% of the Company on December 31, 2023.

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

19 Mortgages and guarantees

As of December 31, 2023, the Group's total interest-bearing debt secured by mortgages amounted to USD 320 million (USD 265 million). The secured credit facilities were secured by mortgages on all the Group's vessels: Floatel Endurance, Floatel Reliance, Floatel Superior, Floatel Triumph, and Floatel Victory.

The book value of the vessels was USD 569.0 million (USD 595.2 million). In addition, USD 58.4 million (USD 14.7 million) of cash was pledged on behalf of secured creditors. The secured creditors also have security in;

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

20 Legal issues

As a result of the Group's global presence, the individual companies in the Group will, from time to time, be subject to tax investigations and tax audits by tax authorities as well as disputes, litigations, and other legal issues in the ordinary course of business in countries where the Group operates. There are ongoing investigations/legal processes in the Group, and the risks have been individually reported as a contingent liability or provision to the extent required. No cases are deemed material for separate disclosure other than the ones below.

The Norwegian tax authority has ongoing tax investigations regarding transfer pricing and employee compensation and benefits. Draft assessments have been received in 2023, and final assessments are pending at the reporting date. Relevant risk-adjusted amounts, if any, are included in the accounts. The accepted employee compensation and benefits amount was paid during the first quarter of 2023.

Seamen working on the Group's vessels on the Norwegian continental shelf have brought class actions against the employing Group company lack of receiving compensation for quarantine periods during the COVID pandemic. The Group does not agree with the employees' stance that they are entitled to salary during quarantine periods and has contested the class action claims. The provision made in previous years regarding this matter has been entirely reversed in light of the verdict of the first instance court, which ruled completely in the employer's favour, in the first of many similar cases.

In November 2022, a Brazilian first-instance court ruled in favour of the plaintiff regarding an alleged breach of a contractual non-solicitation provision in 2014. The ruling has been appealed as there was just cause, in the Company's opinion, for the crew to continue to work on board the vessel since the crewing agency had not fulfilled its obligations toward the Group, our client, the employees, and the Brazilian authorities. However, the Brazilian Court of Appeal rejected the appeal in April 2024. The Group does not agree with the decision and will likely lodge an appeal to the third instance (final level) in due course. In any event, the facts and circumstances in this matter merit, in the Company's opinion, a reduction of the contractual damages which will be calculated in a separate process if and when a final decision to the Group's detriment will gain legal force. The final outcome is uncertain and the risk has been provided for in prior periods and represents management's best estimates of a potential unfavourable outcome of the process.

21 Commitments

The Group leases offices under non-cancellable operating leases expiring within 1-4 years. The leases have varying terms, escalation clauses, and renewal rights. On renewal, the terms of the leases are renegotiated.

22 Events after the balance sheet date

On April 16, 2024, the Company raised new 9.75% per annum senior secured USD 350,000,000 bonds with ISIN NO0013188102 maturing April 2029. The proceeds were partly used to prepay and cancel all four outstanding bond issuances including accrued interest and premiums.

Floatel Victory has been awarded an assignment to provide Maintenance and Safety Unit (MSU) support alongside Equinor's Peregrino Floating Production Storage and Offloading Unit (FPSO) offshore Brazil. The MSU assignment is for 15 months with a commencement date on site in the Q2 2024. An option to extend the assignment after the firm period has been granted.

A contract has been signed with Equinor Energy AS for provision of Floatel Superior for Åsgard B in 2025 and a conditional contract for Oseberg in 2025 and 2026, which shall be declared on or before November 1, 2024. The Åsgard contract will commence March/April 2025 and for a duration of six months with Equinor having the option to extend. The subsequent engagement at the Oseberg field is due to commence immediately following the completion of the project at Åsgard in early Q4 2025 and will, if exercised have five months firm period with Equinor having the option to extend.

A contract has been signed with an undisclosed client for provision of Floatel Triumph offshore Australia. Commencement of this contract will be in Q2 2026 for a firm duration of 80 days with the client having the right to extend.

Floatel Endurance has received a letter of intent from an undisclosed North Sea client to provide services in 2025 and 2026.

The Group's appeal of the Brazilian first instance court ruling in November 2022 has been rejected by the Brazilian Court of Appeal in April 2024. The Group does not agree with the decision and will likely lodge an appeal to the third instance (final level) in due course. Contractual damages, if any, to be calculated in a separate process when a final decision has gained legal force. The final outcome is uncertain and the risk has been provided for in prior periods and represents management's best estimates of a potential unfavourable outcome of the process.

Parent Company Financial Statements with notes

Income statement – Floatel International Ltd

1 JANUARY–31 DECEMBER	Notes	2023	2022
Revenues	11	3 819	3 789
Cost of providing services		–	–
Gross profit(+)/(–)		**3 819**	**3 789**
Administrative expenses	5,11	–5 537	–5 808
Other gains/losses - net		–120	–199
Operating loss		**–1 838**	**–2 218**
Result from Group companies	6	–35	4 485
Finance income	7,11	28 959	25 939
Finance cost	7,11	–31 413	–24 052
Finance costs - net		**–2 489**	**6 372**
Loss/gain before income tax		**–4 327**	**4 154**
Income tax expense		–	–
Loss/gain for the period		**–4 327**	**4 154**
Profit/loss attributable to owners of Floatel International Ltd		–4 327	4 154

Statement of comprehensive income

1 JANUARY–31 DECEMBER	Notes	2023	2022
Net profit/loss		**–4 327**	**4 154**
Other comprehensive income		0	0
Comprehensive income/loss		**–4 327**	**4 154**

Statement of financial position – Floatel International Ltd

31 DECEMBER	Notes	2023	2022
Assets			
Non-current assets			
Participation in subsidiaries	8	374 756	376 676
Other financial investments		4 507	3 828
Intercompany loans	11	295 661	295 661
Total non-current assets		**674 924**	**676 165**
Current assets			
Other current receivables	9	336	459
Group receivables	11	44 216	12 386
Cash		51 010	10 315
Total current assets		**95 562**	**23 160**
Total assets		**770 486**	**699 325**

31 DECEMBER	Notes	2023	2022
Equity and liabilities			
Equity			
Share capital		2 144	2 144
Additional paid in capital		348 102	348 102
Retained earnings incl. profit/loss of the year		37 565	41 892
Total equity		**387 811**	**392 138**
Provision			
Provision for pension		1 157	478
Total provisions		**1 157**	**478**
Liabilities			
Non-current liabilities			
Interest-bearing debt	10	321 747	268 494
Total non-current liabilities		**321 747**	**268 494**
Current liabilities			
Trade payables		354	103
Group liabilities	11	52 580	32 058
Other current liabilities		6 837	6 054
Total current liabilities		**59 771**	**38 215**
Total equity and liabilities		**770 486**	**699 325**

Statement of changes in equity – Floatel International Ltd

	Attributable to shareholders of the Company			
	Share capital	**Additional paid in capital**	**Retained earnings**	**Total equity**
Equity 2022-01-01	**2 144**	**348 102**	**37 738**	**387 984**
Net income/(loss) for the year	–	–	4 154	4 154
Equity 2022-12-31	**2 144**	**348 102**	**41 892**	**392 138**
Net income/(loss) for the year	–	–	–4 327	–4 327
Equity 2023-12-31	**2 144**	**348 102**	**37 565**	**387 811**

Statement of cash flow – Floatel International Ltd

1 JANUARY–31 DECEMBER	Notes	2023	2022
Cash flow from operating activities			
Operating result		–1 838	–2 218
Interest received		2 207	133
Interest paid		–16 383	–13 155
Total cash flow from operations before changes in working capital		**–16 014**	**–15 240**
Change in trade payables		251	–112
Other changes in working capital		14 132	45 994
Cash flow from operationg activities		**–1 631**	**30 642**
Cash flow from investing activities			
Dividend from Group companies	6	2 365	–
Investment in subsidiaries		–480	–
Payment for financial assets		–	–50
Cash flow from investing activities		**1 885**	**–50**
Net cash flow from operations		**254**	**30 592**
Cash flow from financing activities			
Repayment of debt	10	–55 000	–32 330
Proceeds from debt	10	100 000	–
Other financial items paid		–4 402	–1 595
Net cash flow from financing activities		**40 598**	**–33 925**
Cash flow for the year		**40 852**	**–3 333**
Cash and cash equivalents, January 1		10 315	13 648
Currency effect on cash		–157	0
Cash and cash equivalents, December 31		**51 010**	**10 315**

Notes to the financial statements of Floatel International Ltd

1 General information

Floatel International Ltd. ("the Company"), through its subsidiaries, owns and operates a modern fleet of five accommodation and construction vessels with an average age of approximately ten and a half years. The fleet is designed to meet the requirements of offshore oil and gas activity and offshore wind farm installations in challenging deep water and/or hostile environments and provide superior living standards and support services.

The Company is an exempted limited liability company incorporated in Bermuda, with its principal place of business in Norway. The office and business address is Dronning Eufemieas gate 8, 0191 Oslo, Norway, and the registered address is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company's financial statements were authorised for issue by the Board of Directors on April 26, 2024.

All numbers are in USD thousands unless otherwise stated.

2 Summary of significant accounting policies

Basis of preparation

Regarding the principal accounting policies applied in the preparation of these financial statements, please see note 2 in the Consolidated Financial Statements. Unless otherwise stated, these policies have been consistently applied to all the years presented.

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

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

3 Financial risk management

The Company's overall financial risk management program is conducted on the Group level. See note 3 in the notes to the Consolidated Financial Statements.

4 Critical accounting estimates and judgments

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

5 Administrative expenses

	2023	2022
Personnel cost	2 704	2 849
Service fee from group company	659	1 027
Auditor audit fees	429	348
Auditor other fees	57	28
Advisors	352	907
Other administrative expenses	1 336	649
	5 537	**5 808**
Whereof personnel costs		
Remuneration to the members of the board	118	132
Salaries including bonus	1 474	1 606
Pension cost and social charges	969	959
Other personnel cost	143	152
	2 704	**2 849**
Remuneration to auditors		
PricewaterhouseCoopers AB		
Audit fee	415	323
Audit related fee	10	22
PricewaterhouseCoopers AS		
Audit fee	14	25
Audit related fee	47	6
Total remuneration to auditors	**486**	**376**

In 2022 and 2023 the Company has 4 employees.

6 Result from Group companies

	2023	2022
Dividend	2 365	4 523
Write-down of shares in subsidiares	–2 400	–38
	–35	**4 485**

7 Financial income and expenses

	2023	2022
Financial income		
Interest income	28 959	25 939
	28 959	**25 939**
Financial cost		
Interest expenses	–28 140	–21 082
Currency gain/loss	–157	–316
Financial fees	–3 116	–2 654
	–31 413	**–24 052**

8 Participation in subsidiaries

	2023	2022
Opening balance	376 676	376 714
Bought shares	480	–
Write-down of shares in subsidiares	–2 400	–38
Closing balance	**374 756**	**376 676**

COMPANY	IDENTIFICATION NO	REGISTERED ADDRESS	SHARE CAPITAL %
Floatel Crew AS	928 148 947	Norway	100%
Floatel Operators AS	927 672 863	Norway	100%
Floatel Rigs Ltd	927 777 703	Bermuda[1]	100%
Floatel UK Contractor Ltd	500 821	Scotland	100%
Floatel Singapore Pte Ltd	201425786E	Singapore	100%
Floatel International AB	556711-1421	Sweden	100%
Floatel Service AB	556967-8856	Sweden	100%
Floatel Contractor B.V	50 181 041	The Netherlands	100%
Floatel International Operators B.V	50 181 556	The Netherlands	100%
Floatel Partners B.V	64 525 023	The Netherlands	100%
Floatel Delaware LLC	5 531 077	USA	100%
Reliance Servicos Maritimos Do Brasil Ltda	33.2.0880560-2	Brazil	100%

1. Principal place of business and tax resident in Norway.

COMPANY	EQUITY %	NO OF SHARES	BOOK VALUE
Floatel Crew AS	100%	30 000	3
Floatel Operators AS	100%	30 000	3
Floatel Rigs Ltd	100%	100	369 518
Floatel UK Contractor Ltd	100%	1	0
Floatel Singapore Pte Ltd	100%	100 000	76
Floatel International AB	100%	400 000	299
Floatel Service AB	100%	100 000	235
Floatel Contractor B.V	100%	18 000	1 500
Floatel International Operators B.V	100%	18 000	2 622
Floatel Partners B.V	100%	18 000	20
Floatel Delaware LLC	100%	None	0
Reliance Servicos Maritimos Do Brasil Ltda	100%	2 337 601	480
			374 756

9 Other current receivables

	2023	2022
Other current receivables	223	189
Prepaid expenses	113	270
	336	**459**

10 Interest-bearing debts

	2023	2022
1st lien cash pay bonds	100 000	100 000
1st lien PIK pay bonds[1]	100 000	100 000
1st lien PIK interest bonds[1]	20 000	10 000
Super senior secured bonds	100 000	–
PIK bonds effective interest adjustment[1]	4 689	5 150
Revolving credit facility	–	55 000
Less borrowing expenses	–2 942	–1 656
	321 747	**268 494**
The long-term debt is repayable as follows:		
Within one year	–	–
Between one and two years	–	55 000
Between two and five years	324 689	215 150
After five years	–	–
	324 689	**270 150**

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

11 Intra-group transactions and balances

	2023	2022
Transactions with related parties		
Revenue	3 819	3 789
Operating expenses	–1 628	–1 027
Dividend from associates	2 365	4 523
Interest income group	26 752	25 806
Interest expense group	–2 080	–475
Group receivables		
Accrued income and trade receivables	2 632	3 842
Other receivables	41 584	8 544
	44 216	**12 386**
Group liabilties		
Accruals and trade payables	–982	–745
Other payables	–51 598	–31 313
	–52 580	**–32 058**
Loans to/from group companies		
Loans to group companies	295 661	295 661

12 Mortgages and guarantees

As of December 31, 2023, the Company's total interest-bearing debt secured by pledges and share charges amounted to USD 320 million (USD 265 million). The debt was secured by share charges/pledges on the shares in the following Group companies:

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

The book value of the above listed subsidiaries was USD 374.8 million (USD 376.7 million). In addition, USD 50.9 million (USD 10.3 million) of cash was pledged on behalf of the secured creditors.

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

Oslo, April 26, 2024

Kevin Chng
Chairman

LOH Kee Huat
Director

Kjell E Jacobsen
Director

Roger Iliffe
Director

Peter Jacobsson
Director and Chief Executive Officer

Independent Auditor’s Report

To the general meeting of the shareholders of Floatel International Ltd, corporate identity number 38902

Report on the audit of the consolidated financial statements and parent company financial statements

Our opinion

We have audited the consolidated financial statements and the parent company financial statements of Floatel International Ltd for the year 2023. The consolidated financial statements and the parent company financial statements are included on pages 29 - 57 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, 2023, 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 IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the audit of the consolidated financial statements and parent company financial statements section. We are independent of the Company and the Group in accordance with International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Information than the annual accounts and consolidated accounts

The Board of Directors and the CEO are responsible for the other information on pages 1 to 28. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Board of Director’s and the CEO for the consolidated financial statements and the parent company financial statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the consolidated financial statements and the parent company financial statements in accordance with IFRS Accounting Standards, and for such internal control as the Board of Directors and the CEO determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements and parent company financial statements, the Board of Directors and the CEO are responsible for assessing the Group’s ability to continue as a going concern and using going concern basis of accounting unless the Board of Directors and the CEO either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements and parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- *Identify and assess the risks of material misstatement of the c0nsolidated financial statements and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*
- *Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.*
- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.*
- *Conclude on the appropriateness of the Board of Directors and the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.*
- *Evaluate the overall presentation, structure and content of the consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.*
- *Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Gothenburg, 26 April, 2024

PricewaterhouseCoopers AB

Johan Malmqvist

Authorized Public Accountant

Auditor in charge

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