

## FIRST HALF REPORT 2010

### Financials

*(Figures in brackets refer to the corresponding period of 2009)*

#### First half 2010

Operating profit for the first half of 2010 came to USD 119.7 million (USD 84.3 million). Utilisation of the rig fleet was 80 per cent (82 per cent), but the effect of this decline was more than offset by higher day rates.

Safe Caledonia was in operation for Total until mid-June, when an incident during relocation led to minor damages to the starboard column/pontoon. As a precautionary measure, the vessel was taken to sheltered waters for necessary repairs, resulting in 8 days with loss of day rate and an estimated additional cost of around USD 2 million. Safe Caledonia recommenced operations for Total in late June.

Safe Esbjerg was in operation until mid-February, when the jack-up rig was mobilised to Gdansk to undertake class renewal, steel work and refurbishment. Safe Esbjerg recommenced operations for Maersk in mid-April.

Safe Bristolia was in operation in Mexico until late January before the rig was mobilised to the North Sea. The rig started a charter in the UK North Sea in the beginning of April 2010.

Safe Scandinavia was idle in the first quarter, but commenced operations for Statoil in late April.

Safe Astoria was in operation for Shell until the end of June, and Safe Concordia was idle in the first half of 2010.

All other vessels have been fully utilised in the first half of 2010.

Net financial costs amounted to USD 24.3 million (USD 4.3 million). In the first half of last

year there was a significant increase in market value of currency forwards.

Taxes in the first half equalled USD 1.1 million positive (USD 10.6 million negative). This change is due to a reduced tax provision relating to an unrealised currency gain in a Norwegian subsidiary.

Net profit amounted to USD 96.5 million (USD 69.4 million), corresponding to diluted earnings per share of USD 0.43 (USD 0.31).

Total assets as at 30 June amounted to USD 1 364.1 million (USD 1 387.9 million), and the book equity ratio rose to 25.1 per cent (13.7 per cent). Gearing has come down over the last year, with a total debt/EBITDA ratio of 2.7 (3.8) as at 30 June.

#### Second quarter

Utilisation of the rig fleet was 87 per cent (86 per cent) in the second quarter. Operating profit amounted to USD 79.7 million (USD 46.8 million), which is the best ever quarterly result. This improvement is mainly due to higher day rates.

Net financial costs amounted to USD 11.9 million (net income of USD 4.6 million). The main reason for this change is a significant increase in market value of currency forwards in the first half last year.

Taxes in the second quarter amounted to USD 1.9 million positive (USD 8.3 million negative). This change is due to a reduced tax provision relating to an unrealised currency gain.

Net profit amounted to USD 43.1 million (USD 43), corresponding to diluted earnings per share of USD 0.19 (USD 0.19).

## **Dividend**

The Board of Directors resolved on 25 August 2010 to declare an interim dividend equivalent to USD 0.095 per share to shareholders of record as of 6 September 2010. The shares will trade ex-dividend on 2 September 2010. The dividend will be paid in the form of NOK 0.59 per share on 16 September 2010.

## **Outlook**

Five of the company's rigs are bareboat chartered to Interpetroleum Services, operating for Pemex offshore Mexico. These five rigs have firm contracts as follows: Safe Lancia until December 2012, Jasminia until December 2010, Safe Hibernia until May 2011, Safe Britannia until January 2013 and Safe Regency until August 2013.

Safe Esbjerg is operating for Maersk in the Danish North Sea until June 2011.

Safe Caledonia is operating for Total in the UK North Sea until mid-September 2010. Safe Caledonia has a 9-month contract with BG International planned to commence March 2011.

MSV Regalia is operating for BP in the Norwegian North Sea. The contract with BP has a firm duration until July 2011.

Safe Scandinavia has a firm contract with Statoil, six months that commenced early May 2010 and six months from early April 2011.

Safe Bristolia is on contract with Nexen in the North Sea until the end of September 2010.

Safe Astoria and Safe Concordia are currently idle.

In the North Sea, the majority of the fixed installations is mature and requires greater maintenance and modifications to uphold production and safe operation. Increased recovery and tie-ins of satellite fields to existing installations have extended the lifetime for many fields in the North Sea. Therefore, we foresee a good outlook for modification and maintenance projects over the coming years.

There have recently been a high number of awards for accommodation work in the North Sea for 2011 and 2012. We expect that more

offshore projects in the North Sea will require additional accommodation in 2011 and 2012.

The market for semi-submersible accommodation rigs continues to be good in Mexico, where Pemex has high activity offshore in order to keep up production of the Cantarell field. Prosafe currently has five rigs operating in Mexico and we expect a stable development going forward.

There is tender activity in other regions and contract awards are expected in the near future.

Within the harsh and semi-harsh offshore environments where most of Prosafe's accommodation rigs operate, there is a good supply-demand balance and the number of new-builds to be delivered over the next few years is limited.

In summary, we expect a good long-term demand for semi-submersible accommodation rigs, with stable activity in the North Sea and Mexico and growth in deepwater regions.

## **Risk**

Prosafe's main operational risks are the day rate level and the utilisation rate of the accommodation fleet. The company's results also depend on operating costs, interest expenses and exchange rates. These risks are described in detail in the Directors' report in the Annual Report 2009.

## **Statement from the board of directors and president & CEO**

We confirm that, to the best of our knowledge, the financial statements for the first half year of 2010, which have been prepared in accordance with IAS 34 Interim Financial Statements as adopted by the European Union and the requirements of the Cyprus Companies Law, give a true and fair view of the company's assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph and the Cyprus Companies Law.

Larnaca, 25 August 2010

Michael R Parker  
*Chairman*

Christian Brinch

Ronny J Langeland

Elin Nicolaisen

Roger Cornish

Christakis Pavlou

Arne Austreid  
*President and CEO*

## INCOME STATEMENT

(Unaudited figures in USD million)	Note	Q2 10	Q1 10	Q2 09	1H 10	1H 09	2009
Operating revenues		139.3	87.4	85.9	226.7	167.5	397.9
Operating expenses		(44.2)	(32.0)	(26.2)	(76.2)	(57.5)	(123.6)
<b>Operating profit before depreciation</b>		<b>95.1</b>	<b>55.4</b>	<b>59.7</b>	<b>150.5</b>	<b>110.0</b>	<b>274.3</b>
Depreciation		(15.4)	(15.4)	(12.9)	(30.8)	(25.7)	(55.7)
<b>Operating profit</b>		<b>79.7</b>	<b>40.0</b>	<b>46.8</b>	<b>119.7</b>	<b>84.3</b>	<b>218.6</b>
Interest income		0.0	0.1	0.1	0.1	0.3	0.4
Interest expenses		(10.7)	(10.9)	(11.8)	(21.6)	(22.5)	(44.8)
Other financial items		(1.2)	(1.6)	16.3	(2.8)	17.9	(33.3)
<b>Net financial items</b>		<b>(11.9)</b>	<b>(12.4)</b>	<b>4.6</b>	<b>(24.3)</b>	<b>(4.3)</b>	<b>(77.7)</b>
<b>Profit before taxes</b>		<b>67.8</b>	<b>27.6</b>	<b>51.4</b>	<b>95.4</b>	<b>80.0</b>	<b>140.9</b>
Taxes		1.9	(0.8)	(8.3)	1.1	(10.6)	(13.7)
<b>Net profit</b>		<b>69.7</b>	<b>26.8</b>	<b>43.1</b>	<b>96.5</b>	<b>69.4</b>	<b>127.2</b>
<b>Earnings per share</b>		<b>0.31</b>	<b>0.12</b>	<b>0.19</b>	<b>0.43</b>	<b>0.31</b>	<b>0.57</b>
<b>Diluted earnings per share</b>		<b>0.31</b>	<b>0.12</b>	<b>0.19</b>	<b>0.43</b>	<b>0.31</b>	<b>0.57</b>

## STATEMENT OF COMPREHENSIVE INCOME

(Unaudited figures in USD million)		Q2 10	Q1 10	Q2 09	1H 10	1H 09	2009
<b>Net profit for the period</b>		<b>69.7</b>	<b>26.8</b>	<b>43.1</b>	<b>96.5</b>	<b>69.4</b>	<b>127.2</b>
Foreign currency translation		4.3	2.0	(2.1)	6.3	(7.1)	(13.6)
Revaluation hedging instruments		(0.3)	(1.2)	12.0	(1.5)	6.0	8.5
Revaluation shares	3	(11.4)	8.5	8.2	(2.9)	8.2	68.5
<b>Other comprehensive income</b>		<b>(7.4)</b>	<b>9.3</b>	<b>18.1</b>	<b>1.9</b>	<b>7.1</b>	<b>63.4</b>
<b>Comprehensive income</b>		<b>62.3</b>	<b>36.1</b>	<b>61.2</b>	<b>98.4</b>	<b>76.5</b>	<b>190.6</b>

## BALANCE SHEET

(Unaudited figures in USD million)		30.06.10	31.03.10	31.12.09	30.06.09
Goodwill		226.7	226.7	226.7	226.7
Rigs		902.9	908.4	913.5	916.3
Other non-current assets		4.5	4.6	4.9	5.0
<b>Total non-current assets</b>		<b>1 134.1</b>	<b>1 139.7</b>	<b>1 145.1</b>	<b>1 148.0</b>
Cash and deposits		89.6	99.5	88.5	127.3
Other current assets	3	140.4	113.4	121.9	112.6
<b>Total current assets</b>		<b>230.0</b>	<b>212.9</b>	<b>210.4</b>	<b>239.9</b>
<b>Total assets</b>		<b>1 364.1</b>	<b>1 352.6</b>	<b>1 355.5</b>	<b>1 387.9</b>
Share capital		63.9	63.9	63.9	63.9
Other equity		278.4	236.1	200.0	126.6
<b>Total equity</b>		<b>342.3</b>	<b>300.0</b>	<b>263.9</b>	<b>190.5</b>
Interest-free long-term liabilities		108.3	100.9	100.4	107.8
Interest-bearing long-term debt		807.0	873.6	876.6	870.0
<b>Total long-term liabilities</b>		<b>915.3</b>	<b>974.5</b>	<b>977.0</b>	<b>977.8</b>
Other interest-free current liabilities		56.5	78.1	76.1	85.2
Current portion of long-term debt		50.0	0.0	38.5	134.4
<b>Total current liabilities</b>		<b>106.5</b>	<b>78.1</b>	<b>114.6</b>	<b>219.6</b>
<b>Total equity and liabilities</b>		<b>1 364.1</b>	<b>1 352.6</b>	<b>1 355.5</b>	<b>1 387.9</b>

## CASH FLOW STATEMENT

(Unaudited figures in USD million)	Q2 10	Q1 10	Q2 09	1H 10	1H 09	2009
Profit before taxes	67.8	27.6	51.4	95.4	80.0	140.9
Unrealised currency (gain)/loss on debt	(7.2)	(2.9)	2.9	(10.1)	5.7	6.7
Depreciation	15.4	15.4	12.9	30.8	25.7	55.7
Financial income	0.0	(0.1)	(0.1)	(0.1)	(0.3)	(0.4)
Financial costs	10.7	10.9	11.8	21.6	22.5	44.8
Change in working capital	(48.6)	10.5	(26.7)	(38.1)	(10.7)	39.4
Other items from operating activities	2.5	8.4	0.5	10.9	(3.6)	(26.3)
<b>Net cash flow from operating activities</b>	<b>40.6</b>	<b>69.8</b>	<b>52.7</b>	<b>110.4</b>	<b>119.3</b>	<b>260.8</b>
Acquisition of tangible assets	(9.8)	(10.0)	(45.8)	(19.8)	(114.8)	(141.9)
Interests received	0.0	0.1	0.1	0.1	0.3	0.4
<b>Net cash flow from investing activities</b>	<b>(9.8)</b>	<b>(9.9)</b>	<b>(45.7)</b>	<b>(19.7)</b>	<b>(114.5)</b>	<b>(141.5)</b>
Proceeds from new interest-bearing debt	0.0	30.0	20.0	30.0	40.0	133.5
Repayment of interest-bearing debt	(10.0)	(68.0)	0.0	(78.0)	0.0	(183.8)
Dividends paid	(20.0)	0.0	(10.6)	(20.0)	(10.6)	(51.3)
Interests paid	(10.7)	(10.9)	(11.8)	(21.6)	(22.5)	(44.8)
<b>Net cash flow from financing activities</b>	<b>(40.7)</b>	<b>(48.9)</b>	<b>(2.4)</b>	<b>(89.6)</b>	<b>6.9</b>	<b>(146.4)</b>
<b>Net cash flow</b>	<b>(9.9)</b>	<b>11.0</b>	<b>4.6</b>	<b>1.1</b>	<b>11.7</b>	<b>(27.1)</b>
Cash and deposits at beginning of period	99.5	88.5	122.7	88.5	115.6	115.6
<b>Cash and deposits at end of period</b>	<b>89.6</b>	<b>99.5</b>	<b>127.3</b>	<b>89.6</b>	<b>127.3</b>	<b>88.5</b>

## STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)	Q2 10	Q1 10	Q2 09	1H 10	1H 09	2009
Equity at beginning of period	300.0	263.9	139.9	263.9	124.6	124.6
Comprehensive income for the period	62.3	36.1	61.2	98.4	76.5	190.6
Dividends	(20.0)	0.0	(10.6)	(20.0)	(10.6)	(51.3)
<b>Equity at end of period</b>	<b>342.3</b>	<b>300.0</b>	<b>190.5</b>	<b>342.3</b>	<b>190.5</b>	<b>263.9</b>

## NOTES TO THE INTERIM ACCOUNTS

### NOTE 1: GENERAL INFORMATION

Prosafe SE is a public limited company domiciled in Larnaca, Cyprus. Prosafe SE is listed on the Oslo Stock Exchange with ticker code PRS. The consolidated financial statements for the second quarter of 2010 were authorised for issue in accordance with a resolution of the board of directors on 25 August 2010. The accounting figures are unaudited.

### NOTE 2: ACCOUNTING PRINCIPLES

This interim financial report has been prepared in accordance with International Financial Reporting Standards (IFRS), including IAS 34 Interim Financial Reporting. The accounting principles adopted are consistent with those of the previous financial year.

### NOTE 3: SHARES IN PROSAFE PRODUCTION PUBLIC LIMITED

As at 30 June 2010 the company owned 25 375 142 shares in Prosafe Production Public Limited corresponding to 9.94 per cent of the shares. As at 30 June 2010 the shares are valued at the share price prevailing on this date, NOK 13.25, and the unrealised loss has been taken directly to equity. The shares are included under 'other current assets' in the balance sheet.

KEY FIGURES	Q2 10	Q1 10	Q2 09	1H 10	1H 09	2009
Operating margin	57.2 %	45.8 %	54.5 %	52.8 %	50.3 %	54.9 %
Equity ratio	25.1 %	22.2 %	13.7 %	25.1 %	13.7 %	19.5 %
Return on equity	92.0 %	38.0 %	104.4 %	63.7 %	88.1 %	87.3 %
Net interest bearing debt (USD million)	767.4	774.1	877.1	767.4	877.1	826.6
Number of shares (1 000)	229 937	229 937	229 937	229 937	229 937	229 937
Average no. of outstanding shares (1 000)	222 942	222 942	222 935	222 942	222 935	222 935
USD/NOK exchange rate at end of period	6.50	5.98	6.38	6.50	6.38	5.78
Share price (NOK)	26.20	31.19	32.20	26.20	32.20	36.85
Share price (USD)	4.03	5.22	5.05	4.03	5.05	6.38
Market capitalisation (NOK million)	6 024	7 172	7 404	6 024	7 404	8 473
Market capitalisation (USD million)	927	1 199	1 160	927	1 160	1 466

#### NOTES TO KEY FIGURES

Operating margin = (Operating profit / Operating revenues) \* 100

Equity ratio = (Equity / Total assets) \* 100

Return on equity = Annualised [Net profit / Average book equity]

Net interest-bearing debt = Interest-bearing debt - Cash and deposits

#### SHAREHOLDERS AS AT 12.08.2010 No. of shares Ownership

Folketrygdfondet	18 495 735	8.0 %
Pareto	14 185 887	6.2 %
KAS Depository Trust (nom.)	9 709 606	4.2 %
State Street Bank & Trust (nom.)	8 349 905	3.6 %
Brown Brothers Harriman	8 126 154	3.5 %
Clearstream Banking (nom.)	7 709 822	3.4 %
Prosafe SE	6 994 355	3.0 %
JP Morgan Chase Bank (nom.)	5 510 275	2.4 %
Odin	5 479 800	2.4 %
DnBNOR	5 017 220	2.2 %
<b>Total 10 largest</b>	<b>89 578 759</b>	<b>39.0 %</b>

Total no. of shares: 229 936 790