



## SECOND QUARTER AND FIRST HALF REPORT 2014

### Financials

*(Figures in brackets refer to the corresponding period of 2013)*

#### Second quarter

Utilisation of the vessel fleet was 84 per cent (84 per cent) in the second quarter. Operating profit amounted to USD 55.0 million (USD 68.7 million).

Regalia, Safe Concordia, Safe Lancia, Jasminia, Safe Hibernia, Safe Britannia and Safe Regency were in full operation throughout the quarter.

The existing contract with Petrobras for Safe Concordia was completed on 10 June, and was immediately followed by a further three-year extension. The average effective day rate for the quarter was approximately USD 148 000.

Safe Caledonia underwent preparatory work at Burntisland in the UK before mobilising for the contract with Nexen in the UK. The contract commenced on 3 June, and the vessel was in full operation throughout the remainder of June.

Regalia was in full operation for Statoil in Norway throughout the second quarter.

Safe Scandinavia commenced the contract with Statoil in Norway on 28 April, and Safe Bristolina started on the contract with ConocoPhillips in the UK on 1 May.

Safe Astoria completed its operation for Swiber in Indonesia on 15 May, and then moved to the yard in Batam for preparation for the contract with Shell at Malampaya in August. The vessel earned a de-mobilisation day rate until it arrived in Batam on 20 May.

Net financial costs were reduced to USD 9.2 million (USD 12.5 million). This change is mainly due to an unrealised gain on the NOK bond loans, which was partly offset by a change in fair value of currency forwards.

Net profit amounted to USD 42.1 million (USD 54.9 million), corresponding to diluted earnings per share of USD 0.18 (USD 0.24).

Total assets at 30 June amounted to USD 1 689.9 million (USD 1 502.9 million), while the book equity ratio declined to 41 per cent (44 per cent). Net interest-bearing debt stood at USD 799 million (USD 651 million).

### **New builds and projects**

The new build projects are progressing well and cost forecasts remain as previously communicated.

Delivery of Safe Boreas, which is being constructed at Jurong Shipyard in Singapore, is scheduled for the fourth quarter of this year. This gives adequate time for mobilisation for the first contract commencing in April/May 2015. Its sister vessel Safe Zephyrus will be ready for operations in the North Sea during the summer of 2015.

Construction of the Safe Notos and Safe Eurus at COSCO Quidong in China is progressing as planned. As a result the vessels should be ready for operations during the first and second half of 2016 respectively.

## **Outlook**

Prosafe has seen a strong contract inflow over the past 18 months. As at 30 June 2014 the value of the contract backlog amounted to USD 1.5 billion - USD 2.2 billion including clients' extension options.

There are signs that we are entering a period of more uncertainty related to demand for offshore oil services. Several oil companies have signalled reduced E&P spending going forward and have introduced cost reduction programmes. In Prosafe's core markets, this development is most visible in the North Sea region, where there is a lower activity level and fewer tenders and enquiries from clients than in the last three year period.

Despite this, the long-term drivers for demand in the North Sea market remain intact. An aging infrastructure requiring maintenance and modifications combined with the prospects for further field developments and related hook-up and commissioning jobs, continues to result in a positive long-term outlook for this market.

In Mexico demand remains robust. The level of activity in shallow water is high, evidenced by an increased number of drilling jack-ups under contract in the area. Most of the accommodation vessels in Mexico are currently working in the Cantarell area, with significant potential for future assignments in other shallow water areas.

In the long-term there may also develop a need for accommodation vessels in the deep water areas of Mexico. The recently introduced energy reform is expected to spur deepwater exploration, which in due course should result in demand related to hook-up and commissioning projects and, ultimately, maintenance and modification work.

There has been a strong growth in demand in the Brazilian market. This has attracted a number of new suppliers, which has resulted in a fragmented market with strong competition and only a moderate growth in day rates. The outlook for further increased demand in Brazil is positive and there are several potential contracts that could be tendered in the coming months and quarters.

In recent years there has been a strong growth in the worldwide fleet of semi-submersible accommodation vessels. This growth is comprised of vessels of different qualities and designs, ranging from high-end Norway compliant vessels to low-end converted units for benign waters. The impact of this supply growth is most visible in markets with lower entry barriers, such as Brazil, as opposed to markets with higher entry barriers, such as the North Sea. Prosafe is one of only two vessel owners, which have successfully brought in new capacity to the North Sea, compared to eight different companies that have entered the Brazilian market during the past four years.

In summary, the general activity level in the worldwide offshore accommodation market is now lower than experienced one to two years ago. The announcement of budget cuts by oil companies has inevitably resulted in increased uncertainty related to demand over the next couple of years, particularly in the North Sea market. This temporary setback will also force a stronger cost focus within the oil services industry. However, the positive long-term demand outlook remains unaffected with prospects of increasing need for offshore accommodation services related to maintenance and upgrades of an aging production infrastructure, hook-up and commissioning of new facilities and decommissioning of old fields.

## **Dividend**

On 20 August 2014 the Board of Directors resolved to declare an interim dividend equivalent to USD 0.16 per share to shareholders of record as of 29 August 2014.

The shares will trade ex-dividend on 27 August 2014. The dividend will be paid in the form of NOK 0.98 per share on 10 September 2014.

In light of the acknowledged weakened mid term market the Board of Directors will consider temporary reductions in dividend payments.

### **Risk**

Prosafe's key risks are described in detail in the Directors' Report as set out in the Annual Report 2013 and include Prosafe's main operational risks i.e. day rate level and utilisation rate of the accommodation vessels. The company's results also depend on operating costs, interest expenses and exchange rates.

### **Statement from the Board, the CEO and the CFO**

We confirm that, to the best of our knowledge, the financial statements for the first half year of 2014, 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 profit or loss of the company, 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 and Cyprus Transparency Requirements Law No:190(1) 2007 section 10.

Larnaca, 20 August 2014

Ronny J Langeland  
*Chairman*

Christian Brinch

Roger Cornish

Carine Smith Ihenacho

Nancy Erotocritou

Tasos Ziziros

Karl R Klungtvedt  
*CEO*  
*Prosafe Management AS*

Sven Børre Larsen  
*CFO*  
*Prosafe Management AS*

## CONSOLIDATED INCOME STATEMENT

(Unaudited figures in USD million)	Q2 14	Q1 14	Q2 13	6M 14	6M 13	2013
Operating revenues	133.4	91.7	143.5	225.1	229.3	523.5
Operating expenses	(62.4)	(53.6)	(60.3)	(116.0)	(112.7)	(216.9)
<b>EBITDA</b>	<b>71.0</b>	<b>38.1</b>	<b>83.2</b>	<b>109.1</b>	<b>116.6</b>	<b>306.6</b>
Depreciation	(16.0)	(15.2)	(14.5)	(31.2)	(28.9)	(61.5)
<b>Operating profit</b>	<b>55.0</b>	<b>22.9</b>	<b>68.7</b>	<b>77.9</b>	<b>87.7</b>	<b>245.1</b>
Interest income	0.0	0.1	0.3	0.1	0.8	1.3
Interest expenses	(8.8)	(8.3)	(8.4)	(17.1)	(17.4)	(34.2)
Other financial items	(1.2)	4.2	(4.4)	3.0	(14.5)	(8.5)
<b>Net financial items</b>	<b>(10.0)</b>	<b>(4.0)</b>	<b>(12.5)</b>	<b>(14.0)</b>	<b>(31.1)</b>	<b>(41.4)</b>
<b>Profit before taxes</b>	<b>45.0</b>	<b>18.9</b>	<b>56.2</b>	<b>63.9</b>	<b>56.6</b>	<b>203.7</b>
Taxes	(2.9)	(0.6)	(1.3)	(3.5)	(2.4)	(4.6)
<b>Net profit</b>	<b>42.1</b>	<b>18.3</b>	<b>54.9</b>	<b>60.4</b>	<b>54.2</b>	<b>199.1</b>
<b>EPS</b>	<b>0.18</b>	<b>0.08</b>	<b>0.24</b>	<b>0.26</b>	<b>0.24</b>	<b>0.85</b>
<b>Diluted EPS</b>	<b>0.18</b>	<b>0.08</b>	<b>0.24</b>	<b>0.26</b>	<b>0.24</b>	<b>0.85</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited figures in USD million)	Q2 14	Q1 14	Q2 13	6M 14	6M 13	2013
<b>Net profit for the period</b>	<b>42.1</b>	<b>18.3</b>	<b>54.9</b>	<b>60.4</b>	<b>54.2</b>	<b>199.1</b>
Foreign currency translation	0.7	(6.5)	0.8	(5.8)	0.8	(0.4)
Revaluation hedging instruments	(16.0)	(12.2)	27.5	(28.2)	28.9	35.4
<b>Other comprehensive income</b>	<b>(15.3)</b>	<b>(18.7)</b>	<b>28.3</b>	<b>(34.0)</b>	<b>29.7</b>	<b>35.0</b>
<b>Comprehensive income</b>	<b>26.8</b>	<b>(0.4)</b>	<b>83.2</b>	<b>26.4</b>	<b>83.9</b>	<b>234.1</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	30.06.14	31.03.14	31.12.13	30.06.13
Goodwill	226.7	226.7	226.7	226.7
Vessels	995.8	981.3	946.9	926.6
New builds	275.6	260.3	248.9	148.6
Other non-current assets	5.1	5.1	4.9	18.3
<b>Total non-current assets</b>	<b>1 503.2</b>	<b>1 473.4</b>	<b>1 427.4</b>	<b>1 320.2</b>
Cash and deposits	77.4	57.6	113.4	78.5
Other current assets	109.3	66.4	79.1	104.2
<b>Total current assets</b>	<b>186.7</b>	<b>124.0</b>	<b>192.5</b>	<b>182.7</b>
<b>Total assets</b>	<b>1 689.9</b>	<b>1 597.4</b>	<b>1 619.9</b>	<b>1 502.9</b>
Share capital	65.9	65.9	65.9	65.9
Other equity	624.7	635.6	673.8	594.7
<b>Total equity</b>	<b>690.6</b>	<b>701.5</b>	<b>739.7</b>	<b>660.6</b>
Interest-free long-term liabilities	53.1	37.8	25.1	36.0
Interest-bearing long-term debt	876.6	786.5	779.6	695.9
<b>Total long-term liabilities</b>	<b>929.7</b>	<b>824.3</b>	<b>804.7</b>	<b>731.9</b>
Other interest-free current liabilities	69.6	71.6	75.5	76.5
Current portion of long-term debt	0.0	0.0	0.0	33.9
<b>Total current liabilities</b>	<b>69.6</b>	<b>71.6</b>	<b>75.5</b>	<b>110.4</b>
<b>Total equity and liabilities</b>	<b>1 689.9</b>	<b>1 597.4</b>	<b>1 619.9</b>	<b>1 502.9</b>

## CONSOLIDATED CASH FLOW STATEMENT

(Unaudited figures in USD million)	Q2 14	Q1 14	Q2 13	6M 14	6M 13	2013
Profit before taxes	45.0	18.9	56.2	63.9	56.6	203.7
Unrealised currency (gain)/loss on debt	(9.9)	5.9	(9.8)	(4.0)	(23.6)	(27.1)
Loss on sale of non-current assets	0.0	0.0	0.0	0.0	0.0	2.4
Depreciation	16.0	15.2	14.5	31.2	28.9	61.5
Financial income	0.0	(0.1)	(0.3)	(0.1)	(0.8)	(1.3)
Financial costs	8.8	8.3	8.4	17.1	17.4	34.2
Change in working capital	(44.9)	8.8	(57.8)	(36.1)	(18.3)	5.8
Other items from operating activities	(2.9)	(6.6)	(1.3)	(9.5)	(3.5)	(11.3)
<b>Net cash flow from operating activities</b>	<b>12.1</b>	<b>50.4</b>	<b>9.9</b>	<b>62.5</b>	<b>56.7</b>	<b>267.9</b>
Acquisition of tangible assets	(45.8)	(61.2)	(21.2)	(107.0)	(71.8)	(227.2)
Proceeds from sale of tangible assets	0.0	0.0	1.8	0.0	3.2	16.4
Interests received	0.0	0.1	0.3	0.1	0.8	1.3
<b>Net cash flow from investing activities</b>	<b>(45.8)</b>	<b>(61.1)</b>	<b>(19.1)</b>	<b>(106.9)</b>	<b>(67.8)</b>	<b>(209.5)</b>
Proceeds from new interest-bearing debt	100.0	70.0	50.0	170.0	170.8	404.1
Repayment of interest-bearing debt	0.0	(69.0)	0.0	(69.0)	(227.8)	(407.8)
New share issue	0.0	0.0	0.0	0.0	129.2	128.9
Dividends paid	(37.7)	(37.8)	(35.4)	(75.5)	(68.8)	(139.6)
Interests paid	(8.8)	(8.3)	(8.4)	(17.1)	(17.4)	(34.2)
<b>Net cash flow from financing activities</b>	<b>53.5</b>	<b>(45.1)</b>	<b>6.2</b>	<b>8.4</b>	<b>(14.0)</b>	<b>(48.6)</b>
<b>Net cash flow</b>	<b>19.8</b>	<b>(55.8)</b>	<b>(3.0)</b>	<b>(36.0)</b>	<b>(25.1)</b>	<b>9.8</b>
Cash and deposits at beginning of period	57.6	113.4	81.5	113.4	103.6	103.6
<b>Cash and deposits at end of period</b>	<b>77.4</b>	<b>57.6</b>	<b>78.5</b>	<b>77.4</b>	<b>78.5</b>	<b>113.4</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)	Q2 14	Q1 14	Q2 13	6M 14	6M 13	2013
Equity at beginning of period	701.5	739.7	612.8	739.7	516.3	516.3
New share issue	0.0	0.0	0.0	0.0	129.2	128.9
Comprehensive income for the period	26.8	(0.4)	83.2	26.4	83.9	234.1
Dividends	(37.7)	(37.8)	(35.4)	(75.5)	(68.8)	(139.6)
<b>Equity at end of period</b>	<b>690.6</b>	<b>701.5</b>	<b>660.6</b>	<b>690.6</b>	<b>660.6</b>	<b>739.7</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 2014 were authorised for issue in accordance with a resolution of the board of directors on 20 August 2014. 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: NEW BUILDS

In November 2013, Prosafe completed firm turnkey contracts with COSCO (Qidong) Offshore Co., Ltd. for the engineering, procurement and construction of two semi-submersible accommodation vessels, with options for four further units. The vessels will be the most advanced and flexible units for worldwide operations excluding Norway, and will be ready for operations in 2016. The units will be of Gusto MSC's Ocean 500 design, and will be equipped with 500 beds, DP3 station keeping systems, 10-point chain mooring and 300 tonne cranes. This will allow for operations in both DP and anchored mode, providing maximum cost efficiency and flexibility. The contracts are in excess of USD 200 million for each of the two vessels. The vessels will be financed through cash flow from operations, existing debt commitments and new debt facilities. In addition, Prosafe has currently two vessels under construction at Jurong Shipyard in Singapore.

KEY FIGURES	Q2 14	Q1 14	Q2 13	6M 14	6M 13	2013
Operating margin	41.2 %	25.0 %	47.9 %	34.6 %	38.2 %	46.8 %
Equity ratio	40.9 %	43.9 %	44.0 %	40.9 %	44.0 %	45.7 %
Return on equity	24.2 %	10.2 %	34.5 %	16.9 %	18.4 %	31.7 %
Net interest bearing debt (USD million)	799.2	728.9	651.3	799.2	651.3	666.2
Number of shares (1 000)	235 973	235 973	235 973	235 973	235 973	235 973
Average no. of outstanding shares (1 000)	235 973	235 973	235 973	235 973	230 371	233 806
USD/NOK exchange rate at end of period	6.15	5.99	5.90	6.15	5.90	6.08
Share price (NOK)	50.60	47.98	53.35	50.60	53.35	46.80
Share price (USD)	8.23	8.01	9.04	8.23	9.04	7.70
Market capitalisation (NOK million)	11 940	11 322	12 589	11 940	12 589	11 044
Market capitalisation (USD million)	1 942	1 890	2 134	1 942	2 134	1 816

#### 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