



FLOATEL
INTERNATIONAL

INTERIM REPORT



Q2-2011



Q2 - 2011

Floatel International Ltd

Hamilton – 19 August 2011 – Floatel International Ltd (“Floatel”) presents its consolidated financial statements for the second quarter of the financial year 2011.

Period highlights:

- On 1 April 2011 Statoil exercised its option to extend the present contract on the Floatel Superior, which commenced on 5 May 2011, from a 5 to a 19 months firm period. Statoil retains an option to extend this period by an additional 3 months. Floatel Superior is now on firm contracts with Statoil until December 2012 and again from May 2013 through October 2013. In addition, Statoil has the option to modify its current contracts into a 28 months continuous firm period from May 2011, which would eliminate any offhire between the two current contracts. This option to be declared latest 31 October 2011.
- The company’s second accommodation vessel, Floatel Reliance, was continuously employed by Petrobras. Floatel Reliance began its five-year charter with Petrobras in February 2011.
- Total firm contract backlog for the company as of 1 July 2011 is approximately USD 416 million (excluding options).
- On 10 June the Company signed an agreement with Keppel FELS Limited (Keppel FELS) to build a new generation DP 3 accommodation semisubmersible (semi) for delivery in 1Q 2014, on a ‘Turnkey’ basis. The SSAU4000NG design is an enhancement of the proven SSAUTM 3600 design used for the Floatel Reliance. When completed, the Floatel Victory will meet all UK HSE requirements to work in the UK sector of the North Sea. Potential operational areas also include the Gulf of Mexico, Brazil, West Africa and Western Australia.
- Revenues for the second quarter 2011 came to USD 33.4 million (18.5 for comparable period in 2010).
- EBITDA amounted to USD 16.9 million (15.4).
- The net income for the reporting period was USD 5.7 million (9.5).
- Total assets at 30 June amounted to USD 653.4 million (579.7).
- Cash and cash equivalents at 30 June was USD 34.1 million (31.0).
- The total book equity at 30 June amounted to USD 227.5 million (182.7).



Summary of business activities during the second quarter of 2011

Floatel Superior

Floatel Superior was on standby rate for Talisman Energy Norge AS waiting on weather from early December 2010 until 1 April 2011. As Floatel Superior was contracted to commence operation for Statoil on site early May 2011, Talisman then had to cancel the contract for Floatel Superior.

On 1 April Statoil exercised the option to extend the charter period for Floatel Superior, and the vessel is now on firm contracts for Statoil from May 2011 until December 2012 and from May 2013 through October 2013. In addition Statoil has the option to modify its current contracts into a 28 months continuous firm period from May 2011, which would eliminate any offhire between the two current contracts. This option to be declared latest 31 October 2011.

Floatel Superior started its mobilization for Statoil at the end of April and commenced the charter on 5 May.



Floatel Superior alongside Oseberg, West coast Norway

Floatel Reliance

Floatel Reliance left the standby location in Guanabara Bay late January and the final acceptance tests in the field alongside Cherne 1 production platform was completed on 4 February 2011 whereby Floatel Reliance went on full hire and commenced the five year charter for Petrobras.



Floatel Reliance alongside Cherne 1, Campos Basin

New building 3 – Floatel Victory

On 10 June 2011 Floatel International Ltd signed an agreement with Keppel FELS Limited (Keppel FELS) to build a new generation accommodation semisubmersible (semi) for delivery in 1Q 2014, on a 'Turnkey' basis. The total project price will be USD 283 million including project management, contingencies, spare parts, financing costs and pre operation costs. The new building will be named Floatel Victory.

The new unit will be built to the SSAU4000NG design developed by Keppel Offshore & Marine's Deepwater Technology Group, incorporating Dynamic Positioning (DP) 3 capability and will be North Sea compliant. Floatel Victory is an enhancement of the proven SSAUTM 3600 design used for the Floatel Reliance, with improved capabilities and, therefore, an ability to operate in additional geographies. It will meet all UK HSE requirements to work in the UK sector of the North Sea as well as in the Gulf of Mexico, Brazil, West Africa and Western Australia.

Equipped with state of the art accommodation and recreational facilities, Floatel Victory provides increased comfort for the 500 persons it can accommodate in one-man and two-man cabins.

Construction contract with Keppel FELS includes attractive payment terms in today's



market, whereby payment milestones are defined in 4 parts: (1) 2% paid in June 2011, (2) 18% within Oct 2011, (3) 20% in Dec 2012 and final installment on delivery early 2014. Milestone number (3) can be deferred up to delivery at 8% interest. The construction contract will be novated into a single purpose subsidiary, and following payment of milestones 1 and 2, the remaining payment obligations are with no recourse to the parent company.

Full yard site team will be established next coming months for construction follow up.

Financial development

Revenues and operating results for the second quarter 2011

Consolidated revenues for the second quarter amounted to USD 33.4 million (18.5 in Q2 2010). The operating expenses amounted to USD -16.4 million (-3.1) and includes standby/mobilization costs for Floatel Superior. EBITDA for the quarter came to USD 16.9 million (15.4). Net financial items were USD -6.9 million (-3.4). The net income for the second quarter was USD 5.7 million (9.5). Fair value adjustment of financial instruments came to USD -3.8 million (-3.0).

Revenues and operating results year-to-date 2011

Consolidated revenues for the first six months came to USD 53.5 million (22.6 year-to-date 2010). The total operating expenses amounted to USD -31.4 million (-3.9). EBITDA for the period came to USD 22.1 million (18.7). Net financial items were USD -13.5 million (-4.0). The net income for the period was USD -0.2 million (11.9).

The current backlog based on committed work was at the end of reporting period approximately USD 416 million (excluding options).

Balance sheet

Total assets at 30 June amounted to USD 653.4 million (579.7). Total non-current assets amounts to USD 592.0 million (545.0). During the second quarter, USD 1.1 million has been capitalized on Floatel Superior and relates to required client upgrades. On Floatel Victory, an amount of USD 12.9 million has been capitalized.

Trade receivables were USD 10.3 million (3.4). The Group's cash and bank reserves by the end of the reporting period amounted to USD 34.1 million (31.0) whereof USD 15.6 million is restricted under the Superior and Reliance loan agreements.

The total book equity at 30 June amounted to USD 227.5 million (182.7).

Total interest-bearing debt amounted to USD 378.5 million. In the reported total interest-bearing debt, prepaid loan arrangement fees of USD 7.3 million are included. The fees will be expensed over the loan terms. Net interest-bearing debt as of 30 June amounted to USD 337.1 million.

Financing

Management and the board are currently working with its existing lenders as well as with new potential lenders to explore the possibility to refinance existing debt and bond facilities and at the same time secure full financing for the new building.

The possibility to raise equity and/or subordinated debt in the range of USD 50-70 million, together with other possibilities to secure payment to the yard for the second instalment, are also being explored.

Organization

Mr Geir Sandvik replaced Erland Bassøe as chairman of the company from 16 June. New members of the board are Mr Quinn Fanning and Mr Edmund Mah. On 1 September Mr Per



Sølvberg will start as CFO for Floatel International AB.

Market outlook

The worldwide semi submersible accommodation fleet's utilization in 2010 was 85% on average. With Petrobras contracting two semi submersible accommodation vessels on long term charter, the present utilisation for 2011 is standing at approximately 88% and may increase further due to that a number of outstanding projects are yet to be awarded for work in 2011.

Looking further forward, 81% of the fleet capacity is already committed for 2012 and 36% in 2013. As a consequence of limited capacity, a number of operators have accelerated bidding and contracting plans in order to secure the presently limited amounts of capacity. Several clients are presently in the market for work commencing 2014 and beyond, both for opportunities in the North Sea region and other areas.

Because total capacity has also been reduced by one unit, we believe that the semi submersible accommodation market will remain tight, with close to full utilisation of the fleet for the next 5 years.

With the number of outstanding enquiries yet to be awarded and an increased activity level globally, we expect that the future rate levels for semi submersible accommodation vessels will continue to increase as a consequence of stable, and possibly increasing, demand and supply that is essentially fixed for the near- to intermediate-term.

Significant events after the end of the reporting period

In July Floatel Reliance suffered eight days downtime related to cooling system malfunction. The problem was rectified and additional spare parts were procured.

On or about 19 August 2011 Floatel International Ltd expects to enter into an amalgamation agreement with Aqua Pellentesque Ltd, a company controlled by a majority of existing shareholders in Floatel International Ltd. On or about 5 September a special general meeting is expected to be held for the shareholder's approval of the amalgamation agreement. The shareholders will receive a cash compensation of NOK 19.50 per share. For further information please visit www.floatel.bm

Hamilton – 19 August 2011
The Board of Directors of Floatel International Ltd.

This interim report has not been subjected to a separate examination by the Company's auditors.

Consolidated Income Statements (in USD Thousands)

	Q2 - 2011 *	Q2 - 2010 *	2010	6M - 2011 *	6M - 2010 *
Operating revenues	33 391	18 513	25 940	53 530	22 635
Operating expenses	-16 449	-3 136	-22 982	-31 447	-3 914
EBITDA	16 942	15 377	2 958	22 083	18 721
Depreciation and amortization	-4 254	-2 480	-9 056	-8 501	-2 837
Operating profit - EBIT	12 688	12 897	-6 098	13 582	15 884
Interest income	14	3	24	23	10
Interest expenses	-7 094	-3 354	-15 192	-13 282	-3 870
Other financial items	190	-65	124	-221	-113
Net financial items	-6 890	-3 416	-15 044	-13 480	-3 973
Income/(loss) before taxes	5 798	9 481	-21 142	102	11 911
Taxes	-93	-4	154	-340	-15
Net income/(loss)	5 705	9 477	-20 988	-238	11 896
Earnings per share, basic (USD)	0,06	0,20	-0,37	0,00	0,25
Earnings per share, diluted (USD)	0,06	0,16	-0,37	0,00	0,20

* Unaudited

Consolidated Statement of Comprehensive Income (in USD Thousands)

	Q2 - 2011 *	Q2 - 2010 *	2010	6M - 2011 *	6M - 2010 *
Net income/(loss)	5 705	9 477	-20 988	-238	11 896
Foreign currency translation	62	-11	13	115	-12
Fair value adjustment of financial instruments	-3 756	-3 017	-4 046	-2 622	-5 060
Other comprehensive income	-3 694	-3 028	-4 033	-2 507	-5 072
Comprehensive income	2 011	6 449	-25 021	-2 745	6 824

* Unaudited

Consolidated Balance Sheets (in USD Thousands)

	2011-06-30 *	2010-06-30 *	2010-12-31	2009-12-31
Vessels	579 037	344 724	584 127	0
Vessels under construction	12 854	200 274	0	443 197
Other fixed assets	<u>131</u>	<u>32</u>	<u>28</u>	<u>43</u>
Total non-current assets	592 022	545 030	584 155	443 240
Trade receivables	10 310	3 419	2 158	120
Other current receivables	16 969	204	2 653	133
Cash and cash equivalents	<u>34 074</u>	<u>31 032</u>	<u>48 737</u>	<u>19 914</u>
Total current assets	61 353	34 655	53 548	20 167
Total assets	<u>653 375</u>	<u>579 685</u>	<u>637 703</u>	<u>463 407</u>
Share capital	1 933	957	1 933	957
Share premium	253 773	177 249	253 774	177 249
Retained earnings	-27 925	-7 450	-4 205	-2 041
Net income/(loss) for the period	<u>-238</u>	<u>11 896</u>	<u>-20 988</u>	<u>-1 139</u>
Total shareholders' equity	227 543	182 652	230 514	175 026
Interest-bearing debt	<u>354 968</u>	<u>260 000</u>	<u>362 239</u>	<u>201 330</u>
Total non-current liabilities	354 968	260 000	362 239	201 330
Interest-bearing debt	16 250	126 758	12 187	78 468
Other current liabilities	<u>54 614</u>	<u>10 275</u>	<u>32 763</u>	<u>8 583</u>
Total current liabilities	70 864	137 033	44 950	87 051
Total shareholders' equity and liabilities	<u>653 375</u>	<u>579 685</u>	<u>637 703</u>	<u>463 407</u>

* Unaudited

Consolidated Statement of Changes in Equity (in USD Thousands)

	Q2 - 2011 *	Q2 - 2010 *	2010	6M - 2011 *	6M - 2010 *
Equity at the beginning of the period	225 532	175 757	175 026	230 514	175 026
Comprehensive income for the period	2 011	6 449	-25 021	-2 745	6 824
Issue of shares	0	0	59 129	0	0
Issues of shares related to conversion of debt	0	0	18 372	0	0
Other changes	0	446	3 008	-226	802
Equity at the end of the period	227 543	182 652	230 514	227 543	182 652

* Unaudited

Consolidated Cash Flow Statements (in USD Thousands)

	Q2 - 2011 *	Q2 - 2010 *	2010	6M - 2011 *	6M - 2010 *
Cash flow from operating activities					
Net income/(loss)	5 705	9 477	-20 988	-238	11 896
Depreciation & amortization	4 254	2 480	9 056	8 501	2 837
Other adjustments non-cash items	581	435	504	1 083	790
Changes in working capital	6 889	1 159	24 799	893	-1 416
Net cash from operating activities	17 429	13 551	13 371	10 239	14 107
Cash flow from investing activities					
Acquisition of fixed assets	-7 036	-1 103	-121 186	-7 565	-41 276
Interest received	14	3	24	23	10
Net cash from investing activities	-7 022	-1 100	-121 162	-7 542	-41 266
Cash flow from financing activities					
Proceeds from issuance of shares	0	0	59 129	0	0
Repayment of debt	-4 062	0	-145 148	-4 062	0
Proceeds from debt	0	0	252 000	0	47 000
Interest paid	-4 278	-5 332	-29 367	-13 298	-8 723
Net cash from financing activities	-8 340	-5 332	136 614	-17 360	38 277
Net change in cash and cash equivalents	2 067	7 119	28 823	-14 663	11 118
Cash and cash equivalents, opening balance	32 007	23 913	19 914	48 737	19 914
Cash and cash equivalents, closing balance	34 074	31 032	48 737	34 074	31 032

* Unaudited

Key Financials	Q2 - 2011 *	Q2 - 2010 *	2010	6M - 2011 *	6M - 2010 *
EBITDA margin	50,7%	83,1%	11,4%	41,3%	82,7%
Equity ratio	34,8%	31,5%	36,1%	34,8%	31,5%
Net interest-bearing debt	337 144	355 726	325 689	337 144	355 726
Total number of shares **	96 665 289	47 855 607	96 665 289	96 665 289	47 855 607
Average number of shares **	96 665 289	47 855 607	56 325 510	96 665 289	47 855 607
Average number of shares (diluted) **	96 665 289	60 130 170	57 969 183	96 665 289	60 130 170
USD/NOK exchange rate at the end of the	5,39	n/a	5,86	5,39	n/a
Share price (NOK)	14,90	n/a	14,00	14,90	n/a
Share price (USD)	2,76	n/a	2,39	2,76	n/a
Market capitalization (NOK million)	1 440	n/a	1 353	1 440	n/a
Market capitalization (USD million)	267	n/a	231	267	n/a

* Unaudited

** The number of shares have been adjusted to reflect the share consolidation (2:1) in Q4 2010

Notes to Key Financials

EBITDA margin: (EBITDA / Operating revenues)

Equity ratio: (Equity / Total assets)

Net interest-bearing debt: Interest-bearing debt - cash and cash equivalents

Notes to the interim report

1. General

Floatel International Ltd (“the company”) is a limited liability company, incorporated in 2006 under the laws of Bermuda. Floatel International Ltd and its subsidiaries (“the Group”) provide offshore accommodation and construction support services to the global oil and gas industry. The Group currently operates two new built semi submersible accommodation vessels and has ordered its third vessel from Keppel FELS Shipyard in Singapore for delivery in Q1 2014. The Company’s registered office is situated at Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

2. Basis of presentation

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), including IAS 34 Interim Financial Reporting and have been prepared on a going concern basis. These interim financial statements should be read in conjunction with the Company’s financial statements as at 31 December 2010. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

3. Significant accounting policies

The accounting policies adopted in the preparation of the unaudited interim financial statements are consistent with those followed in the preparation of the Company’s annual consolidated financial statements and accompanying notes for the financial year ended 31 December 2010.

4. Forward-looking statements

This report contains forward-looking statements. These statements are based on various assumptions, including the Company management’s examination of historical operating trends.

Factors that, in the Company’s view, could cause actual results to differ materially from the forward-looking statements contained in this report are the following:

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

Shareholders

20 largest shareholders as of 12 August 2011	# of shares	% of shares
WIDELUCK ENTERPRISES LIMITED	30 649 077	31,71%
PROSAFE SE	21 542 568	22,29%
BANK OF NEW YORK MELLON SA/NV	10 241 816	10,60%
BARCLAYS CAPITAL SECURITIE LTD	9 099 680	9,41%
CENIARTH WALES INTERESTS LP	3 586 282	3,71%
HOLDING ACCOUNT	3 121 640	3,23%
JPMORGAN CHASE BANK	2 563 385	2,65%
WIECO INVEST AS	2 226 924	2,30%
CITIGROUP GLOBAL MARKETS INC	1 823 939	1,89%
FLOATEL INVESTORS LTD	1 278 727	1,32%
DEUTSCHE BANK AG LONDON	1 266 057	1,31%
RED ROCK INTERESTS LTD.	833 333	0,86%
PICTET & CIE BANQUIERS	666 666	0,69%
RBC DEXIA INVESTOR SERVICES BANK	600 000	0,62%
CENTRA INVEST AS	400 000	0,41%
PATRONIA AS	341 000	0,35%
LANDKREDITT NORGE	339 200	0,35%
LANE FAMILY 1988 TRUST	326 699	0,34%
GOLDMAN SACHS & CO - EQUITY	317 374	0,33%
JP MORGAN CLEARING CORP.	300 000	0,31%
Total 20 largest shareholders	91 524 367	94,68%

The total number of issued shares in Floatel international Ltd: 96.665.289 (par value USD 0.02).



Floatel International LTD

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Floatel International AB

Johannefredsgatan 4
431 53 Mölndal
Sweden