



> Second quarter 2005

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KEY FINANCIAL FIGURES

(Figures in brackets refer to the corresponding period of 2004)

Prosaf ASA reached agreement on 29 June with KCA Drilling Deutag Norge AS on the sale of the Drilling Services division. This transaction was completed on 1 August and will generate a gain of about USD 80 million, which will be recognised in the third-quarter accounts.

The sale of Drilling Services represents the next step in Prosaf's strategy, and will allow the company to focus its managerial and financial resources on the Floating Production and Offshore Support Services divisions. These resources will be devoted to furthering the development of the positions held by these divisions in fast-growing offshore markets.

Operating profit for the second quarter came to USD 29.2 million (USD 16.6 million), excluding discontinued operations. The main reasons for the improvement are increased fleet utilisation and higher day rates in Offshore Support Services.

Net profit for the second quarter was USD 21.3 million (USD 12.8 million), and diluted earnings per share were USD 0.63 (0.38).

Operating profit for the first half-year amounted to USD 48.1 million (USD 36.1 million). Net profit for the first half was USD 36.0 million (USD 26.8 million), and diluted earnings per share were USD 1.06 (USD 0.79).

Total assets at 30 June amounted to USD 979.0 million (USD 972.4 million), while the equity ratio was 46.7 per cent (44.5 per cent).

The accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), and accord with International Accounting Standard (IAS) 34 for interim reporting. In 2004 and earlier, Prosaf reported in accordance with Norwegian generally-accepted accounting principles (NGAAP). Figures for 2004 have been restated to the IFRS to make them comparable.

The effect on equity and results is shown in connection with the profit and loss account and balance sheet in this report, and in

a separate stock exchange announcement issued on 26 April 2005.

Prosaf has taken advantage of the opportunity to implement IAS 32 and 39 relating to financial instruments with effect from 1 January 2005, so that the comparable figures for 2004 are based on NGAAP. From 1 January 2005, financial instruments are recorded at market value in the balance sheet and the change in value is recognised in the profit and loss account. The positive effect on book equity at the implementation date was USD 1.9 million. A loss of USD 4.6 million from the decreased market value of financial instruments was recognised for the second quarter. The loss for the first half amounted to USD 1.1 million.

Profit from Drilling Services is presented net in the profit and loss account under net profit from discontinued operations. Assets and liabilities relating to discontinued operations are shown separately in the balance sheet. Correspondingly, net cash flow from discontinued operations is presented separately in the cash flow statement.

OFFSHORE SUPPORT SERVICES

Operating profit for the second quarter came to USD 21.1 million (USD 10.4 million). The utilisation ratio for the rig fleet was 95 per cent (86 per cent). In addition to this high utilisation ratio, higher day rates for MSV *Regalia*, *Safe Scandinavia* and *Safe Caledonia* contributed to the improvement.

All five of the rigs working in the Gulf of Mexico were in regular operation throughout the second quarter. *Safe Scandinavia* was on contract off Tunisia until mid-April. Three weeks later, it commenced a contract in the UK sector of the North Sea. MSV *Regalia* and *Safe Caledonia* operated on Visund in the North Sea and on the Bonga field off west Africa respectively throughout the second quarter.

FLOATING PRODUCTION

Operating profit for the second quarter was USD 9.3 million (USD 7.3 million). This improvement mainly reflects upgrading projects for several of the company's FPSOs and lower depreciation for FPSO *Petróleo Nautipa*.

RIG BUSINESS AND TAX

As previously noted in the report for the fourth quarter of 2004 and in the 2004

annual report, European Union guidelines on state aid mean that Prosaf's rig business will no longer qualify for the Norwegian tonnage tax system from 1 January 2006.

The consultative paper issued by the Norwegian Ministry of Finance in March 2005 contained no transitional rules for the companies affected. In connection with the consideration of the revised national budget by the Norwegian Storting (parliament) in June, however, the government was asked to propose transitional rules which ensure that the annual tax burden for the companies concerned does not become unreasonably large, and that their equity is not unreasonably weakened in the transitional years. The transitional rules will be announced in connection with the presentation of the national budget for 2006 in November.

PROSPECTS

During 2005, **Offshore Support Services** has won a contract for MSV *Regalia* worth USD 6.5 million and another for *Safe Caledonia* worth USD 9.9 million. This has secured a fleet utilisation of 90 per cent for 2005, 86 per cent in 2006, 62 per cent in 2007 and 34 per cent in 2008.

The contract portfolio comprises a mix of long- and short-term assignments. Consequently, Prosaf still has the opportunity to take advantage of increased rate levels in the segment for accommodation and service rigs. Market prospects are also positive in a longer perspective, and the company takes a positive view of opportunities for continued profitable development of the division.

All units in **Floating Production** are on long-term contracts. At the same time, the company has seen a steady increase in bid activity and is accordingly optimistic about winning a new FPSO project in the short term. Simultaneously, the company is adding capacity to its organisation in order to carry out several projects at a time.

A good cost structure, high operating regularity and upgrading projects for existing units also ensure good results in periods without new conversion projects.

Oslo, 5 August 2005

The board of directors of Prosaf ASA

> Main figures

PROFIT AND LOSS ACCOUNT	Q2 05	Q1 05	Q2 04	YTD 05	YTD 04	2004
(Unaudited figures in USD million)						
Operating revenues	81.2	64.9	68.1	146.1	123.1	257.6
Operating expenses	(40.3)	(33.7)	(38.6)	(74.0)	(61.3)	(122.0)
Operating profit before depreciation	40.9	31.2	29.5	72.1	61.8	135.6
Depreciation	(11.7)	(12.3)	(12.9)	(24.0)	(25.7)	(51.1)
Operating profit	29.2	18.9	16.6	48.1	36.1	84.5
Interest income	0.8	0.7	0.3	1.5	0.5	1.4
Interest expenses	(4.8)	(3.8)	(4.3)	(8.6)	(8.8)	(18.1)
Other financial items	(2.6)	2.2	(0.1)	(0.4)	(1.4)	1.6
Net financial items	(6.6)	(0.9)	(4.1)	(7.5)	(9.7)	(15.1)
Profit before taxes	22.6	18.0	12.5	40.6	26.4	69.4
Taxes	(1.9)	(3.7)	(0.6)	(5.6)	(2.0)	(4.3)
Net profit from continuing operations	20.7	14.3	11.9	35.0	24.4	65.1
Net profit from discontinued operations	0.6	0.4	0.9	1.0	2.4	5.1
Net profit	21.3	14.7	12.8	36.0	26.8	70.2
EPS (USD)	0.63	0.43	0.38	1.06	0.79	2.06
EPS diluted (USD)	0.63	0.43	0.38	1.06	0.79	2.06

RECONCILIATION OF NET PROFIT IFRS VS NGAAP			Q2 04		YTD 04
Net profit NGAAP			11.6		24.4
Goodwill amortisation			1.9		3.8
Borrowing costs			0.6		(0.1)
Maintenance costs			(1.3)		(1.3)
Net profit IFRS			12.8		26.8

BALANCE SHEET	30.06.2005	31.03.2005	01.01.2005	30.06.2004
(Unaudited figures in USD million)				
Goodwill	128.3	128.3	128.3	128.3
Rigs	369.7	373.0	375.0	384.7
Ships	179.3	183.3	187.6	196.8
Other fixed assets	9.4	10.2	11.0	10.3
Total fixed assets	686.7	694.8	701.9	720.1
Other current assets	56.4	44.9	38.3	41.6
Cash and deposits	139.4	146.1	121.6	106.9
Total current assets	195.8	191.0	159.9	148.5
Assets discontinued operations	96.5	100.4	121.5	103.8
Total assets	979.0	986.2	983.3	972.4
Share capital	44.7	44.7	44.7	44.7
Other equity	412.4	419.7	405.8	388.3
Total equity	457.1	464.4	450.5	433.0
Interest-free long-term liabilities	4.1	4.8	5.3	5.1
Interest-bearing long-term liabilities	383.3	385.9	392.8	397.5
Total long-term liabilities	387.4	390.7	398.1	402.6
Dividends payable	0.0	0.0	0.0	19.6
Other interest-free current liabilities	55.8	54.6	40.8	40.9
Interest-bearing current liabilities	19.6	19.6	17.4	17.4
Total current liabilities	75.4	74.2	58.2	77.9
Liabilities discontinued operations	59.1	56.9	76.5	58.9
Total equity and liabilities	979.0	986.2	983.3	972.4

RECONCILIATION EQUITY IFRS VS NGAAP				30.06.2004		
Equity NGAAP				446.5		
Pension liabilities				(22.5)		
Maintenance provisions				2.9		
Borrowing costs				(3.8)		
Deferred tax asset				6.1		
Goodwill				3.8		
Equity IFRS				433.0		

CASH FLOW STATEMENT	Q2 05	Q1 05	Q2 04	YTD 05	YTD 04	2004
(Unaudited figures in USD million)						
Profit before taxes	22.6	18.0	12.5	40.6	26.4	69.4
Unrealised currency (gain)/loss on long-term liabilities	(2.6)	(3.8)	(0.4)	(6.4)	1.0	11.7
Depreciation	11.7	12.3	12.9	24.0	25.7	51.1
Change in working capital	(10.3)	7.2	(18.5)	(3.1)	(27.8)	(23.3)
Other items from operating activities	(2.9)	(1.9)	3.3	(4.8)	1.8	7.7
Net cash flow from operating activities	18.5	31.8	9.8	50.3	27.1	116.6
Proceeds from sale of tangible fixed assets	0.0	2.6	0.0	2.6	7.8	7.8
Acquisition of tangible fixed assets	(3.6)	(7.8)	(8.5)	(11.4)	(8.7)	(15.9)
Net cash flow from investing activities	(3.6)	(5.2)	(8.5)	(8.8)	(0.9)	(8.1)
New interest-bearing long-term debt	0.0	50.0	0.0	50.0	101.1	101.1
Repayment of interest-bearing long-term debt	0.0	(50.9)	(10.8)	(50.9)	(111.7)	(113.1)
Dividends paid	(26.4)	0.0	0.0	(26.4)	(20.3)	(74.2)
Paid-in capital	0.0	0.6	0.0	0.6	1.5	1.5
Net cash flow from financing activities	(26.4)	(0.3)	(10.8)	(26.7)	(29.4)	(84.7)
Net cash flow from continuing operations	(11.5)	26.3	(9.5)	14.8	(3.2)	23.8
Net cash flow from discontinued operations	4.8	(1.8)	8.9	3.0	8.9	(3.4)
Cash and deposits at beginning of period	146.1	121.6	107.5	121.6	101.2	101.2
Cash and deposits at end of period	139.4	146.1	106.9	139.4	106.9	121.6

EQUITY MOVEMENT	Q2 05	Q1 05	Q2 04	YTD 05	YTD 04	2004
Equity at end of prior period	464.4	448.6	437.0	448.6	422.7	422.7
Change accounting principle for financial instruments	0.0	1.9	0.0	1.9	0.0	0.0
Equity at beginning of period	464.4	450.5	437.0	450.5	422.7	422.7
Net profit	21.3	14.7	12.8	36.0	26.8	70.2
Dividends	(26.4)	0.0	(20.3)	(26.4)	(20.3)	(53.8)
New equity	0.0	0.6	0.0	0.6	1.5	1.5
Change translation differences	(2.2)	(1.4)	3.5	(3.6)	2.3	8.0
Equity at end of period	457.1	464.4	433.0	457.1	433.0	448.6

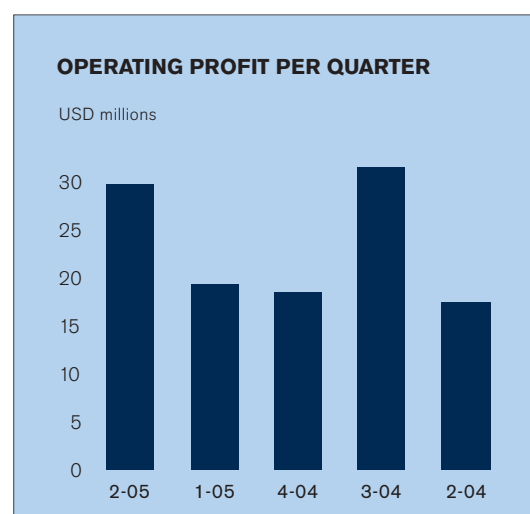
NET PROFIT FROM DISCONTINUED OPERATIONS	Q2 05	Q1 05	Q2 04	YTD 05	YTD 04	2004
(Unaudited figures in USD million)						
Operating revenues	38.5	41.9	56.8	80.4	109.1	212.7
Operating expenses	(35.9)	(37.7)	(52.8)	(73.6)	(100.3)	(193.6)
Operating profit before depreciation	2.6	4.2	4.0	6.8	8.8	19.1
Depreciation	(1.8)	(3.5)	(2.5)	(5.3)	(5.3)	(12.4)
Operating profit	0.8	0.7	1.5	1.5	3.5	6.7
Net financial items	0.1	(0.3)	0.1	(0.2)	0.2	0.4
Profit before taxes	0.9	0.4	1.6	1.3	3.7	7.1
Taxes	(0.3)	0.0	(0.7)	(0.3)	(1.3)	(2.0)
Net profit	0.6	0.4	0.9	1.0	2.4	5.1

KEY FIGURES	Note	Q2 05	Q1 05	Q2 04	YTD 05	YTD 04	2004
Operating margin	1	36.0%	29.1%	24.4%	32.9%	29.3%	32.8%
Equity ratio	2	46.7%	47.1%	44.5%	46.7%	44.5%	45.8%
Return on equity	3	18.8%	12.9%	11.8%	15.9%	12.5%	16.1%
Return on capital employed	4	15.0%	9.8%	8.2%	12.1%	8.9%	10.5%
Net interest bearing debt (USD million)	5	263.5	259.4	308.0	263.5	308.0	288.6
Number of shares (1 000 shares)		34 077	34 072	34 038	34 077	34 038	34 044
Average no of outstanding shares (1 000 shares)		34 055	34 043	33 982	34 049	33 982	34 008
Av no of outstanding and potential shares (1 000 shares)		34 064	34 065	34 029	34 061	34 019	34 021
USD/NOK exchange rate at end of period		6.55	6.33	6.94	6.55	6.90	6.04
Share price (NOK)		196.50	199.00	157.00	196.50	147.50	164.00
Share price (USD)		30.00	31.44	22.62	30.00	21.38	27.15
Market capitalisation (NOK million)		6 696	6 780	5 344	6 696	5 021	5 583
Market capitalisation (USD million)		1 022.3	1 071.1	770.0	1 022.3	727.6	924.4
Number of employees		1 469	1 466	2 016	1 469	1 956	1 457
Number of employees		1 465	1 457	1 956	1 457		

NOTES TO KEY FIGURES

- 1 (Operating profit / operating revenues) * 100
- 2 (Equity / total assets) * 100
- 3 Annualised [net profit / average book equity]
- 4 Annualised [(EBIT + interest income) / (average total assets continuing operations - average interest-free debt continuing operations)]
- 5 Interest-bearing debt - Cash and deposits

SHAREHOLDERS AT 26.07.05	No of shares	Ownership
GMO	3 076 493	9.0%
Brown Brothers Harriman	2 805 520	8.2%
State Street Bank & Trust (nom)	1 806 092	5.3%
JP Morgan Chase Bank	1 787 003	5.2%
Svenska Handelsbanken (nom)	1 682 995	4.9%
Folketrygdfondet	1 281 877	3.8%
JP Morgan Chase Bank (nom)	1 114 234	3.3%
Morgan Stanley & Co (nom)	973 846	2.9%
Odin	939 168	2.8%
Royal Trust Corporation of Canada (nom)	902 066	2.6%
Total 10 largest shareholders	16 369 294	48.0%
Number of shares: 34 077 441 Foreign ownership: 69.2%		



> Divisions

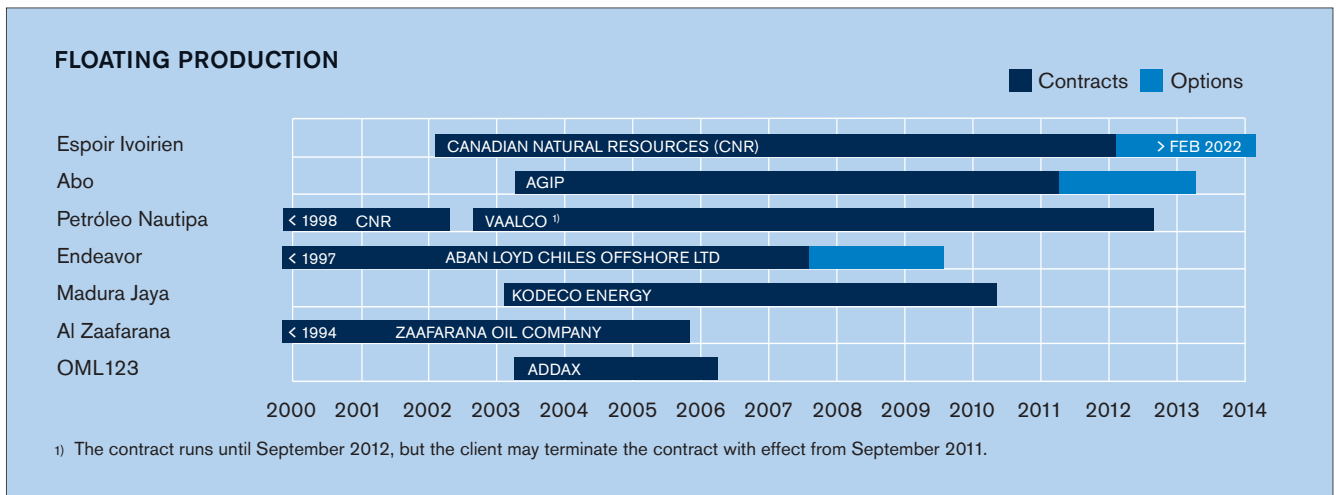
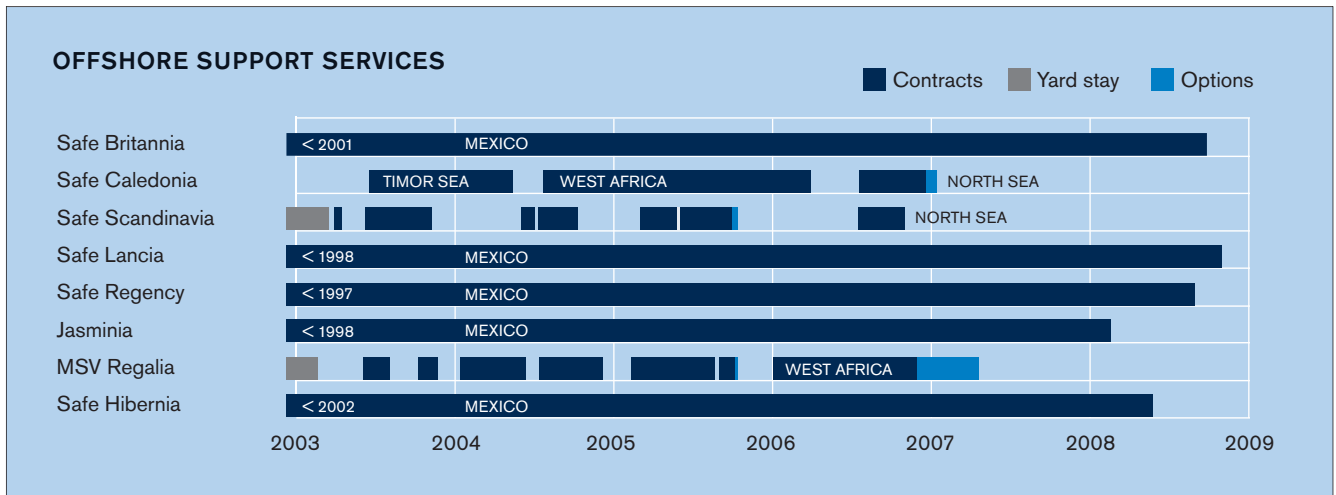
OFFSHORE SUPPORT SERVICES	Q2 05	Q1 05	Q2 04	YTD 05	YTD 04	2004
(Unaudited figures in USD million)						
Operating revenues	49.6	38.5	46.4	88.1	79.5	168.8
Operating expenses	(21.3)	(20.1)	(28.6)	(41.4)	(41.3)	(81.7)
Operating profit before depreciation	28.3	18.4	17.8	46.7	38.2	87.1
Depreciation	(7.2)	(7.8)	(7.4)	(15.0)	(14.8)	(30.6)
Operating profit	21.1	10.6	10.4	31.7	23.4	56.5
Total assets	443.2	431.9	445.8	443.2	445.8	427.5
Employees	122	121	115	122	115	119

FLOATING PRODUCTION	Q2 05	Q1 05	Q2 04	YTD 05	YTD 04	2004
(Unaudited figures in USD million)						
Operating revenues	31.8	26.7	22.1	58.5	44.1	89.3
Operating expenses	(18.2)	(13.1)	(9.5)	(31.3)	(18.9)	(37.5)
Operating profit before depreciation	13.6	13.6	12.6	27.2	25.2	51.8
Depreciation	(4.3)	(4.4)	(5.3)	(8.7)	(10.5)	(19.9)
Operating profit	9.3	9.2	7.3	18.5	14.7	31.9
Total assets	364.7	381.9	375.1	364.7	375.1	372.7
Employees	482	469	477	482	477	459

CORPORATE COSTS AND ELIMINATIONS	Q2 05	Q1 05	Q2 04	YTD 05	YTD 04	2004
(Unaudited figures in USD million)						
Operating revenues	(0.2)	(0.3)	(0.4)	(0.5)	(0.5)	(0.5)
Operating expenses	(0.8)	(0.5)	(0.5)	(1.3)	(1.1)	(2.8)
Operating profit before depreciation	(1.0)	(0.7)	(0.9)	(1.8)	(1.6)	(3.3)
Depreciation	(0.2)	(0.1)	(0.2)	(0.3)	(0.4)	(0.6)
Operating profit	(1.2)	(0.9)	(1.0)	(2.1)	(1.9)	(3.9)
Total assets	49.1	51.1	25.5	49.1	25.5	34.8
Employees	8	8	9	8	9	8

PROSAFE GROUP	Q2 05	Q1 05	Q2 04	YTD 05	YTD 04	2004
(Unaudited figures in USD million)						
Operating revenues	81.2	64.9	68.1	146.1	123.1	257.6
Operating expenses	(40.3)	(33.7)	(38.6)	(74.0)	(61.3)	(122.0)
Operating profit before depreciation	40.9	31.2	29.5	72.1	61.8	135.6
Depreciation	(11.7)	(12.3)	(12.9)	(24.0)	(25.7)	(51.1)
Operating profit	29.2	18.9	16.6	48.1	36.1	84.5
Total assets	979.0	986.2	972.4	979.0	972.4	983.3
Employees	1 469	1 466	2 016	1 469	2 016	1 457

> Contracts





A PRIORITERT
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